

September 3, 2024

The Honorable John Kavanagh
Chairman, Joint Legislative Budget Committee
1700 W Washington St.
Phoenix, Arizona 85007

Dear Senator Kavanagh:

The Arizona Health Care Cost Containment System (AHCCCS) has completed its actuarial analysis of Managed Care Organization (MCO) capitation rates that are effective beginning October 1, 2024, and respectfully requests to be placed on the agenda of the next JLBC meeting to review these rates.

In accordance with Federal regulations, MCO capitation rates must be actuarially sound and must be approved by the Centers for Medicare and Medicaid Services (CMS). They must cover the anticipated costs for providing medically necessary services to AHCCCS members. As such, capitation rates are developed to reflect the costs of services provided as well as utilization of those services by AHCCCS members. Capitation rate trends reflect a combination of changes in cost and utilization, calculated as a per member per month (PMPM) expenditure to AHCCCS Contractors (including other state agencies, the Arizona Department of Economic Security/Division of Developmental Disabilities (DES/DDD) and the Department of Child Safety Comprehensive Health Plan [DCS CHP]).

The Arizona Long Term Care System – Elderly and Physical Disability (ALTCS-EPD) Program was set to transition from a previous contract to a new contract with different MCOs effective October 1, 2024. That transition has been paused. Actuarially sound capitation rates were developed for the transition. AHCCCS actuaries are working to redevelop capitation rates for the prior MCOs that will be continuing to serve ALTCS-EPD members during the pause. The tables and figures referenced in this document use the rates which were developed for the transition. Final ALTCS-EPD capitation rates will be provided as soon as they are available and it is anticipated that the growth associated with the final ALTCS-EPD rates should be similar in total to those rates developed for the transition; therefore, those capitation rates are included herein as a proxy for the program.

Capitation rates are certified by actuaries when a new program is established. Rates must also be recertified every year to coincide with MCO annual contract periods. AHCCCS contracts are awarded on an October 1 through September 30 schedule.

In addition to the annual rate development, the capitation rates must be amended mid-year when action occurs that is expected to impact the MCOs' expenses by a material amount (as determined by the actuaries) and a rate adjustment is required to maintain actuarial soundness. AHCCCS strives to mitigate the need for mid-year capitation adjustments whenever possible, but has identified a few reasons why such action might be necessary during Contract Year Ending (CYE) 2025:

- Adjustments have been included in this year's AHCCCS Complete Care (ACC) and AHCCCS Complete Care - Regional Behavioral Health Agreement (ACC-RBHA) capitation rates to reflect the unwinding of the COVID-19 Public Health Emergency (PHE) continuous coverage requirements. These adjustments may need to be revisited if there are material differences in actual experience vs projections associated with the average cost profiles of remaining enrollees. The actuaries will be evaluating the remainder of the CYE 24 experience to determine if, and how far, the acuity adjustments included in the CYE 25 capitation rates differ from more recent experience.
- A reduction in the requirements related to prior authorization and step therapy for oral antipsychotics was made after the development of the capitation rates; the actuaries will be monitoring the experience for these specific drugs to determine whether the change is having a material impact on the MCOs' costs.

This letter details the annual renewal of rates for CYE 2025 from October 1, 2024, through September 30, 2025, for the following programs: ACC, ACC-RBHA, DCS CHP, ALTCS-EPD, and ALTCS-DD (DES/DDD).

Before implementing the new capitation rates, AHCCCS is reporting its expenditure plan for review by the JLBC. This letter summarizes the capitation rates and their associated financial impacts.

Background and Summary

Rates outlined in this letter will be submitted to CMS to be effective October 1, 2024. The utilization and unit cost trends for all programs are detailed in the attached actuarial certifications. Anticipated increases in utilization of existing covered services attributable to specific initiatives or policy guidance are separately detailed. Provider rate adjustments and program changes are also identified.

In CYE 2025, capitation rate growth for all programs can be categorized into two major components:

- Capitation rate growth unrelated to COVID-19, driven primarily by changes in base data, changes in pharmacy expenses, as well as utilization and unit cost trends, and
- Capitation rate growth related to COVID-19, driven by the unwinding of the PHE, particularly the end of the Medicaid continuous coverage requirements and subsequent disenrollments, as well as reduced direct federal funding for COVID-19 vaccines and treatments.

On the next page, Table I displays the overall capitation rate growth unrelated to COVID-19 for all AHCCCS programs, including DES/DDD, as a 2.59 percent increase as shown in "Column 1." Table I also includes data detailing capitation changes related to COVID-19 which account for a 1.61 percent increase for all AHCCCS programs, including DES/DDD, as shown in "Column 2."

The combined, overall capitation rate increase (non-COVID-19 and COVID-19) for all AHCCCS programs, including DES/DDD, is projected to be 4.2 percent. See "Column 3" in Table I for overall capitation impacts by program. The capitation rate growth budgeted by the Legislature for SFY 2025 was 4.0 percent for AHCCCS and DES/DDD, as reported in the JLBC FY 2025 Appropriations Report. AHCCCS therefore anticipates the CYE 2025 capitation adjustments should be funded within existing resources.

