


Contract Year Ending 2024
Capitation Rate Certification
Arizona Long Term Care System
Developmental Disabilities Program

October 1, 2023 through September 30, 2024

Prepared for:
The Centers for Medicare & Medicaid Services

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Introduction and Limitations

The purpose of this rate certification is to provide documentation for compliance with the applicable provisions of 42 CFR Part 438. This rate certification amendment provides documentation for revisions to the Contract Year Ending 2024 (CYE 24) capitation rates for the Arizona Long Term Care System (ALTCS) Developmental Disabilities (ALTCS-DD) Program contracted under the Arizona Department of Economic Security/Division of Developmental Disabilities (DES/DDD). The original rate certification signed August 11, 2023, provides further documentation on the development of the original capitation rates, and an amended actuarial rate certification signed January 31, 2024, was submitted to document a new state directed payment (SDP) paid through a separate payment arrangement which did not impact the certified capitation rates. The revised capitation rate documented herein incorporates increased projected spending for a few categories of service with greater utilization growth than could have been anticipated when developing the original capitation rate. The AHCCCS Division of Business and Finance (DBF) Actuarial Team is updating the trend assumptions associated with these categories of service using encounter data incurred after the base data period that was used in the development of the original capitation rates. There are no other changes to data, assumptions, or methodologies used and provided in the previous actuarial rate certifications besides the ones listed in this amendment.

This rate certification was prepared for the Centers for Medicare & Medicaid Services (CMS), or its actuaries, for review and approval of the actuarially sound certified capitation rates contained herein. This rate certification may not be appropriate for any other purpose. The actuarially sound capitation rates represent projections of future events. Actual results may vary from the projections.

This rate certification may also be made available publicly on the Arizona Health Care Cost Containment System (AHCCCS) website or distributed to other parties. If this rate certification is made available to third parties, then this rate certification should be provided in its entirety. Any third party reviewing this rate certification 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.

The 2024 Guide describes the rate development standards and appropriate documentation to be included within Medicaid managed care rate certifications. This rate certification has been organized to follow the 2024 Guide to help facilitate the review of this rate certification by CMS. This amendment only addresses changes from the original certification; it does not purport to address all subsections of the 2024 Guide as most subsections are unchanged.

Section I Medicaid Managed Care Rates

The capitation rates included with this rate certification are considered actuarially sound according to the following criteria from 42 CFR § 438.4(a) and 42 CFR § 438.4(b). The state did not opt to develop capitation rate ranges, therefore adherence to 42 CFR § 438.4(c) is not required.

- § 438.4(a) Actuarially sound capitation rates defined. Actuarially sound capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the MCO, PIHP, or PAHP for the time period and the population covered under the terms of the contract, and such capitation rates are developed in accordance with the requirements in paragraph (b) of this section.
- § 438.4(b) CMS review and approval of actuarially sound capitation rates. Capitation rates for MCOs, PIHPs, and PAHPs must be reviewed and approved by CMS as actuarially sound. To be approved by CMS, capitation rates must:
- § 438.4(b)(1) Have been developed in accordance with standards specified in § 438.5 and generally accepted actuarial principles and practices. Any differences in the assumptions, methodologies, or factors used to develop capitation rates for covered populations must be based on valid rate development standards that represent actual cost differences in providing covered services to the covered populations. Any differences in the assumptions, methodologies, or factors used to develop capitation rates must not vary with the rate of Federal financial participation (FFP) associated with the covered populations in a manner that increases Federal costs. The determination that differences in the assumptions, methodologies, or factors used to develop capitation rates for MCOs, PIHPs, and PAHPs increase Federal costs and vary with the rate of FFP associated with the covered populations must be evaluated for the entire managed care program and include all managed care contracts for all covered populations. CMS may require a State to provide written documentation and justification that any differences in the assumptions, methodologies, or factors used to develop capitation rates for covered populations or contracts represent actual cost differences based on the characteristics and mix of the covered services or the covered populations.
- § 438.4(b)(2) Be appropriate for the populations to be covered and the services to be furnished under the contract.
- § 438.4(b)(3) Be adequate to meet the requirements on MCOs, PIHPs, and PAHPs in §§ 438.206, 438.207, and 438.208.
- § 438.4(b)(4) Be specific to payments for each rate cell under the contract.
- § 438.4(b)(5) Payments from any rate cell must not cross-subsidize or be cross-subsidized by payments for any other rate cell.
- § 438.4(b)(6) Be certified by an actuary as meeting the applicable requirements of this part, including that the rates have been developed in accordance with the requirements specified in § 438.3(c)(1)(ii) and (e).
- § 438.4(b)(7) Meet any applicable special contract provisions as specified in § 438.6.
- § 438.4(b)(8) Be provided to CMS in a format and within a timeframe that meets requirements in § 438.7.

- § 438.4(b)(9) Be developed in such a way that the MCO, PIHP, or PAHP would reasonably achieve a medical loss ratio standard, as calculated under § 438.8, of at least 85 percent for the rate year. The capitation rates may be developed in such a way that the MCO, PIHP, or PAHP would reasonably achieve a medical loss ratio standard greater than 85 percent, as calculated under § 438.8, as long as the capitation rates are adequate for reasonable, appropriate, and attainable non-benefit costs.

The actuary has followed generally accepted actuarial practices and regulatory requirements, including published guidance from the American Academy of Actuaries (AAA), the Actuarial Standards Board (ASB), CMS, and federal regulations. In particular, the actuary referenced the below during the development of the actuarially sound capitation rates:

- Actuarial Standards of Practice (ASOPs) applicable to Medicaid managed care rate setting which were effective before the start date of the rating period:
  - ASOP No. 1 - Introductory Actuarial Standard of Practice,
  - ASOP No. 5 - Incurred Health and Disability Claims,
  - ASOP No. 12 - Risk Classification (for All Practice Areas),
  - ASOP No. 23 - Data Quality,
  - ASOP No. 25 - Credibility Procedures,
  - ASOP No. 41 - Actuarial Communications,
  - ASOP No. 45 - The Use of Health Status Based Risk Adjustment Methodologies,
  - ASOP No. 49 - Medicaid Managed Care Capitation Rate Development and Certification, and
  - ASOP No. 56 - Modeling.
- The 2016 and 2020 Medicaid and CHIP Managed Care Final Rules (CMS-2390-F and CMS-2408-F)
- FAQs related to payments to MCOs and PIHPs for IMD stays
- The 2023-2024 Medicaid Managed Care Rate Development Guide (2024 Guide) published by CMS

Throughout this actuarial certification, the term “actuarially sound” will be defined as in ASOP 49 (consistent with the definition at 42 CFR § 438.4(a)):

> “Medicaid capitation rates are “actuarially sound” if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes.”

As stated on pages 2 and 3 of the 2024 Guide, CMS will also use these three principles in applying the regulation standards:

- the capitation rates are reasonable and comply with all applicable laws (statutes and regulations) for Medicaid managed care;
- the rate development process complies with all applicable laws (statutes and regulations) for the Medicaid program, including but not limited to eligibility, benefits, financing, any applicable waiver or demonstration requirements, and program integrity; and
- the documentation is sufficient to demonstrate that the rate development process meets the requirements of 42 CFR Part 438 and generally accepted actuarial principles and practices.

I.1. General Information

This section provides documentation for the General Information section of the 2024 Guide.

I.1.A. Rate Development Standards

I.1.A.i. Standards and Documentation for Rate Ranges

This section of the 2024 Guide notes that standards and documentation expectations are not different for capitation rates and capitation rate ranges, except where otherwise stated.

I.1.A.ii. Rating Period

The revised CYE 24 capitation rates for the ALTCS-DD Program are effective for the 12-month time period from October 1, 2023, through September 30, 2024.

