



**Arizona Section 1115 Waiver  
Amendment Request:  
Institutions for  
Mental Disease (IMD)**



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## Arizona Section 1115 Waiver Amendment Request Institutions for Mental Disease (IMD)

### **I. SUMMARY**

The Arizona Health Care Cost Containment System (AHCCCS) is requesting an amendment to the 1115 Research and Demonstration Waiver to seek expenditure authority to claim as medical assistance of cost of services provided to Medicaid beneficiaries' ages 21-64 who receive inpatient services in an Institution for Mental Disease (IMD), regardless of delivery system.

In addition, the State is seeking expenditure authority, notwithstanding the IMD limitations in 42 CFR 438.6(e), for capitation payments to managed care entities under contracts that permit those entities to provide enrollees aged 21-64 inpatient services in IMDs regardless of the length of stay so long as the contract complies with the requirements for services in lieu of State plan services under 42 CFR 438.3(e) including the requirement in 42 CFR 438.3(e) that the actual costs of the in lieu of service are taken into account in determining capitation rates. In addition, the State is seeking expenditure authority for the costs of services provided to any eligible individuals aged 21-64 receiving inpatient treatment in an Institution for Mental Disease, including Institutions for Mental Disease that are also public institutions, notwithstanding paragraphs (A) and (B) following Section 1905(a)(29) and 42 CFR 435.1009 to ensure equal access to care for managed care and fee-for-service members.

The objective of this waiver is to maintain enrollee access to behavioral health services and ensure that individuals receive care in the facility most appropriate to their needs. Specifically, a waiver of the IMD exclusion would allow psychiatric facilities (i.e., hospitals, nursing facilities, or other institutions of more than 16 beds that are primarily engaged in providing diagnosis, treatment or care of persons with mental diseases, including medical attention, nursing care and related services) to be able to continue to provide reimbursable services to all AHCCCS members. Arizona has long demonstrated successful use of IMDs through in lieu authorities and restrictions imposed by the CMS managed care regulations has the potential to impact member access to care. Preserving this ability and allowing equal access for fee-for-service beneficiaries would be the most appropriate and cost-effective way to preserve that access to care.

The State requests that expenditures related to providing services in an IMD be regarded as expenditures under the State's Medicaid Title XIX State Plan.

### **II. OVERVIEW**

Prior to July 5, 2016, the effective date of CMS's new managed care regulation, Arizona's contracts with Managed Care Organizations (MCOs) permitted the MCOs to cover inpatient services provided in IMDs regardless of the length of stay in lieu of providing those services in facilities that were not IMDs based on the State's actuarial certification that use of IMDs was a cost-effective alternative to State Plan services.

CMS's July 2016 regulation (Federal Rule 42 C.F.R. 438.6(e) as amended) prohibits federal funding for stays in IMDs for more than 15 days during a calendar month for members aged 21-64 and does not allow for the use of the in lieu authorities.

Specifically, the rule prohibits AHCCCS from claiming federal financial participation for a monthly payment made by AHCCCS to a member's Managed Care Organization responsible for all care of the member when the member's stay in an IMD is longer than 15 days during any given month.

An IMD is defined in federal statute as a hospital, nursing facility, or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment or care of persons with mental diseases, including medical attention, nursing care and related services. CMS has published sub-regulatory guidance in the State Medicaid Manual that clarifies this definition. The manual interprets an IMD to include any institution that by its overall character is a facility that is established and maintained primarily for the care and treatment of individuals with mental diseases even if it is not licensed as an IMD. The manual states to the extent any of the following criteria are met, a thorough IMD assessment must be made:

- The facility is licensed or accredited as psychiatric facility.
- The facility is under the jurisdiction of the state's mental health authority. (This criterion does not apply to facilities under mental health authority that are not providing services to mentally ill persons.)
- The facility specializes in providing psychiatric/psychological care and treatment. This may be ascertained through review of patients' records. It may also be indicated by the fact that an unusually large proportion of the staff has specialized psychiatric/psychological training or that a large proportion of the patients is receiving psychopharmacological drugs.
- The current need for institutionalization for more than 50% of all the patients in the facility results from mental diseases.

In accordance with previous in lieu authorities, AHCCCS has demonstrated the effective use of IMDs as an important component of the Medicaid network, facilitating access to services in the most appropriate setting and complementing a variety of other service settings. As such, changes to this authority will result in network disruption and have a potential to impact access to care. Preserving this ability and allowing equal access for fee-for-service beneficiaries would be the most appropriate and cost-effective way to preserve that access to care.

### **III. ALLOTMENT NEUTRALITY**

Not applicable. The amendment does not impact the XXI population.

### **IV. DETAILS**

#### **A. Proposed Cost Sharing Requirements under the Demonstration as Amended.**

The cost sharing requirements for persons impacted by this proposed demonstration amendment will not change from the State's current program features as described in the current State Plan and Demonstration.

#### **B. Proposed Changes to the Delivery System under the Demonstration as Amended.**

The delivery system for persons impacted by this proposed demonstration amendment will be expanded to include services provided in IMDs for as many days as are medically necessary in any month.

C. Proposed Changes to Benefit Coverage under the Demonstration as Amended.

Arizona is seeking expenditure authority for otherwise covered services provided to all Medicaid-eligible individuals aged 21 through 64 who receive services in an Institution for Mental Disease (IMD), regardless of delivery system, as a mechanism to ensure access to appropriate behavioral health care services across the State. In addition, for managed care enrollees, services in an IMD for any length of stay would be permissible as services in lieu of State Plan services based on the State's actuarial certification that the actual cost of IMD services is more cost effective than services in a setting that is not an IMD.

D. Proposed Changes to Eligibility Requirements. Eligibility requirements will not change from the State's current program features as described in the current State Plan and Demonstration.

E. Waiver and Expenditure Authorities Necessary to Authorize the Demonstration. Arizona is requesting expenditure authority under Section 1115 to claim as medical assistance:

1. The costs of services provided to any eligible individuals aged 21-64 receiving inpatient treatment in an Institution for Mental Disease notwithstanding paragraphs (A) and (B) following Section 1905(a)(29) and 42 CFR 435.1009; and
2. Payments to managed care entities that comply with 42 CFR 438.3(e) but do not comply with Section 1903(m)(3) to the extent that section 1932 and 42 CFR 438.6(e) limit the authority of the State to make federally reimbursable monthly capitation payments for managed care enrollees aged 21-64 receiving inpatient treatment in an Institution for Mental Disease to inpatient stays of no more than 15 days and require the cost of those services to be priced at the same cost as services provided in settings that are not Institutions for Mental Disease.

## V. EVALUATION DESIGN

Arizona's 1115 Waiver Evaluation design will be modified to incorporate the IMD exclusion waiver amendment. The demonstration will test whether authorizing expenditure authority for services in IMDs will result in ensuring beneficiary access to behavioral health services in appropriate settings and ensure that individuals receive care in the facility most appropriate to their needs.

## VI. PUBLIC PROCESS

The public comment period for the IMD waiver amendment proposal began on February 7, 2017 and closed on March 20, 2017. AHCCCS developed multiple opportunities for public input and dialogue prior to the submission of Arizona's IMD waiver amendment application, consistent with the requirements outlined in 42 CFR Part 431 Subpart G as described in more detail below.

### Public Website

The amendment request was posted on the AHCCCS website for public comment and can be found here: <https://azahcccs.gov/Resources/Federal/PendingWaivers/imdwaiveramendment.html>. The web page includes a summary of the IMD waiver amendment request, the schedule (locations, dates, and times) of public forums across the state, the PowerPoint slides presented at the public hearings, a copy of the full public notice, the draft IMD waiver amendment application, and budget neutrality worksheets.

### Newspaper

On February 7, 2017, a public notice of the waiver amendment was posted in the *Arizona Republic*, the newspaper of widest circulation in Arizona, allowing for over a 30 day comment period. The notice included a brief summary of the waiver request, the locations, dates and times of the public hearings, instructions on how to submit comments and a link to where copies of the demonstration application are available for public review and comments. A copy of the full public notice and proof of publication can be found in Appendix 2 of this waiver amendment application. Additionally, AHCCCS utilized its twitter account and an electronic mailing listerv to notify interested parties about the IMD waiver amendment.

### Stakeholder Meetings

AHCCCS presented the details about the IMD waiver amendment request in a special tribal consultation meeting on February 9, 2017. The Agency conducted public forum meetings on February 14 (Tucson) and February 16 (Flagstaff), in compliance with federal regulation. In addition, AHCCCS presented the IMD waiver amendment proposal to the State Medicaid Advisory Committee (SMAC) on February 15, 2017. The SMAC meeting in Phoenix included telephonic conference capabilities that ensured statewide accessibility. The presentation slides and other items from the stakeholder meetings are included in Appendix 3.

### Summary of Public Comments

AHCCCS acknowledged, reviewed, and considered all comments received as part of the public input process. Feedback regarding the IMD waiver amendment was solicited from the audience at the public forum meetings. In addition, AHCCCS received comment letters from stakeholders ranging from hospital associations to consumer advocacy groups (Appendix 4). Overall, the comments received from stakeholders were unanimously supportive of the IMD waiver amendment proposal. The below summary combines the feedback collected during the public forums as well as the comments received from stakeholders via mail and email.

#### ***The effects of the IMD Regulations on AHCCCS Members with Behavioral Health Needs:***

Stakeholders expressed concern about the impact that 42 CFR 438.6(e) would have on patients who have received care in an IMD for fifteen days and still require ongoing inpatient behavioral health treatment. Stakeholders are worried that limiting IMD stays to 15 days will place Medicaid members at risk of being released prematurely in accordance with regulatory, rather than clinical, guidance. Because of the long-standing successful use of IMDs in Arizona, many commentators have stated that the IMD regulation could potentially cause hospital emergency departments and hospital inpatient facilities to experience a significant increase in utilization by members who could not receive needed services currently provided through IMDs. Furthermore,

stakeholders explained that some patients who are not yet mentally stable and are released prematurely from IMD facilities may end up in municipal jails.

***The Effects of the IMD Regulations on the AHCCCS Behavioral Health Provider Network:***

Stakeholders are concerned that the fifteen day limit on the IMD reimbursable services will adversely affect members' abilities to access medically necessary and clinically appropriate behavioral healthcare services. Several stakeholders have noted that approximately 75 percent of Arizona's inpatient psychiatric beds are located in IMDs. The regulation is restricting the ability of AHCCCS to full leverage these beds. As a result, the managed care organizations (MCOs) will experience significant challenges in finding appropriate placement for members who are at risk of exceeding the rule's 15 day limit. Commentators have also noted with the exception of the Arizona State Hospital, there are no other public inpatient psychiatric facilities in Arizona. MCOs must contract with private hospitals for behavioral health services. Stakeholders are concerned that a possible unintended consequence of the 15 day rule is to discourage private hospitals from taking Medicaid patients because the hospitals do not wish to risk loss of reimbursement for the entire stay in the event that the stay extends beyond the 15 days.

***The State's Response to the Stakeholders' Comments:***

The State appreciates the overwhelming support received from stakeholders with regards to Arizona's IMD waiver amendment proposal. With more than 33 years of Medicaid managed care experience, AHCCCS serves as a model of the benefits of managed care, having achieved considerable recognition and national attention over the decades through the innovative practices, design, and flexibility of its comprehensive health care delivery system.

State flexibility is essential for the success of Arizona's Medicaid program. For more than fifteen years, AHCCCS successfully utilized IMDs "in lieu of" hospital settings in order to provide clinically appropriate and cost effective inpatient behavioral health services for our members. Federal Rule 42 C.F.R 438.6(e), as amended by the new CMS managed care regulations, eliminates Arizona's historical flexibility to provide cost effective services in IMD settings beyond fifteen days and imposes considerable resource and budgetary burden on our state without corresponding benefits. As noted by the stakeholders, the fifteen day IMD limitation will result in increased costs to AHCCCS to place members in higher cost settings after 15 days and arbitrarily reduce AHCCCS members' access to behavioral health care in facilities with more than 16 beds. Moreover, this federal rule can potentially have adverse effects on the health outcomes and the continuity of care for members receiving behavioral health treatment services.

