

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Center for Medicaid and CHIP Services (CMCS)

Tom Betlach, Director
Arizona Health Care Cost Containment System
801 E. Jefferson
Phoenix, AZ 85034

NOV - 1 2012

RE: Arizona SPA 12-010

Dear Mr. Betlach:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State plan submitted under transmittal number (TN) 12-010. This amendment provides for nursing facility supplemental payments funded by a provider tax, effective October 1, 2012.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment 12-010 is approved effective October 1, 2012. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Mark Wong at (415) 744-3561.

Sincerely,

Cindy Mann
Director, CMCS

Enclosures

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: ARIZONA

**METHODS AND STANDARDS FOR ESTABLISHING FEE-FOR-SERVICE PAYMENT
RATES FOR LONG TERM CARE FACILITIES**

- C. Audit Requirements
The AHCCCS periodically conducts audits of the financial and statistical records of participating providers. Specifications for the audits are found in the Arizona Long Term Care System (ALTCS) Uniform Accounting and Reporting System and Guide for Credits of ALTCS Contractors and Providers.
- D. Rates Paid
Fee-for-service reimbursement for nursing facilities is made in accordance with methods and standards which are specified in this attachment of the State Plan.
- E. Nursing Facility Supplemental Payments – Effective October 1, 2012, nursing facilities with Arizona Medicaid utilization will receive a quarterly supplemental payment to compensate providers for costs of covered services furnished to Arizona Medicaid beneficiaries and to improve access to care.
1. Each nursing facility's quarterly supplemental payment shall be determined as follows:
 - (a) On a quarterly basis, AHCCCS shall determine the aggregate supplemental payment amount for all nursing facilities by:
 - i. Determining the total amount from the nursing facility provider assessment fund for the quarter, which is the assessment amounts collected from providers in accordance with paragraph E.2.
 - ii. Subtracting one percent of the total assessment amount, and
 - iii. Dividing the difference of subsections (a)(i) and (a)(ii) by (1 minus the appropriate federal medical assistance percentage (FMAP)).
 - (b) AHCCCS shall calculate the quarterly supplemental payment to each nursing facility that has Arizona Medicaid utilization per paragraph (b)(i) below, excluding ICFMRs, by:
 - i. Determining each facility's proportion of Medicaid resident bed days to total nursing facility Medicaid resident bed days for all facilities by utilizing adjudicated claims and encounter data for the most recent 12 month period, including appropriate claims lag. The most recent 12 month period is defined as the contiguous 12-month period that ends six months prior to the month in which the Medicaid resident bed days are pulled. AHCCCS will pull the Medicaid resident bed day data in the first quarter of each payment year.
 - ii. Multiplying subsections (b)(i) and (a)(iii).
 - iii. Determining the fee-for-service share of the amount in (b)(ii) by applying a ratio of the facility's Medicaid fee-for-service bed days to the facility's total Medicaid bed days. The remaining share pertains to Medicaid managed care services; Medicaid managed care services are reimbursed separately by AHCCCS through capitation payments.

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(c) AHCCCS shall make quarterly supplemental payments to nursing facility providers after the assessment quarter. The fee-for-service quarterly supplemental payment will be made directly to each nursing facility. If the fee-for-service quarterly supplemental payment amount is less than \$25 for an individual facility, no fee-for-service quarterly supplemental payment will be made.

(d) A facility must be open on the date the supplemental payment is made in order to receive a payment.

2. The nursing facility assessment to be collected from each nursing facility is as follows:

- (a) The assessment is imposed on non-Medicare patient days as allowed for under 42 CFR 433.68(d);
- (b) The assessment imposed is \$7.50 per non-Medicare day except:
 - i. Continuing Care Retirement Communities (as defined in Arizona House Bill 2526 as “entities that provide NF services and assisted living or independent living services on a contiguous campus that is either registered as a life care facility with DOI [the Department of Insurance] or has assisted living and independent living beds in the aggregate that equal at least twice the number of NF beds”), ICF/MRs, and Tribal 638 nursing facilities will not be assessed;
 - ii. Facilities with 58 or fewer total beds will not be assessed; and
 - iii. Facilities with 43,500 or more annual Medicaid days will be taxed at a rate of \$1.00 per non-Medicare day.

The patient days used in the computations are derived from the Nursing Facility Uniform Accounting Report (UAR) Cost Reports filed with the Arizona Department of Health Services. Calculations for the assessment will be made once per year in August, using the most recently filed UAR as of August 1 immediately preceding the start of the assessment year. The computed annual assessment amount will be divided by four and imposed on a quarterly basis.