



**Contract Year Ending 2023  
Capitation Rate Notification – Hospital Enhanced  
Access Leading to Health Improvements Initiative  
Comprehensive Health Plan Program**

**October 1, 2022 through September 30, 2023**

**Prepared for:  
The Centers for Medicare & Medicaid Services**

**Prepared by:  
AHCCCS Division of Business and Finance**

**April 15, 2025**

## 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 Arrangements .....	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 .....	2
I.4.D.ii.(a)(i) Type and Description of Directed Payment Arrangements .....	2
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 .....	3
I.4.E. Pass-Through Payments .....	3
I.5. Projected Non-Benefit Costs .....	3
I.6. Risk Adjustment and 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 23 HEALTHII Payments .....	5
Appendix 2: CYE 23 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 2023 (CYE 23, October 1, 2022, through September 30, 2023) capitation rates for the Comprehensive Health Plan (CHP) Program. This capitation rate notification document is based on CMS' approval of the amended HEALTHII Preprint (AZ\_Fee\_IPH.OPH2\_Amend\_20221001-20230930).

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 the Centers for Medicare & Medicaid Services (CMS), or its actuaries, for review of the HEALTHII payments allocation methodology. This capitation rate notification document also provides the CYE 23 CHP 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 2022-2023 Medicaid Managed Care Rate Development Guide (2023 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 2023 Guide for organizing this capitation rate notification document. The 2023 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 2023 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 23 CHP Program rate update.

### **I.2. Data**

Not applicable to the HEALTHII for the CYE 23 CHP Program rate update.

### **I.3. Projected Benefit Costs and Trends**

Not applicable to the HEALTHII for the CYE 23 CHP Program rate update.

## **I.4. Special Contract Provisions Related to Payment**

### **I.4.A. Incentive Arrangements**

Not applicable to the HEALTHII for the CYE 23 CHP Program rate update.

### **I.4.B. Withhold Arrangements**

Not applicable to the HEALTHII for the CYE 23 CHP Program rate update.

### **I.4.C. Risk-Sharing Mechanisms**

Not applicable to the HEALTHII for the CYE 23 CHP Program rate update.

### **I.4.D. State Directed Payments**

#### **I.4.D.i. Rate Development Standards**

This section of the 2023 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 2023 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(iii), were provided in the CYE 23 CHP Program capitation rate certification as signed by Erica Johnson and Wenzhang Du on August 12, 2022. These sections are being provided again to facilitate CMS' review, updated as necessary to provide additional information. There was one amendment to the CYE 23 capitation rate certification which did not impact HEALTHII. This amendment, signed by Erica Johnson on October 31, 2023, addresses the directed payment added due to CMS' approval of AHCCCS' American Rescue Plan Act measures.

#### **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

## CYE 23 Capitation Rate Notification – HEALTHII, CHP Program

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 23 CHP Program rate update.

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

The HEALTHII was not included in the CYE 23 CHP 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 23 CHP Program for HEALTHII were approximately \$8.4 million. AHCCCS distributed the total payment via four interim quarterly lump sum payments to the Contractor, and a final redistribution of the payment based on actual CYE 23 utilization after the completion of the contract year. The total payments paid through the CHP Contractor for HEALTHII were approximately \$10.6 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 23 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 approved HEALTHII 42 CFR § 438.6(c) payment arrangement in a manner consistent with the preprint 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 documentation 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 23 CHP Program rate update.

## **I.5. Projected Non-Benefit Costs**

Not applicable to the HEALTHII for the CYE 23 CHP Program rate update.

**I.6. Risk Adjustment and Acuity Adjustments**

Not applicable to the HEALTHII for the CYE 23 CHP Program rate update.

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

Not applicable to the HEALTHII for the CYE 23 CHP Program rate update.

**Section III New Adult Group Capitation Rates**

Not applicable to the HEALTHII for the CYE 23 CHP Program rate update.

**Appendix 1: CYE 23 HEALTHII Payments**

Rate Cell	CYE 23 HEALTHII Dollars with Premium Tax
CHP	\$10,649,799

**Appendix 2: CYE 23 Certified and Adjusted Capitation Rates**

Capitation Rates Effective 10/1/22 - 9/30/23			
Rate Cell	Cap Rates without HEALTHII	HEALTHII PMPM	Cap Rates with HEALTHII
CHP	\$1,293.65	\$67.51	\$1,361.17