

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



DEC 15 2014

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

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). In February 2014, the state submitted requests to 1) authorize a \$200 co-pay for non-emergency use of the emergency room (ER) for individuals in the new adult group with income between 100 and 133 percent of the Federal Poverty Level (FPL); 2) require premiums that are no more than two percent of income for individuals in the new adult group with income between 100 and 133 percent of the FPL; and 3) expand the integration of physical and behavioral health services for individuals with serious mental illness (SMI) who are living outside of Maricopa County (or "Greater Arizona"). In August 2014, the state submitted requests to 1) extend the safety net care pool (SNCP) for the Phoenix Children's Hospital through the end of the demonstration or December 31, 2017; and 2) extend uncompensated care payments through September 30, 2016 to Indian Health Service (IHS) and 638 Tribal facilities. In September 2014, the state submitted a request for expenditure authority to cover all Medicaid covered services for pregnant women during their hospital presumptive eligibility (HPE) period.

CMS is approving the state's request to expand the integration of physical and behavioral health services for individuals with SMI in Greater Arizona subject to the state's agreement to allow individuals in Greater Arizona as well as Maricopa County to opt out of the integrated health plan for reasons in addition to those proposed by the state. The objective of this integration project is to reduce the fragmentation of care that this population currently experience as they navigate the multiple systems of care in order to receive their physical and behavioral health services. The demonstration will test the effect of integrating behavioral and physical health services for this population by measuring the improvements in health outcomes as compared to the state's current structure.

CMS is also approving: 1) a one-year extension of the use of SNCP funding for uncompensated care payments to Phoenix Children's Hospital through December 31, 2015 as a transition to the state's reforming of the current payment system, in light of the hospital's critical role in serving Medicaid

enrollees; 2) continued uncompensated care payments to IHS and 638 Tribal facilities for certain services not covered by the Medicaid state plan through September 30, 2016; and 3) expenditures for all Medicaid covered services through HPE for pregnant women.

At this time, we are not able to approve the state's requests to require a \$200 co-pay for non-emergency use of the ER for individuals with income between 100 and 133 percent of the FPL. This co-pay far exceeds the nominal \$8 co-pay for such services established under Medicaid regulations and would be subject to provisions under 1916(f) of the Social Security Act, which circumscribes our legal authority in waiving cost sharing under Medicaid. Further, we acknowledge the state's withdrawal of the request to charge premiums.

The state submitted a request in August 2014 for authority to allow for Federal Financial Participation for services provided by Tuba City Regional Health Care Corporation for inmates of the Navajo Detention Center. This request is currently under ongoing review and is not addressed in this award.

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, waiver, and expenditure authorities are enclosed.

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:

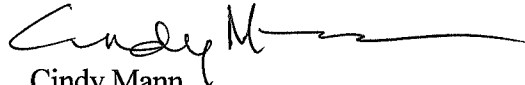
Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
Mail Stop: S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850
Telephone: (410) 786-0921
E-mail: Wakina.Scott@cms.hhs.gov

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

Ms. Hye Sun Lee
Acting Associate Regional Administrator
Division of Medicaid and Children Health Operations
90 Seventh Street, Suite 530
San Francisco, CA 94103
Email: HyeSun.Lee@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

cc: Hye Sun Lee, Acting Associate Regional Administrator, San Francisco Regional Office