Table I. CYE 2025 Capitation Rate Changes

| Program | CYE 2025 Changes from CYE 2024 Rates | | |
|---------------------------------|--------------------------------------|---------------------|--------------|
| | 1 | 2 | 3 |
| | Unrelated to COVID-19 | Related to COVID-19 | Total |
| ACC | 0.66% | 2.67% | 3.33% |
| ACC-RBHA | 5.70% | 0.58% | 6.29% |
| DCS CHP | 23.30% | 0.06% | 23.36% |
| ALTCS-EPD | 1.33% | 0.01% | 1.35% |
| AHCCCS Total | 1.57% | 2.03% | 3.60% |
| ALTCS-DD | 6.48% | 0.04% | 6.52% |
| TCM | 4.00% | 0.00% | 4.00% |
| DES/DDD Total | 6.47% | 0.04% | 6.51% |
| AHCCCS and DES/DDD Total | 2.59% | 1.61% | 4.20% |

Drivers of Growth Unrelated to COVID-19

An increase of 2.59 percent in the capitation rates is attributable to the following non-COVID-19 factors, which are described more fully in subsequent pages:

1. Rebase – Adjustments to medical expenses to reflect more recent incurred experience account for a net increase of 5.12 percent.
2. Trend – The assumed change in utilization and unit cost trends for medical services accounts for an increase of 1.63 percent.
3. Reimbursement and Programmatic Changes – Factors such as adjustments to fee schedules and differential provider rates, Proposition 206, and others account for a decrease of (3.42 percent).
4. Pharmacy Changes and Rx Rebates – Several changes in pharmacy costs, including formulary changes, account for a net decrease of (0.81 percent).
5. Administration, Case Management, and Care Management – Adjustments to the non-benefit cost component of the rates to reflect the costs to administer and manage the programs account for an increase of 0.08 percent.

The relative impacts of each of these drivers on the capitation rates for each program are summarized in Table II on the following page.

Table II. CYE 2025 Capitation Rate Change by Component - Unrelated to COVID-19

| Program | Rebase | Trend | Reimbursement & Programmatic Changes | Pharmacy Changes & Rx Rebates | Admin, Case Management, & Care Management | Total |
|--------------|--------------|--------------|--|--|--|--------------|
| ACC | 1.60% | 1.17% | (1.04%) | (1.26%) | 0.18% | 0.66% |
| ACC-RBHA | 7.04% | 0.16% | (0.84%) | (0.83%) | 0.17% | 5.70% |
| DCS CHP | 20.08% | 5.02% | (2.65%) | (0.02%) | 0.87% | 23.30% |
| ALTCS-EPD | 10.38% | 1.73% | (10.30%) | 0.13% | (0.61%) | 1.33% |
| ALTCS-DD | 10.67% | 3.38% | (7.57%) | (0.10%) | 0.08% | 6.47% |
| Total | 5.12% | 1.63% | (3.42%) | (0.81%) | 0.08% | 2.59% |

Rebase and Trends

Capitation rates for all programs except DCS CHP were rebased using actual experience incurred for the period of October 1, 2022, through September 30, 2023. The DCS CHP Program was rebased using experience incurred between April 1, 2021, and March 31, 2022. Across all programs, this adjustment results in an increase of 5.12 percent.

The inclusion of funding associated with increases for medical expense utilization and inflation is required in order to ensure that capitation rates are actuarially sound. The certifying actuaries developed and applied utilization and unit cost trends for categories of service primarily based on actual experience incurred during the period October 1, 2020, through December 31, 2023. Across all programs, the anticipated impact attributable to medical trend is an increase of 1.63 percent compared to the CYE 2024 capitation rates. As can be seen in Table III below, a key driver of medical trend is growth in home and community based services (HCBS), with an average expected trend rate of 6.0 percent across the ALTCS programs. The HCBS trends are responsible for 0.7 percent of the overall capitation rate growth attributable to changes in utilization and unit costs. The increase is more impactful in the ALTCS-DD population where utilization has increased the overall HCBS trend assumptions to above 6.5 percent for the program.

Table III. CYE 2025 Capitation Trends by Category of Service (COS)

| | % Contribution to Cap Rate Change | Trend Rate |
|---|-----------------------------------|--------------|
| ACC, ACC-RBHA, and CHP Programs | | |
| Pharmacy | 0.1% | 4.9% |
| Physician/Professional/Medical Services | 0.1% | 2.9% |
| Inpatient Hospital & Nursing Facility | 0.1% | 2.4% |
| Outpatient Hospital | 0.1% | 2.8% |
| Transportation | 0.1% | 3.2% |
| Community Health Centers | 0.2% | 4.0% |
| Other | 0.1% | 2.8% |
| Sub-Total Non-ALTCS Trend | 0.75% | 3.22% |

| | | |
|---------------------------------------|--------------|--------------|
| ALTCS-EPD and DES/DDD Programs | | |
| Home and Community Based Services | 0.7% | 6.0% |
| Acute Care & Behavioral Health | 0.1% | 4.4% |
| Nursing Facility and Institutions | 0.1% | 3.4% |
| Sub-Total ALTCS Trends | 0.88% | 5.37% |
| <hr/> | | |
| TOTAL TRENDS ALL COS | 1.63% | 3.90% |