I.1.A.iii. Required Elements

I.1.A.iii.(a) Letter from Certifying Actuary

The actuarial certification letter for the revised CYE 24 capitation rates for the ALTCS-DD Program, signed by Erica Johnson, ASA, MAAA, is in Appendix 1. Ms. Johnson meets the requirements for the definition of an Actuary described at 42 CFR § 438.2, provided below for reference.

Actuary means an individual who meets the qualification standards established by the American Academy of Actuaries for an actuary and follows the practice standards established by the Actuarial Standards Board. In this part, Actuary refers to an individual who is acting on behalf of the State when used in reference to the development and certification of capitation rates.

Ms. Johnson certifies that the revised CYE 24 capitation rates for the ALTCS-DD Program contained in this rate certification are actuarially sound and meet the standards within the applicable provisions of 42 CFR Part 438.

I.1.A.iii.(b) Final and Certified Capitation Rates

The final and certified capitation rates by rate cell are located in Appendix 2. Additionally, the ALTCS-DD Program contract includes the final and certified capitation rates by rate cell in accordance with 42 CFR § 438.3(c)(1)(i). The ALTCS-DD Program contract uses the term risk group instead of rate cell.

I.1.A.iii.(c) Program Information

This section of the rate certification provides a summary of information about the ALTCS-DD Program.

I.1.A.iii.(c)(i) Summary of Program

Please see the original capitation rate certification for a summary of the ALTCS-DD Program.

I.1.A.iii.(c)(ii) Rating Period Covered

The amended rate certification for the CYE 24 capitation rates for the ALTCS-DD Program is effective for the 12-month time period from October 1, 2023, through September 30, 2024.

I.1.A.iii.(c)(iii) Covered Populations

The populations covered under the ALTCS-DD Program are individuals with a qualifying developmental disability.

ALTCS-DD Program capitation rates are developed for two distinct rate cells.

The first of the two rate cells (regular DDD capitation rate) includes the costs of providing covered long-term care, acute care, CRS specialty care for members with a CRS qualifying condition, and behavioral health services for all DD members. The capitation rate for this rate cell is being revised with this actuarial certification amendment.

The second of the two rate cells is for Targeted Case Management and includes the costs of providing case management services for members who have a qualifying DD diagnosis and meet the financial eligibility of Title XIX or Title XXI programs, but do not meet the functional requirements of ALTCS. There is no change to the capitation rate for this rate cell from the previously certified capitation rate.

I.1.A.iii.(c)(iv) Eligibility or Enrollment Criteria

There have been no changes to the eligibility or enrollment criteria from the original rate certification.

I.1.A.iii.(c)(v) Summary of Special Contract Provisions Related to Payment

The amended certification dated January 31, 2024, certified the new Safety Net Services Initiative (SNSI) directed payment added to the CYE 24 contract. There have been no other changes to the special contract provisions related to payment from the original rate certification.

I.1.A.iii.(c)(vi) Retroactive Capitation Rate Adjustments

This rate certification amendment addresses the need to retroactively adjust the previously certified capitation rate for the regular DDD rate cell. No adjustments to the Targeted Case Management rate cell are necessary, and the previously certified capitation rate is unchanged.

I.1.A.iii.(c)(vi)(A) Rationale

The original CYE 24 capitation rate development used adjudicated and approved encounter data for dates of services incurred from October 2018 through February 2023 submitted through the second February 2023 encounter processing cycle. As the DBF Actuarial team was reviewing and pulling data in March 2024 for the upcoming CYE 25 capitation rate development cycle which included more recent dates of service and more run out for older dates of service, the data showed that there were significant increases in the utilization of some services (attendant care, habilitation per 15 minutes, and applied behavior analysis) during CYE 23 and continuing into CYE 24 that were not seen or predicted when developing the CYE 24 capitation rates. These significant increases materially deviate from assumptions, expectations, and estimates derived from the data used to develop the original CYE 24 capitation rate and are endangering the solvency of the Contractor.

I.1.A.iii.(c)(vi)(B) Data, Assumptions, and Methodology

The primary adjustments to address the shortfall are revisions to the trend assumptions for the affected categories of service. Further detail on the driving factors behind the adjustments to the projected benefit cost trend assumptions is provided in Section I.3.B.iii.(a)(iv).

I.1.A.iii.(c)(vi)(C) Prior De Minimis Changes

A previous amendment documenting a new SDP under a separate payment term was submitted to CMS signed January 31, 2024, which did not impact the capitation rate for either rate cell. No other changes to the capitation rates, de minimis or otherwise, were made prior to this capitation rate adjustment.

I.1.A.iii.(c)(vi)(D) Differences from Most Recently Certified Capitation Rate

The previously certified capitation rate and the retroactive capitation rate certified herein differ only in the trend assumptions included in the development of the projected benefit costs (changing the final projections for gross medical expenses, differential adjusted payments, and reinsurance offset). The changes to the projected benefit costs subsequently impact the projected non-benefit cost amounts associated with the application of the underwriting gain and premium tax percentages.

I.1.A.iv. Rate Development Standards and Federal Financial Participation (FFP)

All proposed differences among the CYE 24 capitation rates for the ALTCS-DD Program are based on valid rate development standards and are not based on the rate of FFP for the populations covered under the ALTCS-DD Program.

I.1.A.v. Rate Cell Cross-Subsidization

The CYE 24 capitation rates were developed at the rate cell level. Payments from rate cells do not cross-subsidize payments of other rate cells.

I.1.A.vi. Effective Dates of Changes

The effective dates of changes to the ALTCS-DD Program are consistent with the assumptions used to develop the CYE 24 capitation rates for the ALTCS-DD Program.

I.1.A.vii. Minimum Medical Loss Ratio

The capitation rates were developed such that DES/DDD would reasonably achieve a medical loss ratio, as calculated under 42 CFR § 438.8, of at least 85 percent for CYE 24.

I.1.A.viii. Conditions for Certifying Capitation Rate Range – Not Applicable

Not applicable. The actuary is not certifying capitation rate ranges.

I.1.A.ix. Certifying Actuarially Sound Capitation Rate Range – Not Applicable

Not applicable. The actuary is not certifying capitation rate ranges.

I.1.A.x. Generally Accepted Actuarial Principles and Practices

I.1.A.x.(a) Reasonable, Appropriate, and Attainable Costs

In the actuary's judgment, all adjustments to the capitation rates, or to any portion of the capitation rates, reflect reasonable, appropriate, and attainable costs. To the actuary's knowledge, all reasonable, appropriate, and attainable costs have been included in the rate certification.

I.1.A.x.(b) Rate Setting Process

Adjustments to the rates that are performed outside of the rate setting process described in the rate certification are not considered actuarially sound under 42 CFR § 438.4. There are no adjustments to the

rates performed outside the rate setting process described in the original rate certification and this rate certification amendment.

I.1.A.x.(c) Contracted Rates

Consistent with 42 CFR § 438.7(c), the final contracted rates in each cell must match the capitation rates in the rate certification. This is required in total and for each and every rate cell. The CYE 24 capitation rates certified in this report represent the contracted rates by rate cell.

I.1.A.xi. Rates from Previous Rating Periods – Not Applicable

Not applicable. Capitation rates from previous rating periods are not used in the development of the CYE 24 capitation rates for the ALTCS-DD Program.

I.1.A.xii. Evaluation of COVID-19 PHE and Unwinding

Please see the original capitation rate certification for a summary of the assumptions included in the rate development to address the direct and indirect impacts of the COVID-19 PHE and related unwinding. There have been no changes to these assumptions from those documented in the original rate certification. All risk mitigation strategies were addressed in the contract and in Section I.4.C. of the original rate certification and were submitted to CMS prior to the start of the rating period in accordance with the specific documentation requirements under 42 CFR § 438.6(b)(1).

I.1.A.xiii. Rate Certification Procedures

I.1.A.xiii.(a) Timely Filing for Claiming Federal Financial Participation

This section of the 2024 Guide reminds states of the responsibility to comply with the time limit for filing claims for FFP specified in section 1132 of the Social Security Act and implementing regulations at 45 CFR part 95. Timely filing of rate certifications to CMS will help mitigate timely filing concerns.

