

June 23, 2014

Mr. Brian McNeil
Director
Arizona Department of Administration
100 North 15th Avenue
Phoenix, Arizona 85007

Dear Director McNeil:

The Arizona Health Care Cost Containment System (AHCCCS) contracts for the Arizona Long Term Care System (ALTCS) program are currently scheduled to expire on September 30, 2016. Pursuant to A.R.S. § 41-2546, as amended by Laws 2014, Chapter 145, AHCCCS is requesting that these contracts be extended for a period of 12-24 months.

The following are the main reasons for this request:

Section 1115 Waiver

The federal 1115 waiver provides the AHCCCS program with significant flexibility regarding federal program requirements. The existing waiver expires on September 30, 2016. We already know that there are significant new federal requirements that will impact the ALTCS program that we will be required to incorporate into the new waiver beginning October 1, 2016. In order to have a better understanding of how these requirements impact home and community based services and other key aspects of the ALTCS program, it is best that any waiver issues be resolved as part of the waiver renewal process before the agency conducts the procurement so that these changes can be appropriately incorporated into the contract requirements.

Medicaid Managed Care Regulations

The Centers for Medicaid and Medicare Services (CMS) is in the process of developing significant revisions to the regulations that currently govern Medicaid managed care. CMS has stated its intent to promulgate these regulations over the next two years. Again, it is important that AHCCCS have a comprehensive understanding of the impact of these new regulations before developing, issuing and awarding new ALTCS contracts.

Dual Eligibles

Finally, AHCCCS and the AHCCCS contractors have spent considerable time, effort and energy to develop a model for members that are eligible for both Medicare and Medicaid (dual eligibles). This model leverages Medicare Dual Special Needs Plans (a type of Medicare Advantage plan specifically available for dual eligibles) as a way to align and integrate Medicare and Medicaid services. This model is one of many that different states are pursuing to facilitate dual alignment, but it has shown promising results. However, there is currently considerable market uncertainty regarding this platform and it will be important to see how that or alternative dual alignment strategies evolve as part of developing the RFP.

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AHCCCS intends to get stakeholder input on this proposed extension. Upon completion of this process AHCCCS will communicate to ADOA our formal request for your review.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas J. Betlach', with a long horizontal flourish extending to the right.

Thomas J. Betlach
Director