

## **Table of Contents**

**State/Territory Name: Arizona**

**State Plan Amendment (SPA) #: 21-0006**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Centers for Medicare & Medicaid Services  
Center for Medicaid & CHIP Services  
233 North Michigan Ave., Suite 600  
Chicago, Illinois 60601



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**Financial Management Group**

October 25, 2021

Jami Snyder, Director  
Arizona Health Care Cost Containment  
System 801 East Jefferson Street  
Phoenix, AZ 85034

RE: TN AZ-21-0006

Dear Director Snyder:

We have reviewed the proposed Arizona (AZ) State Plan Amendment (SPA) to Attachment 4.19-B AZ-21-0006, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on April 27, 2021. This plan amendment updates the methods and standards for reimbursing Arizona's School-Based Services Program.

Based upon the information provided by the State, we have approved the amendment with an effective date of October 1, 2021. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

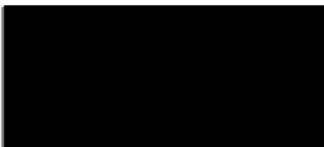
If you have any additional questions or need further assistance, please contact Blake Holt at 303-844-6218 or [blake.holt@cms.hhs.gov](mailto:blake.holt@cms.hhs.gov).

Sincerely,



Todd McMillion  
Director  
Division of Reimbursement Review

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: <b>21-006</b>	2. STATE <b>Arizona</b>
<b>FOR: HEALTH CARE FINANCING ADMINISTRATION</b>		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE <b>October 1, 2021</b>	
5. TYPE OF PLAN MATERIAL ( <i>Check One</i> ): NEW STATE PLAN                      AMENDMENT TO BE CONSIDERED AS NEW PLAN <b>X AMENDMENT</b>			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT ( <i>Separate Transmittal for each amendment</i> )			
6. FEDERAL STATUTE/REGULATION CITATION: <b>Sec. 1905(a) of the Social Security Act/42 CFR 447</b>		7. FEDERAL BUDGET IMPACT: <b>a. FFY 2021 \$0</b> <b>b. FFY 2022 \$14.1million</b>	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: <b>Attachment 4.19-B pp. 10-15</b>		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ): <b>Attachment 4.19-B pp. 10-16</b>	
10. SUBJECT OF AMENDMENT: <b>Describes the methods and standards for reimbursing school-based health and related services.</b>			
11. GOVERNOR'S REVIEW ( <i>Check One</i> ): <b>X GOVERNOR'S OFFICE REPORTED NO COMMENT</b> OTHER, AS SPECIFIED: COMMENTS OF GOVERNOR'S OFFICE ENCLOSED NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Dana Flannery 801 E. Jefferson, MD#4200 Phoenix, AZ 85034	
13. TYPED NAME: <b>Dana Flannery</b>			
14. TITLE: <b>Assistant Director</b>			
15. DATE SUBMITTED: <b>4/26/2021</b>			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: <b>April 27, 2021</b>		18. DATE APPROVED: <b>October 25, 2021</b>	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>October 1, 2021</b>		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: <b>Todd McMillion</b>		22. TITLE: <b>Director, Division of Reimbursement Review</b>	
23. REMARKS: <b>Pen and ink state concurrences: 6/18/21: Box 8: Add "and 16". 7/13/21: Box 7: Delete FFY 21 impact; FFY22 impact from "14.1 Million " to "\$7,050,000"; FFY23 impact added: "\$14,100,000".</b>			

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**DIRECT MEDICAID REIMBURSEMENT FOR CERTAIN MEDICAID SERVICES  
PROVIDED BY A PARTICIPATING LOCAL EDUCATION AGENCY (LEA)**

A. Reimbursement Methodology for School-Based Health and Related Services.

Local Education Agencies (LEAs) that elect to participate are reimbursed for certain medical services on a cost basis. These services are:

1. Speech-Language Pathology Services
2. Occupational Therapy Services
3. Physical Therapy Services
4. Nursing Services
5. Specialized Transportation Services
6. Behavioral Health Services
7. Personal Care Services
8. Audiology Services
9. Physician Services
10. Nurse Practitioner Services

All costs described within this methodology are for Medicaid services provided by qualified personnel or a qualified healthcare professional listed in Attachment 3.1-A Limitation, paragraph 4.b.ix of the Medicaid state plan.

