



STATE OF ARIZONA  
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY  
GOVERNOR

EXECUTIVE OFFICE

December 21, 2020

The Honorable Alex M. Azar II  
U.S. Department of Health and Human Services  
200 Independence Avenue S.W.  
Washington, D.C. 20201

RE: Arizona's Demonstration Project Renewal Application

Dear Secretary Azar:

On behalf of the residents of the State of Arizona, I am pleased to submit the enclosed application to renew Arizona's Medicaid Demonstration project under Section 1115 of the Social Security Act. Arizona's existing Demonstration project is currently approved through September 30, 2021, and the application is seeking a renewal period from October 1, 2021 through September 30, 2026.

Arizona has operated a Section 1115 Demonstration project for the last 38 years. The State of Arizona has the unique distinction of being the first state to operate under a statewide managed care Demonstration, and the only state to have done so from the start of its Medicaid program. Arizona's single State Medicaid agency, the Arizona Health Care Cost Containment System (AHCCCS), serves over 2 million members and has long been recognized as a national leader in providing high quality, cost effective care under a managed care framework, while advancing innovative practices and delivery models that improve member health outcomes.

During my tenure as Governor, Arizona has been engaged in a multi-year effort to modernize Medicaid by reducing the fragmentation of care for AHCCCS members with comorbid physical and behavioral health needs. The Centers for Medicare and Medicaid Services (CMS) approved Arizona's waiver amendment request to establish an integrated Regional Behavioral Health Authority (RBHA), the first model nationwide to bring physical health, behavioral health, and social support services together under one health plan for individuals living with a serious mental illness (SMI). This model was successfully launched in Arizona's most populous county - Maricopa County in 2014, and expanded to all of Arizona in 2015.

As part of the 2015 legislative session, my administration proposed, and the Arizona Legislature approved, an administrative simplification effort that combined AHCCCS with its long standing partner, the Division of Behavioral Health Services (DBHS) within the Arizona Department of Health Services (ADHS). This merger effectively unified behavioral health and physical health regulatory oversight under one body,

AHCCCS, ensuring that behavioral health and physical health policies and system requirements would be established with a focus on whole person care.

In 2017, CMS approved Arizona's request to implement the Targeted Investments (TI) Program to advance integration, investing \$300 million over five years to support provider-level efforts to develop the policies, protocols and systems required to deliver integrated care. Through the TI Program, AHCCCS incentivized providers to create co-located, integrated clinics where behavioral and physical health providers and county probation offices deliver services to justice-involved individuals. This has been a foundational step, ensuring that individuals transitioning into the community from incarceration have immediate access to, and are encouraged to use, health care services including substance use and behavioral health services. Arizona's effort was recognized nationally when Terros Health and the Maricopa County Adult Probation Department received the National Association of Counties (NACo) Achievement Award in Health in 2020 for successfully standing up four, co-located justice clinics.

In 2018, AHCCCS took its largest step yet to eliminate system fragmentation at the member, provider, and payor levels. The agency transitioned 1.5 million members into seven managed care plans that provide integrated physical and behavioral health care services. By joining these services under seven comprehensive health plans that offer the full continuum of health care supports and services, members now receive better care coordination and achieve improved health outcomes.

In large part, these transformative accomplishments are made possible through Arizona's Demonstration project. Therefore, it is important that our federal partners continue to afford the State of Arizona with sufficient flexibility to craft a Medicaid program that meets the unique needs of its citizens.

While Arizona has achieved many successes in transforming its delivery system, it must continue to innovate to improve health outcomes for its Medicaid members and ensure the long-term sustainability of AHCCCS. In the waiver renewal application, Arizona proposes targeted modifications to its current Demonstration to accelerate the integration of physical and behavioral health services at the provider level; improve health outcomes by deepening the focus on improving social determinants of health and health equity; remove barriers to care for vulnerable members in the Arizona Long Term Care System program (ALTCSS); and enhance access to care for American Indian and Alaska Native members.

I am committed to working with you to achieve approval of Arizona's Demonstration renewal application. It is essential for the stability of the state's health care system, particularly during the pandemic and its immediate aftermath, that Arizona's Demonstration renewal request is approved by our federal partners by October 1, 2021. My team stands ready to provide you and your staff with whatever additional information you need.

Thank you for your consideration and your services to this nation.

Sincerely,

A handwritten signature in black ink that reads "Douglas A. Ducey". The signature is written in a cursive, flowing style.

Douglas A. Ducey  
Governor  
State of Arizona