



**Contract Year Ending 2020
Arizona Long Term Care System/
Elderly and Physical Disability
Capitation Rate Notification – Nursing
Facility Enhanced Payments**

**October 1, 2019 through September 30,
2020**

**Prepared for:
The Centers for Medicare & Medicaid Services**

**Prepared by:
AHCCCS Division of Health Care Management**

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Introduction and Limitations

The purpose of this capitation rate notification document is to provide documentation of the data, assumptions, and methodologies used to allocate a delivery system and provider payment initiative (Nursing Facility Enhanced Payments (NF-EP)) across the October 1, 2019 through September 30, 2020 (Contract Year Ending 2020 or CYE 20) capitation rates, for the Arizona Long Term Care System (ALTCS)/Elderly and Physical Disability (ALTCS/EPD) Program. The NF-EP are payments under 42 CFR § 438.6(c)(1)(ii). This capitation rate notification document was prepared for the Centers for Medicare & Medicaid Services (CMS), or its actuaries, for review of the NF-EP allocation methodology. This capitation rate notification document also provides the CYE 20 ALTCS/EPD Program capitation rates with and without the NF-EP for CMS review. This capitation rate notification document may not be appropriate for any other purpose.

This capitation rate notification document may also be made available publicly on the Arizona Health Care Cost Containment System (AHCCCS) website or distributed to other parties. If this capitation rate notification document is made available to third parties, then this capitation rate notification document and the original rate certification along with any amendments should be provided in their entirety. Any third party reviewing this rate certification should be familiar with the AHCCCS Medicaid managed care program, the provisions of 42 CFR Part 438 of 81 FR 27497 applicable to this rate certification, the 2020 Medicaid Managed Care Rate Development Guide (2020 Guide), Actuarial Standards of Practice, and generally accepted actuarial principles and practices.

CMS has not released a rate development guide specific to capitation rate updates related to payments under § 438.6(c). However, the 2020 Guide, the rate development guide used in the original CYE 20 capitation rate setting, included new sections under Section I.4.D. which AHCCCS addressed in the original certifications and is including again in this capitation rate notification document to address the incorporation of the directed payment into the rate certification's rate cells consistent with the distribution methodology described in the original capitation rate certification.

In lieu of having an official guide to follow, AHCCCS will follow the 2020 Guide for organizing this capitation rate notification document. Sections of the 2020 Guide that do not apply will be marked as "Not Applicable" and will be included in this rate update document for completeness.

Section I Medicaid Managed Care Rates

I.1. General Information

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

I.2. Data

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

I.3. Projected Benefit Costs and Trends

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

I.4. Special Contract Provisions Related to Payment

I.4.A. Incentive Arrangements

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

I.4.B. Withhold Arrangements

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

I.4.C. Risk-Sharing Mechanisms

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

I.4.D. Delivery System and Provider Payment Initiatives

I.4.D.i. Rate Development Standards

This section of the 2020 Guide provides information on delivery system and provider payment initiatives authorized under 42 CFR § 438.6(c).

I.4.D.ii. Appropriate Documentation

The following sections of the 2020 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(iii), were provided in the CYE 20 ALTCS/EPD Program Capitation Rate Certification as signed by Matthew C. Varitek on August 15, 2019. These sections are being provided again to facilitate CMS' review, updated as necessary to indicate completion of the specified payments.

I.4.D.ii.(a) Description of Delivery System and Provider Payment Initiatives

I.4.D.ii.(a)(i) Type and Description of Directed Payment Arrangements

AHCCCS seeks to provide enhanced support to nursing facilities in order to preserve access to these providers who deliver essential services to Medicaid recipients in Arizona. Contractors will provide a uniform dollar increase across all Contractors' reported nursing facility Medicaid bed days to network providers that provide nursing facility services. The increase is intended to supplement, not supplant, payments to eligible providers.

I.4.D.ii.(a)(ii) Directed Payments Incorporated in Capitation Rates

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

I.4.D.ii.(a)(iii) Directed Payments Under Separate Payment Arrangement

The NF-EP were not included in the CYE 20 ALTCS/EPD certified capitation rates and have been paid out via lump sum payments.

I.4.D.ii.(a)(iii)(A) Aggregate Amount

The original estimates of anticipated total payments for the NF-EP were approximately \$101.8 million, inclusive of premium tax. Of that total, approximately \$92.2 million was expected to be paid through ALTCS/EPD Contractors, and the remainder to be paid on a fee-for-service basis outside ALTCS/EPD. AHCCCS distributed the enhanced payments in the form of quarterly lump sum payments to the Contractors. Quarterly lump sum payments were based on the current available funds in the nursing facility assessment fund plus FMAP at the time of payment. The total payments paid through the ALTCS/EPD Contractors for the NF-EP were \$108.3 million, inclusive of premium tax.

I.4.D.ii.(a)(iii)(B) Providers Receiving Payment

The qualifying providers receiving the payments include nursing facilities who deliver essential services to ALTCS/EPD enrollees.

I.4.D.ii.(a)(iii)(C) Distribution Methodology

The distribution methodology for NF-EP is unchanged from the original capitation rate certification. The distribution is based on each facility's proportion of Medicaid resident bed days to total nursing facility Medicaid resident bed days for the most recent and complete contract year (i.e. CYE 18 for CYE 20 NF-EP). The distribution methodology for CYE 20 therefore used CYE 18 adjudicated and approved encounter data to allocate the CYE 20 NF-EP by capitation rate cell. The encounter data for this allocation included: nursing facility providers that maintained eligibility for NF-EP, relevant claim health plan information, relevant rate cell information, and counts of accommodation days. The AHCCCS DHCM Actuarial Team excluded Fee for Service (FFS) utilization from the development of the payments to ALTCS/EPD Program Contractors. After all exclusions, a payment for each ALTCS/EPD Program Contractor, including an adjustment for premium tax, was developed each quarter.

