

January 28, 2018

The Honorable John Kavanagh
Joint Legislative Budget Committee
1700 West Washington Street
Phoenix, Arizona 5007

Subject: AHCCCS Targeted Investments Program (TIP) Payment Methodology

Dear Senator Kavanagh:

In the June 20, 2017 JLBC meeting, the Committee voted favorably on the following requirement:

AHCCCS shall report to the Committee its methodology for making incentive payments to providers participating in TIP once the methodology is finalized. The JLBC Chairman shall decide whether the methodology requires further review by the full Committee.

AHCCCS has finalized its methodology for making incentive payments to participating providers for Year 1 of the Targeted Investments (TI) Program, which encompasses Federal Fiscal Year 2017 (October 1, 2016 through September 30, 2017). The methodology for each of the projects is summarized below.

Behavioral Health

All providers registered with AHCCCS as behavioral health outpatient clinics and integrated clinics serving managed care members were invited to apply for the TI Program (with the exception of clinics whose services are limited to crisis call line centers and thus do not provide the range of services necessary to meet TI investment requirements). AHCCCS determined eligibility to participate by applying a minimum threshold of behavioral health service units during FY 2016. Payment amounts were determined by applying a per unit dollar amount to the same service units. The per unit amount applies a differentiation for urban and rural providers, where the rural per unit amount includes a premium over the urban per unit amount. Final payment amounts were determined by applying a Managed Care Organization (MCO) service unit threshold, establishing a minimum dollar amount that an MCO would be expected to pay to each provider.

For Year 1, 210 behavioral health sites will be paid approximately \$9.9 million for the TI Program.

Primary Care

All primary care providers registered with AHCCCS and having assigned managed care members (including those practicing in an integrated clinic but excluding those practicing in a

Federally Qualified Health Center or Rural Health Clinic - FQHC/RHC) were invited to apply for the TI Program. AHCCCS determined eligibility to participate by applying a minimum threshold of assigned managed care members based on reporting by the MCOs. Payment amounts were determined by applying a per unit dollar amount to the number of assigned managed care members for each primary care provider. The per unit amount applies a differentiation for urban and rural providers, where the rural per unit amount includes a premium over the urban per unit amount. Final payment amounts were determined by applying an MCO service unit threshold, establishing a minimum dollar amount that an MCO would be expected to pay to each provider.

FQHCs/RHCs were excluded due to their federally-mandated reimbursement mechanism that facilitates investment in system transformation activities. Additionally, the federally mandated cost based reimbursement structure has led to significant increases for FQHCs/RHCs since 2009 while other providers in the AHCCCS system still have rates below 2009 levels. The only exception to this decision is related to FQHCs that were selected to participate in the Justice project. These FQHCs were also instructed to participate in the Primary Care project.

For Year 1, 270 primary care provider sites will be paid approximately \$5.4 million for the TI Program.

Hospital

AHCCCS determined eligibility to participate by applying a minimum threshold of inpatient discharges during FY 2016 where the principal diagnosis was a mental health condition or where the member had been determined to have a Serious Mental Illness (SMI). Payment amounts were determined by applying a per unit dollar amount to the qualifying discharges. Final payment amounts were determined by applying an MCO service unit threshold, establishing a minimum dollar amount that an MCO would be expected to pay to each provider.

For Year 1, 27 hospital sites will be paid approximately \$1 million for the TI Program.

Adults Transitioning from the Criminal Justice System (Justice Project)

This project requires participating provider organizations to establish clinics that are located in or adjacent to probation or parole offices, and that offer a range of behavioral and physical health services to individuals exiting incarceration. Regional Behavioral Health Authority MCOs (RBHAs), who are knowledgeable about providers' capabilities and expertise in serving members transitioning from the Criminal Justice System, identified interested registered providers believed to be qualified to provide integrated health care within co-located clinics. The process included vetting of several factors including provider comprehension and capacity for providing criminogenic, evidence-based forensic support and services to this special population. These providers were invited to apply to participate. Because these co-located clinics are being newly established during FY 2018, a flat payment amount is being made to each of the nine clinics that were selected to participate.

For Year 1, 9 co-located clinic sites will be paid approximately \$2.7 million for the TI Program.

Payment Delivery

All payments for the Targeted Investments Program will be delivered to the participating providers by the Administration's contracted MCOs in accordance with Federal regulations. After completion of each contract year, AHCCCS will adjust capitation rates in the form of lump sum payments to each MCO in an amount equal to the TI payments due to program participants, plus any administrative payment for the MCO.

Should you have any questions, please do not hesitate to contact Shelli Silver, Assistant Director, at shelli.silver@azahcccs.gov, or (602) 417-4647.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Betlach', with a large, sweeping flourish extending to the right.

Thomas J. Betlach
Director

cc: The Honorable David Livingston, Arizona House of Representatives
Matthew Gress, Office of Strategic Planning and Budgeting
Richard Stavneak, Joint Legislative Budget Committee
Christina Corieri, Senior Policy Advisor, Office of the Governor
Bret Cloninger, Office of Strategic Planning and Budgeting