In light of the aforementioned concerns, Arizona's IMD waiver amendment proposal intends to restore the state's flexibility to provide cost-effective IMD services in order to minimize the disruption to the provider network, and maintain access to appropriate behavioral health care services across the State.

We look forward to future discussion with CMS regarding Arizona's IMD waiver amendment proposal. We thank our federal partners at CMS in advance for their consideration of this important request.

# **APPENDIX 1: BUDGET NEUTRALITY**





**Arizona Health Care Cost Containment System**  
**Budget Neutrality Status by Federal Fiscal Year**  
**Total Funds - All Populations**  
**For the Period October 1, 2011 - September 30, 2016**  
**Updated 9-7-16**

	Actual 2012 DY 1	Actual 2013 DY 2	Actual 2014 DY 3	Actual 2015 DY 4	Estimate 2016 DY 5	Total
<b>Without Waiver</b>						
<b>Expenditure Limit Calculation</b>						
Member Months						
TANF/SOBRA	11,705,994	11,625,194	11,801,894	12,550,433	13,072,034	60,755,549
SSI	1,957,010	1,994,523	2,070,897	2,161,363	2,179,302	10,363,095
AC	1,633,495	969,125	206,508	-	-	2,809,128
ALTCS-EPD	343,173	346,304	353,636	359,799	357,450	1,760,362
ALTCS-DD	294,483	307,446	320,971	337,018	349,744	1,609,662
Family Planning Extension	50,024	55,971	14,885	-	-	120,880
Expansion State Adults	-	-	1,825,873	3,370,318	3,719,427	8,915,618
Combined	15,984,179	15,298,563	16,594,664	18,778,931	19,677,958	86,334,295
<b>Without Waiver PMPM</b>						
TANF/SOBRA	585.28	615.71	647.73	681.41	716.85	651.40
SSI	885.41	938.53	994.84	1,054.53	1,117.81	1,001.65
AC	562.32	601.19	596.43	-	-	578.24
ALTCS-EPD	4,737.37	4,983.71	5,242.86	5,515.49	5,802.30	5,262.66
ALTCS-DD	4,922.38	5,217.72	5,530.78	5,862.63	6,214.39	5,577.69
Family Planning Extension	16.60	18.01	13.17	-	-	16.83
Expansion State Adults	-	-	622.04	588.94	603.75	601.90
Weighted	786.95	846.05	879.38	893.37	929.96	870.93
<b>Without Waiver Expenditure Limit</b>						
TANF/SOBRA	6,851,280,422	7,157,797,295	7,644,456,886	8,552,033,145	9,370,647,158	39,576,214,907
SSI	1,732,751,136	1,871,923,349	2,060,218,947	2,279,231,591	2,436,038,078	10,380,163,101
AC	918,546,622	582,623,717	123,166,560	-	-	1,624,336,899
ALTCS-EPD	1,625,736,418	1,725,878,708	1,854,065,072	1,984,468,431	2,074,028,358	9,264,176,987
ALTCS-DD	1,449,555,757	1,604,166,375	1,775,220,164	1,975,810,955	2,173,444,950	8,978,198,201
Family Planning Extension	830,631	1,008,110	195,976	-	-	2,034,717
Expansion State Adults	-	-	1,135,769,554	1,984,903,939	2,245,604,812	5,366,278,305
Total	12,578,700,986	12,943,397,553	14,593,093,159	16,776,448,061	18,299,763,356	75,191,403,116
DSH Allotment	154,369,963	161,973,765	160,613,022	160,250,974	159,658,938	796,866,663
<b>Total Without Waiver Expenditure Limi</b>	<b>12,733,070,949</b>	<b>13,105,371,319</b>	<b>14,753,706,181</b>	<b>16,936,699,036</b>	<b>18,459,422,294</b>	<b>75,988,269,779</b>
<b>With Waiver Expenditures</b>						
TANF/SOBRA	3,415,789,172	3,586,504,387	3,527,885,273	3,588,001,163	3,982,320,064	18,100,500,059
SSI	1,349,590,806	1,427,969,861	1,538,667,090	1,715,172,037	1,752,687,570	7,784,087,364
AC	918,546,622	582,623,717	123,166,560	-	-	1,624,336,899
ALTCS-EPD	1,062,183,658	1,167,575,274	1,196,152,014	1,245,896,337	1,267,554,522	5,939,361,805
ALTCS-DD	939,086,691	1,005,675,270	1,067,615,389	1,170,344,447	1,240,529,766	5,423,251,563
Family Planning Extension	830,631	1,008,110	195,976	-	-	2,034,717
Expansion State Adults	-	-	1,135,769,554	1,984,903,939	2,245,604,812	5,366,278,305
AI/AN Uncompensated Care	22,866,717	97,192,513	53,888,765	13,437,080	5,038,840	192,423,915
SNCP/DSHP	296,636,120	558,334,298	240,250,917	119,071,612	-	1,214,292,947
Expenditure Subtotal	8,005,530,417	8,426,883,430	8,883,591,538	9,836,826,615	10,493,735,574	45,646,567,574
DSH	155,762,651	163,493,529	162,262,955	160,244,372	159,658,938	801,422,445
<b>Total With Waiver Expenditures</b>	<b>8,161,293,068</b>	<b>8,590,376,959</b>	<b>9,045,854,493</b>	<b>9,997,070,987</b>	<b>10,653,394,512</b>	<b>46,447,990,019</b>
<b>With Waiver Expenditure PMPMs</b>						
TANF/SOBRA	291.80	308.51	298.93	285.89	304.64	
SSI	689.62	715.95	743.00	793.56	804.24	
AC	562.32	601.19	596.43	-	-	
ALTCS-EPD	3,095.18	3,371.53	3,382.44	3,462.76	3,546.11	
ALTCS-DD	3,188.93	3,271.06	3,326.21	3,472.65	3,546.96	
Family Planning Extension	16.60	18.01	13.17	-	-	
Expansion State Adults	-	-	622.04	588.94	603.75	
<b>Budget Neutrality Variance</b>	<b>4,571,777,881</b>	<b>4,514,994,360</b>	<b>5,707,851,688</b>	<b>6,939,628,049</b>	<b>7,806,027,783</b>	<b>29,540,279,760</b>
<b>Cumulative Variance</b>	<b>4,571,777,881</b>	<b>9,086,772,241</b>	<b>14,794,623,929</b>	<b>21,734,251,978</b>	<b>29,540,279,760</b>	
<b>Variance by Waiver Group</b>						
TANF/SOBRA	3,435,491,250	3,571,292,908	4,116,571,613	4,964,031,982	5,388,327,094	21,475,714,848
SSI	383,160,330	443,953,488	521,551,857	564,059,554	683,350,508	2,596,075,737
AC	-	-	-	-	-	-
ALTCS-EPD	563,552,760	558,303,434	657,913,058	738,572,094	806,473,836	3,324,815,182
ALTCS-DD	510,469,066	598,491,105	707,604,775	805,466,508	932,915,184	3,554,946,638
Family Planning Extension	-	-	-	-	-	-
Expansion State Adults	-	-	-	-	-	-
DSH	(1,392,688)	(1,519,764)	(1,649,933)	6,602	-	(4,555,782)
AI/AN Uncompensated Care	(22,866,717)	(97,192,513)	(53,888,765)	(13,437,080)	(5,038,840)	(192,423,915)
SNCP/DSHP	(296,636,120)	(558,334,298)	(240,250,917)	(119,071,612)	-	(1,214,292,947)
	<b>4,571,777,881</b>	<b>4,514,994,360</b>	<b>5,707,851,688</b>	<b>6,939,628,049</b>	<b>7,806,027,783</b>	<b>29,540,279,760</b>

**Arizona Health Care Cost Containment System  
Budget Neutrality Status by Federal Fiscal Year  
Total Funds - All Populations  
For the Period October 1, 2016 - September 30, 2021  
Updated 9-7-16**

	Estimate 2017 DY 6	Estimate 2018 DY 7	Estimate 2019 DY 8	Estimate 2020 DY 9	Estimate 2021 DY 10	Total
<b>Without Waiver Expenditure Limit Calculation</b>						
Member Months						
TANF/SOBRA	13,448,230	13,757,771	14,075,365	14,401,332	14,735,971	70,418,669
SSI	2,227,982	2,284,797	2,341,669	2,398,602	2,455,600	11,708,650
ALTCS-EPD	363,227	367,328	371,430	375,531	379,633	1,857,149
ALTCS-DD	362,514	377,076	391,637	406,199	420,761	1,958,186
Expansion State Adults Combined	3,810,951	3,899,900	3,990,187	4,081,836	4,174,877	19,957,751
	20,212,904	20,686,872	21,170,287	21,663,500	22,166,842	105,900,405
Without Waiver PMPM						
TANF/SOBRA	749.11	782.82	818.05	854.86	893.33	821.28
SSI	1,162.52	1,209.02	1,257.38	1,307.68	1,359.99	1,261.72
ALTCS-EPD	6,016.98	6,239.61	6,470.48	6,709.89	6,958.16	6,484.22
ALTCS-DD	6,462.96	6,721.48	6,990.34	7,269.95	7,560.75	7,021.50
Expansion State Adults Weighted	719.12	728.45	755.88	775.75	796.29	756.02
	986.17	1,024.79	1,068.28	1,111.87	1,157.17	1,071.64
Without Waiver Expenditure Limit						
TANF/SOBRA	10,074,203,794	10,769,858,328	11,514,352,024	12,311,122,550	13,164,085,141	57,833,621,837
SSI	2,590,073,439	2,762,365,191	2,944,367,596	3,136,603,670	3,339,592,116	14,773,002,012
ALTCS-EPD	2,185,529,411	2,291,985,660	2,403,328,670	2,519,772,489	2,641,543,676	12,042,159,907
ALTCS-DD	2,342,912,052	2,534,505,562	2,737,677,602	2,953,046,421	3,181,266,770	13,749,408,407
Expansion State Adults	2,740,548,519	2,840,899,689	3,016,091,797	3,166,498,610	3,324,425,764	15,088,464,380
Total	19,933,267,215	21,199,614,429	22,615,817,690	24,087,043,741	25,650,913,468	113,486,656,543
DSH Allotment	161,304,900	134,094,600	120,825,800	107,557,000	94,288,200	618,070,500
Total Without Waiver Expenditure Limit	20,094,572,115	21,333,709,029	22,736,643,490	24,194,600,741	25,745,201,668	114,104,727,043
<b>With Waiver Expenditures</b>						
TANF/SOBRA	4,501,846,917	4,613,275,361	4,904,903,860	5,149,582,662	5,406,495,404	24,576,104,205
SSI	1,779,663,390	1,843,573,143	1,953,812,845	2,051,335,155	2,153,733,581	9,782,118,115
ALTCS-EPD	1,350,003,200	1,391,444,506	1,461,016,732	1,534,067,568	1,610,770,947	7,347,302,953
ALTCS-DD	1,301,738,076	1,363,847,512	1,432,039,888	1,503,641,882	1,578,823,976	7,180,091,335
Expansion State Adults	2,740,548,519	2,840,899,689	3,016,091,797	3,166,498,610	3,324,425,764	15,088,464,380
ALTCS Adult Dental	15,196,200	15,196,200	15,196,200	15,196,200	15,196,200	75,981,000
AI/AN Uncompensated Care	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	20,000,000
SNCP/DSHP	90,000,000	-	-	-	-	90,000,000
IMD Services	-	-	-	-	-	-
Expenditure Subtotal	11,782,996,302	12,072,236,412	12,787,061,323	13,424,322,079	14,093,445,873	64,160,061,987
DSH	161,304,900	134,094,600	120,825,800	107,557,000	94,288,200	618,070,500
Total With Waiver Expenditures	11,944,301,202	12,206,331,012	12,907,887,123	13,531,879,079	14,187,734,073	64,778,132,487
With Waiver Expenditure PMPMs						
TANF/SOBRA	334.75	335.32	348.47	357.58	366.89	
SSI	798.78	806.89	834.37	855.22	877.07	
ALTCS-EPD	3,716.69	3,788.01	3,933.49	4,085.06	4,242.97	
ALTCS-DD	3,590.87	3,616.91	3,656.55	3,701.74	3,752.31	
Expansion State Adults	719.12	728.45	755.88	775.75	796.29	
<b>DY1-DY5 BN Carry-over</b>		<b>29,540,279,760</b>				
<b>DY6-DY10 BN Variance</b>	8,150,270,913	9,127,378,017	9,828,756,367	10,662,721,663	11,557,467,595	
<b>Phase-Down of DY6-DY10 Variance</b>	2,037,567,728	2,281,844,504	2,457,189,092	2,665,680,416	2,889,366,899	
<b>Cumulative DY-DY10 Variance</b>	31,577,847,489	33,859,691,993	36,316,881,085	38,982,561,500	41,871,928,399	<b>41,871,928,399</b>
Variance by Waiver Group						
TANF/SOBRA	5,572,356,876	6,156,582,968	6,609,448,163	7,161,539,888	7,757,589,737	33,257,517,632
SSI	810,410,049	918,792,047	990,554,750	1,085,268,514	1,185,858,535	4,990,883,897
ALTCS-EPD	835,526,211	900,541,153	942,311,939	985,704,921	1,030,772,730	4,694,856,955
ALTCS-DD	1,041,173,976	1,170,658,049	1,305,637,714	1,449,404,539	1,602,442,793	6,569,317,072
Expansion State Adults	-	-	-	-	-	-
ALTCS Adult Dental	(15,196,200)	(15,196,200)	(15,196,200)	(15,196,200)	(15,196,200)	(75,981,000)
AI/AN Uncompensated Care	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(20,000,000)
SNCP/DSHP	(90,000,000)	-	-	-	-	(90,000,000)
IMD Services	-	-	-	-	-	-
	8,150,270,913	9,127,378,017	9,828,756,367	10,662,721,663	11,557,467,595	49,326,594,555