All reimbursable services must meet the service definitions as described in the AHCCCS Medical Policy Manual (AMPM) and the AHCCCS Fee-For-Service Provider Manual. These services must be:

- Identified in:
  - An Individualized Education Program (IEP);
  - An Individualized Family Service Plan (IFSP);
  - Other Medical Plans of Care:
    - A Section 504 plan;
    - Any other documented individualized health or behavioral health plan or as otherwise determined medically necessary otherwise

B. Direct Medical Payment Methodology

LEAs will be reimbursed on a cost basis consistent with a certified public expenditure (CPE) reimbursement methodology. On an interim basis, LEAs will be reimbursed the federal share of the lesser of the rate contained in the AHCCCS fee-for-service (FFS) schedule or the amount billed by the LEA, minus an AHCCCS administrative fee and a TPA processing fee as identified in the LEA's participation agreement with the TPA.

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In accordance with the annual cost reconciliation process, the sum of the interim payments before fees are deducted will be reconciled with the federal share of the Medicaid portion of the total costs certified by the LEA.

C. Data Capture for the Cost of Providing Health-Related Services

Total direct and indirect costs, less any federal payments for these costs, will be captured utilizing the following data:

- a. Medicaid School Based Claiming Cost Reports received from LEAs;
- b. Arizona Department of Education (ADE) Unrestricted Indirect Cost Rate (UICR);
- c. The results of the Random Moment Time Studies (RMTS) including:
  - i. The calculated Direct Medical Services IEP/IFSP RMTS percentage;
  - ii. The calculated Direct Medical Service provided under Other Medical Plans of Care RMTS percentage.
- d. LEA specific Medicaid IEP Ratios.
  - i. Medicaid IEP or IFSP Ratio;
  - ii. Medicaid Ratio for Other Medical Plans of Care.

D. Data Sources and Cost Finding Steps

The following provides a description of the data sources and steps to complete the cost finding and reconciliation:

- 1) Allowable Costs: Direct costs for direct medical services include unallocated payroll costs and other unallocated costs that can be directly charged to direct medical services. Direct payroll costs include total compensation (i.e., salaries and benefits and contract compensation) of direct services personnel listed in the descriptions of the covered Medicaid services delivered by LEAs excluding transportation personnel (costs for transportation personnel are reported as defined in Section E). These direct costs will be calculated on a LEA-specific level and will be reduced by any federal payments for these costs (other than the interim payments), resulting in net direct costs.

The source of this financial data will be audited by the Uniform System of Financial Records (USFR) Chart of Accounts kept at the LEA level. Costs will be reported on an accrual basis.

- 2) Indirect costs are determined by applying the LEA's specific UICR to its net direct costs. The Arizona Department of Education is the cognizant agency for LEAs and approves unrestricted indirect cost rates for LEAs for the United States Department of Education. LEAs are not permitted to certify indirect costs that are outside their unrestricted indirect cost rate. An indirect cost rate is not applied to purchased or contracted costs that already include an indirect cost component. The indirect cost rate is calculated from costs that are not included in the allowable reported expenditures so there is no duplication of costs.

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Indirect Cost Calculation:

Multiply the ADE UICR by the net direct costs applicable for dates of service in the rate year.

- 3) Time Study Percentages: A CMS-approved time study is used to determine the percentage of time that medical service personnel spend on IEP/IFSP and Other Medical Plans of Care, Direct Medical Services, general and administrative time, and all other activities.

The RMTS methodology will utilize two cost pools.