I.1.A.xiii.(b) CMS Rate Certification Requirement for Rate Change

This is a rate certification amendment that documents a change to the ALTCS-DD Program capitation rates effective October 1, 2023.

I.1.A.xiii.(c) CMS Rate Certification Requirement for No Rate Change – Not Applicable

Not applicable. This rate certification will change the ALTCS-DD Program capitation rates effective October 1, 2023.

I.1.A.xiii.(d) CMS Rate Certification Circumstances

This section of the 2024 Guide provides information on when CMS would not require a new rate certification, which include increasing or decreasing capitation rates up to 1.5% per rate cell for certified rates per rate cell, in accordance with 42 CFR §§ 438.7(c)(3) and 438.4(b)(4), increasing or decreasing capitation rates up to 1% within a certified rate range, in accordance with 42 CFR § 438.4(c)(2), and applying risk scores to capitation rates paid to plans under a risk adjustment methodology described in the rate certification for that rating period and contract, in accordance with 42 CFR § 438.7(b)(5)(iii).

I.1.A.xiii.(e) CMS Contract Amendment Requirement

CMS requires a contract amendment be submitted whenever capitation rates change for any reason other than application of an approved payment term (e.g., risk adjustment methodology) which was included in the initial managed are contract. The state will submit a contract amendment to CMS as required.

I.1.A.xiii.(f) CMS Contract and Rate Amendment Requirement for Changes in Law

CMS requires a contract amendment and capitation rate amendment in the event that any State Medicaid program feature is invalidated by a court of law, or a change in federal statute, regulation, or approval. The rate amendment adjusting the capitation rates must remove costs specific to any program or activity no longer authorized by law, taking into account the effective date of the loss of program authority.

I.1.B. Appropriate Documentation

I.1.B.i. Capitation Rates or Rate Ranges

The actuary is certifying capitation rates for each rate cell.

I.1.B.ii. Elements

This rate certification documents all revised elements (data, assumptions, and methodologies) used in developing the revised CYE 24 capitation rate for the regular DDD rate cell. Please see the original capitation rate certification for all other elements used in the initial development of the CYE 24 capitation rates for the ALTCS-DD Program.

I.1.B.iii. Capitation Rate Cell Assumptions

This section of the 2024 Guide notes that the certification must disclose and support the specific assumptions that underlie the certified rates for each rate cell. To the extent assumptions or adjustments underlying the capitation rates varies between managed care plans, the certification must also describe the basis for the variation.

All such assumptions and adjustments are described in the rate certification.

I.1.B.iv. Capitation Rate Range Assumptions – Not Applicable

Not applicable. The actuary did not develop capitation rate ranges.

I.1.B.v. Rate Certification Index

The table of contents that follows the cover page within this rate certification serves as the index. The table of contents includes the relevant section numbers from the 2024 Guide. Sections of the 2024 Guide that do not apply will be marked as “Not Applicable”; any section wherein all subsections are not applicable will be collapsed to the section heading.

I.1.B.vi. Assurance Rate Assumptions Do Not Differ by Federal Financial Participation

All proposed differences in the assumptions, methodologies, or factors used to develop the certified CYE 24 capitation rates for the covered populations under the ALTCS-DD Program are based on valid rate development standards that represent actual cost differences in providing covered services to the covered populations, and these differences do not vary with the rate of FFP associated with the covered populations in a manner that increases federal costs, in compliance with 42 CFR § 438.4(b)(1). CMS may request additional documentation and justification that any differences in the assumptions, methodologies, or factors used in the development of the capitation rates represent actual cost assumptions based on the characteristics and mix of the covered services or the covered populations.

I.1.B.vii. Differences in Federal Medical Assistance Percentage

The covered populations under the ALTCS-DD Program receive the regular Federal Medical Assistance Percentage. The ALTCS-DD Program is eligible to receive Children's Health Insurance Program (CHIP) funding for Targeted Case Management for those acute enrolled members who are TXXI. There have not been any CHIP members provided Targeted Case Management services under the contract since 2015.

I.1.B.viii. Comparison to Prior Rates

I.1.B.viii.(a) Comparison to Previous Rate Certification

The 2024 Guide requests a comparison to the final certified rates in the previous rate certification. Comparisons between the previously certified CYE 24 ALTCS-DD Program capitation rates effective October 1, 2023, and the revised CYE 24 capitation rates being certified in this actuarial rate certification are available in Appendix 3. The 2024 Guide requires descriptions of what is leading to large, or negative changes in rates from the previous rating period. As in past years, the AHCCCS Division of Business and Finance (DBF) Actuarial Team has defined any change greater than 10% as a large change, and any capitation rate that was less than the rate for the same rate cell in the prior year as a negative change in the rate.

The original regular DDD rate cell capitation rate for CYE 24 had a negative change in the rate when compared to the CYE 23 capitation rate. The revised rate is an increase to the original CYE 24 capitation rate larger than the de minimis allowable without a new rate certification but does not rise to the previously defined "large change" level.

I.1.B.viii.(b) Material Changes to Capitation Rate Development

There have been no material changes to the capitation rates or the capitation rate development process since the original rate certification or the amendment addressing the new SDP other than those described elsewhere in this certification amendment.

I.1.B.viii.(c) *De Minimis* Changes to Previous Period Capitation Rates

The state did not adjust the actuarially sound capitation rates in the previous rating period or the current rating period by a *de minimis* amount using the authority in 42 CFR § 438.7(c)(3).

I.1.B.ix. Future Rate Amendments

There are no known, or expected, future amendments to the ALTCS-DD Program capitation rates.

I.1.B.x. Addressing COVID-19 PHE and Unwinding Impacts

Please see the original capitation rate certification for how the impact of the COVID-19 public health emergency and related unwinding was addressed in the development of the capitation rates.

I.2. Data

This section provides documentation for the Data section of the 2024 Guide.

I.2.A. Rate Development Standards

I.2.A.i. Compliance with 42 CFR § 438.5(c)

AHCCCS actuaries have followed the rate development standards related to base data in accordance with 42 CFR § 438.5(c). The data types, sources, validation methodologies, material adjustments, and other information related to the documentation standards required by CMS are documented in the subsections of I.2.B.

I.2.B. Appropriate Documentation

I.2.B.i. Data Request

Since AHCCCS employs their own actuaries, a formal data request was not needed between the AHCCCS DBF Actuarial Team and the State. The AHCCCS DBF Actuarial Team worked with the appropriate teams at AHCCCS and DES/DDD to obtain the primary sources of data in accordance with 42 CFR § 438.5(c).

I.2.B.ii. Data Used for Rate Development

I.2.B.ii.(a) Description of Data

Please see the original rate certification for a description of the data AHCCCS used in the initial capitation rate development. The additional data that AHCCCS relied upon for developing the revision to the CYE 24 regular DDD capitation rate beyond the data documented in the original rate certification for the ALTCS-DD Program include:

- adjudicated and approved encounter data, submitted by all health plans with responsibility for services provided to ALTCS-DD members, for dates of service during or after October 2022 included in the AHCCCS Prepaid Medical Management Information System (PMMIS) mainframe as of the second February 2024 encounter cycle,
- additional information on encounters submitted by DES/DDD for dates of service during and after October 2018 that had not been adjudicated and approved (that is, encounter data in a pended status) as of the second February 2024 encounter cycle,
- quarterly and annual financial statements submitted by DES/DDD and its subcontractors for services provided to ALTCS-DD members between October 2022 and the present, and
- historical enrollment data for October 2022 and forward

Any additional data used and not identified here will be identified in their applicable sections below.

I.2.B.ii.(b) Availability and Quality of the Data

The information in Sections I.2.B.ii.(b)(i) and its subsections is either the same as, or similar to, the information included in the original capitation rate certification except for extending the end dates of the data, addressing the additional data that AHCCCS relied upon for developing the revision to the CYE 24 regular DDD capitation rates beyond the data documented in the original rate certification.