Reimbursement and Programmatic Changes

AHCCCS makes adjustments to provider rates based on access to care issues; based on Medicare rate adjustments when rates are tied to Medicare; to differentiate providers who support actions that improve patients' care experience, improve members' health, and reduce cost of care growth; and to meet federal or state requirements. The impact on overall AHCCCS capitation rates from these provider rate adjustments is a decrease of (3.24 percent). In addition, rates decreased (0.19 percent) for other programmatic changes. The combined impact across these rate development components is a decrease of (3.42 percent) to the capitation rates.

Pharmacy Changes

Several changes related to pharmacy expenditures are included in the CYE 2025 capitation rates, including changes to the formulary, market changes associated with provisions of the American Rescue Plan Act effective January 1, 2024, and projected MCO pharmacy rebates. Across all programs, these changes account for a net decrease of (0.81 percent) to the capitation rates.

Administration, Care Management, and Case Management

Across all programs, the adjustment of rates to address the costs to administer the programs and manage care for AHCCCS enrollees accounts for a net change of 0.08 percent. The net change also includes decreases to the underwriting gain percentage in CYE 2025 for the ACC, ACC-RBHA, and ALTCS-EPD populations. The underwriting gain is a non-benefit cost that covers contributions to reserves, risk margin, and cost of capital for the MCOs.

Drivers of Growth Related to COVID-19

An increase of 1.61 percent in the capitation rates is attributable to COVID-19, primarily driven by the unwinding of the COVID-19 PHE; with the end of the continuous coverage requirement, lower cost members began disenrolling from Medicaid during CYE 2023 continuing into CYE 2024, resulting in an increase in the average cost profile of the remaining Medicaid members. To account for this change in the average cost profile, AHCCCS actuaries applied acuity adjustment factors to the rates for a net increase of 1.15 percent across all programs.

The acuity adjustment factors are applied to the ACC and ACC-RBHA rates. The acuity adjustment factors incorporated into capitation rate development reflect the actual disenrollments through May 2024 and the differences in costs between disenrolled members and members who are still enrolled. The actuaries will continue to monitor the experience through the remainder of the contract year ending September 30, 2024, to judge whether the patterns of utilization and expenditures remain in line with the factors assumed. If the actual expenditures by risk group are materially different than projected, the acuity adjustment factors may need to be revisited. If, after review, the actuaries determine that adjustments to the capitation rates are necessary, a new contract with the revised capitation rates will be submitted, and if the change results in a capitation rate for any rate cell changing by more than the +/- 1.5% (de minimis allowable by CMS without recertification), an amended actuarial certification will be submitted.

Note that the CYE 2025 capitation rates also include increased costs associated with COVID-19 vaccines and treatments which were previously funded entirely by the federal government for a net increase of 0.47% across all programs.

Changes in Capitation Rates by Program

ACC Renewal Rates

The CYE 2025 renewal rates for ACC risk groups reflect an increase of 3.33 percent from the most recently submitted rates effective April 1, 2024. Several factors contributed to the change:

- 2.78 percent for rebase and trend adjustments,
- (0.77 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- (0.27 percent) for other program changes,
- (1.26 percent) for pharmacy changes including MCO pharmacy rebates,
- 0.18 percent for administrative and case management, and
- 2.67 percent for COVID-19-related measures.

Please see Appendix Table 2 for more detail.

ACC-RBHA Renewal Rates

The CYE 2025 renewal rates for ACC-RBHA risk groups reflect an increase of 6.29 percent from the most recently submitted rates effective April 1, 2024. Several factors contributed to the change:

- 7.20 percent for rebase and trend adjustments,
- (0.75 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- (0.09 percent) for other program changes,
- (0.83 percent) for pharmacy changes including MCO pharmacy rebates,
- 0.17 percent for administrative and case management, and
- 0.58 percent for COVID-19-related measures.

Laws 2024, Chapter 209 includes a footnote stating:

“The legislature intends that the percentage attributable to administration and profit for the regional behavioral health authorities be nine percent of the overall capitation rate.”

The percentage attributable to administration and profit of the actuarially sound CYE 2025 capitation rates and lump sum directed payments, for the unique RBHA services, is 8.49 percent.

Please see Appendix Table 3 for more detail.

DCS CHP Renewal Rates

The CYE 2025 renewal rates for CHP reflect an increase of 23.36 percent from the most recently submitted rates effective October 1, 2023. Several factors contributed to the change:

- 25.10 percent for rebase adjustments (including an acuity adjustment related to policy changes at DCS CHP purposefully reducing the number of children being removed from their homes, and significantly impacting the average cost profile of the new, smaller, cohort of children entering foster care) and trend adjustments,
- (0.22 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- (2.42 percent) for other program changes,
- (0.02 percent) for pharmacy changes including MCO pharmacy rebates,
- 0.87 percent for administrative and case management, and
- 0.06 percent for COVID-19-related measures.

