

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop: S2-26-12
Baltimore, Maryland 21244-1850



Mr. Thomas Betlach
Director
Arizona Health Care Cost Containment System
801 East Jefferson Street
Phoenix, AZ 85034

NOV 27 2013

Dear Mr. Betlach:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has received and reviewed several of the state's requests to amend Arizona's Medicaid section 1115 demonstration, the Arizona Health Care Cost Containment (AHCCCS) demonstration (11-W-00275/09 and 21-W-00064/9). On November 1, 2013, the state submitted amendment requests to 1) open enrollment to Medicaid starting December 1, 2013 for certain childless adults with incomes at or below 100 percent of the Federal poverty level (FPL) who have pending disability reviews financed through existing Safety Net Care Pool (SNCP) dollars; 2) continue coverage through January 31, 2014 for children with incomes above 133 percent of the FPL who are currently enrolled in the KidsCare II program; 3) continue uncompensated care payments through September 30, 2016 to Indian Health Service and 638 Tribal facilities; and 4) make revisions to the standard terms and conditions (STCs) to reflect the state's 2014 Medicaid expansion efforts. This letter addresses the state's first two requests. The other two requests remain under review.

CMS is approving the state's request to open Medicaid enrollment early for childless adults who have pending reviews for disability claims and who would otherwise qualify for Medicaid coverage but for the state's prior determination to stop enrolling additional individuals into the childless adults population. This coverage will be financed through existing SNCP dollars. CMS is also approving the state's request to extend enrollment for children in the KidsCare II program. This would allow the state to expend remaining funds set aside through the City of Phoenix SNCP. The SNCP, which was set to expire on December 31, 2013, will now be extended through January 31, 2014 to allow the State to continue to provide coverage to children enrolled in the KidsCare II program as they transition to Marketplace coverage. Maintaining coverage for children in the KidsCare II program and adding additional childless adults are important features of the demonstration as they further the objectives of both the Medicaid and CHIP programs.

On July 12, 2013, the state made two further requests: first, to allow payments from the currently approved SNCP to go to three additional rural hospitals – Cobre Valley Regional Medical Center, Benson Hospital and La Paz Regional Hospital; and, second, to add funding to the SNCP to permit payments to hospitals from four additional cities – Tucson, Mesa, Casa Grande, and Globe. On

October 9, 2013, the state made two additional requests: first, to amend its July 12th submission to add a fifth city – Goodyear; and, second, as an alternative to the July 12th request, to expand the SNCP through the development of a new Delivery System and Payment Reform Initiative Accelerator program to allow payments to providers particularly in the cities of Mesa and Tucson. Finally, the state requested on November 13, 2013 to add a fourth hospital, Northern Cochise Community Hospital, to the July 12th list of hospitals that would receive payments from the currently approved SNCP.

At this time, we are approving the state's request to make technical changes to add four rural hospitals without expanding funding for the SNCP. However, we are not able to approve at this time the state's requests to expand the SNCP to permit payments to the additional hospitals from the five new cities or development of a new Delivery System and Payment Reform Initiative Accelerator program due to the following reasons:

1. For both amendment requests, unlike the previous two amendments submitted by Arizona that established and expanded the SNCP, the state could not offer any additional coverage options for children or adult populations prior to the expiration of the SNCP.
2. The state requested payments retroactive to demonstration year (DY) 2 (October 1, 2012 through September 30, 2013) for the cities of Mesa, Tucson, Globe, and Goodyear; and for the city of Casa Grande, retroactive payments were requested from July 1, 2011 through June 30, 2012. CMS does not have the authority to approve retroactive payments after a demonstration year ends.
3. There were questions related to the proposed Mesa and Tucson taxes that were not addressed in time to allow approval of this request prior to the end of DY 2.
4. The requests to add the cities of Casa Grande and Globe raised hold harmless concerns since only one hospital in each of these cities would have been subject to the tax and appeared to be directly correlated to the Medicaid payment. We note, however, that Cobre Valley Regional Medical Center in the city of Globe will be added as a rural hospital to the existing SNCP as previously indicated. Also, the request to add hospitals from the cities of Goodyear came after DY 2 ended; and as such, could not be subject for approval for retroactive payment from DY 2.
5. The state has also requested to make payments retroactive to October 1, 2012 to reward providers for past performance through the newly proposed Delivery System and Payment Reform Initiative Accelerator program. We are not prepared to approve a delivery system reform initiative that rewards providers for past performance. Also, as previously mentioned, CMS does not have authority to approve retroactive payments after a demonstration year ends.

For these reasons, CMS could not find a clear basis to determine that dedicating new resources to the SNCP through January 31, 2014 is consistent with our legal authority or with the objectives of the Medicaid program.

CMS' approval of amendments to the AHCCCS demonstration is effective as of the date of this letter and is conditioned upon continued compliance with the enclosed set of STCs defining the nature, character, and extent of anticipated federal involvement in the project. The award is subject to our

receiving your written acknowledgement of the award and acceptance of these STCs within 30 days of the date of this letter.

A copy of the revised STCs and expenditure authorities are enclosed. The waiver authorities for the demonstration are unchanged by these amendments and remain in force.

Your project officer for this demonstration is Ms. Wakina Scott. She is available to answer any questions concerning your section 1115 demonstration and this amendment. Ms. Scott's contact information is as follows:

Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
Mail Stop: S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850
Telephone: (410) 786-0921
E-mail: Wakina.Scott@cms.hhs.gov

Official communications regarding program matters should be sent simultaneously to Ms. Scott and to Ms. Gloria Nagle, Associate Regional Administrator for the Division of Medicaid and Children's Health in our San Francisco Regional Office. Ms. Nagle's contact information is as follows:

Ms. Gloria Nagle
Associate Regional Administrator
Division of Medicaid and Children Health Operations
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103 -6706
Email: Gloria.Nagle@cms.hhs.gov

We appreciate the collaborative relationship we have with your staff and look forward to continuing our partnership in providing health care to the citizens of Arizona. If you have questions regarding this approval, please contact Mr. Eliot Fishman, Director, Children and Adults Health Programs Group, Centers for Medicaid & CHIP Services, at (410) 786-5647.

Sincerely,



Cindy Mann
Director

Enclosures

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cc:

Gloria Nagle, Associate Regional Administrator, San Francisco Regional Office