**Arizona Health Care Cost Containment System  
Budget Neutrality Status by Federal Fiscal Year  
Total Funds - All Populations  
For the Period October 1, 2016 - September 30, 2021  
Updated 9-7-16**

	Estimate 2017 DY 6	Estimate 2018 DY 7	Estimate 2019 DY 8	Estimate 2020 DY 9	Estimate 2021 DY 10	Total
<b>Without Waiver Expenditure Limit Calculation</b>						
Member Months						
TANF/SOBRA	13,448,230	13,757,771	14,075,365	14,401,332	14,735,971	70,418,669
SSI	2,227,982	2,284,797	2,341,669	2,398,602	2,455,600	11,708,650
ALTCS-EPD	363,227	367,328	371,430	375,531	379,633	1,857,149
ALTCS-DD	362,514	377,076	391,637	406,199	420,761	1,958,186
Expansion State Adults Combined	3,810,951	3,899,900	3,990,187	4,081,836	4,174,877	19,957,751
	<u>20,212,904</u>	<u>20,686,872</u>	<u>21,170,287</u>	<u>21,663,500</u>	<u>22,166,842</u>	<u>105,900,405</u>
Without Waiver PMPM						
TANF/SOBRA	749.11	782.82	818.05	854.86	893.33	821.28
SSI	1,162.52	1,209.02	1,257.38	1,307.68	1,359.99	1,261.72
ALTCS-EPD	6,016.98	6,239.61	6,470.48	6,709.89	6,958.16	6,484.22
ALTCS-DD	6,462.96	6,721.48	6,990.34	7,269.95	7,560.75	7,021.50
Expansion State Adults Weighted	719.12	728.45	755.88	775.75	796.29	756.02
	<u>986.17</u>	<u>1,024.79</u>	<u>1,068.28</u>	<u>1,111.87</u>	<u>1,157.17</u>	<u>1,071.64</u>
Without Waiver Expenditure Limit						
TANF/SOBRA	10,074,203,794	10,769,858,328	11,514,352,024	12,311,122,550	13,164,085,141	57,833,621,837
SSI	2,590,073,439	2,762,365,191	2,944,367,596	3,136,603,670	3,339,592,116	14,773,002,012
ALTCS-EPD	2,185,529,411	2,291,985,660	2,403,328,670	2,519,772,489	2,641,543,676	12,042,159,907
ALTCS-DD	2,342,912,052	2,534,505,562	2,737,677,602	2,953,046,421	3,181,266,770	13,749,408,407
Expansion State Adults	2,740,548,519	2,840,899,689	3,016,091,797	3,166,498,610	3,324,425,764	15,088,464,380
Total	<u>19,933,267,215</u>	<u>21,199,614,429</u>	<u>22,615,817,690</u>	<u>24,087,043,741</u>	<u>25,650,913,468</u>	<u>113,486,656,543</u>
DSH Allotment	161,304,900	134,094,600	120,825,800	107,557,000	94,288,200	618,070,500
Total Without Waiver Expenditure Limit	<u>20,094,572,115</u>	<u>21,333,709,029</u>	<u>22,736,643,490</u>	<u>24,194,600,741</u>	<u>25,745,201,668</u>	<u>114,104,727,043</u>
<b>With Waiver Expenditures</b>						
TANF/SOBRA	4,501,846,917	4,613,275,361	4,904,903,860	5,149,582,662	5,406,495,404	24,576,104,205
SSI	1,779,663,390	1,843,573,143	1,953,812,845	2,051,335,155	2,153,733,581	9,782,118,115
ALTCS-EPD	1,350,003,200	1,391,444,506	1,461,016,732	1,534,067,568	1,610,770,947	7,347,302,953
ALTCS-DD	1,301,738,076	1,363,847,512	1,432,039,888	1,503,641,882	1,578,823,976	7,180,091,335
Expansion State Adults	2,740,548,519	2,840,899,689	3,016,091,797	3,166,498,610	3,324,425,764	15,088,464,380
ALTCS Adult Dental	15,196,200	15,196,200	15,196,200	15,196,200	15,196,200	75,981,000
AI/AN Uncompensated Care	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	20,000,000
SNCP/DSHP	90,000,000	-	-	-	-	90,000,000
IMD Services	(6,104,400)	(6,302,700)	(6,676,500)	(7,009,700)	(7,359,600)	(33,452,900)
Expenditure Subtotal	<u>11,776,891,902</u>	<u>12,065,933,712</u>	<u>12,780,384,823</u>	<u>13,417,312,379</u>	<u>14,086,086,273</u>	<u>64,126,609,087</u>
DSH	161,304,900	134,094,600	120,825,800	107,557,000	94,288,200	618,070,500
Total With Waiver Expenditures	<u>11,938,196,802</u>	<u>12,200,028,312</u>	<u>12,901,210,623</u>	<u>13,524,869,379</u>	<u>14,180,374,473</u>	<u>64,744,679,587</u>
With Waiver Expenditure PMPMs						
TANF/SOBRA	334.75	335.32	348.47	357.58	366.89	
SSI	798.78	806.89	834.37	855.22	877.07	
ALTCS-EPD	3,716.69	3,788.01	3,933.49	4,085.06	4,242.97	
ALTCS-DD	3,590.87	3,616.91	3,656.55	3,701.74	3,752.31	
Expansion State Adults	719.12	728.45	755.88	775.75	796.29	
<b>DY1-DY5 BN Carry-over</b>		<b>29,540,279,760</b>				
<b>DY6-DY10 BN Variance</b>	8,156,375,313	9,133,680,717	9,835,432,867	10,669,731,363	11,564,827,195	
<b>Phase-Down of DY6-DY10 Variance</b>	2,039,093,828	2,283,420,179	2,458,858,217	2,667,432,841	2,891,206,799	
<b>Cumulative DY-DY10 Variance</b>	<u>31,579,373,589</u>	<u>33,862,793,768</u>	<u>36,321,651,985</u>	<u>38,989,084,825</u>	<u>41,880,291,624</u>	<b>41,880,291,624</b>
Variance by Waiver Group						
TANF/SOBRA	5,572,356,876	6,156,582,968	6,609,448,163	7,161,539,888	7,757,589,737	33,257,517,632
SSI	810,410,049	918,792,047	990,554,750	1,085,268,514	1,185,858,535	4,990,883,897
ALTCS-EPD	835,526,211	900,541,153	942,311,939	985,704,921	1,030,772,730	4,694,856,955
ALTCS-DD	1,041,173,976	1,170,658,049	1,305,637,714	1,449,404,539	1,602,442,793	6,569,317,072
Expansion State Adults	-	-	-	-	-	-
ALTCS Adult Dental	(15,196,200)	(15,196,200)	(15,196,200)	(15,196,200)	(15,196,200)	(75,981,000)
AI/AN Uncompensated Care	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(20,000,000)
SNCP/DSHP	(90,000,000)	-	-	-	-	(90,000,000)
IMD Services	6,104,400	6,302,700	6,676,500	7,009,700	7,359,600	33,452,900
	<u>8,156,375,313</u>	<u>9,133,680,717</u>	<u>9,835,432,867</u>	<u>10,669,731,363</u>	<u>11,564,827,195</u>	<u>49,360,047,455</u>

**Arizona Health Care Cost Containment System**  
**Budget Neutrality Status by Federal Fiscal Year**  
**Total Funds - All Populations**  
**For the Period October 1, 2016 - September 30, 2021**  
**Updated 9-7-16**

	Estimate 2017 DY 6	Estimate 2018 DY 7	Estimate 2019 DY 8	Estimate 2020 DY 9	Estimate 2021 DY 10	Total
<b>Without Waiver Expenditure Limit Calculation</b>						
Member Months						
TANF/SOBRA	-	-	-	-	-	-
SSI	-	-	-	-	-	-
ALTCS-EPD	-	-	-	-	-	-
ALTCS-DD	-	-	-	-	-	-
Expansion State Adults Combined	-	-	-	-	-	-
Without Waiver PMPM						
TANF/SOBRA	-	-	-	-	-	-
SSI	-	-	-	-	-	-
ALTCS-EPD	-	-	-	-	-	-
ALTCS-DD	-	-	-	-	-	-
Expansion State Adults Weighted	-	-	-	-	-	-
Without Waiver Expenditure Limit						
TANF/SOBRA	-	-	-	-	-	-
SSI	-	-	-	-	-	-
ALTCS-EPD	-	-	-	-	-	-
ALTCS-DD	-	-	-	-	-	-
Expansion State Adults Total	-	-	-	-	-	-
DSH Allotment	-	-	-	-	-	-
<b>Total Without Waiver Expenditure Limit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>With Waiver Expenditures</b>						
TANF/SOBRA	-	-	-	-	-	-
SSI	-	-	-	-	-	-
ALTCS-EPD	-	-	-	-	-	-
ALTCS-DD	-	-	-	-	-	-
Expansion State Adults	-	-	-	-	-	-
ALTCS Adult Dental	-	-	-	-	-	-
AI/AN Uncompensated Care	-	-	-	-	-	-
SNCP/DSHP	-	-	-	-	-	-
IMD Services	(6,104,400)	(6,302,700)	(6,676,500)	(7,009,700)	(7,359,600)	(33,452,900)
Expenditure Subtotal	(6,104,400)	(6,302,700)	(6,676,500)	(7,009,700)	(7,359,600)	(33,452,900)
DSH	-	-	-	-	-	-
<b>Total With Waiver Expenditures</b>	<b>(6,104,400)</b>	<b>(6,302,700)</b>	<b>(6,676,500)</b>	<b>(7,009,700)</b>	<b>(7,359,600)</b>	<b>(33,452,900)</b>
With Waiver Expenditure PMPMs						
TANF/SOBRA	-	-	-	-	-	-
SSI	-	-	-	-	-	-
ALTCS-EPD	-	-	-	-	-	-
ALTCS-DD	-	-	-	-	-	-
Expansion State Adults	-	-	-	-	-	-
<b>DY1-DY5 BN Carry-over</b>	<b>-</b>					
<b>DY6-DY10 BN Variance</b>	<b>6,104,400</b>	<b>6,302,700</b>	<b>6,676,500</b>	<b>7,009,700</b>	<b>7,359,600</b>	
<b>Phase-Down of DY6-DY10 Variance</b>	<b>1,526,100</b>	<b>1,575,675</b>	<b>1,669,125</b>	<b>1,752,425</b>	<b>1,839,900</b>	
<b>Cumulative DY-DY10 Variance</b>	<b>1,526,100</b>	<b>3,101,775</b>	<b>4,770,900</b>	<b>6,523,325</b>	<b>8,363,225</b>	<b>8,363,225</b>
Variance by Waiver Group						
TANF/SOBRA	-	-	-	-	-	-
SSI	-	-	-	-	-	-
ALTCS-EPD	-	-	-	-	-	-
ALTCS-DD	-	-	-	-	-	-
Expansion State Adults	-	-	-	-	-	-
ALTCS Adult Dental	-	-	-	-	-	-
AI/AN Uncompensated Care	-	-	-	-	-	-
SNCP/DSHP	-	-	-	-	-	-
IMD Services	6,104,400	6,302,700	6,676,500	7,009,700	7,359,600	33,452,900
	6,104,400	6,302,700	6,676,500	7,009,700	7,359,600	33,452,900