Please see Appendix Table 4 for more detail.

ALTCS-EPD Renewal Rates

The previously developed rates for CYE 2025 for ALTCS-EPD reflect an increase of 1.35 percent from the most recently submitted rates effective October 1, 2023. Several factors contributed to the change:

- 12.11 percent for rebase and trend adjustments,
- (10.05 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- (0.24 percent) for other program changes,
- 0.13 percent for pharmacy changes including MCO pharmacy rebates,
- (0.61 percent) for administrative and case management, and
- 0.01 percent for COVID-19-related measures.

Please see Appendix Table 5 for more detail.

ALTCS-DD Renewal Rates

The CYE 2025 renewal rates for ALTCS-DD reflect an increase of 6.52 percent from the most recently submitted rates effective October 1, 2023. Several factors contributed to the change:

- 14.14 percent for rebase and trend adjustments, primarily driven by increased expenditures for attendant care services, habilitation services per 15 minutes, and applied behavioral analysis,
- (7.72 percent) for provider reimbursement changes (fee schedule and differential provider rates),
- 0.11 percent for other program changes,
- (0.10 percent) for pharmacy changes including MCO pharmacy rebates,
- 0.06 percent for administrative and case management, and
- 0.04 percent for COVID-19-related measures.

Additionally, CYE 2025 rates for targeted case management (TCM) reflect an increase of 4.00 percent from the most recently submitted rates effective October 1, 2023.

Please see Appendix Table 6 for more detail.

Lump Sum Payments

In addition to capitation amounts that are paid on a PMPM basis, AHCCCS also makes lump sum payments to MCOs that are associated with specific initiatives. Key initiatives are highlighted and summarized below.

Access to Professional Services Initiative

The Access to Professional Services Initiative (APSI) provides a uniform percentage increase to reimbursement for qualified practitioners. Under 42 CFR § 438.6(c), this is considered a “directed payment” arrangement and is subject to prior approval by CMS. The increase in reimbursement under this initiative ensures access to care for AHCCCS members and will allow providers to achieve quality outcomes, including reducing readmissions and increasing preventative screenings, that help to bend the health care cost curve. APSI provides a uniform percentage increase of 75 percent to otherwise contracted rates for qualified practitioners for all claims for which AHCCCS is the primary payer. The rate increase is intended to supplement, not supplant, payments to eligible providers. The initiative is funded via intergovernmental transfers (IGTs) and no General Fund monies are required. The total estimated payment amount for CYE 2025 is \$310.4 million Total Fund.

Alternative Payment Model Initiative – Performance-Based Payments

In CYE 2016, AHCCCS began reimbursing MCOs under the Alternative Payment Model (APM) Initiative-Performance-Based Payments (PBP) Incentive. Under 42 CFR §§ 438.6(a) and (b), these payments are considered an incentive arrangement that provides limited funding to MCOs to support activities that advance the AHCCCS Quality Strategy. The purpose of the initiative is specifically to

promote MCO activities that focus on quality improvement and that result in improved health outcomes and cost containment. This initiative is a key component to the AHCCCS goal to pursue and implement long term strategies that bend the cost curve while improving member health outcomes. PBP funding allows MCOs to make incentive payments to providers that meet specific performance objectives or criteria. Excluding DES/DDD, for CYE 2023 the total payment amount, which will be paid during CYE 2025, is estimated to be \$70.8 million Total Fund.

HEALTHII Payments

Laws 2020, Chapter 46, Section 2 established a new hospital assessment that is deposited into the Health Care Investment Fund and used to make Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII) directed payments (authorized under 42 CFR § 438.6(c) and subject to prior approval by CMS) to hospitals and to increase base reimbursement for services reimbursed by AHCCCS under the dental fee schedule and physician fee schedule. The HEALTHII payments are made as lump sum payments outside of base capitation rates, and so do not contribute to overall capitation rate growth. The total payments for HEALTHII during CYE 2025 are estimated to be \$3.09 billion, and do not include any General Fund monies.

Nursing Facility - Supplemental Payments

The 2016 Medicaid Managed Care Final Rule required that pass-through payments to physicians and nursing facilities be phased out within five years of the effective date of the final rule. AHCCCS therefore transitioned the previous nursing facility pass-through payments into a 42 CFR § 438.6(c) directed payment arrangement, subject to prior approval by CMS. The Nursing Facility – Supplemental Payments (NF-SP) provide a uniform dollar increase per bed day for qualified facilities. The rate increase is intended to supplement, not supplant, payments to eligible providers. The NF-SP initiative is funded by the quarterly nursing facility assessments and no General Fund monies are required. The total NF-SP amounts for CYE 2025 are estimated to be \$92.4 million Total Fund.

