



**Contract Year Ending 2021
Arizona Long Term Care System/Elderly and
Physical Disability Capitation Rate Notification -
Hospital Enhanced Access Leading to Health
Improvement Initiative**

October 1, 2020 through September 30, 2021

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

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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 payments initiative (i.e., state directed payment), the Arizona Health Care Cost Containment System (AHCCCS) Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII) Program, across the October 1, 2020 through September 30, 2021 (Contract Year Ending 2021 or CYE 21, or alternatively, Federal Fiscal Year 2021 (FFY 21)) capitation rates for the Arizona Long Term Care System/Elderly and Physical Disability (ALTCS/EPD) Program. The HEALTHII payments are payments under 42 CFR § 438.6(c)(1)(iii)(B), as codified in the 2016 Medicaid and Children's Health Insurance Program (CHIP) Managed Care Final Rule. This capitation rate notification document was prepared for Centers for Medicare & Medicaid Services (CMS), or its actuaries, for review of the HEALTHII payments allocation methodology. This capitation rate notification document also provides the CYE 21 ALTCS/EPD Program capitation rates with and without the HEALTHII payments 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 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 capitation rate notification document and capitation rate certifications 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 2020-2021 Medicaid Managed Care Rate Development Guide (2021 Guide), Actuarial Standards of Practice and generally accepted actuarial principles and practices.

CMS has yet to release a rate development guide for capitation rate updates related to payments under 42 CFR § 438.6(c). In lieu of having an official guide to follow, AHCCCS will follow the 2021 Guide for organizing this capitation rate notification document. The 2021 Guide describes the rate development standards and appropriate documentation to be included within Medicaid managed care rate certifications. In particular, Section I.4.D. covers state directed payments and it is this section that will contain the capitation rate notification documentation. Sections of the 2021 Guide that do not apply will be marked as "Not Applicable" and will be included in this rate notification document for completeness.

Section I Medicaid Managed Care Rates

I.1. General Information

Not applicable to the HEALTHII for the CYE 21 ALTCS/EPD Program rate update.

I.2. Data

Not applicable to the HEALTHII for the CYE 21 ALTCS/EPD Program rate update.

I.3. Projected Benefit Costs and Trends

Not applicable to the HEALTHII for the CYE 21 ALTCS/EPD Program rate update.

I.4. Special Contract Provisions Related to Payment

I.4.A. Incentive Arrangements

Not applicable to the HEALTHII for the CYE 21 ALTCS/EPD Program rate update.

I.4.B. Withhold Arrangements

Not applicable to the HEALTHII for the CYE 21 ALTCS/EPD Program rate update.

I.4.C. Risk-Sharing Mechanisms

Not applicable to the HEALTHII for the CYE 21 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 2021 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 2021 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(iii), were provided in the CYE 21 ALTCS/EPD Program Capitation Rate Certification as signed by Jill S. Herbold on November 13, 2020. These sections are being provided again to facilitate CMS' review, updated as necessary to provide additional information. There were two amendments to the CYE 21 rate certifications which did not impact HEALTHII. The amendments were signed on December 10, 2021 (costs associated with the flu vaccine gift cards to be claimed at 50 percent administrative match) and March 21, 2022 (new directed payment added for American Rescue Plan Act Home and Community Based Services). The certified capitation rates shown in Appendix 2 exclude the flu vaccine gift card PMPMs subject to administrative FMAP, consistent with the amendment signed December 10, 2021.

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

The HEALTHII program delivers a uniform percentage increase to hospitals for acute inpatient and ambulatory outpatient contracted Medicaid Managed Care services. HEALTHII program uniform percentage increases are based on a fixed payment pool that is allocated to each hospital class based on the additional funding needed to achieve each class' aggregate targeted pay-to-cost ratio for Medicaid Managed care services. The increase is intended to supplement, not supplant, payments to eligible providers.

CYE 21 ALTCS/EPD Program Capitation Rate Notification - HEALTHII

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

Not applicable to the HEALTHII for the CYE 21 ALTCS/EPD Program rate update.

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

The HEALTHII were not included in the 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 payments including premium tax for HEALTHII were approximately \$42.2 million. AHCCCS distributed the total payment via four interim quarterly lump sum payments to the Contractors, and a final redistribution of the payment based on CYE 21 utilization after the completion of the contract year. The total payments paid through the ALTCS/EPD Contractors for the HEALTHII were \$42.1 million, inclusive of premium tax.

