

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
San Francisco Regional Office  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6706



**DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS**

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

MAR 03 2014

Dear Mr. Betlach:


Enclosed is an approved copy of Arizona State Plan Amendment (SPA) 13-016, which was submitted to CMS on December 18, 2013. This amendment updates the State Plan to add underpayments to the Recovery Audit Contractor (RAC) program effective January 1, 2014 as requested.

Enclosed are the following approved State Plan pages to be incorporated within your State Plan:

- Section 4.5b, pages 36b-36c

If you have any questions, please have your staff contact Cheryl Young at (415) 744-3598 or at [cheryl.young@cms.hhs.gov](mailto:cheryl.young@cms.hhs.gov).

Sincerely,

  
Gloria Nagle, Ph.D., MPA  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

cc: Wakina Scott  
HeeYoung Ansell



Revision:

State: Arizona

**SECTION 4 – GENERAL PROGRAM ADMINISTRATION**

4.5b Medicaid Recovery Audit Contractor Program

Citation

The state has established a program under which it will contract with one or more recover audit contractors (RACs) for the purpose of identifying overpayments and underpayments of Medicaid claims under the State plan and under any waiver of the State plan.

Section 1902 (a)(42)(B)(i) of the Social Security Act

The state is seeking an exception to establishing such program for the following reasons:.

Section 1902 (a)(42)(B)(ii)(I) of the Act

The State/Medicaid agency has contracts of the type(s) listed in section 1902(a)(42)(B)(ii)(I) of the Act. All contracts will meet the requirements of the statute by April 1, 2012. RACs are consistent with the statute.

Place a check mark to provide assurance of the following:

The State will make payments to the RAC(s) only from amounts recovered.

The State will make payments to the RAC(s) on a contingent basis for collecting overpayments.

Section 1902 (a)(42)(B)(ii)(II)(aa) of the Act

The following payment methodology shall be used to determine State payments to Medicaid RACs for identification and recovery of overpayments

The State attests that the contingency fee rate paid to the Medicaid RAC will not exceed the highest rate paid to Medicare RACs, as published in the Federal Register.

The State attests that the contingency fee rate paid to the Medicaid RAC will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will only submit for FFP up to the amount equivalent to that published rate.

TN No. 13-016  
Supersedes  
TN No. 10-012

Approval Date: MAR 03 2014

Effective Date: January 1, 2014

\_\_\_\_\_ The contingency fee rate paid to the Medicaid RAC will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will submit a justification for that rate and will submit for FFP for the full amount of the contingency fee.

Section 1902 (a)(42)(B)(ii)(II)(bb) of the Act

\_\_\_\_\_ ✓ The following payment methodology shall be used to determine State payments to Medicaid RACs for the identification of underpayments (e.g., amount of flat fee, the percentage of the contingency fee). The RACs compensation for underpayments will be based on the amount of the actual underpayment amounts paid to providers identified from the improper payment recovery review process. The Contractor will be paid a contingency fee of 10.5% of the underpayments paid to providers. The contingency fee for underpayments will be paid for underpayments of \$250.00 or more on claims submitted on a UB04, and \$100.00 or more on claims submitted on CMS 1500 and ADA forms. The automated review process will identify a clearly improper payment and the complex review will include a medical documentation review to verify the claim payment which will also look at the proper coding on claims submitted.

Section 1902 (a)(42)(B)(ii)(III) of the Act

\_\_\_\_\_ ✓ The State has an adequate appeal process in place for entities to appeal any adverse determination made by the Medicaid RAC(s).

Section 1902 (a)(42)(B)(ii)(IV)(aa) of the Act

\_\_\_\_\_ ✓ The State assures that the amounts expended by the State to carry out the program will be amounts expended as necessary for the proper and efficient administration of the State plan or a waiver of the plan.

Section 1902 (a)(42)(B)(ii)(IV)(bb) of the Act

\_\_\_\_\_ ✓ The State assures that the recovered amounts will be subject to a State's quarterly expenditure estimates and funding of the State's share.

Section 1902 (a)(42)(B)(ii)(IV)(cc) of the Act

\_\_\_\_\_ ✓ Efforts of the Medicaid RAC(s) will be coordinated with other contractors or entities performing audits of entities receiving payments under the State plan or waiver in the State, and/or State and Federal law enforcement entities and the CMS Medicaid Integrity Program.