Contract Year Ending 2022
Arizona Long Term Care System
Department of Economic Security/
Division of Developmental Disabilities
Capitation Rate Certification Amendment

October 1, 2021 through September 30, 2022

Prepared for:
The Centers for Medicare & Medicaid Services

Prepared by:
AHCCCS Division of Health Care Management

February 14, 2022

CYE 22 ALTCS DES/DDD Program Capitation Rate Certification Amendment

Introduction and Limitations

The purpose of this rate certification amendment is to provide documentation for compliance with the applicable provisions of 42 CFR Part 438. This rate certification amendment documents the revision of capitation rates from those previously certified for the Arizona Long Term Care System (ALTCS) Department of Economic Security/Division of Developmental Disabilities (DES/DDD) Program in the actuarial rate certification signed August 11, 2021. On January 19, 2022, CMS approved AHCCCS' spending plan for HCBS initiatives authorized and funded under section 9817 of the American Rescue Plan Act (ARPA). Pursuant to the Act, spending plan initiatives enhance, expand, or strengthen the provision of HCBS under the state's Medicaid program. This amendment is necessary to incorporate additional projected expenses due to the extension of the public health emergency (PHE) and the CMS approval of the AHCCCS' spending plan into the ALTCS DES/DDD capitation rates. This approval had not been received at the time of the prior actuarial rate certification submission. There are no other changes to data, assumptions, or methodologies from the prior actuarial rate certification besides the ones listed in this amendment. Due to the previously documented fee schedule change (Proposition 206 Minimum Wage Increase) effective January 1, 2022, this rate certification amendment covers two sets of capitation rates. One set of capitation rates is effective for the time frame October 1, 2021 through December 31, 2021, and the second set is effective for the time frame January 1, 2022 through September 30, 2022. The rate development process is the same for both sets of capitation rates except the latter set includes the impact of the Proposition 206 Minimum Wage Increase adjustment, as documented in the prior actuarial rate certification.

This rate certification amendment was prepared for the Centers for Medicare & Medicaid Services (CMS), or its actuaries, for review and approval of the actuarially sound certified capitation rates contained herein. This rate certification amendment may not be appropriate for any other purpose. The actuarially sound capitation rates represent projections of future events. Actual results may vary from the projections.

This rate certification amendment may also be made available publicly on the AHCCCS website or distributed to other parties. If this rate certification amendment is made available to third parties, then this rate certification amendment should be provided in its entirety along with the original rate certification and any previous amendments. Any third party reviewing this rate certification amendment should be familiar with the AHCCCS Medicaid managed care program, the provisions of 42 CFR Part 438 applicable to the original rate certification and any previous amendments, the 2021-2022 Medicaid Managed Care Rate Development Guide (2022 Guide), Actuarial Standards of Practice and generally accepted actuarial principles and practices.

The 2022 Guide describes the rate development standards and appropriate documentation to be included within Medicaid managed care rate certifications. This rate certification amendment includes section numbering that is consistent with the major section numbering in the 2022 Guide. This amendment only addresses changes from the original certification; it does not purport to address all subsections of the 2022 Guide as most subsections are unchanged.

Section I Medicaid Managed Care Rates

The capitation rates included with this rate certification are considered actuarially sound according to 42 CFR § 438.4(a) and 42 CFR § 438.4(b). The state did not opt to develop capitation rate ranges, therefore adherence to 42 CFR § 438.4(c) is not required.

- § 438.4(a) Actuarially sound capitation rates defined. Actuarially sound capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the MCO, PIHP, or PAHP for the time period and the population covered under the terms of the contract, and such capitation rates are developed in accordance with the requirements in paragraph (b) of this section.
- § 438.4(b) CMS review and approval of actuarially sound capitation rates. Capitation rates for MCOs, PIHPs, and PAHPs must be reviewed and approved by CMS as actuarially sound. To be approved by CMS, capitation rates must:
- § 438.4(b)(1) Have been developed in accordance with standards specified in § 438.5 and generally accepted actuarial principles and practices. Any differences in the assumptions, methodologies, or factors used to develop capitation rates for covered populations must be based on valid rate development standards that represent actual cost differences in providing covered services to the covered populations. Any differences in the assumptions, methodologies, or factors used to develop capitation rates must not vary with the rate of Federal financial participation (FFP) associated with the covered populations in a manner that increases Federal costs. The determination that differences in the assumptions, methodologies, or factors used to develop capitation rates for MCOs, PIHPs, and PAHPs increase Federal costs and vary with the rate of FFP associated with the covered populations must be evaluated for the entire managed care program and include all managed care contracts for all covered populations. CMS may require a State to provide written documentation and justification that any differences in the assumptions, methodologies, or factors used to develop capitation rates for covered populations or contracts represent actual cost differences based on the characteristics and mix of the covered services or the covered populations.
- § 438.4(b)(2) Be appropriate for the populations to be covered and the services to be furnished under the contract.
- § 438.4(b)(3) Be adequate to meet the requirements on MCOs, PIHPs, and PAHPs in §§ 438.206, 438.207, and 438.208.
- § 438.4(b)(4) Be specific to payments for each rate cell under the contract.
- § 438.4(b)(5) Payments from any rate cell must not cross-subsidize or be cross-subsidized by payments for any other rate cell.
- § 438.4(b)(6) Be certified by an actuary as meeting the applicable requirements of this part, including that the rates have been developed in accordance with the requirements specified in § 438.3(c)(1)(ii) and (e).
- § 438.4(b)(7) Meet any applicable special contract provisions as specified in § 438.6.
- § 438.4(b)(8) Be provided to CMS in a format and within a timeframe that meets requirements in § 438.7.