# **APPENDIX 2: PUBLIC NOTICE**



Notice:

Pursuant to the Special Terms and Conditions of Arizona's approved demonstration project, , the Arizona Health Care Cost Containment System (AHCCCS), Arizona's Medicaid Agency, is required to submit a public notice consistent with 42 C.F.R 431.408 of its intent to submit a Section 1115 Waiver Amendment to the Center of Medicare and Medicaid Services (CMS). AHCCCS is requesting an amendment to the 1115 Research and Demonstration Waiver to seek a waiver of the Institution for Mental Disease (IMD) exclusion for all Medicaid beneficiaries aged 21-64, regardless of delivery system. The objective of this waiver is to maintain and enhance beneficiary access to behavioral health services in appropriate settings and ensure that individuals receive care in the facility most appropriate to their needs. Specifically, the waiver of the IMD exclusion would allow psychiatric facilities (i.e. hospitals, nursing facilities, or other institutions of more than 16 beds that are primarily engaged in providing diagnosis, treatment or care of persons with mental diseases, including medical attention, nursing care and related services) to be able to provide reimbursable services to Medicaid recipients for stays in excess of fifteen (15) days.

Proposed Cost Sharing Requirements under the Demonstration as Amended: The cost sharing requirements for persons impacted by this proposed demonstration amendment will not change from the State's current program features as described in the current State Plan and Demonstration.

Proposed Changes to the Delivery System under the Demonstration as Amended: The delivery system for persons impacted by this proposed demonstration amendment will be expanded to include services provided in IMDs.

Proposed Changes to Benefit Coverage under the Demonstration as Amended: Arizona is seeking expenditure authority for otherwise-covered services provided to all Medicaid-eligible individuals aged 21 through 64 who receive inpatient services in an Institution for Mental Disease (IMD), regardless of delivery system, as a mechanism to increase access to residential treatment services across the State. In addition, for managed care enrollees, services in an IMD for any length of stay would be permissible as services in lieu of State Plan services based on the State's actuarial certification that the actual cost of IMD services is more cost effective than services in a setting that is not an IMD.

Hypothesis and Evaluation Parameters of the Demonstration: The demonstration will test whether authorizing expenditure authority for services in IMD will result in enhanced beneficiary access to behavioral health services in appropriate settings and assure that individuals receive care in the facility most appropriate to their needs.

Specific Waiver and Expenditure Authorities: AHCCCS is seeking expenditure authority under the 1115 Research and Demonstration Waiver to claim expenditures by the State for mental health and substance abuse disorders in IMDs—which are not otherwise included as expenditures under Section 1903—and to have those expenditures regarded as expenditures under the State's Title XIX plan.

Public hearings (also called community forums) where the public can provide comments and questions about the proposed waiver amendment will be held during the following times and locations:

**Date:** Tuesday, February 14, 2017

**Location:** Tucson, Arizona

**Address:** Pima County Library— Lower Level 1 Meeting Room, 101 N. Stone Ave. Tucson, AZ 85701

**Time:** 1:30 pm – 3:00 pm

**Date:** Wednesday, February 15, 2017

**Location:** Phoenix, Arizona

**Address:** AHCCCS—Gold Room, 701 E. Jefferson St, Phoenix, AZ 85034

**Time:** 1:00 pm – 3:00 pm

**Call-in information:** 1-877-820-7831 Participation Passcode: 976852

**Date:** Thursday, February 16, 2017

**Location:** Flagstaff, Arizona

**Address:** Flagstaff AquaPlex— 1702 N Fourth St, Flagstaff, AZ 86004

**Time:** 1:00 pm – 2:30 pm

Comments and questions about the proposed Demonstration application can also be submitted by e-mail to: [PublicInput@azahcccs.gov](mailto:PublicInput@azahcccs.gov) or by mail to: AHCCCS c/o Office of Intergovernmental Relations; 801 E. Jefferson Street, MD 4200, Phoenix, AZ 85034. All comments must be received by **March 20, 2017**. More information about the proposed waiver amendment, including the proposed waiver application and the full public notice and public input process, can be found on the AHCCCS website at:

<https://azahcccs.gov/Resources/Federal/PendingWaivers/indwaiveramendment.html>







# **APPENDIX 3: PUBLIC FORUM MEETING MATERIAL**



# Institutions for Mental Disease (IMD) Overview



# Institutions for Mental Disease

## Exclusion

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- Federal law prohibits federal funding for services that members aged 21-64 receive in Institutions for Mental Disease
- Since the inception of the Medicaid program (1965)
- Legislative intent was for states to be responsible for the institutional care of people with mental illnesses

# What is an IMD?

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- “a hospital, nursing facility, or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment or care of **persons with mental diseases**, including medical attention, nursing care and related services. Whether an institution is an institution for mental diseases is determined by its overall character as that of a facility established and maintained primarily for the care and treatment of individuals with mental diseases, whether or not it is licensed as such. An institution for Individuals with Intellectual Disabilities is not an institution for mental diseases.”
- 42 C.F.R. 435.1010

# Definition of “Institution”

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- “an establishment that furnishes (in single or multiple facilities) food, shelter, and some treatment or services to four or more persons unrelated to the proprietor.”

# Examples of IMDs

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- Psychiatric hospital, nursing facility, residential treatment center
- A psychiatric unit of a general hospital is not an IMD because the hospital is not established and maintained primarily for the care and treatment of individuals with mental diseases

# “In Lieu of” Authority

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- CMS allows states that contract with managed care entities to allow the MCOs to provide services a different way than is specified under federal law
- These “in lieu of” services must be no more costly than the services they take the place of
- Arizona allowed MCOs to provide access to IMD services “in lieu of” more expensive settings



# CMS's New Managed Care Rule

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- New managed care regulations issued July 5, 2016, restrict federal funding for IMD stays to stays of less than 15 days for adults aged 21-64
- Eliminates existing “in lieu” option

# Effects of CMS's Managed Care Rule

- If a member's stay in IMD is longer than 15 days, the State must recoup the ENTIRE capitation payment from the MCO for the month (not just the amount associated with the IMD stay)
  - Member still enrolled with plan
  - Plan still responsible for care, but it's uncompensated
- Can result in members being discharged too early and needing emergency care later
- Challenges include developing adequate network of non-IMD alternatives and the higher cost of alternatives

# Waiver Application

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- To maintain managed care members' access to care in IMDs, requesting CMS to allow federal funding for stays in IMDs longer than 15 days
- Also requesting federal funding for FFS members so they have equal access to care
- Indiana submitting similar application
- One of the first waivers considered by new Administration
- Arizona has demonstrated successful utilization of IMDs as a cost-effective and appropriate setting

# Questions and Public Comments



# Waiver Amendment Webpage

- More information about the proposed waiver amendment, including the proposed waiver application and the full public notice and public input process, can be found on the AHCCCS website at:
- <https://azahcccs.gov/Resources/Federal/PendingWaivers/imdwaiveramendment.html>

# Public Comments

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- Comments and questions about the proposed Demonstration applications can also be submitted by e-mail to: [PublicInput@azahcccs.gov](mailto:PublicInput@azahcccs.gov)
- Or by mail to: AHCCCS c/o Office of Intergovernmental Relations; 801 E. Jefferson Street, MD 4200, Phoenix, AZ 85034.
- Please submit your comments by:
  - **IMD Waiver—March 20, 2017**

Thank You.





## SPECIAL TRIBAL CONSULTATION TELECONFERENCE

With Tribal Leaders, Tribal Members, Indian Health Services, Tribal Health Programs Operated Under P.L. 93-638 and Urban Indian Health Programs

Date: Thursday, February 9, 2017

Time: 9:00 a.m. – 10:30 a.m. (Arizona Time)

Conference Call-In: **1-877-820-7831**, Participant Passcode: **108903#**

### AGENDA

TOPIC	LEAD
9:00 a.m. - Welcome & Introductions	Bonnie Talakte, <i>AHCCCS Tribal Liaison</i>
<u>Institute for Mental Disease (IMD) Waiver:</u>  <u>Background:</u>  The Arizona Health Care Cost Containment System (AHCCCS) is requesting an amendment to the 1115 Research and Demonstration Waiver to allow federal funding for members' stays in Institutions for Mental Diseases (IMDs) for more than 15 days. The objective of this waiver is to maintain access to behavioral health care in appropriate settings for both managed care and fee-for-service enrollees.  AHCCCS seeks feedback on the potential implications of this waiver.	Elizabeth Lorenz <i>Assistant Director</i> <i>Office of the Intergovernmental Affairs</i>
<u>American Indian Medical Home SPA</u>  <u>Background:</u>  The Arizona Health Care Cost Containment System (AHCCCS) is requesting an amendment to the State Plan to implement the American Indian Medical Home Model. This model will allow IHS/Tribal facilities to apply for status as a medical home. Facilities that meet medical home criteria will receive PMPM payments for each member empaneled with the medical home.	Elizabeth Carpio, <i>Assistant Director</i> <i>Division of Fee for Service Management</i>  Dr. Mark Carroll, <i>Physician Program Consultant</i>
10:30 a.m. - Adjourn	





# SPECIAL TRIBAL CONSULTATION TELECONFERENCE

February 9, 2017

9:00 a.m. –10:30 a.m. (Arizona Time)

Conference Bridge: 1-877-820-7831, Participant Passcode: 108903#

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## NOTIFICATION TO TRIBES:

Good Afternoon,

This is to inform you that a special AHCCCS Tribal Consultation teleconference is scheduled to provide information on two topics; 1) An Institute for Mental Disease (IMD) 1115 Waiver Amendment request, 2) an Amendment to the State Plan to implement the American Indian Medical Home Model. AHCCCS requests feedback on the two Amendments. The special teleconference is scheduled for **February 9, 2017 from 9:00 a.m. -10:30a.m.** (Arizona time). To participate in the conference call please dial: **1-877-820-7831** and enter participant passcode, **108903#**. **Please mute your phones. Do not place your phones on-hold as this will disrupt the meeting with music.** The agenda and IMD Waiver PowerPoint presentation are attached. The American Indian Medical Home PowerPoint presentation is forthcoming.

### **Background:**

#### IMD Waiver Amendment:

The Arizona Health Care Cost Containment System (AHCCCS) is requesting an amendment to the 1115 Research and Demonstration Waiver to allow federal funding for members' stays in Institutions for Mental Diseases (IMDs) for more than 15 days. The objective of this waiver is to maintain access to behavioral health care in appropriate settings for both managed care and fee-for-service enrollees. Recent CMS managed care regulations eliminated the authority AHCCCS had been using to pay for these services for managed care members. The waiver of the IMD exclusion would allow psychiatric facilities of more than 16 beds to be able to provide reimbursable services to all AHCCCS members, including managed care members and members who participate in the American Indian Health Program.

#### American Indian Medical Home SPA:

The Arizona Health Care Cost Containment System (AHCCCS) is requesting an amendment to the State Plan to implement the American Indian Medical Home Model. This model will allow IHS/Tribal facilities to apply for status as a medical home. Facilities that meet medical home criteria will receive PMPM payments for each member empaneled with the medical home.

Please place this important date on your calendars. We look forward to your participation.