The payments have been allocated by rate cell using the same encounter data listed above which had all relevant rate cell information included. The allocation of payments by Contractor was driven by the percentage of total accommodation days that were assigned to each Contractor. Each payment amount for CYE 20 NF-EP was developed by using CYE 18 encounter data. Each quarterly payment was paid based on the available funds in the nursing facility assessment fund plus FMAP at the time of the payment.

I.4.D.ii.(a)(iii)(D) Estimated Impact by Rate Cell

Appendix 1 contains final PMPMs with premium tax by rate cell.

I.4.D.ii.(a)(iii)(E) Pre-Print Acknowledgement

AHCCCS submitted the NF-EP § 438.6(c) pre-print to CMS and received approval. The payment arrangement has been distributed in a manner consistent with the pre-print reviewed by CMS.

I.4.D.ii.(a)(iii)(F) Future Documentation Requirements

AHCCCS is submitting this documentation to CMS which incorporates the total amount of the NF-EP payments into the rate certification's rate cells, consistent with the distribution methodology described in Section I.4.D.ii.(a)(iii)(C). The capitation rates with and without the NF-EP can be found in Appendix 2.

I.4.E. Pass-Through Payments

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

I.5. Projected Non-Benefit Costs

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

I.6. Risk Adjustment and Acuity Adjustments

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

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

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

Section III New Adult Group Capitation Rates

Not applicable to the NF-EP for the CYE 20 ALTCS/EPD Program rate update.

Appendix 1: CYE 20 Nursing Facility Enhanced Payments

Rate Cell	Contractor	GSA	NF Enhanced Payments
Dual	UHC-LTC	North	\$9,132,351
Dual	Banner-UFC	South	\$14,296,164
Dual	Mercy Care	South	\$8,969,390
Dual	UHC-LTC	Central	\$14,703,517
Dual	Banner-UFC	Central	\$9,322,735
Dual	Mercy Care	Central	\$29,235,579
Non-Dual	UHC-LTC	North	\$1,364,196
Non-Dual	Banner-UFC	South	\$2,492,644
Non-Dual	Mercy Care	South	\$2,493,239
Non-Dual	UHC-LTC	Central	\$3,737,111
Non-Dual	Banner-UFC	Central	\$1,502,338
Non-Dual	Mercy Care	Central	\$11,022,052
Total			\$108,271,317

Note: the Amounts by rate cell and Totals include premium tax.

Appendix 2: CYE 20 Certified and Adjusted Capitation Rates

Rate Cell	Contractor	GSA	Certified Capitation Rate w HIPF 10/1/19 - 10/31/19	NF Enhanced Payments PMPM	Adjusted Capitation Rate 10/1/19 - 10/31/19	Certified Capitation Rate 11/1/19 - 12/31/19	NF Enhanced Payments PMPM	Adjusted Capitation Rate 11/1/19 - 12/31/19	Certified Capitation Rate 1/1/20 - 9/30/20	NF Enhanced Payments PMPM	Adjusted Capitation Rate 1/1/20 - 9/30/20
Dual	UHC-LTC	North	\$3,124.24	\$315.59	\$3,439.83	\$3,072.42	\$315.59	\$3,388.01	\$3,125.28	\$315.59	\$3,440.87
Dual	Banner-UFC	South	\$3,622.56	\$326.84	\$3,949.40	\$3,622.56	\$326.84	\$3,949.40	\$3,685.05	\$326.84	\$4,011.89
Dual	Mercy Care	South	\$3,378.06	\$348.92	\$3,726.98	\$3,378.06	\$348.92	\$3,726.98	\$3,438.80	\$348.92	\$3,787.72
Dual	UHC-LTC	Central	\$3,036.05	\$203.67	\$3,239.72	\$2,966.04	\$203.67	\$3,169.71	\$3,020.21	\$203.67	\$3,223.88
Dual	Banner-UFC	Central	\$3,823.61	\$357.83	\$4,181.44	\$3,823.61	\$357.83	\$4,181.44	\$3,889.23	\$357.83	\$4,247.06
Dual	Mercy Care	Central	\$3,745.32	\$306.33	\$4,051.65	\$3,745.32	\$306.33	\$4,051.65	\$3,812.57	\$306.33	\$4,118.90
Non-Dual	UHC-LTC	North	\$7,238.08	\$328.30	\$7,566.38	\$6,466.27	\$328.30	\$6,794.57	\$6,525.80	\$328.30	\$6,854.10
Non-Dual	Banner-UFC	South	\$6,452.05	\$367.85	\$6,819.90	\$6,452.05	\$367.85	\$6,819.90	\$6,514.73	\$367.85	\$6,882.58
Non-Dual	Mercy Care	South	\$7,141.60	\$562.78	\$7,704.38	\$7,141.60	\$562.78	\$7,704.38	\$7,211.35	\$562.78	\$7,774.13
Non-Dual	UHC-LTC	Central	\$7,877.52	\$322.16	\$8,199.68	\$7,046.94	\$322.16	\$7,369.10	\$7,112.83	\$322.16	\$7,434.99
Non-Dual	Banner-UFC	Central	\$7,792.47	\$306.41	\$8,098.88	\$7,792.47	\$306.41	\$8,098.88	\$7,875.23	\$306.41	\$8,181.64
Non-Dual	Mercy Care	Central	\$7,775.25	\$435.52	\$8,210.77	\$7,775.25	\$435.52	\$8,210.77	\$7,855.05	\$435.52	\$8,290.57

Note: the Certified Capitation Rates, NF Enhanced Payments PMPM, and Adjusted Capitation Rates all include premium tax.