ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

Contract Year Ending 2024
Capitation Rate Notification – Hospital Enhanced Access Leading to Health Improvements Initiative
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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August 31, 2026

Table of Contents

Introduction and Limitations 1
Section I Medicaid Managed Care Rates 2
I.1. General Information 2
I.2. Data 2
I.3. Projected Benefit Costs and Trends 2
I.4. Special Contract Provisions Related to Payment 2
I.4.A. Incentive Arrangement Standards 2
I.4.B. Withhold Arrangements 2
I.4.C. Risk-Sharing Mechanisms 2
I.4.D. State Directed Payments 2
I.4.D.i. Rate Development Standards 2
I.4.D.ii. Appropriate Documentation 2
I.4.D.ii.(a) Description of State Directed Payments 3
I.4.D.ii.(a)(i) Type and Description of Directed Payment Arrangements 3
I.4.D.ii.(a)(ii) Directed Payments Incorporated in Capitation Rates 3
I.4.D.ii.(a)(iii) Directed Payments Under Separate Payment Arrangement 3
I.4.D.ii.(a)(iii)(A) Aggregate Amount 3
I.4.D.ii.(a)(iii)(B) Actuarial Certification of the Amount of the Separate Payment Term 3
I.4.D.ii.(a)(iii)(C) Estimated Impact by Rate Cell 3
I.4.D.ii.(a)(iii)(D) Preprint Acknowledgement 3
I.4.D.ii.(a)(iii)(E) Future Documentation Requirements 4
I.4.E. Pass-Through Payments 4
I.5. Projected Non-Benefit Costs 4
I.6. Risk Adjustment 4
I.7. Acuity Adjustments 4
Section II Medicaid Managed Care Rates with Long-Term Services and Supports 4
Section III New Adult Group Capitation Rates 4
Appendix 1: CYE 24 HEALTHII Payments 5
Appendix 2: CYE 24 Certified and Adjusted Capitation Rates 6

Introduction and Limitations

The purpose of this capitation rate notification document is to provide documentation of the data, assumptions, and methodologies used to allocate a delivery system and provider payments initiative (i.e., state directed payment), the Arizona Health Care Cost Containment System (AHCCCS) Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII), across the Contract Year Ending 2024 (CYE 24, October 1, 2023, through September 30, 2024) capitation rates for the Arizona Long Term Care System (ALTCS) Developmental Disabilities (ALTCS-DD) Program. This capitation rate notification document is based on CMS' approval of the amended HEALTHII Preprint (AZ_Fee_IPH.OPH2_Renewal_20231001-20240930).

The HEALTHII payments are payments under 42 CFR § 438.6(c)(1)(iii)(C), as codified in the 2020 Medicaid and Children's Health Insurance Program (CHIP) Managed Care Final Rule. This capitation rate notification document was prepared for Centers for the Medicare & Medicaid Services (CMS), or its actuaries, for review of the HEALTHII payments allocation methodology. This capitation rate notification document also provides the CYE 24 ALTCS-DD Program capitation rates with and without the HEALTHII payments for CMS review. This capitation rate notification document may not be appropriate for any other purpose.

This capitation rate notification document may also be made available publicly on the AHCCCS website or distributed to other parties. If this capitation rate notification document is made available to third parties, then this capitation rate notification document and the original capitation rate certification along with any amendments should be provided in their entirety. Any third party reviewing this capitation rate notification document and capitation rate certifications should be familiar with the AHCCCS Medicaid managed care program, the provisions of 42 CFR Part 438 applicable to this capitation rate certification, the 2023-2024 Medicaid Managed Care Rate Development Guide (2024 Guide), Actuarial Standards of Practice and generally accepted actuarial principles and practices.

CMS has yet to release a rate development guide for capitation rate updates related to payments under 42 CFR § 438.6(c). In lieu of having an official guide to follow, AHCCCS will follow the 2024 Guide for organizing this capitation rate notification document. The 2024 Guide describes the rate development standards and appropriate documentation to be included within Medicaid managed care capitation rate certifications. In particular, Section I.4.D. covers state directed payments and it is this section that will contain the capitation rate notification documentation. Sections of the 2024 Guide that do not apply will be marked as "Not Applicable" and will be included in this rate notification document for completeness.