Sincerely,

*Bonnie Talakte*

Tribal Relations Liaison

AHCCCS Office of Intergovernmental Relations

801 E. Jefferson, MD-4100 | Phoenix, AZ 85034

(602) 417-4610 (Office) | (602) 256-6756 (Fax)

[Bonnie.Talakte@azahcccs.gov](mailto:Bonnie.Talakte@azahcccs.gov)



# AGENDA



## **SPECIAL TRIBAL CONSULTATION TELECONFERENCE**

With Tribal Leaders, Tribal Members, Indian Health Services, Tribal Health Programs Operated Under P.L. 93-638 and Urban Indian Health Programs

Date: Thursday, February 9, 2017

Time: 9:00 a.m. – 10:30 a.m. (Phoenix Time)

Conference Call-In: **1-877-820-7831** **Participant Passcode: 108903#**

TOPIC	LEAD
9:30a.m. - Welcome & Introductions	Bonnie Talakte, <i>Tribal Relations Liaison</i>
<p><u>Institute for Mental Disease (IMD) Waiver:</u></p> <p><u>Background:</u></p> <p>The Arizona Health Care Cost Containment System (AHCCCS) is requesting an amendment to the 1115 Research and Demonstration Waiver to allow federal funding for members' stays in Institutions for Mental Diseases (IMDs) for more than 15 days. The objective of this waiver is to maintain access to behavioral health care in appropriate settings for both managed care and fee-for-service enrollees. AHCCCS seeks feedback on the potential implications of this waiver.</p>	<p>Elizabeth Lorenz, <i>Assistant Director</i> <i>Office of the Intergovernmental Affairs</i></p>
<p><u>American Indian Medical Home SPA</u></p> <p><u>Background:</u></p> <p>The Arizona Health Care Cost Containment System (AHCCCS) is requesting an amendment to the State Plan to implement the American Indian Medical Home Model. This model will allow IHS/Tribal facilities to apply for status as a medical home. Facilities that meet medical home criteria will receive PMPM payments for each member empaneled with the medical home.</p>	<p>Elizabeth Carpio, <i>Assistant Director</i> <i>Division of Fee for Service Management</i></p> <p>Dr. Mark Carroll, <i>Physician Program Consultant</i></p>
10:30 a.m. - Adjourn	

All meeting materials and presentations can be found at the AHCCCS Tribal Consultation website:  
<https://www.azahcccs.gov/AmericanIndians/TribalConsultation/meetings.html>

## ATTENDEES:

Tribes	<u>Gila River Indian Community</u> : Steve Willis <u>Pascua Yaqui Tribe</u> : Rosa Rivera, Linda Guerrero, Irene Sanchez <u>San Carlos Apache Tribe</u> : Vickie Began, Brenda Schildt, Eric Kutscher <u>White Mountain Apache Tribe</u> : Ryan Johnson
I/T/Us	<u>Navajo Area IHS</u> : K Dempsey <u>Phoenix Area IHS</u> : Denise Exendine <u>Tuba City Regional Health Care Corporation</u> : Lynette Bonar, Yolanda Burke
Other	<u>Arizona Advisory Council on Indian Health Care</u> : Kim Russell
AHCCCS Representatives	Bonnie Talakte, Mark Carroll, Matt Devlin, Elizabeth Lorenz, Kyle Sawyer, Mohamed Arif, Elizabeth Carpio, Markay Adams

## MEETING SUMMARY

TOPICS	SUMMARY
<u>Institute for Mental Disease (IMD) Waiver</u>	<p><b>Elizabeth “Liz” Lorenz</b>, Assistant Director, AHCCCS Intergovernmental Relations Office, informed participants that AHCCCS is requesting an amendment to the 1115 Waiver to allow federal funding for member stays in Institutions for Mental Diseases (IMD’s) for more than 15 days. The objective of the Waiver amendment is to maintain access to behavioral health care in appropriate settings for both managed care and fee-for-service enrollees.</p> <p><u>Background</u>: Since the inception of the Medicaid program in 1965, federal law has prohibited funding for members age 16-24, who receive services at Institutions for Mental Disease (psychiatric hospital, nursing facility, residential treatment center). The legislative intent was for states to provide for the institutional care of people with mental illness. Currently CMS allows states that contract with managed care organizations (MCO) to provide services a different way than is specified under federal law. These “in lieu of” services must be no more costly than the services they take the place of. Arizona allowed MCOs to provide access to IMD services “in lieu of” more expensive settings.</p> <p><u>New Managed Care Rule</u>: New managed care regulations issued July 5, 2016, restrict federal funding for IMD stays to stays of less than 15 days per month for adults aged 21-64 and eliminates the “in lieu of” authority.</p> <p><u>Effects of Managed Care Rule</u>: If an AHCCCS member stays in IMD’s longer than 15 days, the State must recoup the ENTIRE capitation payment from the MCO for the month (not just the amount associated with the IMD stay). The member remains enrolled with a Plan and the Plan is still responsible for care, but is uncompensated. This can result in members being discharged</p>

<p><b><u>Questions/Answers/Comments</u></b></p>	<p>too early and needing emergency care later. Other challenges include developing an adequate network of non-IMD alternatives and the higher cost of alternatives.</p> <p><u>Waiver application:</u> The Waiver application requests CMS to allow federal funding for stays longer than 15 days in IMDs and also requests federal funding for fee-for-service (FFS) members to have equal access to care. Arizona has demonstrated successful utilization of IMDs as a cost-effective and appropriate setting.</p> <p>The public comment period starts February 2, 2017 and ends March 20, 2017. Public Input can be sent to Public Notice at AZAHCCCS.gov</p> <p><b>Q:</b> When does the managed care rule take effect?  <b>A:</b> It became effective July 2016. AHCCCS is working with plans and providers on a temporary solution and working with CMS to get a permanent solution.</p> <p><b>Q:</b> What percentage of American Indians are in MCO's?  <b>A:</b> Applies to any AHCCCS member enrolled in an MCO and those enrolled in a RBHA for behavioral health services. No percentage is available but the number may be 40-45 thousand depending on the month.</p> <p><b>Q:</b> Did the Indiana application request funding for fee for service?  <b>A:</b> Indiana only asked for 30 days of coverage.</p>
<p><b><u>American Indian Medical Home SPA</u></b></p>	<p><b>Dr. Mark Carroll</b>, AHCCCS Physician Program Consultant, provided an update on the American Indian Medical Home (AIMH) proposal.</p> <p><u>Background:</u> The proposal was developed over many years and is designed to support the development of Patient Centered Medical Homes (PCMH) at IHS/Tribal 638 health facilities across Arizona. The proposal process involved many tribal consultation discussions and was submitted in July 2016. Since then AHCCCS has had ongoing discussions with CMS who recommends that AHCCCS pursue the proposal as a State Plan Amendment (SPA) rather than as a Waiver. On January 18, 2017 CMS announced approval of the Targeted Investments Program which included a reference to a SPA for AIMH for AHCCCS members in the American Indian Health Plan (AIHP).</p> <p><u>SPA vs Waiver: What is the same</u></p> <ul style="list-style-type: none"> <li>○ Provider eligibility (IHS/Tribal 638 facilities)</li> <li>○ Participation criteria</li> <li>○ PMPM payment methodology, with a base rate available for Primary Care Case Management (PCCM) and supplemental rates available for optional Diabetes Education certification and optional participation in the AZ Health Information Exchange</li> </ul> <p><u>SPA vs Waiver: What is different</u></p> <ul style="list-style-type: none"> <li>○ SPA authority is based on Primary Care Case Management (PCCM) regulations <ul style="list-style-type: none"> <li>○ IHS/Tribal 638 facilities in the AHCCCS American Indian Medical Home program will become "PCCM" provider type</li> </ul> </li> <li>○ Participation in regional Care Management Collaborative will not be required</li> <li>○ Outcomes performance monitoring will not be required (except for data sharing that is routinely part of PCMH-eligibility/IHS IPC participation criteria)</li> </ul>

Two criteria and rate tables were provided:

Participant Criteria for PCCM

Designation	Mandatory Criteria
-PCCM	-Site has achieved Patient Centered Medical Home (PCMH) Recognition (e.g. NCOA, AAAHC) <u>OR</u> -IHS IPC program attests annually that site/organization has completed the following in the past year: <ul style="list-style-type: none"> <li>• Submitted the SNMHI PCMH Assessment, with score of 7 or &gt;</li> <li>• Submitted monthly data on IPC Core Measures</li> <li>• Submitted quarterly improvement project narrative summaries</li> </ul>

AIMH Proposed Rates.

Proposed PMPM	Services & Activities
- \$13.26, for: - Additional \$2.00, for: - Additional \$7.50, for:	- Primary care case management ( <i>mandatory</i> ) - Diabetes education ( <i>optional</i> ) - Participation in the state Health Information Exchange ( <i>optional</i> )

Next Steps:

- SPA for AIMH has been drafted
- An update has been provided to the co-chairs of the AIMH workgroup
- The SPA will be listed for 45 day public comment period
- Comments received will be reviewed with the AIMH tribal workgroup
- SPA will then be submitted to CMS for approval

Questions/Answers/Comments

**Q:** How does the PMPM work?

**A:** The PMPM is separate and apart. You would bill as you always do. This does not change visits, rates or eligibility.

**C:** This is a great model.

**A:** Thank you for the comment. It is important for those comments to be posted to the website.

**Q:** Will there be a 45 day comment period and will the workgroup be reconvened?

**A:** We'll submit after the public comment period ends. Also depends on the comments submitted. If the comments warrant significant change to the proposal then the workgroup will be reconvened.

**Q:** When can the program go live?

**A:** Authority from CMS is one step. AHCCCS will develop an operational plan. We're looking tentatively in September after testing. Depends on what the final approval looks like.



# State Medicaid Advisory Committee (SMAC)

Wednesday, February 15, 2017

AHCCCS

Gold Room - 3rd Floor

701 E. Jefferson Street

1 p.m. – 3 p.m.

## Agenda

I. Welcome	Director Thomas Betlach
II. Introductions of Members	ALL
III. Approval of November 16, 2016 meeting summary	ALL

## Agency Updates

IV. AARP	Dana Kennedy
V. Regional Center for Border Health Inc.	Amanda Aguirre
VI. AHCCCS Waiver (IMD and SB1092)	Beth Kohler Deputy Director
VII. Intergraded Contractors	Paul Galdys
VIII. Repeal and Replace Targeted Investment Legislative and Budget Update Arizona Management System	Tom Betlach
IX. Call to the Public	Director Thomas Betlach
X. Adjourn at 3:00 p.m.	ALL

### \*2017 SMAC Meetings

Per SMAC Bylaws, meetings are to be held the 2nd Wednesday of January, April, July and October. All meetings will be held from 1 p.m. - 3 p.m. unless otherwise announced at the AHCCCS Administration 701 E. Jefferson, Phoenix, AZ 85034, 3rd Floor in the Gold Room:

~~January 11, 2017~~ – Rescheduled to February 15, 2017

~~April 12, 2017~~ – Rescheduled to April 5, 2017

July 12, 2017

October 11, 2017

For more information or assistance, please contact Yisel Sanchez at (602) 364-4577 or [yisel.sanchez@azahcccs.gov](mailto:yisel.sanchez@azahcccs.gov)

# **APPENDIX 4: PUBLIC COMMENT LETTERS**





Arizona Association of Health Plans  
800 North First Avenue  
Phoenix, AZ 85003

March 20 2017

Via email: [PublicInput@azahcccs.gov](mailto:PublicInput@azahcccs.gov)

AHCCCS  
Office of Intergovernmental Relations  
801 E. Jefferson Street, MD 4200  
Phoenix, AZ 85034

Dear Director Betlach,

On behalf of the member companies who make up the Arizona Association of Health Plans (AZAHP), I write to share with you our support for the proposed change to the State's 1115 Demonstration Waiver, seeking an exemption from the 15-day limit on federal funding for services received in Institutions for Mental Diseases (IMD) by AHCCCS members aged 21-64.