I.2.B.ii.(b)(i) Data Validation Steps

Guidelines and formats for submitting individual encounters generally follow health insurance industry standards used by commercial insurance companies and Medicare; however, some requirements are specific to the AHCCCS program. All encounter submissions are subject to translation and validation using standards and custom business rules (guidelines). Once translation has occurred and the encounters pass validation, they are passed to the AHCCCS PMMIS mainframe and are subject to approximately 500 claims type edits resulting in the approval, denial, or pend of each encounter. This process occurs for both regular and sub-capitated encounters.

The AHCCCS DBF Actuarial Team regularly reviews monthly adjudicated and approved encounters by form type on a cost basis and a per member per month (PMPM) basis looking for anomalous patterns in encounter, unit, or cost totals, such as incurred months where totals are unusually low or high. If any anomalies are found, the AHCCCS DBF Actuarial Team reports the findings to the AHCCCS Information Services Division (ISD) Data Management and Oversight (DMO) Team, who then works with the health plan to identify causes. In addition, the AHCCCS ISD DMO Team performs their own checks and validations on the encounters and monitors the number of encounters that are adjudicated and approved each month.

DES/DDD, and all other AHCCCS Contractors, know encounters are used for capitation rate setting, reconciliations (risk corridors), and reinsurance payments and thus are cognizant of the importance of timely and accurate encounter submissions. AHCCCS provides DES/DDD with the "Encounter Monthly Data File" (aka the "magic" file) which contains the previous 36 months of encounter data. DES/DDD is responsible for providing the "magic" file to the integrated subcontractors. Data fields contained in this file include, but are not limited to, adjudication status, AHCCCS ID, Claim Reference Number (CRN), Provider ID, and various cost amounts. The adjudication status has five types: adjudicated/approved, adjudicated/plan denied, adjudicated/AHCCCS denied, pended, and adjudicated/void. Although the capitation rate setting process only uses the adjudicated/approved encounters, this file, with its expanded view of encounter statuses, allows DES/DDD and its subcontractors to compare the data to their claim payments to identify discrepancies and evaluate the need for new or revised submissions.

All of these processes create confidence in the quality of the encounter data.

I.2.B.ii.(b)(i)(A) Completeness of the Data

The AHCCCS ISD DMO Team performs encounter data validation studies to evaluate the completeness, accuracy, and timeliness of the collected encounter data.

I.2.B.ii.(b)(i)(B) Accuracy of the Data

AHCCCS has an additional encounter process which ensures that each adjudicated and approved encounter contains a valid AHCCCS member ID for an individual who was enrolled on the date that the service was provided. The process also checks to ensure that each adjudicated and approved encounter is for a covered service under the state plan and contains the codes necessary to map it into one of the categories of service used in the rate development process.

The AHCCCS DBF Actuarial Team reviewed the encounter data provided from the AHCCCS PMMIS mainframe, and ensured that only encounter data with valid AHCCCS member IDs, and only for services covered under the state plan, was used in developing the CYE 24 capitation rates for the ALTCS-DD Program.

I.2.B.ii.(b)(i)(C) Consistency of the Data

The AHCCCS DBF Actuarial Team reviewed encounter data from all relevant Contractors providing services to ALTCS-DD Program members over the October 2018 through February 2024 time frame, along with supplemental cost data from DES/DDD for state operated facilities, for consistency by viewing month over month, and year over year changes. The AHCCCS DBF Actuarial Team also compared the aggregated encounter and supplemental cost data to financial statements for all relevant Contractors. The data was judged to be consistent across data sources.

I.2.B.ii.(b)(ii) Actuary's Assessment of the Data

As required by ASOP No. 23, the AHCCCS DBF Actuarial Team discloses that the rate development process has relied upon encounter data submitted by DES/DDD, DES/DDD acute subcontractors, the prior CRS subcontractor, and the RBHAs retrieved from the AHCCCS PMMIS mainframe. Additionally, the rate development process has relied upon the audited annual and unaudited quarterly financial statement data submitted by the same entities and reviewed by the AHCCCS DBF Finance & Reinsurance Team. The AHCCCS DBF Actuarial Team did not audit the data or financial statements and the rate development is dependent upon this reliance. The actuary notes additional reliance on the following:

- data provided by the AHCCCS DBF Rates & Reimbursement Team with regard to DAP and fee schedule impacts,
- the Public Notice of proposed fee schedule changes for CYE 24 posted by DES/DDD to its website,
- data provided by the AHCCCS DBF financial analysts with regard to some program changes,
- information and data provided by Milliman consultants with regard to the HEALTHII program,
- data provided by the integrated subcontractors with regard to administrative components,
- analysis provided by an actuarial student under direct supervision of the actuary, and
- data provided by the AHCCCS DBF Budget Team with regard to projected enrollment.

The AHCCCS DBF Actuarial Team has found the encounter data in total, after adjustments for data concerns, along with the supplemental cost data for state operated facilities to be appropriate for the purposes of developing the appropriate components for the CYE 24 capitation rates for the ALTCS-DD Program.

I.2.B.ii.(b)(iii) Data Concerns

Please see the original rate certification for a description of the data concerns previously identified and addressed in the original capitation rate development. No additional data concerns were noted with the availability or quality of the data in the expanded time frames used for the development of this revision to the capitation rates.

I.2.B.ii.(c) Appropriate Data for Rate Development

The AHCCCS DBF Actuarial Team determined that the CYE 22 encounter data in total, after adjustments noted in I.2.B.ii.(b)(iii), was appropriate to use as the base data for developing the CYE 24 capitation rates for the ALTCS-DD Program with the inclusion of supplemental cost data related to staff models for LTSS provided in state operated facilities previously noted. In addition, the actuary determined that it was appropriate to use more recent encounter data from the time period after October 2022 to review and revise the trend assumptions included in the development of the amended CYE 24 capitation rates.

I.2.B.ii.(c)(i) Not Using Encounter or Fee-for-Service Data – Not Applicable

Not applicable. As described above in Section I.2.B.ii.(c), managed care encounters served as the primary data source for the development of the CYE 24 capitation rates for the ALTCS-DD Program.

I.2.B.ii.(c)(ii) Not Using Managed Care Encounter Data – Not Applicable

Not applicable. As described above in Section I.2.B.ii.(c), managed care encounters are used in the development of the CYE 24 capitation rates for the ALTCS-DD Program.

I.2.B.ii.(d) Use of a Data Book – Not Applicable

Not applicable. The AHCCCS DBF Actuarial Team did not rely on a data book to develop the CYE 24 capitation rates.

I.2.B.iii. Adjustments to the Data

Please see the original rate certification for a description of all adjustments made to the CYE 22 encounter data that was used as the base data for developing the CYE 24 capitation rates for the ALTCS-DD Program. No additional adjustments to the base data were made in developing the revised capitation rates.

I.3. Projected Benefit Costs and Trends

This section provides documentation for the Projected Benefit Costs and Trends section of the 2024 Guide.

I.3.A. Rate Development Standards

I.3.A.i. Compliance with 42 CFR § 438.3(c)(1)(ii) and 42 CFR § 438.3(e)

The final capitation rates are based only upon services allowed under 42 CFR § 438.3(c)(1)(ii) and 42 CFR § 438.3(e).

I.3.A.ii. Projected Benefit Cost Trend Assumptions

Projected benefit cost trend assumptions are developed in accordance with generally accepted actuarial principles and practices. The actual experience of the covered population before, during, and after the base period was the primary data source used to develop the revisions to the projected benefit cost trend assumptions.