Section I Medicaid Managed Care Rates

I.1. General Information

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

I.2. Data

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

I.3. Projected Benefit Costs and Trends

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

I.4. Special Contract Provisions Related to Payment

I.4.A. Incentive Arrangement Standards

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

I.4.B. Withhold Arrangements

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

I.4.C. Risk-Sharing Mechanisms

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

I.4.D. State Directed Payments

I.4.D.i. Rate Development Standards

This section of the 2024 Guide provides information on delivery system and provider payment initiatives authorized under 42 CFR § 438.6(c).

I.4.D.ii. Appropriate Documentation

The following sections of the 2024 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(iii), were provided in the CYE 24 ALTCS-DD Program capitation rate certification as signed by Erica Johnson on August 11, 2023. These sections are being provided again to facilitate CMS' review, updated as necessary to provide additional information. There were two amendments to the CYE 24 capitation rate certification which did not impact HEALTHII. The first amendment, signed on January 31, 2024, addresses the Safety Net Services Initiative (SNSI), which was a new state directed payment added for CYE 24. The second amendment, signed on May 14, 2024, addresses changes to the capitation rates for CYE 24 due to unexpected utilization growth.

I.4.D.ii.(a) Description of State Directed Payments

I.4.D.ii.(a)(i) Type and Description of Directed Payment Arrangements

The HEALTHII delivers a uniform percentage increase to hospitals for acute inpatient and ambulatory outpatient contracted Medicaid Managed Care services. The HEALTHII 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's aggregate targeted pay-to-cost ratio for Medicaid Managed Care services. The increase is intended to supplement, not supplant, payments to eligible providers.

I.4.D.ii.(a)(ii) Directed Payments Incorporated in Capitation Rates

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

I.4.D.ii.(a)(iii) Directed Payments Under Separate Payment Arrangement

The HEALTHII was not included in the CYE 24 ALTCS-DD certified capitation rates and has been paid out via lump sum payments.

I.4.D.ii.(a)(iii)(A) Aggregate Amount

The original estimates of anticipated payments, including premium tax, for the CYE 24 ALTCS-DD Program for HEALTHII were approximately $45.97 million. AHCCCS distributed the total payment via four interim quarterly lump sum payments to the Contractors, and a final redistribution of the payment based on CYE 24 utilization after the completion of the contract year. The total payments paid through the ALTCS-DD Contractors for the HEALTHII were $49.1 million, inclusive of premium tax.

I.4.D.ii.(a)(iii)(B) Actuarial Certification of the Amount of the Separate Payment Term

The actuaries certified to the aggregate directed payment estimates as actuarially sound according to 42 CFR § 438.4 in the original capitation rate certification. The original estimates were based on projections of future events. This notification document incorporates the actual final aggregate payments by rate cell and the AHCCCS actuaries certify the final payment amounts by rate cell as actuarially sound according to 42 CFR § 438.4.

I.4.D.ii.(a)(iii)(C) Estimated Impact by Rate Cell

Appendix 1 shows the total HEALTHII dollars paid, including premium tax, by rate cell. Appendix 2 shows the HEALTHII payments by rate cell as if they had been incorporated into the CYE 24 capitation rates as PMPMs. Totals may not add up due to rounding.

I.4.D.ii.(a)(iii)(D) Preprint Acknowledgement

These payments were made under the HEALTHII 42 CFR § 438.6(c) payment arrangement in a manner consistent with the preprints approved by CMS (inclusive of any/all correspondence between the state and CMS regarding the preprint).

I.4.D.ii.(a)(iii)(E) Future Documentation Requirements

AHCCCS is submitting this notification document to CMS which incorporates the total amount of the HEALTHII payments into the capitation rate certification's rate cells, consistent with the distribution methodology described in the preprint approved by CMS. The capitation rates with and without the HEALTHII payments can be found in Appendix 2.

I.4.E. Pass-Through Payments

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

I.5. Projected Non-Benefit Costs

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

I.6. Risk Adjustment

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

I.7. Acuity Adjustments

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

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

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

Section III New Adult Group Capitation Rates

Not applicable to the HEALTHII for the CYE 24 ALTCS-DD Program rate update.

Appendix 1: CYE 24 HEALTHII Payments

Rate Cell	CYE 24 HEALTHII Dollars with Premium Tax
Regular DDD	$49,126,335
Targeted Case Management	$0

Appendix 2: CYE 24 Certified and Adjusted Capitation Rates

	Capitation Rates Effective 10/1/23 - 9/30/2024		
Rate Cell	Cap Rates without HEALTHII	HEALTHII PMPM	Cap Rates with HEALTHII
Regular DDD	$6,253.99	$97.87	$6,351.86
Targeted Case Management	$222.25	$0.00	$222.25