ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

Contract Year Ending 2024
Capitation Rate Notification – Safety Net Services Initiative
Arizona Long Term Care System – Elderly and Physical Disability Program

October 1, 2023 through September 30, 2024

Prepared for:

The Centers for Medicare & Medicaid Services

Prepared by:

AHCCCS Division of Business and Finance

January 9, 2026

Table of Contents

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) Safety Net Services Initiative (SNSI), across the Contract Year Ending 2024 (CYE 24, October 1, 2023, through September 30, 2024) capitation rates for the Arizona Long Term Care System (ALTCS) Elderly and Physical Disability (ALTCS-EPD). This capitation rate notification document is based on CMS' approval of the SNSI Preprint (AZ_Fee_IPH.OPH3.New_20231001-20240930).

The SNSI payments are payments under 42 CFR § 438.6(c)(1)(iii)(C), as codified in the 2020 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 SNSI payments allocation methodology. This capitation rate notification document also provides the CYE 24 ALTCS-EPD Program capitation rates with and without the SNSI 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 applicable to this rate certification, the 2023-2024 Medicaid Managed Care Rate Development Guide (2024 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 2024 Guide for organizing this capitation rate notification document. The 2024 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 2024 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 SNSI for the CYE 24 ALTCS-EPD Program rate update.

I.2. Data

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

I.3. Projected Benefit Costs and Trends

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

I.4. Special Contract Provisions Related to Payment

I.4.A. Incentive Arrangements

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

I.4.B. Withhold Arrangements

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

I.4.C. Risk-Sharing Mechanisms

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

I.4.D. State Directed Payments

I.4.D.i. Rate Development Standards

This section of the 2024 Guide provides information on delivery system and provider payment initiatives (i.e., state directed payments) authorized under 42 CFR § 438.6(c).

I.4.D.ii. Appropriate Documentation

The following sections of the 2024 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(iii), were provided in an amendment to the CYE 24 ALTCS-EPD Program capitation rate certification as signed by Matthew C. Varitek on January 31, 2024. These sections are being provided again to facilitate CMS' review, updated as necessary to provide additional information. The original CYE 24 ALTCS-EPD Program capitation rate certification was signed on August 11, 2023

I.4.D.ii.(a) Description of State Directed Payments

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

The SNSI directed payment provides a uniform percentage increase for inpatient and outpatient services provided by the eligible public safety net hospital. The SNSI uniform percentage increase is based on a fixed total payment amount and is expected to fluctuate based on utilization in the contract year. This increase is intended to supplement, not supplant, payments to the eligible public safety net hospital.

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

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

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

The SNSI was not included in the CYE 24 ALTCS-EPD Program certified capitation rates and has 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 the ALTCS-EPD Program for SNSI were approximately $5.9 million. AHCCCS distributed the total payment via an interim lump sum payment to the Contractors, and a final redistribution of the payment based on actual CYE 24 utilization after the completion of the contract year. The total payments paid through the ALTCS-EPD Contractors for the SNSI were approximately $9.0 million, inclusive of premium tax.

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

The actuary 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 AHCCCS 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) Estimated Impact by Rate Cell

Appendix 1 shows the total SNSI dollars paid, including premium tax, by rate cell. Appendix 2 shows the SNSI payments by rate cell as if they had been incorporated into the capitation rates as PMPMs. Totals may not add up due to rounding.

I.4.D.ii.(a)(iii)(D) Preprint Acknowledgement

These payments were made under the SNSI 42 CFR § 438.6(c) payment arrangement in a manner consistent with the preprint approved by CMS (inclusive of any/all correspondence between the state and CMS regarding the preprint).

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

AHCCCS is submitting this notification document to CMS which incorporates the total amount of the SNSI payments into the rate certification's rate cells, consistent with the distribution methodology described in the preprint approved by CMS. The capitation rates with and without the SNSI payments can be found in Appendix 2.

I.4.E. Pass-Through Payments

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

I.5. Projected Non-Benefit Costs

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

I.6. Risk Adjustment

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

I.7. Acuity Adjustments

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

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

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

Section III New Adult Group Capitation Rates

Not applicable to the SNSI for the CYE 24 ALTCS-EPD Program rate update.

Appendix 1: CYE 24 SNSI Payments

Rate Cell	Contractor	GSA	CYE 24 SNSI Dollars with Premium Tax
Dual	UnitedHealthcare	North	$2,906
Dual	UnitedHealthcare	Central	$126,252
Dual	Banner - University Family Care	Central	$9,865
Dual	Mercy Care	Central	$763,244
Dual	Banner - University Family Care	South	$16,651
Dual	Mercy Care (Pima County Only)	South	$73,454
Non-Dual	UnitedHealthcare	North	$12,963
Non-Dual	UnitedHealthcare	Central	$1,235,068
Non-Dual	Banner - University Family Care	Central	$362,716
Non-Dual	Mercy Care	Central	$6,275,409
Non-Dual	Banner - University Family Care	South	$101,160
Non-Dual	Mercy Care (Pima County Only)	South	$18,626
Total			**$8,998,314**

Appendix 2: CYE 24 Certified and Adjusted Capitation Rates

			Capitation Rates Effective 10/1/23 - 09/30/24		
Rate Cell	Contractor	GSA	Cap Rates without SNSI	SNSI PMPM	Cap Rates with SNSI
Dual	UnitedHealthcare	North	$3,947.09	$0.12	$3,947.21
Dual	UnitedHealthcare	Central	$3,812.33	$1.94	$3,814.27
Dual	Banner - University Family Care	Central	$5,049.50	$0.39	$5,049.89
Dual	Mercy Care	Central	$5,069.23	$9.02	$5,078.25
Dual	Banner - University Family Care	South	$4,944.20	$0.39	$4,944.59
Dual	Mercy Care (Pima County Only)	South	$4,866.12	$3.46	$4,869.58
Non-Dual	UnitedHealthcare	North	$7,778.43	$3.12	$7,781.55
Non-Dual	UnitedHealthcare	Central	$8,565.72	$110.10	$8,675.82
Non-Dual	Banner - University Family Care	Central	$10,512.84	$63.10	$10,575.94
Non-Dual	Mercy Care	Central	$10,339.34	$255.65	$10,594.99
Non-Dual	Banner - University Family Care	South	$9,341.25	$13.50	$9,354.75
Non-Dual	Mercy Care (Pima County Only)	South	$8,745.28	$4.68	$8,749.96