Pediatric Services Initiative

The Pediatric Services Initiative (PSI) is a directed payment arrangement under 42 CFR § 438.6(c) and is subject to prior approval by CMS. PSI provides an estimated uniform percentage increase of 16 percent for hospital services provided by a freestanding children's hospital or pediatric unit of a general acute care hospital with more than 100 beds. The increase in reimbursement under PSI ensures access to care for pediatric members and will support provider strategies to manage care for those members with complex conditions. Specifically, this program is anticipated to help reduce unplanned readmissions and hospital-acquired conditions, and thereby bend the health care cost curve. This initiative is funded via IGTs, and no General Fund monies are required. The total estimated payment amount for CYE 2025 is \$59.1 million Total Fund.

Safety Net Services Initiative

The Safety Net Services Initiative (SNSI) is a directed payment arrangement under 42 CFR § 438.6(c) and is subject to prior approval by CMS. 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. This initiative is funded via IGTs, and no General Fund monies are required. The total estimated payment amount for CYE 2025 is \$388.5 million Total Fund.

Targeted Investments 2.0 Payments

Under the approved 1115 Waiver, AHCCCS has a Targeted Investments 2.0 (TI 2.0) initiative which supports Arizona's goal to fully transform the Medicaid delivery system to an integrated whole person care structure by encouraging providers to thoughtfully develop infrastructure and protocols to optimize coordination of services designed to meet the member's acute, behavioral, and health-related social needs and address identified health inequities amongst their patient population. AHCCCS will achieve this goal by supporting providers throughout the state to develop and enhance care coordination processes with health care and community-based organizations and provide guidance, tools, and technical assistance for internal population health analyses. The TI 2.0 initiative is a directed payment arrangement under 42 CFR § 438.6(c), subject to prior approval by CMS, and is funded via Designated State Health Programs (DSHP) and IGT funding; no General Fund monies are required. The total payments for TI 2.0 during CYE 2025 are estimated to be \$63.3 million Total Fund.

The actuarial certifications for the capitation rates are attached. Should you have any questions on any of these issues, please feel free to contact Erica Johnson, Chief Actuary, at erica.johnson@azahcccs.gov.

Sincerely,



Carmen Heredia
Director

cc: The Honorable David Livingston, Vice Chairman, Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
Zaida Dedolph Piccoro, Health Policy Advisor, Office of the Governor
Sarah Brown, Director, Office of Strategic Planning and Budgeting
Cameron Dodd, Budget Manager, Office of Strategic Planning and Budgeting

Appendix Table 1A
CYE 2025 Medicaid Capitation Rates

| Program | CYE 24 Rate | | | CYE 25 Rate | | | CYE 25 Change from CYE 24 Rates | | |
|---------------------------------|--------------------------|------------------------|------------|--------------------------|------------------------|------------|---------------------------------|-----------------------------|--------------|
| | Unrelated to COVID-19 | Related to COVID-19 | Total | Unrelated to COVID-19 | Related to COVID-19 | Total | 1 Unrelated to COVID-19 | 2 Related to COVID-19 | 3 Total |
| ACC | \$410.99 | \$ 13.47 | \$424.46 | \$413.78 | \$ 24.82 | \$438.60 | 0.66% | 2.67% | 3.33% |
| ACC-RBHA | \$62.58 | \$ 0.69 | \$63.27 | \$66.18 | \$ 1.06 | \$67.24 | 5.70% | 0.58% | 6.29% |
| CHP | \$1,309.32 | \$ 12.78 | \$1,322.09 | \$1,617.35 | \$ 13.61 | \$1,630.97 | 23.30% | 0.06% | 23.36% |
| ALTCS-EPD | \$5,503.26 | \$ (0.18) | \$5,503.08 | \$5,576.71 | \$ 0.61 | \$5,577.32 | 1.33% | 0.01% | 1.35% |
| AHCCCS Total | | | | | | | 1.57% | 2.03% | 3.60% |
| ALTCS-DD | \$6,255.88 | \$ (1.89) | \$6,253.99 | \$6,661.41 | \$ 0.40 | \$6,661.80 | 6.48% | 0.04% | 6.52% |
| TCM | \$222.25 | \$0.00 | \$222.25 | \$231.13 | \$0.00 | \$ 231.13 | 4.00% | 0.00% | 4.00% |
| DES/DDD Total | | | | | | | 6.47% | 0.04% | 6.51% |
| AHCCCS and DES/DDD Total | | | | | | | 2.59% | 1.61% | 4.20% |