Arizona, which has one of the most cost-effective and long running Medicaid managed care programs in the Nation, has successfully operated under an "in lieu of" authority for many years. We have proven that it is a cost-effective way for our patients to have access to behavioral health services in the most appropriate settings.

The shortsighted decision by CMS last July to restrict IMD stays to 15 days and eliminate the "in lieu" option, which we only exercise for our most vulnerable patients in need of a specific level of care, guarantees bad outcomes for our patients; more costly care for the state; and community level hardship, particularly in rural areas, with provider networks and bed capacity already stretched to the limit.

We were heartened by the recent letter to the Nation's Governors from HHS Secretary Price and CMS Administrator Verma that promised they are "ushering in a new era for the federal and state Medicaid partnership where states have more freedom to design programs that meet the spectrum of diverse needs of their Medicaid population." This IMD waiver application seems perfectly suited to the new era of partnership of which they speak, so we are hopeful that they will embrace this waiver request with the spirit of collaboration imbued in their letter.

As you are aware, we have frequently said the waiver process itself is a cumbersome one; we were equally heartened by their comments about streamlining the process and "fast-tracking" requests, particularly for specific requests that have already received federal approval in other states. We are hopeful that the fact that CMS has approved an identical IMD waiver for the State of Indiana bodes well for this critical request to improve care here in Arizona.



As always, we appreciate the service and leadership you provide our state, and are grateful for this opportunity to share with you our support for the 1115 IMD waiver request. We are hopeful these comments will inform CMS' decision making.

Sincerely,

A handwritten signature in black ink that reads "Deb Gullett". The signature is written in a cursive, slightly slanted style.

Deb Gullett  
Executive Director  
Arizona Association of Health Plans



March 17, 2017

Mr. Tom Betlach  
Director  
Arizona Health Care Cost Containment System  
801 E. Jefferson St.  
Phoenix, AZ 85034

Dear Mr. Betlach:

On behalf of the Arizona Hospital and Healthcare Association (AzHHA) and our more than 80 hospital, healthcare and affiliated health system members, thank you for the opportunity to comment on the Arizona Health Care Cost Containment System (AHCCCS) Administration's proposed amendment to its Sect. 1115 Research and Demonstration Waiver that seeks an exemption from the Institutions for Mental Diseases (IMD) exclusion for all beneficiaries ages 21-64, regardless of delivery system. **AzHHA strongly supports this amendment.** This proposal will allow AHCCCS to maintain and improve access to medically necessary behavioral health services throughout the state in a cost-effective manner. The AHCCCS program operated under a waiver of the IMD exclusion for many years, but the Centers for Medicare and Medicaid Services (CMS) withdrew this authority last year in conjunction with an extensive rewrite of Medicaid Managed Care regulations. Our more detailed comments follow.

The IMD exclusion generally prohibits federal Medicaid funds from being used for care provided to adult patients (ages 21-64 years) in psychiatric hospitals and mental health/substance use disorder residential treatment facilities that are larger than 16 beds. The exclusion remains one of the few examples where Medicaid law prohibits the use of federal financial participation for medically necessary care furnished by licensed medical professionals to enrollees based on the healthcare setting in which the services are provided.

CMS has historically granted Arizona a waiver from the IMD exclusion in order to ensure an adequate behavioral health network under Arizona's managed care model. This network became a vital component of the delivery system after voters approved Prop. 204 in 2000, and Medicaid coverage was extended to adults up to 100 percent of the federal poverty level. In 2016, CMS finalized its Medicaid managed care regulations, and began prohibiting states like Arizona from using "in-lieu of" authority to cover services at IMDs. Instead, the rule allows states to make a monthly capitation payment to a Medicaid managed care organization (MCO) for an adult member receiving

inpatient treatment at an IMD as long as the stay is no more than 15 days that calendar month.

While the rule change was perceived as giving new flexibility to states that had not previously delivered services through IMDs, this is not the case in Arizona where approximately 75 percent of our inpatient psychiatric beds are in located in IMDs, and where we have historically functioned under a successful Waiver. Our network has been built around IMDs, and the regulation is actually restricting the ability of AHCCCS and the MCOs to optimize these resources. If the Administration is unable to fully leverage these beds, MCOs will experience significant challenges in finding appropriate placements for AHCCCS members who are at risk of exceeding the rule's 15 day limit. In fact, after a few months we are already seeing this impact.

According to data we have received from AHCCCS, approximately 140 patients in any given month will be affected by the new rule if the Administration is not granted a Waiver. These patients, who need more intensive inpatient care and substance abuse treatment, are at risk for being diverted to emergency departments and less specialized settings, in which the care may actually be more expensive. In a July 27<sup>th</sup>, 2015 letter to CMS, the AHCCCS Administration estimated that rates in these settings are 93.5 percent greater than IMD rates.

Our members are very concerned that without a Waiver, some of the most vulnerable AHCCCS members will be unable to access necessary treatment—including those suffering from opioid and other substance addictions. Recidivism rates among medically complex patients will likely increase, and patients will revert to revolving in and out of emergency departments. Strides that we have made as a state to collectively improve care coordination, reduce readmissions and integrate behavioral and physical health will be undercut by the inability to fully leverage the appropriate care settings.

AzHHA believes AHCCCS has a proven track record in controlling costs and delivering high quality services. The state's previous waiver from the IMD exclusion is part of this track record, and we urge CMS to reauthorize it. The waiver will allow AHCCCS to deliver medically necessary behavioral health services in the most appropriate setting, in the most efficient manner.

Thank you for the opportunity to comment on the proposed waiver amendment. Please feel free to contact me if you have any questions.

Sincerely,



Debbie Johnston  
Senior Vice President, Policy Development



March 20, 2017

Director Tom Betlach  
Arizona Health Care Cost Containment System  
801 E. Jefferson  
Phoenix, Arizona 85034

Dear Director Betlach:

On behalf of the Health System Alliance of Arizona, I am pleased to convey our support for the AHCCCS request to be waived from the Institution for Mental Disease (IMD) exclusion.

Under AHCCCS's leadership, the healthcare industry has made great strides in how it cares for individuals with serious mental illness and other behavioral health conditions. As a delivery system, we have become focused on how we treat the whole person, including how to best care for a patient's medical and behavioral health needs. To that end, we believe that it is critically important that we build a delivery system that ensures that patients are able to get the right care at the right time from the right provider.

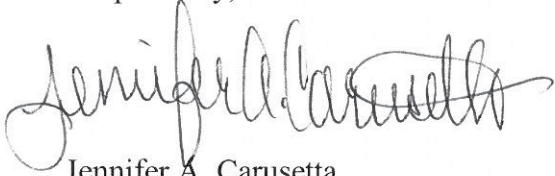
Federal Rule 42 C.F.R. 438.6(e) as amended prohibits federal funding to Medicaid Managed Care Organizations (MCO) when members aged 21-64 are in IMDs for more than 15 days during a calendar month. This regulation effectively eliminates MCO's historic "in lieu of" authority to approve stays in excess of 15 days in circumstances where the continued placement of the patient in the IMD would be less expensive than alternate points of care. For more than two decades, this flexibility has allowed Arizona MCOs to not only effectively contain costs, but also ensure that patients are able access care at points of service best suited to meet their behavioral health needs. We believe it is critical that the MCO's be permitted to continue to exercise this authority.

There is no uniform timeline for the effective treatment of a patient with behavioral health needs. We are concerned about the impact that the revised regulation would have on patients who have received care in an IMD for fifteen days and still require ongoing inpatient behavioral health treatment. Under the auspices of the regulation, the MCO must either order the release of that patient or risk recoupment of the entire cost of that IMD stay. Should a patient in this circumstance be released prematurely in accordance with regulatory, rather than clinical guidelines, that patient is more likely to go back into crisis and end up in an emergency department or inpatient to an acute care hospital facility. Not only is this treatment setting more expensive than an IMD, it is also not the appropriate placement for an individual in need of behavioral health care.

The Alliance supports this waiver amendment request because we believe it is important to ensure that patients have access to the right provider at the right placement and time to meet their needs.

I appreciate your consideration and am happy to answer any questions or provide additional information.

Respectfully,

A handwritten signature in black ink, appearing to read "Jennifer A. Carusetta". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

Jennifer A. Carusetta  
Executive Director  
Health System Alliance of Arizona



## ARIZONA PSYCHIATRIC SOCIETY

810 West Bethany Home Road • Phoenix, Arizona 85013

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March 17, 2017

The Honorable Doug Ducey  
Governor of the State of Arizona  
1700 West Washington Street  
Phoenix, AZ 85007

Mr. Thomas J. Betlach  
Director AHCCCS  
Office of Intergovernmental Relations  
801 E. Jefferson Street, MD 4200  
Phoenix, AZ 85034

RE: Arizona Medicaid Restriction of 15-day stays in Institutions for Mental Disease (IMD);  
Arizona 1115 Request for Waiver of IMD Exclusion

Dear Governor Ducey and Mr. Betlach:

On behalf of the over 440 psychiatric physician members of the Arizona Psychiatric Society (APS), the purpose of this letter is to express the support of APS for the request for a waiver from The Centers for Medicare and Medicaid Services (CMS) from AHCCCS on the 15-day stay limitation.

One of the objectives of the Arizona Psychiatric Society is to promote the welfare of all those with mental illness, improve treatment, advance the standards of psychiatric services and facilities, and to promote the best interests of patients and those actually or potentially making use of mental health services.

The Arizona Health Care Cost Containment System (AHCCCS), Arizona Medicaid Agency, is submitting a Section 115 Waiver Amendment to the Center of Medicare and Medicaid Services (CMS). The objective of the waiver is to maintain and enhance beneficiary access to behavioral health services in the facility most appropriate to their needs. Specifically, the intent of the waiver is to allow the Institution for Mental Disease (IMD) to provide reimbursable services to Medicaid recipients for stays in excess of 15 days.

For the past 15 years, Arizona utilized Institutions for Mental Disease (IMD) "in lieu of" hospital setting in order to provide access to psychiatric and substance use disorder treatment in a most cost effective fashion. However, Center for Medicare and Medicaid Services (CMS) issued a regulation limiting adult Medicaid beneficiaries stays in Institution for Mental Disease (IMD) to 15 days per month. If the stay exceeds the 15 days, the state Medicaid program loses the ability to receive matching funds for the stay, and the IMD program loses funds for all services rendered during that stay.

March 17, 2017

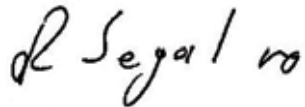
Page 2

Non-IMD capacity for inpatient treatment of patients with mental illness has not changed over the last 15 years and the number of people who need inpatient mental health treatment has not decreased.

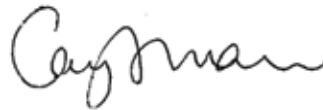
The problem with limiting IMD stays to 15 days or less is that it will place Medicaid members at risk. Lack of appropriate facilities for these patients will clog hospital Emergency Departments and Medical-Surgical Inpatient services. Furthermore, patients who are not yet mentally stable and are released from IMD facilities prematurely may be imprisoned for petty crimes. Both of these environments are likely to further exacerbate symptoms of mental illness and in the long run will further increase the cost of treatment.

Arizona Psychiatric Society strongly supports the action to permit Arizona to allow Institutions for Mental Disease (IMD) to continue to provide psychiatric and substance use disorder services "in lieu of" hospital settings.

Respectfully,



Roland Segal, MD, DFAPA  
Distinguished Fellow American Psychiatric Association  
Board Certified Adult and Forensic Psychiatrist  
Assistant Professor of Psychiatry, University of Arizona  
Past President, Arizona Psychiatric Society



Gurjot Reena Marwah, MD  
Board Certified Adult Psychiatrist  
President, Arizona Psychiatric Society



March 20<sup>th</sup>, 2017

AHCCCS  
c/o Office of Intergovernmental Relations  
801 E. Jefferson Street, MD 4200  
Phoenix, AZ 85034  
[publicinput@azahcccs.gov](mailto:publicinput@azahcccs.gov)

To Whom It May Concern:

On behalf of Mental Health America of Arizona (MHA-AZ) we would like to thank you for the opportunity to comment on the Institute of Mental Disease (IMD) waiver. AHCCCS has a long history of providing quality health care for individuals and families in Arizona, and we look forward to a future which continues to steward access and high quality care for Arizona's most underserved populations.