- § 438.4(b)(9) Be developed in such a way that the MCO, PIHP, or PAHP would reasonably achieve a medical loss ratio standard, as calculated under § 438.8, of at least 85 percent for the rate year. The capitation rates may be developed in such a way that the MCO, PIHP, or PAHP would reasonably achieve a medical loss ratio standard greater than 85 percent, as calculated under § 438.8, as long as the capitation rates are adequate for reasonable, appropriate, and attainable non-benefit costs.

Additionally, the term actuarially sound is defined in Actuarial Standard of Practice (ASOP) 49, "Medicaid Managed Care Capitation Rate Development and Certification," as:

> "Medicaid capitation rates are "actuarially sound" if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes."

As stated on pages 2 and 3 of the 2022 Guide, CMS will also use these three principles in applying the regulation standards:

- the capitation rates are reasonable and comply with all applicable laws (statutes and regulations) for Medicaid managed care;
- the rate development process complies with all applicable laws (statutes and regulations) for the Medicaid program, including but not limited to eligibility, benefits, financing, any applicable waiver or demonstration requirements, and program integrity; and
- the documentation is sufficient to demonstrate that the rate development process meets the requirements of 42 CFR Part 438 and generally accepted actuarial principles and practices.

I.1. General Information

The certified CYE 22 capitation rates for the ALTCS DES/DDD Program are effective for the 12-month time period from October 1, 2021 through September 30, 2022, with one set of capitation rates being effective for the 3-month time period from October 1, 2021 through December 31, 2021 and the second set of capitation rates being effective for the 9-month time period from January 1, 2022 through September 30, 2022. Both sets of capitation rates have changed from the prior CYE 22 capitation rate certification. The changes documented in this rate certification amendment are ARPA initiatives which impact service delivery or administrative expenses.

The actuarial certification letter for the revised CYE 22 capitation rates for the ALTCS DES/DDD Program, signed by Erica Johnson, ASA, MAAA, is in Appendix 1. Ms. Johnson meets the requirements for the definition of an Actuary described at 42 CFR § 438.2 at 81 FR 27854.

Ms. Johnson certifies that the revised CYE 22 capitation rates for the ALTCS DES/DDD Program contained in this rate certification amendment are actuarially sound and meet the standards within the applicable provisions of 42 CFR Part 438.

The final and certified capitation rates by rate cell are located in Appendix 2. Additionally, the ALTCS DES/DDD Program contract includes the final and certified capitation rates by rate cell in accordance with 42 CFR § 438.3(c)(1)(i). The ALTCS DES/DDD Program contract uses the term risk group instead of rate cell. This rate certification amendment will use the term rate cell to be consistent with the applicable provisions of 42 CFR Part 438, the 2022 Guide, and the original rate certification.

This rate certification amendment retroactively adjusts capitation rates to the beginning of the rating period to account for ARPA measures approved by CMS after the start of the rating period. Some of these ARPA measures had been previously included in the original rate certification and expected to end during the rating period (due to the end of the PHE) based on flexibilities approved under Appendix K authority, or waiver authority. The adjustments allow for the continuation of those measures past the end of the PHE.

The data, assumptions, and methodologies used to develop the magnitude of the adjustments are included below in I.3. Projected Benefit Costs and Trends and I.5. Projected Non-Benefit Costs. The state has not made any previous adjustment to rates in the rating period by a *de minimis* amount or otherwise. This rate certification amendment will address and account for all differences from the most recently certified rates.