Appendix Table 1B
CYE 2025 Capitation Rates by Risk Group

| ACC | CYE 25 Proj MMs | CYE 24 Rates | CYE 25 Rates | Projected Expenditures | | Total Change from CYE 24 Rates |
|----------|-----------------|--------------|--------------|------------------------|------------------|-----------------------------------|
| | | Total | Total | CYE 24 Rates | CYE 25 Rates | |
| | | | | CYE 25 Proj MM s | CYE 25 Proj MM s | |
| AGE < 1 | 531,600 | \$ 762.34 | \$ 782.50 | \$ 405,257,900 | \$ 415,975,500 | 2.6% |
| AGE 1-20 | 8,968,985 | \$ 213.41 | \$ 242.95 | \$ 1,914,037,300 | \$ 2,179,050,200 | 13.8% |
| AGE 21+ | 3,601,124 | \$ 425.78 | \$ 437.96 | \$ 1,533,289,500 | \$ 1,577,131,600 | 2.9% |
| Duals | 1,609,998 | \$ 169.92 | \$ 162.86 | \$ 273,563,400 | \$ 262,208,800 | (4.2%) |
| SSIWO | 631,271 | \$ 1,296.76 | \$ 1,356.04 | \$ 818,607,500 | \$ 856,031,100 | 4.6% |
| ESA | 5,877,101 | \$ 641.68 | \$ 636.27 | \$ 3,771,221,000 | \$ 3,739,410,800 | (0.8%) |
| NEA | 951,825 | \$ 469.95 | \$ 476.35 | \$ 447,311,300 | \$ 453,397,500 | 1.4% |
| Delivery | 34,086 | \$ 7,270.71 | \$ 7,081.45 | \$ 247,829,500 | \$ 241,378,200 | (2.6%) |
| Total | 22,205,990 | \$ 424.46 | \$ 438.60 | \$ 9,411,117,400 | \$ 9,724,583,700 | 3.3% |

| ACC-RBHA | CYE 25 Proj MMs | CYE 24 Rates | CYE 25 Rates | Projected Expenditures | | Total Change from CYE 24 Rates |
|----------|-----------------|--------------|--------------|------------------------|------------------|-----------------------------------|
| | | Total | Total | CYE 24 Rates | CYE 25 Rates | |
| | | | | CYE 25 Proj MM s | CYE 25 Proj MM s | |
| SMI | 561,467 | \$ 2,298.79 | \$ 2,453.78 | \$ 1,290,694,400 | \$ 1,377,715,700 | 6.7% |
| Crisis | 23,733,708 | \$ 8.88 | \$ 9.19 | \$ 210,819,100 | \$ 218,198,200 | 3.5% |
| Total | 23,733,708 | \$ 63.27 | \$ 67.24 | \$ 1,501,513,500 | \$ 1,595,913,900 | 6.3% |

| DCS CHP | CYE 25 Proj MMs | CYE 24 Rates | CYE 25 Rates | Projected Expenditures | | Total Change from CYE 24 Rates |
|-----------------|-----------------|--------------|--------------|------------------------|------------------|-----------------------------------|
| | | Total | Total | CYE 24 Rates | CYE 25 Rates | |
| | | | | CYE 25 Proj MM s | CYE 25 Proj MM s | |
| Integrated Rate | 96,349 | \$1,322.09 | \$1,630.97 | \$ 127,382,600 | \$ 157,142,200 | 23.4% |

| ALTCS-EPD | CYE 25 Proj MMs | CYE 24 Rates | CYE 25 Rates | Projected Expenditures | | Total Change from CYE 24 Rates |
|-----------|-----------------|--------------|--------------|------------------------|------------------|-----------------------------------|
| | | Total | Total | CYE 24 Rates | CYE 25 Rates | |
| | | | | CYE 25 Proj MM s | CYE 25 Proj MM s | |
| Dual | 269,502 | \$4,609.65 | \$4,692.75 | \$ 1,242,308,500 | \$ 1,264,704,600 | 1.8% |
| Non-Dual | 59,074 | \$9,578.98 | \$9,612.78 | \$ 565,871,100 | \$ 567,868,000 | 0.4% |
| Total | 328,576 | \$ 5,503.08 | \$ 5,577.32 | \$ 1,808,179,600 | \$ 1,832,572,600 | 1.3% |

| | | | | | | |
|---------------------|-------------------|--|--|--------------------------|--------------------------|-------------|
| AHCCCS TOTAL | 23,158,296 | | | \$ 12,848,193,100 | \$ 13,310,212,400 | 3.6% |
|---------------------|-------------------|--|--|--------------------------|--------------------------|-------------|

| DES/DDD | CYE 25 Proj MMs | CYE 24 Rates | CYE 25 Rates | Projected Expenditures | | Total Change from CYE 24 Rates |
|--------------------------|-----------------|--------------------|--------------------|-------------------------|-------------------------|-----------------------------------|
| | | Total | Total | CYE 24 Rates | CYE 25 Rates | |
| | | | | CYE 25 Proj MM s | CYE 25 Proj MM s | |
| ALTCS-DD | 536,106 | \$ 6,253.99 | \$ 6,661.80 | \$ 3,352,799,400 | \$ 3,571,430,600 | 6.5% |
| Targeted Case Management | 90,497 | \$ 222.25 | \$ 231.13 | \$ 20,112,800 | \$ 20,916,900 | 4.0% |
| DES/DDD Total | 626,603 | \$ 5,382.86 | \$ 5,733.05 | \$ 3,372,912,200 | \$ 3,592,347,500 | 6.5% |

| | | | | | | |
|-----------------------------------|-------------------|--|--|--------------------------|--------------------------|-------------|
| AHCCCS & DES/DDD TOTAL | 23,694,402 | | | \$ 16,221,105,300 | \$ 16,902,559,900 | 4.2% |
|-----------------------------------|-------------------|--|--|--------------------------|--------------------------|-------------|

