



**Contract Year Ending 2019
Regional Behavioral Health Authority
Program Capitation Rate Notification -
Targeted Investments**

**October 1, 2018 through September
30, 2019**

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

**Prepared by:
AHCCCS Division of Health Care
Management**

February 11, 2021



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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, the Arizona Health Care Cost Containment System (AHCCCS) Targeted Investments (TI) Program, across the October 1, 2018 through September 30, 2019 (Contract Year Ending 2019 or CYE 19, or alternatively, Federal Fiscal Year 2019 (FFY 19)) capitation rates for Arizona’s Regional Behavioral Health Authority (RBHA) Program. The TI payments are payments under 42 CFR § 438.6(c)(1)(ii). This capitation rate notification document was prepared for Centers for Medicare & Medicaid Services (CMS), or its actuaries, for review of the TI payments allocation methodology. This capitation rate notification document also provides the CYE 19 RBHA Program capitation rates with and without the TI 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 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 of 81 FR 27497 applicable to this rate certification, the 2019 Medicaid Managed Care Rate Development 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 § 438.6(c). However, AHCCCS has had several meetings with CMS regarding § 438.6(c) payment arrangements. From these meetings, CMS has provided guidance that a capitation rate certification is not required for § 438.6(c) payment allocations across rate cells. Rather, a capitation rate notification document can be provided to CMS that documents the data, assumptions, and methodologies used to allocate § 438.6(c) payments, along with the capitation rates with and without the § 438.6(c) payments.

In lieu of having an official guide to follow, AHCCCS will follow the rate development guide for capitation rate certifications that was used in the original CYE 19 capitation rate setting, which is the 2019 Medicaid Managed Care Rate Development Guide (2019 Guide). The 2019 Guide describes the rate development standards and appropriate documentation to be included within Medicaid managed care rate certifications. In particular, Section I.4.D covers delivery system and provider payment initiatives, and it is this section that will contain the rate update documentation. Since an official guide with respect to § 438.6(c) payment capitation rate updates is not yet available from CMS, a new section, Section I.4.D.ii.(b), was added by AHCCCS to the 2019 Guide to capture the data, assumptions, and methodology used to allocate the TI payments by rate cell. Sections of the 2019 Guide that do not apply will be marked as “Not Applicable” and will be included in this rate update document for completeness.

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 at 81 FR 27858:

- § 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 proposed differences among capitation rates according to covered populations must be based on valid rate development standards and not based on the rate of Federal financial participation associated with 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.

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.”

As stated on page 2 of the 2019 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

Not applicable to the TI payments for the CYE 19 RBHA Program rate update.

I.2. Data

Not applicable to the TI payments for the CYE 19 RBHA Program rate update.

I.3. Projected Benefit Costs and Trends

Not applicable to the TI payments for the CYE 19 RBHA Program rate update.

I.4. Special Contract Provisions Related to Payment

I.4.A. Incentive Arrangements

Not applicable to the TI payments for the CYE 19 RBHA Program rate update.

I.4.B. Withhold Arrangements

Not applicable to the TI payments for the CYE 19 RBHA Program rate update.

I.4.C. Risk-Sharing Mechanisms

Not applicable to the TI payments for the CYE 19 RBHA Program rate update.

I.4.D. Delivery System and Provider Payment Initiatives

I.4.D.i. Rate Development Standards

This section of the 2019 Guide provides information on delivery system and provider payment initiatives.

I.4.D.ii. Appropriate Documentation

The following sections of the 2019 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(v), were provided in the Contract Year Ending 2019 RBHA Program Capitation Rate Certification as signed by Erica Johnson and Windy Marks on August 21, 2018. These sections are being provided again to facilitate CMS' review, updated as necessary to indicate completion of the specified payments. Additionally, as stated in the Introduction and Limitations, AHCCCS has added a new section, Section I.4.D.ii.(b), titled "Allocation Methodology" to describe the data, assumptions, and methodology used to allocate the TI payments by rate cell.

I.4.D.ii.(a) Description of Delivery System and Provider Payment Initiatives

I.4.D.ii.(a)(i) Description

The TI Program is designed to provide a uniform dollar increase to eligible AHCCCS providers to develop systems for integrated care and support ongoing efforts to improve care coordination, increase efficiencies in service delivery, and reduce fragmentation between behavioral health and physical health care.

I.4.D.ii.(a)(ii) Amount

The original estimates of anticipated payments for the TI Program for the RBHA Program were approximately \$28.3 million. After the completion of the contract year, in accordance with the data, assumptions, and methodologies included in the original certification, the final amount of payments including non-benefit costs and premium tax totaled \$32.0 million for the TI Program for the RBHA Program.

I.4.D.ii.(a)(iii) Providers Receiving Payment

The providers receiving the payments include primary care physicians, Integrated Clinic providers, Behavioral Health Outpatient Clinics, and hospitals that qualified for the TI Program and demonstrated performance improvement by meeting certain benchmarks for integrating and coordinating physical and behavioral health care.

I.4.D.ii.(a)(iv) Effect on Capitation Rate Development

Targeted Investments had no effect on the development of the capitation rates. AHCCCS is submitting this notification letter detailing the actual amount of the payments and the distribution methodology of the total payments to the individual rate cells. The distribution methodology, which is unchanged from that projected to be used in the original rate certification, is described below in the added Section I.4.D.ii.(b).