I.3.A.iii. In Lieu Of Services or Settings (ILOS)

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

I.3.A.iv. ILOS Cost Percentage – Not Applicable

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

I.3.A.v. Institution for Mental Disease

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

I.3.B. Appropriate Documentation

All appendices from the original rate certification and the January 2024 amendment for the SNSI SDP are being included again in this revised certification for ease of reference, whether there are changes or not. Unchanged from the original certification, Appendix 4 contains the base data and base data adjustments. Appendix 5 contains the revised projected benefit cost trends. Appendix 6 contains the development of the gross medical expense from the adjusted base data, including all prospective programmatic and fee schedule changes and the impact of the DAP, and Appendix 7 contains the development of the certified capitation rates from the projected gross medical expense, including reinsurance offset, SOC offset, administrative expense, underwriting (UW) gain, and premium tax. Appendix 8a combines all of the SDP information previously provided in the original and amended certifications into a single location, and Appendix 8b provides the PMPMs by rate cell for those SDPs which are incorporated into the capitation rates as well as the estimated PMPMs by rate cell for each of the SDPs which are paid under separate payment terms.

I.3.B.i. Projected Benefit Costs

The final projected benefit costs for the regular DDD rate cell are detailed in Appendix 6.

I.3.B.ii. Projected Benefit Cost Development

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

I.3.B.iii. Projected Benefit Cost Trends

In accordance with 42 CFR § 438.7(b)(2), this section provides documentation on the projected benefit cost trends.

I.3.B.iii.(a) Requirements

I.3.B.iii.(a)(i) Projected Benefit Cost Trends Data

The data used in the review and revision of the previous development of the projected benefit cost trends was the encounter data incurred from October 2018 through December 2023 and adjudicated and approved through the second February 2024 encounter cycle specific to the ALTCS-DD Program population. The encounter data used in the original development of the projected benefit cost trends extended only through December 2022 that was adjudicated and approved through the second February 2023 encounter cycle. Please see the original capitation rate certification for additional information.

I.3.B.iii.(a)(ii) Projected Benefit Cost Trends Methodologies

Please see the original capitation rate certification for additional information. The only change in the revision of the projected benefit cost trends was the update and review of more recent data after the end of the base period. The encounter and supplemental data were summarized by month and category of service, and by utilization per 1000, unit costs, and PMPM values. The encounter data was adjusted for completion and to normalize for program and reimbursement changes. Projected benefit cost trends were developed to project the base data forward 24 months, from the midpoint of CYE 22 (April 1, 2022) to the midpoint of the rating period for CYE 24 (April 1, 2024). The projected benefit cost trends were not based upon a formula-driven approach using historical benefit cost trends. Projected benefit cost trends were based upon actuarial judgment after reviewing multiple moving averages and several linear regression lines for each of the utilization per 1000, unit cost and resulting PMPM trend assumptions. Each category of service was analyzed in the same manner.

I.3.B.iii.(a)(iii) Projected Benefit Cost Trends Comparisons

All PMPM trend assumptions were compared to similar assumptions made in CYE 23 for ALTCS-DD Program capitation rates, as well as to the previously assumed trend assumptions for the CYE 24 rates, and the actuary has judged the revisions to the trend assumptions for specific categories of service, as well as the original trend assumptions for the remaining categories of service, to be reasonable and appropriate for projection to CYE 24, considering all changes in factors between the base data time period and the rating period.

I.3.B.iii.(a)(iv) Supporting Documentation for Trends

The 2024 Guide requires explanation of outlier or negative trends. As in past years, the AHCCCS DBF Actuarial Team has defined outlier trends as utilization and unit cost trend combinations which resulted in a PMPM trend greater than 7%.

Please see the original capitation rate certification for additional information on the negative utilization trends by category of service, none of which have been revised in the amended capitation rate development. The actuary has revised trend assumptions for two categories of service (COS) such that the assumed PMPM trends now meet the AHCCCS DBF Actuarial Team's definition of outlier trends. Those COS are Attendant Care Services and Habilitation Services per 15 Minutes. The driving force behind the increased trend assumptions for these two COS is significant utilization growth after the base period. Research of historical growth patterns for these two COS has revealed two primary, related factors: 1) there has been significant growth in these two COS provided to minors by parental caregivers under the Parents as Paid Caregivers (PPCG) initiative; and 2) much of the accelerated utilization growth is observed to coincide with the mandatory implementation date (January 1, 2023) for the Electronic Visit Verification (EVV) system for various in-home services, which in turn affects services eligible under the PPCG initiative.

The PPCG initiative was one of the original Appendix K flexibilities requested by Arizona and approved by CMS and was continued as part of AHCCCS' approved spending plan related to the American Rescue Plan (ARP) Act. The initiative is intended to strengthen and enhance home and community base services (HCBS) in Arizona, and allows parents to be paid, through a direct care worker (DCW) agency, for providing some services to their minor children. The number of minors receiving services in these two COS as a percentage of the total population has significantly increased, with the growth primarily coming through services provided by parental caregivers.

The January 1, 2023 implementation for the EVV system required that claims for EVV-mandated services be accompanied by valid EVV records in order to be eligible for reimbursement. Notably, this occurred after the point where credible encounter runout data would have been available for analyzing trend in the original CYE 24 capitation rate. The observed utilization growth that followed is broad-based, affecting service utilization for members of all ages, irrespective of whether the service is provided by a DCW or PPCG, but is most evident for services provided through PPCG to minors. It is believed that the electronic tracking for these services is capturing additional time spent providing these services to ALTCS members which was possibly underreported previously based on DCWs and PPCGs reporting scheduled time to the agency rather than exact times spent with the member. The "increased reporting due to mandatory EVV" effect is seen to be more prevalent with PPCG over DCW, and this is likely due to a larger percentage of DCWs being transitioned to using EVV by their agencies before January 2023. It is also likely that a parent's transition from non-paid to paid caregiving tasks would be less clearly defined than for DCWs in the absence of the exact recordkeeping made possible by EVV, which accounts for another potential source for the "increased reporting due to mandatory EVV" within the PPCG.

The actuary also revised the trend rate assumed for the integrated care services (ICS) (provided by DES/DDD subcontractors) to recognize increased utilization of Applied Behavior Analysis (ABA) services

in the time period of October 2022 through September 2023 beyond that which was anticipated in the original rate development, and the actuary judged the magnitude of the trend assumption revision to be reasonable and appropriate to properly account for the expected costs of services required under the contract. This revision did not increase the ICS PMPM trend to the previously defined level of an outlier trend.

I.3.B.iii.(b) Projected Benefit Cost Trends by Component

The updated projected benefit cost trends by category of service for utilization per 1000, unit cost, and PMPM values are included in Appendix 5. The updated aggregate projected benefit cost trends for the ALTCS-DD Program for utilization per 1000, unit cost, and PMPMs are included below in Table 1.

Table 1: Revised CYE 24 Trend Assumptions

Rate Component	Utilization per 1000	Unit Cost	PMPM
LTSS	3.26%	1.06%	4.35%
Integrated Care Services	4.61%	1.44%	6.12%
Total	**3.53%**	**1.14%**	**4.71%**

As noted in the original capitation rate certification, the projected benefit cost trends were developed using only utilization per 1000 and unit cost components, do not vary except by category of service, and no other adjustments, whether material or non-material, were made to the projected benefit cost trends apart from those described above.

I.3.B.iv. Mental Health Parity and Addiction Equity Act Compliance

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

I.3.B.v. ILOS

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

I.3.B.vi. Retrospective Eligibility Periods

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

I.3.B.vii. Impact of All Material Changes to Covered Benefits or Services

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

I.3.B.viii. Impact of All Material and Non-Material Changes

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

I.4. Special Contract Provisions Related to Payment

There have been no changes to incentive arrangements, withhold arrangements, or risk-sharing mechanisms from the original rate certification. All risk-sharing mechanisms for CYE 24 were documented in the contract and the original capitation rate certification for the rating period submitted to CMS before the start of the rating period and have not been modified or added after the start of the rating period. The amended certification dated January 31, 2024, certified the new Safety Net Services Initiative (SNSI) directed payment added to the CYE 24 contract.