I.4.D.ii.(a)(iii)(B) Actuarial Certification of the Amount of the Separate Payment Term

The actuaries certified to the aggregate directed payment estimates as actuarially sound according to 42 CFR § 438.4 in the original rate certification. The original estimates were based on projections of future events. This notification document incorporates the actual final aggregate payments by rate cell and the actuaries certify the final payment amounts by rate cell as actuarially sound according to 42 CFR § 438.4.

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

The qualifying providers receiving the payments include hospitals providing contracted Medicaid Managed Care acute inpatient and ambulatory outpatient services.

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

The distribution methodology for HEALTHII is unchanged from the original capitation rate certification. The distribution is based on the utilization of services by members with providers participating in the HEALTHII program. CYE 21 adjudicated and approved encounter data has been used to re-distribute the interim lump sum HEALTHII payments by capitation rate cell. The encounter data used to distribute the final payment amounts included relevant rate cell and program information to determine utilization, and thus distribution into the individual rate cells.

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

Appendix 1 shows the total dollars paid, including premium tax, by rate cell. Appendix 2 shows the payments by rate cell incorporated into the capitation rates as PMPMs.

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

These payments are being made under the approved HEALTHII 42 CFR § 438.6(c) payment arrangement in a manner consistent with the pre-prints approved by CMS (inclusive of any/all correspondence between the state and CMS regarding the pre-print).

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

AHCCCS is submitting this notification document to CMS which incorporates the total amount of the HEALTHII payments into the rate certification's rate cells, consistent with the distribution methodology

CYE 21 ALTCS/EPD Program Capitation Rate Notification - HEALTHII

described in Section I.4.D.ii.(a)(iii)(D). The capitation rates with and without the HEALTHII can be found in Appendix 2.

I.4.E. Pass-Through Payments

Not applicable to the HEALTHII for the CYE 21 ALTCS/EPD Program rate update.

I.5. Projected Non-Benefit Costs

Not applicable to the HEALTHII for the CYE 21 ALTCS/EPD Program rate update.

I.6. Risk Adjustment and Acuity Adjustments

Not applicable to the HEALTHII for the CYE 21 ALTCS/EPD Program rate update.

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

Not applicable to the HEALTHII for the CYE 21 ALTCS/EPD Program rate update.

Section III New Adult Group Capitation Rates

Not applicable to the HEALTHII for the CYE 21 ALTCS/EPD Program rate update.

Appendix 1: CYE 21 HEALTHII Payments

Rate Cell	Contractor	GSA	CYE 21 HEALTHII Dollars with Premium Tax
Dual	UHC-LTC	North	\$594,220
Dual	Banner-UFC	South	\$1,437,146
Dual	Mercy Care	South	\$930,474
Dual	UHC-LTC	Central	\$1,445,353
Dual	Banner-UFC	Central	\$983,912
Dual	Mercy Care	Central	\$4,200,878
Non-Dual	UHC-LTC	North	\$2,320,710
Non-Dual	Banner-UFC	South	\$5,111,349
Non-Dual	Mercy Care	South	\$2,110,132
Non-Dual	UHC-LTC	Central	\$7,125,899
Non-Dual	Banner-UFC	Central	\$2,568,719
Non-Dual	Mercy Care	Central	\$13,297,967
Total			\$42,126,759

Appendix 2: CYE 21 Certified and Adjusted Capitation Rates

			Capitation Rates Effective 10/1/20 - 9/30/21		
Rate Cell	Contractor	GSA	Cap Rates without HEALTHII	HEALTHII PMPM	Cap Rates with HEALTHII
Dual	UHC-LTC	North	\$ 3,206.26	\$20.00	\$3,226.26
Dual	Banner-UFC	South	\$ 3,611.44	\$33.45	\$3,644.89
Dual	Mercy Care	South	\$ 3,492.98	\$34.75	\$3,527.73
Dual	UHC-LTC	Central	\$ 3,155.60	\$20.33	\$3,175.93
Dual	Banner-UFC	Central	\$ 3,924.44	\$38.00	\$3,962.44
Dual	Mercy Care	Central	\$ 3,858.38	\$42.93	\$3,901.31
Non-Dual	UHC-LTC	North	\$ 6,597.56	\$567.57	\$7,165.13
Non-Dual	Banner-UFC	South	\$ 7,163.26	\$772.50	\$7,935.76
Non-Dual	Mercy Care	South	\$ 7,517.19	\$446.43	\$7,963.62
Non-Dual	UHC-LTC	Central	\$ 7,868.00	\$632.24	\$8,500.24
Non-Dual	Banner-UFC	Central	\$ 8,918.38	\$542.96	\$9,461.34
Non-Dual	Mercy Care	Central	\$ 8,353.59	\$523.47	\$8,877.06