Appendix Table 1C
CYE 2025 Capitation Rate Change by Component

| Program | Unrelated to COVID-19 | | | | | | | | Related to COVID-19 | | All |
|-------------------------------------|-----------------------|----------------|----------------------------|-----------------|--------------------|----------------|---------------------|---------------------------------|------------------------------------|-------------------|----------------|
| | Rebase | Trend | Fee Schedule Changes | DAP | Program Changes | Rx Rebates | Pharmacy Changes | Admin, Care Mgt, Case Mgt | COVID-19 Treatment Cost Changes | Acuity Adjustment | Total |
| ACC | 1.6% | 1.2% | (1.0%) | 0.2% | (0.3%) | (0.0%) | (1.2%) | 0.2% | 0.8% | 1.9% | 3.3% |
| ACC-RBHA | 7.0% | 0.2% | (0.9%) | 0.1% | (0.1%) | (0.0%) | (0.8%) | 0.2% | 0.1% | 0.5% | 6.3% |
| DCS CHP | 20.1% | 5.0% | (0.5%) | 0.2% | (2.4%) | (0.0%) | (0.0%) | 0.9% | 0.1% | 0.0% | 23.4% |
| ALTCS-EPD | 10.4% | 1.7% | (9.6%) | (0.5%) | (0.2%) | 0.0% | 0.1% | (0.6%) | 0.0% | 0.0% | 1.3% |
| AHCCCS Total % | 3.66% | 1.17% | (2.16%) | 0.08% | (0.26%) | (0.02%) | (0.98%) | 0.08% | 0.58% | 1.45% | 3.60% |
| AHCCCS \$ (Millions) | \$469.9 | \$150.6 | (\$277.1) | \$10.9 | (\$34.0) | (\$3.0) | (\$125.5) | \$9.7 | \$74.4 | \$186.2 | \$462.0 |
| DES/DDD Total % | 10.67% | 3.38% | (7.14%) | (0.54%) | 0.11% | 0.01% | (0.11%) | 0.08% | 0.04% | 0.00% | 6.51% |
| DES/DDD \$ (Millions) | \$360.0 | \$114.0 | (\$240.9) | (\$18.0) | \$3.7 | \$0.5 | (\$3.9) | \$2.8 | \$1.2 | \$0.0 | \$219.4 |
| AHCCCS & DES/DDD TOTAL % | 5.12% | 1.63% | (3.19%) | (0.04%) | (0.19%) | (0.02%) | (0.80%) | 0.08% | 0.47% | 1.15% | 4.20% |
| Total \$ (Millions) | \$829.9 | \$264.6 | (\$518.0) | (\$7.1) | (\$30.3) | (\$2.5) | (\$129.3) | \$12.5 | \$75.6 | \$186.2 | \$681.5 |

Appendix Table 2
AHCCCS Complete Care (ACC) Program
CYE 2025 Capitation Rate Development

| | | |
|--|-----------------|---------------|
| Average CYE 2024 Rate | PMPM | |
| | \$424.46 | |
| | PMPM | % |
| CYE 2025 Adjustments Unrelated to COVID-19 | Change | Change |
| Rebase | \$6.81 | 1.60% |
| Trend | \$4.98 | 1.17% |
| Fee Schedule Changes | \$(4.08) | (0.96%) |
| DAP | \$0.79 | 0.19% |
| Program Changes | \$(1.14) | (0.27%) |
| Rx Rebates | \$(0.15) | (0.04%) |
| Pharmacy Changes | \$(5.19) | (1.22%) |
| Administrative, Case Management, and Care Management | \$0.77 | 0.18% |
| CYE 2025 Adjustments Unrelated to COVID-19 | \$2.79 | 0.66% |
| | PMPM | % |
| CYE 2025 Adjustments Related to COVID-19 | Change | Change |
| COVID-19 Treatment Cost Changes | \$3.27 | 0.77% |
| Acuity Adjustment | \$8.08 | 1.90% |
| CYE 2025 Adjustments Related to COVID-19 | \$11.34 | 2.67% |
| Average CYE 2025 Rate | \$438.60 | 3.33% |

Appendix Table 3
AHCCCS Complete Care - Regional Behavioral Health Agreement (ACC-RBHA)
Program
CYE 2025 Capitation Rate Development

| | | |
|--|--------------------|-----------------|
| Average CYE 2024 Rate | PMPM | |
| | \$63.27 | |
| CYE 2025 Adjustments Unrelated to COVID-19 | PMPM Change | % Change |
| Rebase | \$4.45 | 7.04% |
| Trend | \$0.10 | 0.16% |
| Fee Schedule Changes | (\$0.54) | (0.86%) |
| DAP | \$0.07 | 0.11% |
| Program Changes | (\$0.05) | (0.09%) |
| Rx Rebates | (\$0.00) | (0.00%) |
| Pharmacy Changes | (\$0.52) | (0.83%) |
| Administrative, Case Management, and Care Management | \$0.11 | 0.17% |
| CYE 2025 Adjustments Unrelated to COVID-19 | \$3.61 | 5.70% |
| CYE 2025 Adjustments Related to COVID-19 | PMPM Change | % Change |
| COVID-19 Treatment Cost Changes | \$0.07 | 0.11% |
| Acuity Adjustment | \$0.30 | 0.47% |
| CYE 2025 Adjustments Related to COVID-19 | \$0.37 | 0.58% |
| Average CYE 2025 Rate | \$67.24 | 6.29% |