Proposed differences among the CYE 22 capitation rates for the ALTCS DES/DDD Program are based on valid rate development standards and are not based on the rate of Federal financial participation (FFP) for the populations covered under the ALTCS DES/DDD Program. The CYE 22 capitation rates for the ALTCS DES/DDD Program were developed at the rate cell level. There is no cross-subsidization of payments between the rate cells in the ALTCS DES/DDD Program. The effective dates of changes to the ALTCS DES/DDD Program are consistent with the assumptions used to develop the CYE 22 capitation rates for the ALTCS DES/DDD Program. The capitation rates were developed such that ALTCS DES/DDD

would reasonably achieve a medical loss ratio of at least 85 percent for CYE 22, as calculated under 42 CFR § 438.8.

In the actuary's judgement, all adjustments to the capitation rates, or to any portion of the capitation rates, reflect reasonable, appropriate, and attainable costs. To the actuary's knowledge, there are no reasonable, appropriate, and attainable costs which have not been included in the rate certification amendment. There have been no adjustments to the rates performed outside the rate setting process described in the rate certification. The CYE 22 capitation rates certified in this report represent the contracted rates by rate cell. The state will submit a contract amendment to CMS.

The list of possible amendments which would impact capitation rates in the future are shown in Table 1 below, along with the potential submission date, and the reason why the current certification cannot account for the changes anticipated to be made to the rates.

Table 1: Future Rate Amendments

Possible Amendment	Potential Submission Date	Reason for Not Including in Current Certification
American Rescue Plan Act (ARPA) initiatives	July 2022	AHCCCS plans to submit pre-prints to CMS for CYE 22 implementation of directed payments authorized under 42 CFR § 438.6(c) and approved in the AHCCCS spending plan for section 9817 of ARPA. Upon submission, the DHCM Actuarial Team will submit amended certifications documenting the directed payments.

I.2. Data

Please see the original certification for all data sources used or reviewed in the development of the medical portion of the CYE 22 capitation rates for the ALTCS DES/DDD Program, along with information on completeness, accuracy, and consistency of the data. Additional data used in the revision of non-benefit costs is addressed below in Section I.5. Projected Non-Benefit Costs.

I.3. Projected Benefit Costs and Trends

The final capitation rates are based only upon services allowed under 42 CFR § 438.3(c)(1)(ii) and 42 CFR § 438.3(e).

The information provided here is specific to the changes associated with approved ARPA initiatives which impact projected benefit costs. Additional changes associated with approved ARPA initiatives are addressed in Section I.5. Projected Non-Benefit Costs.

The ALTCS DES/DDD Program gross medical expenses are revised to incorporate extensions of program changes originally assumed to end during the rating period. These items are extended by Appendix K authority through the end of the PHE and extended after the end of the PHE as approved items under the ARPA spending plan. The program change impacts being revised are Reimbursement for HCBS Delivered by Parents, ALTCS Home Delivered Meals *, and Personal Care Services in Short-Term Acute

Care Settings *. Information about each of these items is provided below. Material impacts (defined as changes greater than 0.2%) are shown individually. Non-material impacts (denoted by an asterisk) are grouped together for display purposes.

Reimbursement for HCBS Delivered by Parents

CMS approved AHCCCS' requested 1115 Waiver Appendix K authority to reimburse parents or legally responsible individuals for HCBS provided to a child under the age of 18 years. The authority is projected to be effective until June 30, 2022, the last day of the quarter in which the federal emergency declaration is projected to end. The CYE 22 ALTCS DES/DDD rate certification signed August 11, 2021 and submitted to CMS included adjustments for costs of parent caregiver services for the period October 1, 2021 to March 31, 2022. Upon expiration of the Appendix K authority, the state will continue coverage of parent caregiving services as part of AHCCCS' approved American Rescue Plan Act, Section 9817 spending plan. To estimate the impact of extending coverage after the March 31, 2022 end date assumed in the original certification, the AHCCCS DHCM financial analysts reviewed encounters for the period March 1, 2020 to December 31, 2020. The analysts projected that monthly service use from April 1, 2022 to September 30, 2022 of the rating period would be similar to the level of monthly use in the encounters reviewed. The overall impact of the change is displayed below in Table 2. Totals may not add up due to rounding.