Please see the original capitation rate certification and the previously submitted amended certification for additional information on all special contract provisions related to payment.

I.5. Projected Non-Benefit Costs

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

I.6. Risk Adjustment – Not Applicable

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

I.7. Acuity Adjustments – Not Applicable

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

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

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

Section III New Adult Group Capitation Rates – Not Applicable

Please see the original capitation rate certification for additional information. There have been no changes to the capitation rate development process in this regard.

Appendix 1: Actuarial Certification

I, Erica Johnson, am an employee of AHCCCS. I am a Member of the American Academy of Actuaries and an Associate of the Society of Actuaries. I meet the qualification standards established by the American Academy of Actuaries and have followed generally accepted actuarial practices and regulatory requirements, including published guidance from the American Academy of Actuaries, the Actuarial Standards Board, CMS, and federal regulations.

The revised capitation rates included with this rate certification are considered actuarially sound according to the following criteria from 42 CFR § 438.4(a) and 42 CFR § 438.4(b). The state did not opt to develop capitation rate ranges, therefore adherence to 42 CFR § 438.4(c) is not required.

- § 438.4(a) Actuarially sound capitation rates defined. Actuarially sound capitation rates are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract and for the operation of the MCO, PIHP, or PAHP for the time period and the population covered under the terms of the contract, and such capitation rates are developed in accordance with the requirements in paragraph (b) of this section.
- § 438.4(b) CMS review and approval of actuarially sound capitation rates. Capitation rates for MCOs, PIHPs, and PAHPs must be reviewed and approved by CMS as actuarially sound. To be approved by CMS, capitation rates must:
- § 438.4(b)(1) Have been developed in accordance with standards specified in § 438.5 and generally accepted actuarial principles and practices. Any differences in the assumptions, methodologies, or factors used to develop capitation rates for covered populations must be based on valid rate development standards that represent actual cost differences in providing covered services to the covered populations. Any differences in the assumptions, methodologies, or factors used to develop capitation rates must not vary with the rate of Federal financial participation (FFP) associated with the covered populations in a manner that increases Federal costs. The determination that differences in the assumptions, methodologies, or factors used to develop capitation rates for MCOs, PIHPs, and PAHPs increase Federal costs and vary with the rate of FFP associated with the covered populations must be evaluated for the entire managed care program and include all managed care contracts for all covered populations. CMS may require a State to provide written documentation and justification that any differences in the assumptions, methodologies, or factors used to develop capitation rates for covered populations or contracts represent actual cost differences based on the characteristics and mix of the covered services or the covered populations.
- § 438.4(b)(2) Be appropriate for the populations to be covered and the services to be furnished under the contract.
- § 438.4(b)(3) Be adequate to meet the requirements on MCOs, PIHPs, and PAHPs in §§ 438.206, 438.207, and 438.208.
- § 438.4(b)(4) Be specific to payments for each rate cell under the contract.
- § 438.4(b)(5) Payments from any rate cell must not cross-subsidize or be cross-subsidized by payments for any other rate cell.
- § 438.4(b)(6) Be certified by an actuary as meeting the applicable requirements of this part, including that the rates have been developed in accordance with the requirements specified in § 438.3(c)(1)(ii) and (e).
- § 438.4(b)(7) Meet any applicable special contract provisions as specified in § 438.6.

- § 438.4(b)(8) Be provided to CMS in a format and within a timeframe that meets requirements in § 438.7.
- § 438.4(b)(9) Be developed in such a way that the MCO, PIHP, or PAHP would reasonably achieve a medical loss ratio standard, as calculated under § 438.8, of at least 85 percent for the rate year. The capitation rates may be developed in such a way that the MCO, PIHP, or PAHP would reasonably achieve a medical loss ratio standard greater than 85 percent, as calculated under § 438.8, as long as the capitation rates are adequate for reasonable, appropriate, and attainable non-benefit costs.

Additionally, the term actuarially sound is defined in Actuarial Standard of Practice (ASOP) 49, "Medicaid Managed Care Capitation Rate Development and Certification," as:

> "Medicaid capitation rates are "actuarially sound" if, for business for which the certification is being prepared and for the period covered by the certification, projected capitation rates and other revenue sources provide for all reasonable, appropriate, and attainable costs. For purposes of this definition, other revenue sources include, but are not limited to, expected reinsurance and governmental stop-loss cash flows, governmental risk adjustment cash flows, and investment income. For purposes of this definition, costs include, but are not limited to, expected health benefits, health benefit settlement expenses, administrative expenses, the cost of capital, and government-mandated assessments, fees, and taxes."

The data, assumptions, and methodologies used to develop the CYE 24 capitation rates for the ALTCS-DD Program have been documented according to the guidelines established by CMS in the 2024 Guide. The revised CYE 24 capitation rates for the ALTCS-DD Program are effective for the 12-month time period from October 1, 2023, through September 30, 2024.

The actuarially sound capitation rates are based on projections of future events. Actual results may vary from the projections. In developing the actuarially sound capitation rates, I have relied upon data and information provided by AHCCCS and DES/DDD. I have relied upon AHCCCS and DES/DDD for the accuracy of the data and I have accepted the data without audit, after checking the data for reasonableness and consistency.

SIGNATURE ON FILE — May 14, 2024

Erica Johnson — Date
Associate, Society of Actuaries
Member, American Academy of Actuaries

Appendix 2: Certified Capitation Rates

ALTCS-DD Capitation Rates Effective October 1, 2023, through September 30, 2024	
Regular DDD	$6,253.99
Targeted Case Management	$222.25

Appendix 3: Fiscal Impact Summary and Comparison to Prior Rates

ALTCS-DD Capitation Rates Effective October 1, 2023, through September 30, 2024						
Rate Cell	Original Rate Effective 10/1/2023	Revised Rate Effective 10/1/2023	% Change		CYE 24 Projected MMs	CYE 24 Projected Expenses
Regular DDD	$5,992.26	$6,253.99	4.37%		501,977	$3,139,356,322
Targeted Case Management	$222.25	$222.25	0.00%		80,543	$17,900,499