- Cost pool A for Direct Medical Services (other than personal care services) provided by eligible staff and other medical services providers.
- Cost pool B for Direct Medical Services provided by personal care service providers only.

The RMTS will generate the Direct Medical Services Time Study percentages for each cost pool and percentages for each cost pool will be applied separately to the costs associated with:

- Direct Medical Services provided pursuant to an IEP/IFSP.
- Direct Medical Services provided pursuant to Other Medical Plans of Care.

The use of the CMS-approved time study methodology assures that no more than 100 percent of time and costs are captured and that the time study is statistically valid per 2 CFR Part 200.

- 4) Medicaid Enrollment Ratio Determination

Two distinct Medicaid Enrollment Ratios will be established for each participating LEA - the Medicaid IEP/IFSP Enrollment Ratio and the Medicaid Enrollment Ratio for Other Medical Plans of Care.

Medicaid IEP/IFSP Enrollment Ratio:

To determine the Medicaid IEP/IFSP Enrollment Ratio, the names, gender, and birthdates of students with a Direct Medical Service prescribed on an IEP/IFSP identified from the AHCCCS LEA's Enrollment October 1 Count Report are matched against the Medicaid enrollment file. The numerator will be the number of Medicaid enrolled students with a Direct Medical Service prescribed on an IEP/IFSP and the denominator will be the total number of students with a Direct Medical Service prescribed on an IEP/IFSP. The Medicaid IEP/IFSP Ratio will be calculated for each participating LEA on an annual basis.

Medicaid Enrollment Ratio for Other Medical Plans of Care:

To determine the Medicaid Enrollment Ratio for Other Medical Plans of Care, the names, gender, and birthdates of all students from the AHCCCS LEA's Enrollment October 1 Count Report are matched against the Medicaid enrollment file. The numerator will be the number of Medicaid enrolled students in the LEA and the denominator will be the total number of students in the LEA. The Medicaid Enrollment Ratio will be calculated for each participating LEA on an annual basis.

- 5) Calculation Medicaid Portion of Costs Associated with Direct Medical Services

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Calculation of the Medicaid Direct Medical Service costs pursuant to an IEP/IFSP:

Multiply the sum of net LEA direct costs and indirect costs by the statewide IEP/IFSP time study percentages for each cost pool, then multiply those products by the Medicaid IEP/IFSP Enrollment Ratio.

Calculation of the Medicaid Direct Medical Service costs pursuant to Other Medical Plans of Care:

Multiply the sum of net LEA direct costs and indirect costs by the statewide Other Medical Plans of Care time study percentages for each cost pool, then multiply those products by the Medicaid Enrollment Ratio for Other Medical Plans of Care.

E. Specialized Transportation Services Payment Methodology

School based specialized transportation is defined as a medically necessary service (as outlined in the IEP/IFSP of an enrolled Medicaid beneficiary) provided in a specially-adapted vehicle that has been physically-adjusted or designed (e.g., wheelchair lifts, ramps, etc.) to accommodate special needs children in the school-based setting. Note: The presence of only an aide (on a non-adapted bus/vehicle) or seat belts does not make a vehicle specially-adapted.

LEAs will be reimbursed for specialized transportation services on a cost basis consistent with a CPE reimbursement methodology. On an interim basis, LEAs will be reimbursed the federal share of the lesser of the rate contained in the AHCCCS FFS schedule or the amount billed by the LEA, minus an AHCCCS administrative fee and a TPA processing fee as identified in the LEA's provider participation agreement.

In accordance with the cost reconciliation process, the sum of the interim payments before fees are deducted will be reconciled with the federal share of the Medicaid portion of the total costs certified by the LEA.

Transportation to and from school may be claimed as a Medicaid service when the following conditions are met:

- 1) Specialized transportation is specifically listed in the IEP/IFSP as a required service;
- 2) The child requires specialized transportation in a vehicle with physical adaptations designed to accommodate an individual with a disability;
- 3) A Medicaid eligible service is provided on the day that the specialized transportation is billed; and
- 4) The service billed only represents one-way trip(s) on the specially adapted transportation for a Direct Medical Service listed in the IEP/IFSP;
- 5) The LEA must be registered with AHCCCS as a transportation provider and must meet the same provider qualifications as all AHCCCS transportation providers (e.g., proof of insurance and licensure of school bus drivers).