Table 2: Reimbursement for HCBS Delivered by Parents

Rate Component	PMPM Impact	Dollar Impact
LTSS	$14.70	$6,673,623
Integrated Care Services	$0.00	$0
Total	$14.70	$6,673,623

ALTCS Home Delivered Meals *

CMS approved AHCCCS' requested 1115 Waiver Appendix K authority to expand the provision of home delivered meals to members enrolled in the ALTCS DES/DDD program. The authority is projected to be effective until June 30, 2022, the last day of the quarter in which the federal emergency declaration is projected to end. The CYE 22 ALTCS DES/DDD rate certification signed August 11, 2021 and submitted to CMS included adjustments for costs of home delivered meals for the period October 1, 2021 to March 31, 2022. Upon expiration of the Appendix K authority, the state will continue coverage for home delivered meals to ALTCS DDD members as part of AHCCCS' approved American Rescue Plan Act, Section 9817 spending plan. The revised CYE 22 ALTCS DES/DDD rates include adjustments for costs of home delivered meals provided after the March 31, 2022 end date assumed in the original certification.

Personal Care Services in Short-Term Acute Care Settings *

CMS approved AHCCCS' requested 1115 Waiver Appendix K authority to reimburse for personal care services delivered to an ALTCS member during an acute care hospital or short-term institutional stay. The authority is projected to be effective from March 13, 2020 until June 30, 2022, the last day of the quarter in which the federal emergency declaration is projected to end. The CYE 22 ALTCS DES/DDD rate certification signed August 11, 2021 and submitted to CMS included adjustments for costs of these personal care services for the period October 1, 2021 to March 31, 2022. Upon expiration of the

Appendix K authority, the state will continue coverage of personal care to ALTCS members in short term acute care hospital or short-term institutional stay settings as part of AHCCCS' approved American Rescue Plan Act, Section 9817 spending plan. The revised CYE 22 ALTCS DES/DDD rates include adjustments for costs of these personal care services provided after the March 31, 2022 end date assumed in the original certification.

The combined non-material impacts associated with the extension of the PHE and the ARPA spending plan approval for services delivered from April 1, 2022 to September 30, 2022 is displayed below in Table 3. Totals may not add up due to rounding.

Table 3: Combined Non-Material Changes

Rate Component	PMPM Impact	Dollar Impact
LTSS	$1.60	$725,852
Integrated Care Services	$0.41	$187,384
Total	$2.01	$913,235

The actuary has made no changes to the projected benefit cost trend assumptions for the CYE 22 capitation rates for the ALTCS DES/DDD Program. All material and non-material changes have been included in the rate development process and are documented above.

I.4. Special Contract Provisions Related to Payment

There have been no changes to incentive arrangements, withhold arrangements, state directed payments, or risk-sharing mechanisms from the original rate certification.

I.5. Projected Non-Benefit Costs

On January 19, 2022, CMS approved AHCCCS' spending plan for HCBS initiatives authorized and funded under section 9817 of the American Rescue Plan Act. Pursuant to the Act, spending plan initiatives enhance, expand, or strengthen the provision of HCBS under the state's Medicaid program. The revised CYE 22 ALTCS DES/DDD rates include adjustments for additional non-benefit costs associated with implementing two of the approved ARPA spending plan initiatives during the rating period. Both initiatives are for information technology investments, including funding to furnish devices to case management staff for use in person-centered planning and funding the development of an online dashboard of HCBS metrics. The data used to develop the estimated impacts was device costs multiplied by the number of case managers and ALTCS DES/DDD's share of the expense for a research study to determine the data, metrics, and design of the dashboard. The estimated impact of changes to non-benefit costs included in the revised capitation rates is $287k, or $0.63 PMPM.

I.6. Risk Adjustment and Acuity Adjustments

Please see the original rate certifications for additional information. There have been no changes to the capitation rate development process in this regard.

Section II Medicaid Managed Care Rates with Long-Term Services and Supports

Please see the original rate certification for additional information. The data, assumptions, and methodologies used for the revision of the projected gross medical expenses and administrative expenses for the CYE 22 capitation rates are described above in Sections I.3. and I.5. There are no other changes from the original rate certification.

Section III New Adult Group Capitation Rates

Please see the original rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

Appendix 1: Actuarial Certification

I, Erica Johnson, ASA, MAAA, am an employee of Arizona Health Care Cost Containment System (AHCCCS). I meet the qualification standards established by the American Academy of Actuaries and have followed the practice standards established the Actuarial Standards Board.

The capitation rates included with this rate certification are considered actuarially sound according to the following criteria from 42 CFR § 438.4(a) and 42 CFR § 438.4(b). The state did not opt to develop capitation rate ranges, therefore adherence to 42 CFR § 438.4(c) is not required.