Appendix 4: Base Data and Base Data Adjustments

Appendix 4: Base Data and Base Data Adjustments

	I.2.B.iii.(b)	I.2.B.iii.(b)	I.2.B.iii.(b)	I.2.B.iii.(c)	I.2.B.iii.(d)	I.2.B.iii.(d)	I.2.B.iii.(d)	I.2.B.iii.(d)	I.2.B.iii.(d)	I.3.A.v	I.3.A.v	I.3.A.v	Subtotal
Category of Service	Base PMPM	Completion	Completed Base PMPM	Comb. Misc. Data Issues	General Utilization Adjustments	Aggregate Fee Schedule Changes	DAP Removal	Sub-cap/Block Admin Removal	Comb. Misc. Adjustment	IMD (Reprice Stays of all Lengths)	IMD (Remove Stays > 15)	IMD (Remove Related Expenses > 15)	Adjusted Base PMPM
ATPC	$ 48.02	1.0000	$ 48.02	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	$ 48.02
Attendant Care	$ 625.20	0.9892	$ 632.04	0.00%	0.00%	5.49%	(0.42%)	0.00%	0.00%	0.00%	0.00%	(0.00%)	$ 663.95
Day Treatment	$ 288.17	0.9890	$ 291.38	0.00%	0.00%	2.29%	(0.43%)	0.00%	0.00%	0.00%	0.00%	(0.00%)	$ 296.76
Employment	$ 74.47	0.9892	$ 75.29	0.00%	0.00%	6.28%	(0.42%)	0.00%	0.00%	0.00%	0.00%	(0.00%)	$ 79.68
Hab - Per 15 Min	$ 435.43	0.9890	$ 440.28	0.00%	3.18%	5.87%	(0.41%)	0.00%	0.00%	0.00%	0.00%	(0.00%)	$ 479.00
Hab - Per Diem	$ 1,312.20	0.9894	$ 1,326.25	0.00%	0.00%	0.00%	(0.44%)	0.00%	0.00%	0.00%	0.00%	(0.00%)	$ 1,320.30
Misc. In Home Care	$ 1.78	0.9898	$ 1.80	0.00%	0.00%	0.00%	(0.45%)	0.00%	0.00%	0.00%	0.00%	0.00%	$ 1.79
Nursing	$ 127.24	0.9905	$ 128.46	0.00%	0.00%	0.00%	(0.45%)	0.00%	0.00%	0.00%	0.00%	(0.00%)	$ 127.88
Private ICF	$ 20.95	0.9960	$ 21.03	8.69%	0.00%	4.82%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	$ 23.96
Respite	$ 272.14	0.9898	$ 274.93	0.00%	0.00%	1.90%	(0.44%)	0.00%	0.00%	0.00%	0.00%	0.00%	$ 278.92
SelfCare Home Management	$ 4.29	0.9891	$ 4.34	0.00%	0.00%	0.00%	(0.44%)	0.00%	0.00%	0.00%	0.00%	0.00%	$ 4.32
SOGH	$ 18.30	1.0000	$ 18.30	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	$ 18.30
SOICF	$ 23.87	1.0000	$ 23.87	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	$ 23.87
Therapies and Evaluations	$ 208.79	0.9897	$ 210.97	0.00%	0.00%	0.35%	(0.44%)	0.00%	0.00%	0.00%	0.00%	(0.00%)	$ 210.76
Transportation	$ 38.03	0.9890	$ 38.45	0.00%	0.00%	0.00%	(0.44%)	0.00%	0.00%	0.00%	0.00%	0.00%	$ 38.28
Integrated Care Services	$ 906.83	0.9682	$ 936.58	0.09%	1.64%	0.00%	(0.93%)	(1.20%)	(0.48%)	0.04%	(0.07%)	(0.01%)	$ 927.78
Gross Medical	**$ 4,405.71**		**$ 4,471.99**										**$ 4,543.58**

Appendix 5: Projected Benefit Cost Trends

Statewide				
Rate Cell	Trend COS	Utilization Per 1000	Unit Cost	PMPM
Regular DDD	ATPC	(1.0%)	1.0%	(0.0%)
Regular DDD	Attendant Care	8.8%	1.8%	10.8%
Regular DDD	Day Treatment	0.5%	1.0%	1.5%
Regular DDD	Employment	0.5%	1.0%	1.5%
Regular DDD	Hab - Per 15 Min	10.5%	0.5%	11.1%
Regular DDD	Hab - Per Diem	0.5%	1.2%	1.7%
Regular DDD	Misc. In Home Care	(0.5%)	0.5%	(0.0%)
Regular DDD	Nursing	(0.5%)	0.5%	(0.0%)
Regular DDD	Private ICF	(1.0%)	1.0%	(0.0%)
Regular DDD	Respite	(0.5%)	0.5%	(0.0%)
Regular DDD	SelfCare Home Management	(0.5%)	0.5%	(0.0%)
Regular DDD	SOGH	(1.0%)	1.0%	(0.0%)
Regular DDD	SOICF	(1.0%)	1.0%	(0.0%)
Regular DDD	Therapies and Evaluations	0.1%	0.2%	0.3%
Regular DDD	Transportation	0.5%	1.0%	1.5%
Regular DDD	Integrated Care Services	4.6%	1.4%	6.1%

Appendix 6: Development of Gross Medical Component

Appendix 6: Development of Gross Medical Component

	Subtotal	I.3.B.iii.(b)(i)	Subtotal	I.3.B.ii.(a)	I.3.B.ii.(a)	Subtotal
Category of Service	Adjusted Base PMPM	Trend Rates	Trended PMPM	Aggregate Fee Schedule Changes	Comb. Misc. Adjustment	Gross Medical (10/1/2023 - 9/30/2024)
ATPC	$ 48.02	(0.01%)	$ 48.01	0.00%	0.01%	$ 48.01
Attendant Care	$ 663.95	10.76%	$ 814.50	12.94%	0.02%	$ 920.10
Day Treatment	$ 296.76	1.51%	$ 305.76	13.24%	0.02%	$ 346.33
Employment	$ 79.68	1.51%	$ 82.10	13.62%	0.02%	$ 93.30
Hab - Per 15 Min	$ 479.00	11.05%	$ 590.73	12.66%	0.02%	$ 665.62
Hab - Per Diem	$ 1,320.30	1.71%	$ 1,365.73	13.41%	0.02%	$ 1,549.26
Misc. In Home Care	$ 1.79	(0.00%)	$ 1.79	13.95%	0.02%	$ 2.04
Nursing	$ 127.88	(0.00%)	$ 127.87	12.63%	0.02%	$ 144.06
Private ICF	$ 23.96	(0.01%)	$ 23.96	10.00%	0.00%	$ 26.35
Respite	$ 278.92	(0.00%)	$ 278.91	12.64%	0.02%	$ 314.23
SelfCare Home Management	$ 4.32	(0.00%)	$ 4.32	12.97%	0.02%	$ 4.88
SOGH	$ 18.30	(0.01%)	$ 18.30	0.00%	0.03%	$ 18.30
SOICF	$ 23.87	(0.01%)	$ 23.86	0.00%	0.00%	$ 23.86
Therapies and Evaluations	$ 210.76	0.30%	$ 212.03	12.46%	0.02%	$ 238.50
Transportation	$ 38.28	1.51%	$ 39.44	13.16%	0.02%	$ 44.65
Integrated Care Services	$ 927.78	6.12%	$ 1,044.73	1.21%	0.19%	$ 1,059.35
Gross Medical	**$ 4,543.58**		**$ 4,982.04**			**$ 5,498.84**

DAP PMPM	**$ 61.25**
Gross Medical Plus DAP PMPM	**$ 5,560.09**

Appendix 7: Capitation Rate Development

Appendix 7: Capitation Rate Development

Rate Cell	Gross Medical plus DAP	RI Offset	Net Medical	Case Management	Admin - LTSS	Admin - ICS	UW Gain	Share of Cost	Premium Tax	Certified Capitation Rate
Regular DDD	$ 5,560.09	$ (65.98)	$ 5,494.11	$ 260.23	$ 241.05	$ 75.57	$ 61.32	$ (3.38)	$ 125.08	$ 6,253.99
Targeted Case Management	$ -	$ -	$ -	$ 215.62	$ -	$ -	$ 2.18	$ -	$ 4.44	$ 222.25

Appendix 8a: State Directed Payments – CMS Prescribed Tables

Appendix 8a: State Directed Payments – CMS Prescribed Tables

CMS Prescribed Table for I.4.D.ii.(a)(i)

Control name of the state directed payment	Type of payment - Section I.4.D.ii.(a)(i)(A)	Brief description - Section I.4.D.ii.(a)(i)(B)	Is the payment included as a rate adjustment or separate payment term? Sections I.4.D.ii.(a)(ii) and I.4.D.ii.(a)(iii)
Federally Qualified Health Centers and Rural Health Clinics (FQHC/RHC)	Minimum Fee Schedule	Contractors are required to adopt Prospective Payment System (PPS) rates as defined in the Medicaid State plan as a minimum fee schedule for FQHC/RHC providers.	Rate Adjustment
AZ_Fee_IPH.OPH.PC.SP.NF.HSBS.BHI.BHO.D_Renewal_20231001-20240930 (DAP)	Uniform Percentage Increase	Uniform percentage increase (which varies by provider class and qualifications met) to otherwise contracted rates. All providers were notified via a proposed and a final Public Notice of the criteria required to qualify for the DAP.	Rate Adjustment
AZ_Fee_AMC_Renewal_20231001-20240930 (APSI)	Uniform Percentage Increase	75% increase to otherwise contracted rates for professional services provided by eligible practitioners, applicable only to services covered under the AHCCCS APSI policy.	Separate Payment Term
AZ_Fee_IPH.OPH1 _Renewal_20231001-20240930 (PSI)	Uniform Percentage Increase	Uniform percentage increase for inpatient and outpatient services provided by the state's freestanding children's hospitals with more than 100 beds. The uniform percentage increase is based on a fixed total payment amount, and is expected to fluctuate based on utilization in the contract year.	Separate Payment Term
AZ_Fee_IPH.OPH2_Renewal_20231001-20240930 (HEALTHII)	Uniform Percentage Increase	Uniform percentage increase for acute inpatient and ambulatory outpatient contracted Medicaid Managed Care services. The uniform percentage increases are based on a fixed payment pool that is allocated to each hospital class based on the additional funding needed to achieve each class' aggregate targeted pay to cost ratio for Medicaid Managed Care services.	Separate Payment Term
AZ_Fee_IPH.OPH2_New_20231001-20240930 (SNSI)	Uniform Percentage Increase	Uniform percentage increase to the Contractor's rates for inpatient and outpatient services provided by the public safety net hospital. The uniform percentage increase is based on a fixed total payment amount and is expected to fluctuate based on utilization in the contract year.	Separate Payment Term