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Transportation costs included on the Cost Report worksheet will only include those personnel and non-personnel costs associated with specialized transportation reduced by any federal payments for these costs (other than the interim payments), resulting in net costs for transportation. The Cost Report includes costs for the following:

1. Bus Drivers/Aides
2. Mechanics/Mechanic Assistant
3. Substitute Drivers
4. Fuel/Oil
5. Repairs & Maintenance
6. Lease/Rentals
7. Insurance Costs
8. Purchased Professional Transportation Services and/or Equipment
9. Depreciation

The source of this financial data will be audited by the Uniform System of Financial Records (USFR) Chart of Accounts kept at the LEA level. Costs will be reported on an accrual basis.

When LEAs are not able to discretely identify the specialized transportation costs from the general education transportation costs, a specialized transportation cost discounting methodology will be applied. A rate will be established and applied to the total transportation cost of the LEA. This rate will be based on the Total IEP/IFSP Special Education Students in LEA Receiving Specialized Transportation divided by the Total Students in the LEA Receiving General Transportation. The result of this rate (% of total students receiving transportation that are IEP/IFSP students requiring specialized transportation) multiplied by the Total LEA Transportation Cost will be included on the cost report.

This cost will be further discounted by the ratio of eligible Medicaid Enrolled Special Education IEP/IFSP One-Way Trips divided by the total number of Special Education IEP/IFSP One-Way Trips. This data will be provided from bus logs. The process will ensure that only one-way trips for Medicaid enrolled Special Education children with IEP/IFSP's are billed and reimbursed.

F. The Cost Reconciliation Process

The cost reconciliation process must be completed within twenty-four months of the end of the Cost Report due date (up to 5 months after the state fiscal year ends). Effective with reporting of SFY 2023 activity, the cost reconciliation and settlement processes are to be completed within nineteen months of the Cost Report due date (up to 5 months after the state fiscal year ends). The total CMS-approved, Medicaid allowable scope of costs based on CMS-approved cost allocation methodology procedures are compared to the LEA's Medicaid interim payments during the reporting period as documented in the

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Medicaid Management Information System (MMIS).

1. Annual Cost Report Process

The annual Cost Report process is the first step in the cost reconciliation process. For Medicaid services provided in schools during the state fiscal year (July 1 through June 30) each LEA must complete an annual Cost Report. The Cost Report is due up to five months after the fiscal year ends. At the discretion of AHCCCS, LEAs may be granted up to a one month extension.

The primary purposes of the LEA provider's cost report are to:

- 1) Document the LEA provider's total CMS approved Medicaid-allowable costs of delivering Medicaid coverable services using a CMS approved cost allocation methodology.
- 2) Reconcile the annual interim payments to the LEA provider's total CMS approved, Medicaid-allowable costs using a CMS approved cost allocation methodology.

The annual Medicaid Cost Report includes a Certification of Funds Public Expenditure Form certifying the LEA's actual, incurred costs/expenditures. All filed annual Cost Reports are subject to desk review by AHCCCS or its designee.

2. The Cost Settlement Process

- If the sum of the interim payments to a LEA (before fees are deducted) exceeds the federal share of the Medicaid portion of the actual, certified costs for the delivery of school based health services, the LEA is required to return an amount equal to the overpayment (less the associated AHCCCS administrative fee) to the State. Overpayments will be paid by the LEAs promptly to AHCCCS.
- If the federal share of the Medicaid portion of a LEA's actual, certified costs exceed the sum of the interim payments before fees are deducted, AHCCCS will pay the LEA the difference (less the AHCCCS administrative fee)

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Reserved for future use.