- § 438.4(a) Actuarially sound capitation rates defined. Actuarially sound capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the MCO, PIHP, or PAHP for the time period and the population covered under the terms of the contract, and such capitation rates are developed in accordance with the requirements in paragraph (b) of this section.
- § 438.4(b) CMS review and approval of actuarially sound capitation rates. Capitation rates for MCOs, PIHPs, and PAHPs must be reviewed and approved by CMS as actuarially sound. To be approved by CMS, capitation rates must:
- § 438.4(b)(1) Have been developed in accordance with standards specified in § 438.5 and generally accepted actuarial principles and practices. Any differences in the assumptions, methodologies, or factors used to develop capitation rates for covered populations must be based on valid rate development standards that represent actual cost differences in providing covered services to the covered populations. Any differences in the assumptions, methodologies, or factors used to develop capitation rates must not vary with the rate of Federal financial participation (FFP) associated with the covered populations in a manner that increases Federal costs. The determination that differences in the assumptions, methodologies, or factors used to develop capitation rates for MCOs, PIHPs, and PAHPs increase Federal costs and vary with the rate of FFP associated with the covered populations must be evaluated for the entire managed care program and include all managed care contracts for all covered populations. CMS may require a State to provide written documentation and justification that any differences in the assumptions, methodologies, or factors used to develop capitation rates for covered populations or contracts represent actual cost differences based on the characteristics and mix of the covered services or the covered populations.
- § 438.4(b)(2) Be appropriate for the populations to be covered and the services to be furnished under the contract.
- § 438.4(b)(3) Be adequate to meet the requirements on MCOs, PIHPs, and PAHPs in §§ 438.206, 438.207, and 438.208.
- § 438.4(b)(4) Be specific to payments for each rate cell under the contract.
- § 438.4(b)(5) Payments from any rate cell must not cross-subsidize or be cross-subsidized by payments for any other rate cell.
- § 438.4(b)(6) Be certified by an actuary as meeting the applicable requirements of this part, including that the rates have been developed in accordance with the requirements specified in § 438.3(c)(1)(ii) and (e).
- § 438.4(b)(7) Meet any applicable special contract provisions as specified in § 438.6.
- § 438.4(b)(8) Be provided to CMS in a format and within a timeframe that meets requirements in § 438.7.
- § 438.4(b)(9) Be developed in such a way that the MCO, PIHP, or PAHP would reasonably achieve a medical loss ratio standard, as calculated under § 438.8, of at least 85 percent for the

> rate year. The capitation rates may be developed in such a way that the MCO, PIHP, or PAHP would reasonably achieve a medical loss ratio standard greater than 85 percent, as calculated under § 438.8, as long as the capitation rates are adequate for reasonable, appropriate, and attainable non-benefit costs.

Additionally, the term actuarially sound is defined in Actuarial Standard of Practice (ASOP) 49, "Medicaid Managed Care Capitation Rate Development and Certification," as:

> "Medicaid capitation rates are "actuarially sound" if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes."

The data, assumptions, and methodologies used to revise the CYE 22 capitation rates for the ALTCS DES/DDD Program have been documented above. The revised CYE 22 capitation rates for the ALTCS DES/DDD Program are effective for the 3-month time period from October 1, 2021 through December 31, 2021 and the 9-month period from January 1, 2022 through September 30, 2022.

The actuarially sound capitation rates are based on projections of future events. Actual results may vary from the projections. In developing the actuarially sound capitation rates, I have relied upon data and information provided by AHCCCS and ALTCS DES/DDD. I have relied upon AHCCCS and the ALTCS DES/DDD Program for the accuracy of the data and I have accepted the data without audit, after checking the data for reasonableness and consistency.

SIGNATURE ON FILE	February 14, 2022
Erica Johnson	Date

Associate, Society of Actuaries
Member, American Academy of Actuaries

Appendix 2: Exhibits

ALTCS DES/DDD Capitation Rates

	Effective 10/1/2021 through 12/31/2021		Percentage Change	Dollar Change	Projected MMs
	Original	Revised			
Regular DDD	$5,370.51	**$5,388.24**	0.33%	$1,988,359	112,202
Targeted Case Management	$181.02	**$181.02**	0.00%	$0	16,318

	Effective 1/1/2022 through 9/30/2022		Percentage Change	Dollar Change	Projected MMs
	Original	Revised			
Regular DDD	$5,417.63	**$5,435.55**	0.33%	$6,127,553	341,842
Targeted Case Management	$181.02	**$181.02**	0.00%	$0	51,346

	Weighted Average CYE 22		Percentage Change	Dollar Change	Projected MMs
	Original	Revised			
Regular DDD	$5,405.99	$5,423.86	0.33%	$8,115,912	454,045
Targeted Case Management	$181.02	$181.02	0.00%	$0	67,664