OCT 04 2016

Tom Betlach, Director
Arizona Health Care Cost Containment System
801 E. Jefferson
Phoenix, AZ 85034

RE: Arizona State Plan Amendment 15-005D

Dear Mr. Betlach:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State plan submitted under transmittal number (TN) 15-005D. This amendment, effective October 1, 2015, maintains the nursing facility rates at the September 30, 2015 level and permanently ends the application of an automatic inflation factor.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. This is to inform you that Medicaid State plan amendment TN 15-005D is approved effective October 1, 2015. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Mark Wong at (415) 744-3561.

Sincerely,

Kristin Fan
Director

Enclosures
**Transmittal and Notice of Approval of State Plan Material**

**For:** Centers for Medicare and Medicaid Services

**To:** Regional Administrator
Centers for Medicare and Medicaid Services
Department of Health and Human Services

1. Transmittal Number: 15-005D
2. State: Arizona
3. Program Identification: Title XIX of the Social Security Act (Medicaid)
4. Proposed Effective Date: October 1, 2015

5. Type of Plan Material (Check One):
   - [ ] New State Plan
   - [ ] Amendment to Be Considered as New Plan
   - [x] Amendment

   Complete blocks 6 thru 10 if this is an amendment (Separate Transmittal for each amendment)

6. Federal Statute/Regulation Citation:
   42 CFR 447 Subpart C

7. Federal Budget Impact:
   FFY 16: ($644,733)
   FFY 17: ($644,733)

8. Page Number of the Plan Section or Attachment:
   Att. 4.19-D, page 8.

9. Page Number of the Superseded Plan Section or Attachment (If Applicable):
   Same

10. Subject of Amendment:
    Updates reimbursement rates for Nursing Facilities the period October 1, 2015 to September 30, 2016 and permanently removes the automatic inflation factor beginning October 1, 2015.

11. Governor’s Review (Check One):
    - [x] Governor’s Office Reported No Comment
    - [ ] Comments of Governor’s Office Enclosed
    - [ ] No Reply Received Within 45 Days of Submittal

   [ ] Other, as specified:

12. Signature of State Agency Official:

    [Signature]

13. Typed Name: Monica Coury
14. Title: Assistant Director
15. Date Submitted: August 27, 2015

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17. Date Received: [Blank]
18. Date Approved: Oct 04 2016

Plan Approved – One Copy Attached

19. Effective Date of Approved Material: Oct 01 2015
20. Signature of Regional Official: [Signature]

21. Typed Name: Kristin Faw
22. Title: Director, FNC
STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING FEE-FOR-SERVICE PAYMENT RATES FOR LONG TERM CARE FACILITIES

85% for each facility, then add in the per day historic costs for property taxes and insurance to determine the statewide average capital component.

4. **Total Rate**
The per diem nursing facility rates are calculated by summing the primary care, indirect care, and capital cost components. These rates vary by member level of care and geographic area due to the primary care components.

5. **Rate Update**
Effective October 1, 2002 and each year thereafter, fee-for-service rates for nursing facilities will be updated by applying an inflation factor or factors to the rate components in effect for the prior year. This method of adjusting fee-for-service rates is consistent with the method used by AHCCCS for other medical services. For rates effective from October 1, 2011 to September 30, 2013, and from October 1, 2015 and thereafter, no inflation factor will be applied.
Below are the AHCCCS FFS Nursing Facility Per Diem Rates effective on and after October 1, 2014:

<table>
<thead>
<tr>
<th>Level of Care</th>
<th>Revenue Code</th>
<th>Urban Rate</th>
<th>Rural Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>0191</td>
<td>$147.83</td>
<td>$143.24</td>
</tr>
<tr>
<td>Level 2</td>
<td>0192</td>
<td>$161.62</td>
<td>$156.08</td>
</tr>
<tr>
<td>Level 3</td>
<td>0193</td>
<td>$191.70</td>
<td>$185.57</td>
</tr>
<tr>
<td>LOA (Leave of Absence)**</td>
<td>0183, 0185</td>
<td>$147.83</td>
<td>$143.24</td>
</tr>
</tbody>
</table>

*AHCCCS has designated nursing facilities in the Arizona counties of Pima, Pinal, and Maricopa as Urban to be paid at the AHCCCS Urban Rate. All other counties inside or outside of Arizona are designated as Rural and are paid at the AHCCCS Rural Rate.
**This LOA rate only applies to reserved beds at Nursing Facilities

III. **Other Provisions**

A. **Provider Appeals**
Nursing facility providers have the right to request an informal rate reconsideration in accordance with the ALTCS Rules. Appeals are allowed for the following reasons:
- Extraordinary circumstances (as determined by the Director).
- Provision of specialty care services directed at members with high medical needs.
- Unique or unusually high case mix.

Appeals are made in writing to the Director. Appeals which are granted become effective no earlier than the date the appeal was requested.

B. **Cost and Wage Reporting**
AHCCCS uses cost and wage reports filed by the nursing facilities in the State of Arizona as a basis for these rate calculations.

TN No. 15-005D
Supersedes Approval Date: OCT 04 2016 Effective Date: October 1, 2016
TN No. 14-013D

October 1, 2016