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

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
**TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL**

**FOR:** Centers for Medicare and Medicaid Services

**TO:** REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE AND MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER: 12-008
2. STATE: Arizona

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE: October 1, 2012

5. TYPE OF PLAN MATERIAL (Check One):
   - [ ] NEW STATE PLAN
   - [ ] AMENDMENT TO BE CONSIDERED AS NEW PLAN
   - [X] AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
   - 42 CFR 433.68(d)
   - 42 CFR 447 Subpart C

7. FEDERAL BUDGET IMPACT:
   - $ 3 million for FFY 2013
   - $ 3 million for FFY 2014

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
   - Page 9, 9a of Attachment 4.19-D

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):
   - Page 9 of Attachment 4.19-D

10. SUBJECT OF AMENDMENT:

    Updates the State Plan to describe the Nursing Facility Tax and Supplemental Payment structure effective October 1, 2012.

11. GOVERNOR’S REVIEW (Check One):
   - [ ] GOVERNOR’S OFFICE REPORTED NO COMMENT
   - [ ] COMMENTS OF GOVERNOR’S OFFICE ENCLOSED
   - [ ] NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
   - [X] OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

    [Signature]

13. TYPED NAME:
    Monica Coury

14. TITLE:
    Assistant Director

15. DATE SUBMITTED:
    July 25, 2012

16. RETURN TO:
    Monica Coury
    801 E. Jefferson, MD#4200
    Phoenix, Arizona 85034

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED: NOV - 1 2012

19. EFFECTIVE DATE OF APPROVED MATERIAL:
    OCT - 1 2012

20. SIGNATURE OF REGIONAL OFFICIAL:

    [Signature]

21. TYPED NAME:
    Penny Thompson

22. TITLE:
    Deputy Director, CMCS

23. REMARKS: Pen and ink change made by Regional Office to Boxes 7 and 8, with concurrence by State per emails dated 10/19/2012 and 10/22/2012, respectively.
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.
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) 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.