As you prepare the IMD waiver for submittal, MHA would like to share our strong support for this waiver of the IMD exclusion that would allow psychiatric facilities to be able to provide reimbursable services. The current 15-day limit is causing a significant strain on institutions that provide psychiatric service for a couple reasons. While long stays in inpatient facilities are infrequent, those that needs the lengthy treatment are simply not ready for discharge at 15 days. Others struggle to find a discharge service or location within the 15-day stay. As AHCCCS is well aware, we need to focus on continuity of care in order to prevent re-entry to our ER's and hospitals.

We must also think about the potential unintended consequence of the 15-day rule which may discourage private hospitals from taking Medicaid patients because of the hospitals lack of willingness to take on the risk of loss of reimbursement if the stay is longer than 15 days. Let's avoid this potential consequence and encourage private hospitals to help meet our community need.

Thank you for the opportunity to comment on the proposal. We look forward to working with AHCCCS to continue to improve the quality of health care delivered to families and individuals in need of health care.

Sincerely,

A handwritten signature in black ink that reads 'Kristina Sabetta'. The signature is written in a cursive, flowing style.

Kristina Sabetta, LMSW  
Executive Consultant  
On Behalf of Mental Health America of Arizona



**- Breaking the Silence - Ending the Stigma - Saving Lives -**

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NAMI Arizona is a statewide grassroots organization dedicated to serving individuals and families affected by mental illness to improve their quality of life and achieve recovery. NAMI Arizona promotes activities, in partnership with local NAMI affiliates, through education, advocacy, research, and support.

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**NAMI Arizona  
Governing Board:**

**Vicki Johnson, M.A.,**  
*President*

**Robert Sorce, J.D.,**  
*Vice President*

**Barbara Lang, M.A., LPC,**  
LISAC, CCSOTS,  
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**Sherry Candelaria, B.S.,**  
CPM, PHR, *Governor*

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**Martha Auslander,**  
*Governor*

**Leslie Schwalbe, M.P.A.,**  
*Governor*

\*\*\*\*\*

**Jim Dunn, M.Ed./C, CPRP,**  
*Executive Director/CEO*

\*\*\*\*\*

March 22<sup>nd</sup>, 2017

AHCCCS  
c/o [publicinput@azahcccs.gov](mailto:publicinput@azahcccs.gov)  
Office of Intergovernmental Relations  
801 E. Jefferson Street, MD 4200  
Phoenix, AZ 85034

**Re: Support for Arizona Section 1115 Waiver Amendment Request Institution for Mental Disease (IMD)**

1. Name of Organization: NAMI Arizona
2. Contact/Representative Name and Title: Jim Dunn, Executive Director/ CEO
3. Address: 5025 E. Washington St., Ste 112 Phoenix, AZ 850334
4. Phone: 602-885-4166
5. E-mail address: jimduunnaz@msn.com
6. Signature: \_\_\_\_\_

Authorized Organizational Representative

**Section 1: Introduction – Attestation of Support to IMD Exclusion**

NAMI Arizona hereby attests to its commitment to and active engagement in support of Arizona's application to amend or modify its 1115 waiver to seek expenditure authority to claim as medical assistance the cost of services provided to all Medicaid beneficiaries ages 21-64 who receive inpatient services in an Institution for Mental Disease (IMD), regardless of delivery system, as a mechanism to increase access to residential treatment services across the State, and expenditure authority, notwithstanding the IMD limitations in 42 CFR 438.6(e), for capitation payments to managed care entities under contracts that permit those entities to provide enrollees aged 21-64 inpatient services in an IMD regardless of the length of stay so long as the contract complies with the requirements for services in lieu of State plan services under 42 CFR 438.3(e) including the requirement in 42 CFR 438.3(e) that the actual cost of the in lieu of service are taken into account in determination capitation rates.

NAMI Arizona believes that Medicaid, the State's largest insurer, is an important lever for driving delivery transformation. In Arizona, the AHCCCS program has been a leader in health innovation and health policy. With steady and strong leadership, AHCCCS has successfully promoted numerous initiatives to transform the healthcare industry. The program's success has also relied on its roots as a public/private partnership. All of these factors, in addition to serving a critical mission, are reasons why NAMI Arizona supported Medicaid restoration and expansion in Arizona.

NAMI Arizona is equally committed to actively striving toward health delivery transformation to yield better health outcomes and lower costs. Accordingly, NAMI Arizona believes it is essential to collaborate with the State of Arizona, both with AHCCCS and the Arizona Department of Health Services, to effectively improve population health and promote system reform from a payment and delivery perspective.

## **Section 2: Describe your Organization and its role in system reform currently**

NAMI Arizona, a non-profit 501(c)(3) is the State Office of the nation's largest grassroots organization dedicated to serving individuals and families affected by mental illness to improve their quality of life and achieve recovery. NAMI Arizona promotes activities, in partnership with local NAMI affiliates, through education, advocacy, research and support.

NAMI Arizona strives to be the statewide leader in improving the mental health of all Arizonans by:

- \*Educating Arizona citizens on the causes, symptoms and treatment of mental illness.
- \*Advocating to legislators and policymakers in support of issues identified as important by peers and family members; and to create, maintain, or increase funding for mental health programs including those sponsored by NAMI Arizona and NAMI Affiliates.
- \*Collaborating with the broader behavioral health community in activities that reduce stigma, offer hope and promote prevention, early diagnosis, treatment and recovery.
- \*Coordinating with and supporting local NAMI Affiliates to continue offering valuable no-fee training, support groups and other programs for families and individuals coping with mental illness regardless of funding stream.

NAMI Arizona is now playing a significant leadership role in several statewide initiatives including the Arizona Mental Health and Criminal Justice Coalition, the Arizona Justice Alliance, the Arizona Peer and Family Coalition, Mental Health America's "Association of Associations", and the Future Directions Peer and Family Run Leadership Effort, along with being at the table and a valued contributor to many others including The Arizona Council of Human Service Providers, the Maricopa Consumers Advocates and Providers (MCAP), the Arizona Health Care Cost Containment System (AHCCCS) Office of Individual and Family Affairs, The Arizona Administrative Office of the Courts, Arizona Department of Corrections, Arizona Department of Housing, and law enforcement agencies across the State.

Another example is the establishment of the "NAMI Watch Dogs"—a group of dedicated citizens who monitor legislative activity and attend legislative hearings at a moment's notice. The NAMI Watch Dogs are at the forefront educating legislators about mental illness and partnering with community organizations including the Arizona Council of Human Service Providers, the Maricopa County Advocates and Providers, and the Arizona Peer and Family Coalition as well as other community groups. NAMI Watch Dogs routinely serves as guides and hosts assisting others to participate in legislative hearings and the Governor's press conferences.

From this partnering, NAMI Arizona was able to accomplish and promote a significant number of important initiatives and advocate for key mental health issues including:

- Increased funding for Mental Health First Aid, a nationally recognized program which is designed to train ordinary citizens to recognize the signs and symptoms of mental illness and intervene early to help affected individuals to get treatment.
- Repeal of antiquated language in Arizona laws that defined a mentally ill person using terms that were derogatory and stigmatizing.
- Governor Brewer's proposal to expand Medicaid eligibility to make behavioral health care benefits available to thousands of Arizona's citizens.
- "Prohibited Possessor" laws that would affect individuals who voluntarily seek hospitalized mental health treatment.
- Advocated for training and resources needed for "Mandatory Reporting" laws affecting persons who may be a danger to self or others.
- Participating in Mental Health Court Standards Advisory Committee.

- Partnering with Law Enforcement and Crisis Responders statewide to better educate and inform the public on best practices.
- Moderating Housing and Criminal Justice forums in concert with ASU Center for Applied Behavioral Health Policy and David's Hope.
- Implementing Arizona Health Care Cost Containment System "Building Connections" initiative preparing and facilitating individual and family members to assume leadership roles on committees and in communities.
- Conducting six consecutive Annual Meetings built on health care transformation beginning with 2012 – "Transforming Arizona Integrated Health Outcomes", 2013 – "Cultivating a Collaborative Community Approach", 2014 – "Crankin' Up the Collaboration", 2015 – "Now We're Cooking", 2016 – "Establishing Collaborative Community Oversight", and 2017 – "Collaborative Community Oversight – Arizona Steps Up."

### **Section 3: Conclusion: Arizona's 1115 Waiver IMD Exclusion**

Arizona has an active and engaged health care sector that provides quality care to Arizonans across the State.

When we supported restoration and expansion of Medicaid in Arizona, we did so with the recognition that this added coverage could be leveraged to support initiatives in payment reform and health care delivery transformation.

As NAMI Arizona continues to intentionally partner with the great State of Arizona in health care delivery transformation and reform, we firmly believe this proposal helps break down siloes between physical and behavioral health, between providers and payers, and reconnects all to the individuals and family members we strive to serve.

NAMI Arizona's Collaborative Community Approach is furthered and supported by this IMD Exclusion and we are committed to this process and a positive result.

Sincerely,

Jim Dunn, M.Ed./C, CPRP,  
Executive Director/CEO  
NAMI Arizona  
5025 E. Washington St., Ste 112  
Phoenix, AZ 85034  
602-885-4166  
[jimdunnaz@msn.com](mailto:jimdunnaz@msn.com)

Vicki Johnson, M.A.,  
President,  
NAMI Arizona  
5025 E. Washington St., Ste 112  
Phoenix, AZ 85034  
480-236-2552  
[vlj30@cox.net](mailto:vlj30@cox.net)



March 17, 2017

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Encompass Health Services

Emily L. Jenkins  
President & CEO

Mr. Thomas J. Betlach  
Director  
AHCCCS  
801 E. Jefferson MD 4100  
Phoenix, AZ 85034

Re: IMD Waiver

Dear Director Betlach:

The Arizona Council of Human Service Providers (Council) is an association of 91 member agencies that provide behavioral health and child welfare services. The members provide mental health services in all parts of the state.

The members of the Council support the application of AHCCCS for a waiver of the IMD exclusion that would allow psychiatric facilities (i.e. hospitals, nursing facilities, or other institutions of more than 16 beds that are primarily engaged in providing diagnosis, treatment or care of persons with mental diseases, including medical attention, nursing care and related services) to be able to provide reimbursable services to all AHCCCS members, including managed care members and members who participate in the American Indian Health Program, a fee for service program. This would enable Arizona to offer equal access to care in IMDs for all Medicaid enrollees.

The fifteen day limit on reimbursable services is causing significant difficulty for institutions that provide psychiatric services. Some patients are not ready for discharge in 15 days. In other situations, there is no appropriate place for the patients to go when they are discharged, and it may take some time to arrange a placement or for a bed to open up. It is important that continuity of care be maintained so as to prevent re-hospitalization. For the population who have been ordered by the court to be treated, it is important that it is safe for them and for the community for them to be discharged.

The managed care entities that serve the Medicaid program have policies to incentivize movement of patients from inpatient settings as soon as clinically appropriate. Long stays

in inpatient facilities are infrequent and occur only in cases where the patient requires a lengthy treatment.

With the exception of the Arizona State Hospital, there are no other public inpatient psychiatric facilities. Managed care entities must contract with private hospitals for the care of these patients. A possible unintended consequence of the 15 day rule is to discourage private hospitals from taking Medicaid patients because the hospitals do not wish to risk loss of reimbursement for the entire stay in the event that the stay extends beyond the 15 days. This would limit access to care and possibly require patients to be hospitalized far from home and family.

In order to avoid the risk of the loss of the capitated rate payment for a month, providers who are capitated will have limited referral options because they will have to choose hospitals that have shorter lengths stay regardless of whether this is the most appropriate treatment option for the individual.