Appendix Table
Comprehensive Health Plan (CHP) Program
CYE 2025 Capitation Rate Development

| | | |
|--|-------------------|---------------|
| Average CYE 2024 Rate | PMPM | |
| | \$1,322.09 | |
| CYE 2025 Adjustments Unrelated to COVID-19 | PMPM | % |
| | Change | Change |
| Rebase | \$265.44 | 20.08% |
| Trend | \$66.39 | 5.02% |
| Fee Schedule Changes | (\$6.13) | (0.46%) |
| DAP | \$3.20 | 0.24% |
| Program Changes | (\$32.06) | (2.42%) |
| Rx Rebates | (\$0.05) | (0.00%) |
| Pharmacy Changes | (\$0.20) | (0.01%) |
| Administrative, Case Management, and Care Management | \$11.45 | 0.87% |
| CYE 2025 Adjustments Unrelated to COVID-19 | \$308.04 | 23.30% |
| CYE 2025 Adjustments Related to COVID-19 | PMPM | % |
| | Change | Change |
| COVID-19 Treatment Cost Changes | \$0.83 | 0.06% |
| CYE 2025 Adjustments Related to COVID-19 | \$0.83 | 0.06% |
| Average CYE 2025 Rate | \$1,630.97 | 23.36% |

Appendix Table 5
Arizona Long Term Care System - Elderly and Physical Disability (ALTCS-EPD)
Program
CYE 2025 Capitation Rate Development¹

| | | |
|--|-------------------|---------------|
| Average CYE 2024 Rate | PMPM | |
| | \$5,503.08 | |
| CYE 2025 Adjustments Unrelated to COVID-19 | PMPM | % |
| | Change | Change |
| Rebase | \$571.22 | 10.38% |
| Trend | \$95.17 | 1.73% |
| Fee Schedule Changes | (\$527.26) | (9.58%) |
| DAP | (\$26.06) | (0.47%) |
| Program Changes | (\$13.48) | (0.24%) |
| Rx Rebates | \$1.18 | 0.02% |
| Pharmacy Changes | \$6.16 | 0.11% |
| Administrative, Case Management, and Care Management | (\$33.48) | (0.61%) |
| CYE 2025 Adjustments Unrelated to COVID-19 | \$73.45 | 1.33% |
| CYE 2025 Adjustments Related to COVID-19 | PMPM | % |
| | Change | Change |
| COVID-19 Treatment Cost Changes | \$0.79 | 0.01% |
| CYE 2025 Adjustments Related to COVID-19 | \$0.79 | 0.01% |
| Average CYE 2025 Rate | \$5,577.32 | 1.35% |

Appendix Table 6
Arizona Long Term Care System - Developmental Disabilities (ALTCS-DD) Program
CYE 2024 Capitation Rate Development

| | <u>Regular DD</u> | | <u>Targeted Case Management</u> | |
|--|--------------------|-----------------|---------------------------------|-----------------|
| | <u>PMPM</u> | | <u>PMPM</u> | |
| Average CYE 2024 Rate | \$6,253.99 | | \$222.25 | |
| <u>CYE 2025 Adjustments Unrelated to COVID-19</u> | <u>PMPM Change</u> | <u>% Change</u> | <u>PMPM Change</u> | <u>% Change</u> |
| Rebase | \$671.46 | 10.74% | \$0.00 | 0.00% |
| Trend | \$212.73 | 3.40% | \$0.00 | 0.00% |
| Fee Schedule Changes | (\$449.37) | (7.19%) | \$0.00 | 0.00% |
| DAP | (\$33.66) | (0.54%) | \$0.00 | 0.00% |
| Program Changes | \$6.96 | 0.11% | \$0.00 | 0.00% |
| Rx Rebates | \$0.90 | 0.01% | \$0.00 | 0.00% |
| Pharmacy Changes | (\$7.21) | (0.12%) | \$0.00 | 0.00% |
| Administrative, Case Management, and Care Management | \$3.71 | 0.06% | \$8.89 | 4.00% |
| CYE 2025 Adjustments Unrelated to COVID-19 | \$405.53 | 6.48% | \$8.89 | 4.00% |
| <u>CYE 2025 Adjustments Related to COVID-19</u> | <u>PMPM Change</u> | <u>% Change</u> | <u>PMPM Change</u> | <u>% Change</u> |
| COVID-19 Treatment Cost Changes | \$2.29 | 0.04% | \$0.00 | 0.00% |
| CYE 2025 Adjustments Related to COVID-19 | \$2.29 | 0.04% | \$0.00 | 0.00% |
| Average CYE 2025 Rate | \$6,661.80 | 6.52% | \$231.13 | 4.00% |