Appendix 8a: State Directed Payments – CMS Prescribed Tables

CMS Prescribed Table for I.4.D.ii.(a)(ii)

Control name of the state directed payment	Rate cells affected - Section I.4.D.ii.(a)(ii)(A)	Impact - Section I.4.D.(ii).(a)(ii)(B)	Description of the adjustment - Section I.4.D.(ii).(a)(ii)(C)	Confirmation the rates are consistent with the preprint - Section I.4.D.(ii).(a)(ii)(D)	For maximum fee schedules, requested information - Section I.4.D.(ii).(a)(ii)(E)
Federally Qualified Health Centers and Rural Health Clinics (FQHC/RHC)	Regular DDD	See Appendix 8b for total impact by rate cell.	The impact of the minimum fee schedule requirement for FQHC/RHC providers is addressed as part of the fee schedule updates. The AHCCCS DBF Rates & Reimbursement Team developed the impacts of bringing the base FQHC/RHC encounter data up to the projected CYE 24 FQHC/RHC PPS rates, by applying the change in PPS rates as a unit cost change to the CYE 22 base data. The AHCCCS DBF Actuarial Team then reviewed the FQHC/RHC results and applied aggregated percentage impacts by program, GSA, risk group, and rate setting category of service as part of the overall fee schedule update.	Not applicable.	Not applicable.
AZ_Fee_IPH.OPH.PC.SP.NF.HSBS.BHI.BHO.D_Renewal_20231001-20240930 (DAP)	Regular DDD	See Appendix 6 for medical impact by rate cell. See Appendix 8b for total impact by rate cell.	The AHCCCS DBF Rates & Reimbursement Team provided the AHCCCS DBF Actuarial Team with data for the impact of DAP. The data used to develop the DAP impacts was the CYE 22 encounter data across all programs for the providers who qualify for DAP. The AHCCCS DBF Rates & Reimbursement Team applied the percentage increase earned under DAP to the AHCCCS provider payments resulting from the fee schedule changes, for all services subject to DAP, to determine what the impacts would be for the CYE 24 time period. The AHCCCS DBF Actuarial Team then reviewed the results and applied the percentage impacts by program and rate cell to the applicable categories of service to come to the final dollar impact for CYE 24 (the data provided by the AHCCCS DBF Rates & Reimbursement Team was at a detailed rate code and category of service level which the AHCCCS DBF Actuarial Team then aggregated to the specific rate cells for each program).	These payments are being made under the approved DAP 42 CFR § 438.6(c) payment arrangement in a manner consistent with the preprint reviewed by CMS (inclusive of any/all correspondence between the state and CMS regarding the preprint).	Not applicable.

Appendix 8a: State Directed Payments – CMS Prescribed Tables

CMS Prescribed Table for I.4.D.ii.(a)(iii)

Control name of the state directed payment	Aggregate amount included in the certification - Section I.4.D.ii.(a)(iii)(A)	Statement that the actuary is certifying the separate payment term - Section I.4.D.ii.(a)(iii)(B)	The magnitude on a PMPM basis - Section I.4.D.ii.(a)(iii)(C)	Confirmation the rate development is consistent with the preprint - Section I.4.D.ii.(a)(iii)(D)	Confirmation that the state and actuary will submit required documentation at the end of the rating period (as applicable) - Section I.4.D.ii.(a)(iii)(E)
AZ_Fee_AMC_Renewal_20231001-20240930 (APSI)	$12,463,350	The actuary certifies the aggregate directed payment estimates as actuarially sound according to 42 CFR § 438.4.	See Appendix 8b.	These payments are being made under the approved APSI 42 CFR § 438.6(c) payment arrangement in a manner consistent with the preprint reviewed by CMS (inclusive of any/all correspondence between the state and CMS regarding the preprint).	After the rating period is complete and the final APSI payment is made, AHCCCS will submit documentation to CMS which incorporates the total amount of the APSI payments into the rate certification's rate cells, consistent with the distribution methodology included in the approved state directed payment preprint, and as if the payment information had been fully known when the rates were initially developed.
AZ_Fee_IPH.OPH1_Renewal_20231001-20240930 (PSI)	$12,372,450	The actuary certifies the aggregate directed payment estimates as actuarially sound according to 42 CFR § 438.4.	See Appendix 8b.	These payments are being made under the approved PSI 42 CFR § 438.6(c) payment arrangement in a manner consistent with the preprint reviewed by CMS (inclusive of any/all correspondence between the state and CMS regarding the preprint).	After the rating period is complete and the final PSI payment is made, AHCCCS will submit documentation to CMS which incorporates the total amount of the PSI payments into the rate certification's rate cells, consistent with the distribution methodology included in the approved state directed payment preprint, and as if the payment information had been fully known when the rates were initially developed.
AZ_Fee_IPH.OPH2_Renewal_20231001-20240930 (HEALTHII)	$45,963,325	The actuary certifies the aggregate directed payment estimates as actuarially sound according to 42 CFR § 438.4.	See Appendix 8b.	These payments are being made under the approved HEALTHII 42 CFR § 438.6(c) payment arrangement in a manner consistent with the preprint reviewed by CMS (inclusive of any/all correspondence between the state and CMS regarding the preprint).	After the rating period is complete and the final HEALTHII payment is made, AHCCCS will submit documentation to CMS which incorporates the total amount of the HEALTHII payments into the rate certification's rate cells, consistent with the distribution methodology included in the approved state directed payment preprint, and as if the payment information had been fully known when the rates were initially developed.
AZ_Fee_IPH.OPH2_New_20231001-20240930 (SNSI)	$3,481,596	The actuary certifies to the aggregate directed payment estimates as actuarially sound according to 42 CFR § 438.4.	See Appendix 3b	These payments are being made under the approved SNSI 42 CFR § 438.6(c) payment arrangement in a manner consistent with the preprint reviewed by CMS (inclusive of any/all correspondence between the state and CMS regarding the preprint).	After the rating period is complete and the final SNSI payment is made, AHCCCS will submit documentation to CMS which incorporates the total amount of the SNSI payments into the rate certification's rate cells, consistent with the distribution methodology included in the approved state directed payment preprint, and as if the payment information had been fully known when the rates were initially developed.

Appendix 8b: State Directed Payments – Estimated PMPMs

CYE 24 Estimated PMPM				
Directed Payment	**Medical**	**Underwriting Gain**	**Premium Tax**	**Total**
DAP	$61.25	$0.62	$1.26	$63.13
FQHC/RHC	$1.25	$0.01	$0.03	$1.29
APSI	$24.33	$0.00	$0.50	$24.83
PSI	$24.15	$0.00	$0.49	$24.65
HEALTHII	$89.73	$0.00	$1.83	$91.56
SNSI	$6.80	$0.00	$0.14	$6.94