Sincerely,



Emily L. Jenkins  
President and CEO



March 17, 2017

Mr. Tom Betlach, Director  
Arizona Health Care Cost Containment System  
801 E Jefferson St.  
Phoenix, AZ 8503

Dear Mr. Betlach:

I am reaching out to you on behalf of Aurora Behavioral Health System to express support for the Arizona Health Care Cost Containment System (AHCCCS) Administration's proposed Sect. 1115 Waiver amendment that seeks an exemption from the Institutions for Mental Diseases (IMD) exclusion for all beneficiaries ages 21-64, regardless of delivery system. As the state's largest free-standing psychiatric hospital system, we are committed to the wellness of individuals, their families and the community through prevention, intervention and treatment. We do this by offering a full spectrum of behavioral healthcare services in a warm, inviting atmosphere where patients actively participate in their own treatment. We have two locations with our West campus in Glendale and our East campus in Tempe. We offer inpatient and outpatient services for adults, adolescents and seniors needing mental health and chemical dependency treatment. Our full continuum of care provides patients different levels at which to begin their care and to continue their treatment.

Arizona's Medicaid program for many years successfully relied on quality care provided by IMDs through previous "in lieu of services" Waiver authority. This authority was withdrawn Oct. 1, 2016 through the Center for Medicare and Medicaid Services' (CMS) implementation of its final Medicaid Managed Care (MCO) rules. Under these rules, states may make a monthly capitation payment to an MCO or Prepaid Inpatient Health Plan for a member receiving inpatient treatment at an institution for mental disease (IMD) so long as length of stay in the IMD is no more than 15 days during the period of the monthly capitation payment.

While this rule change gives additional flexibility to some states that had not previously delivered services through IMDs, this is not the case in Arizona where the regulation is restricting the ability of AHCCCS to optimize resources. Due to limited inpatient and residential service capacities within the state, largely resulting from geographic and low population density issues, Arizona's inpatient network is built around IMDs. Approximately 75 percent of Arizona's inpatient psychiatric beds are located in IMDs. If the Administration is unable to fully leverage these beds under a new Waiver, MCOs will experience significant challenges in finding appropriate placements for members.



March 17, 2017

After only a few months under the current rule, we are already seeing a detrimental impact on the delivery of services. While many of our patients are ready for discharge within the rule's 15-day time-frame, many are not. A large amount of our patient population is being adversely affected as nearly fifty percent of them are covered by

AHCCCS. On average, the AHCCCS Administration estimates approximately 140 patients a month will be impacted by this rule.

Without a Waiver from the IMD exclusion, many patients will be unable to access medically necessary and clinically appropriate services. They will be diverted to emergency departments and less specialized settings, in which the care may actually be more expensive. With this in mind, we strongly support the AHCCCS Administration's waiver request and urge CMS to approve it.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bruce Waldo", is written over a light blue circular stamp.

Bruce Waldo, CEO

Bruce Waldo, CEO  
Aurora Behavioral Health System



Via email: [PublicInput@azahcccs.gov](mailto:PublicInput@azahcccs.gov)

AHCCCS  
Office of Intergovernmental Relations  
801 E. Jefferson Street, MD 4200  
Phoenix, AZ 85034

Dear Director Betlach,

Health Choice Arizona and Health Choice Integrated Care have reviewed the proposed Legislative changes to Arizona's 1115 waiver, and are collectively offering comments on the proposed waiver request regarding the use of Institutions for Mental Disease (IMD) facilities.

As both the operator of a Medicaid Acute Care Managed Care Organization covering over 235,000 members, and an Integrated Regional Behavioral Health Authority managing behavioral health for over 165,000 members, Health Choice supports the AHCCCS Administration's request in the most emphatic manner possible.

Arizona has operated under an "in lieu" IMD waiver for 15 years, with the Centers for Medicare and Medicaid's knowledge and approval. During this time, Arizona has not abused the flexibility CMS has afforded it. To the contrary, Arizona Medicaid MCOs and providers have established practices and protocols to appropriately use IMD facilities for appropriate stays only, and limit the length of these stays to a period of time that is medically necessary. These protocols have had the desirable effect of avoiding unnecessary and costly incarceration and Emergency Room utilization.

While there may be concern that states could inappropriately use IMD facilities to effectively re-institutionalize members who are living with serious mental illness, Arizona has clearly demonstrated over the last decade and a half that it will not do so.

The problem of limited non-IMD provider capacity has not changed over the last 15 years. The same geographic, economic, and low population density challenges that made it difficult for providers to develop non-IMD facilities still exist today.

We are very concerned that given the limited availability of non-IMD facilities in Arizona's sparsely populated rural areas, the regulation could potentially cause hospital Emergency Rooms to be clogged with members who could not receive needed services currently provided through IMDs. Likewise, we

**Health Choice**

410 N. 44th St., Suite 900

Phoenix, AZ 85008 | Fax: 480-784-2933





are concerned that members may end up in municipal jails. Both of these environments are likely to re-traumatize members, causing the need for future and more intensive psychiatric care in the future.

Health Choice sincerely values our long-standing partnership with AHCCCS, and continues our support of initiatives toward the development and enhancement of the delivery system recognized across the country for the numerous successes we enjoy today. We appreciate the opportunity to strongly support AHCCCS' proposed request for a waiver from CMS.

Sincerely,

Mike Uchrin, CEO  
Health Choice Arizona

Shawn Nau, CEO  
Health Choice Integrated Care

**Health Choice**

410 N. 44th St., Suite 900  
Phoenix, AZ 85008 | Fax: 480-784-2933

**From:** [Aaron Bowen](#)  
**To:** [Public Input](#)  
**Subject:** IMD Waiver Amendment Request  
**Date:** Wednesday, February 15, 2017 9:46:51 AM

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To whom it may concern,

As the Chief Executive Officer of the Arizona State Hospital (ASH), I appreciate this opportunity to express my support of AHCCCS' intent to obtain relief from the adherence to the CMS rule regarding payments to IMDs. The Arizona State Civil Hospital, as our single state operated psychiatric inpatient facility, provides long-term inpatient psychiatric care to Arizonans with Serious Mental Illness. The Civil facility operates programs on a 116 bed campus, which is accredited by the Joint Commission, and is certified to receive reimbursement from the Centers for Medicare and Medicaid Services (CMS). Also located on the campus is The Arizona State Forensic Hospital and the Arizona Community Protection and Treatment Center (ACPTC). The Forensic Hospital is a 143 bed JCAHO accredited facility, but is not CMS certified. Inpatients in the Forensic facility are not eligible for enrollment in the AHCCCS, as their confinement is considered to be correctional in nature. The ACPTC is a 100-bed funded facility that provides care, supervision and treatment for those persons court-ordered into the program as sexually violent persons. The hospital has a \$71,254,800 budget, of which \$60,812,700 comes from the State's General Fund. The last fiscal year ASH revenues were \$5,505,536.

In the past, AHCCCS used an "in lieu" authority to pay for the first 30 days of an inpatient stay at IMDs (which is what ASH is considered). My understanding is that this authority is to sunset in October 2017. After October 2017, the ASH understands that CMS will require that AHCCCS only pay for IMD visits when stays are less than 15 days for those patients covered under the CMS rule governing IMD payments. We also understand that payments will continue for those patients 21 and younger, and those over 65. At this time, there are only about a half a dozen patients at ASH that fall within this age range. The length of stay at ASH is NEVER less than 15 days.

If the IMD restrictions are operationalized ASH will lose significant revenue – revenue needed to treat the state's most vulnerable population. Encounter data from AHCCCS for FY15 showed that ASH received approximately \$611,000.00 for treatment provided to AHCCCS-enrolled patients. The number of admissions during FY15 was 16, while that jumped to 40 in FY16. The revenue that the ASH would have to recover from other state general fund sources would need be close to a \$1,000,000.00, should AHCCCS not receive a waiver from CMS.

The ASH understands the origin of the IMD rule, but also must point out that the advances in psychiatric care and treatment have resulted in marked reductions in state hospital systems, with a resultant significantly reduced threat to CMS funding stability should the waiver be granted. The ASH would also stress the remarkable success that AHCCCS has sustained in controlling costs while ensuring quality care. Should CMS grant the waiver, the ASH has every confidence that the AHCCCS UM functions that have served T-19 enrolled Arizonans so well, will ensure continued solvency.

The ASH is hopeful that CMS sees the importance of this revenue stream for the treatment of those with behavioral health conditions. ASH's mission is to provide evidence-based, recovery-oriented,

and trauma-informed care to the individuals receiving care at Arizona State Hospital in order to facilitate their successful transition to the least restrictive alternative possible – funding is a key to the hospital's success.

Thanks,

**Aaron Bowen, Psy.D.**

Chief Executive Officer, Arizona State Hospital

Deputy Director, Arizona Department of Health Services

2500 East Van Buren Street, Phoenix, AZ 85008

**From:** [Kathleen Collins Pagels](#)  
**To:** [Public Input](#)  
**Cc:** [Betlach, Tom](#); [Kohler, Beth](#); [Silver, Shelli](#); [Rountree, Virginia](#); [Quast, Christina](#); [Jacobson, George](#); [Lorenz, Elizabeth](#)  
**Subject:** IMD public comment  
**Date:** Wednesday, February 8, 2017 11:06:59 AM

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Director Betlach-

I am writing to offer my unqualified support for the IMD 1115 waiver proposal. The Arizona Health Care Association represents the vast majority of Arizona's skilled nursing facilities , as well as assisted living centers serving AHCCCS/Medicaid members across the state. We are deeply committed to providing the right care, at the right time in the right setting.

We believe that enhanced access to behavioral health services in appropriate health care settings should be a priority for the state of Arizona. We are committed to collaboration on this front, and commend you for this waiver proposal.

Thank you for the opportunity to offer public comment.

Kathleen Collins Pagels  
Executive Director  
Arizona Health Care Association  
1440 East Missouri  
Suite C102  
Phoenix, AZ 85014

Mr. Tom Betlach  
Director  
Arizona Health Care Cost Containment System  
801 E Jefferson St.  
Phoenix, AZ 85034

Dear Mr. Betlach:

I am reaching out to you on behalf of Copper Springs Hospital to express support for the Arizona Health Care Cost Containment System (AHCCCS) Administration's proposed Sect. 1115 Waiver amendment that seeks an exemption from the Institutions for Mental Diseases (IMD) exclusion for all beneficiaries ages 21-64, regardless of delivery system. At Copper Springs, we treat primary psychiatric and addiction problems, provide rapid stabilizing care and return patients to their homes, families and primary providers as quickly as we can. Based in the West Valley we are one of the very few facilities in our area that provides this critical level of acute care and after 10 months of operation employ 205 staff and typically run at or near capacity.

Arizona's Medicaid program for many years successfully relied on quality care provided by IMDs through previous "in lieu of services" Waiver authority. This authority was withdrawn Oct. 1, 2016 through the Center for Medicare and Medicaid Services' (CMS) implementation of its final Medicaid Managed Care (MCO) rules. Under these rules, states may make a monthly capitation payment to an MCO or Prepaid Inpatient Health Plan for a member receiving inpatient treatment at an institution for mental disease (IMD) so long as length of stay in the IMD is no more than 15 days during the period of the monthly capitation payment.

While this rule change gives additional flexibility to some states that had not previously delivered services through IMDs, this is not the case in Arizona where the regulation is restricting the ability of AHCCCS to optimize resources. Due to limited inpatient and residential service capacities within the state, largely resulting from geographic and low population density issues, Arizona's inpatient network is built around IMDs. Approximately 75 percent of Arizona's inpatient psychiatric beds are in located in IMDs. If the Administration is unable to fully leverage these beds under a new Waiver, MCOs will experience significant challenges in finding appropriate placements for members.

After only a few months under the current rule, we are already seeing a detrimental impact on the delivery of services. While many of our patients are ready for discharge within the rule's 15-day time-frame, many are not. As an IMD we provide critical and lifesaving treatment for Arizona citizens that is not provided elsewhere. On average, the AHCCCS Administration estimates approximately 140 patients a month will be impacted by this rule.

Without a Waiver from the IMD exclusion, many patients will be unable to access medically necessary and clinically appropriate services. They will be diverted to emergency departments and less specialized settings, in which the care may actually be more expensive. With this in mind, we strongly support the AHCCCS Administration's waiver request and urge CMS to approve it.

Sincerely,

Phil Sheridan, CEO Copper Springs  
10550 West McDowell Rd, Avondale Arizona