I.4.D.ii.(a)(v) Description of How the Payments are Included in the Capitation Rates

Funding for Targeted Investments was not included in the certified capitation rates and has been paid out as lump sum payments to the RBHAs.

I.4.D.ii.(b) Allocation Methodology

The AHCCCS Division of Health Care Management (DHCM) Actuarial Team used FFY 19 adjudicated and approved encounter data to allocate the TI payments by capitation rate cell. The encounter data used for this allocation included: billing provider tax IDs (TINs) that were eligible and received payments for the TI program, relevant claim health plan information, relevant rate cell information, relevant AHCCCS program information, and health plan paid (HPP) information. The FFY 19 encounter data was used for allocation purposes to calculate the allocation percentage at the capitation rate cell level per TIN, AHCCCS program, and claim health plan. This allocation percentage was then applied to the actual TI amounts by TIN, claim health plan, and TI program to derive the amount per capitation rate cell level. The projected FFY 19 member month data included with the original capitation rate certification was then used to calculate the associated TI payment PMPMs for each rate cell, shown in the appendices. The actual payments for the TI Program for the RBHA Program plus non-benefit costs and premium tax are approximately \$32.0 million.

I.4.E. Pass-Through Payments

Not applicable to the TI payments for the CYE 19 RBHA Program rate update.

I.5. Projected Non-Benefit Costs

See prior certifications for the non-benefit costs not related to the TI program. The TI program non-benefit costs include a 2% premium tax, 0% underwriting gain and an additional administrative amount of \$10,000 per Contractor.

I.6. Risk Adjustment and Acuity Adjustments

Not applicable to the TI payments for the CYE 19 RBHA Program rate update.

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

Not applicable to the TI payments for the CYE 19 RBHA Program rate update.

Section III New Adult Group Capitation Rates

Not applicable to the TI payments for the CYE 19 RBHA Program rate update.

Appendix 1: CYE 19 Targeted Investments Payments

CYE 19	Total TI Payments			
	North	Central	South	Statewide
DD Child	\$138,989	\$1,772,864	\$286,586	\$2,198,439
CMDP Child	\$415,836	\$5,002,948	\$1,450,495	\$6,869,280
DD Adult	\$129,088	\$530,418	\$272,166	\$931,671
SMI	\$2,451,225	\$15,127,684	\$4,451,252	\$22,030,161
Crisis-only Adult	\$0	\$0	\$0	\$0
Crisis-only Child	\$0	\$0	\$0	\$0
Total	\$3,135,138	\$22,433,915	\$6,460,499	\$32,029,551

Appendix 2: CYE 19 Capitation Rates With and Without Targeted Investments Payments

Rates Effective 10/1/18 - 09/30/19	Capitation Rates without TI			TI PMPM			Capitation Rates with TI		
	North	Central	South	North	Central	South	North	Central	South
DD Child	\$546.32	\$299.01	\$469.73	\$18.12	\$16.75	\$9.87	\$564.43	\$315.75	\$479.60
CMDP Child	\$1,266.40	\$762.00	\$970.35	\$26.81	\$44.88	\$29.19	\$1,293.20	\$806.88	\$999.54
DD Adult	\$307.68	\$193.72	\$204.75	\$7.05	\$5.30	\$5.78	\$314.73	\$199.02	\$210.52
SMI	\$1,466.58	\$2,368.16	\$1,706.25	\$32.67	\$54.88	\$25.68	\$1,499.26	\$2,423.04	\$1,731.93
Crisis-only Adult	\$3.78	\$7.58	\$9.33	\$0.00	\$0.00	\$0.00	\$3.78	\$7.58	\$9.33
Crisis-only Child	\$1.12	\$1.08	\$2.17	\$0.00	\$0.00	\$0.00	\$1.12	\$1.08	\$2.17

Appendix 3: CYE 19 Targeted Investments PMPM by Targeted Investments Providers

Rate Cell	GSA	CYE 19 TI PMPM				Total TI PMPM
		TI PCP PMPM	TI Hospital PMPM	TI BH PMPM	TI Justice PMPM	
DD Child	North	\$0.31	\$0.36	\$14.13	\$3.31	\$18.12
CMDP Child	North	\$0.56	\$0.76	\$23.20	\$2.27	\$26.81
DD Adult	North	\$0.30	\$0.19	\$5.70	\$0.86	\$7.05
SMI	North	\$2.28	\$0.99	\$23.42	\$5.98	\$32.67
Crisis-only Adult	North	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Crisis-only Child	North	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
DD Child	Central	\$0.07	\$1.08	\$15.56	\$0.04	\$16.75
CMDP Child	Central	\$0.05	\$1.04	\$43.28	\$0.51	\$44.88
DD Adult	Central	\$0.19	\$0.22	\$4.72	\$0.17	\$5.30
SMI	Central	\$3.52	\$3.55	\$44.98	\$2.83	\$54.88
Crisis-only Adult	Central	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Crisis-only Child	Central	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
DD Child	South	\$0.17	\$0.25	\$8.54	\$0.91	\$9.87
CMDP Child	South	\$0.15	\$0.35	\$27.18	\$1.51	\$29.19
DD Adult	South	\$0.19	\$0.03	\$4.57	\$0.99	\$5.78
SMI	South	\$2.67	\$0.67	\$19.66	\$2.68	\$25.68
Crisis-only Adult	South	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Crisis-only Child	South	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00