

December 15, 2015

Mark Wong  
Division of Medicaid and Children's Health Operations  
U.S. Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6707

**RE: Arizona SPA #15-008, Out-of-State Nursing Facility Exemption**

Dear Mr. Wong:

Enclosed is State Plan Amendment (SPA) #15-008, Out-of-State Nursing Facility Exemption which updates the State Plan to exempt out of state nursing facilities from receiving supplemental payments, effective October 1, 2015.

If you have any questions about the enclosed SPA, please contact Theresa Gonzales at (602) 417-4732.

Sincerely,



Monica H. Coury  
Assistant Director  
Office of Intergovernmental Relations

cc: Brian Zolynas, CMS  
Blake Holt, CMS  
Jessica Woodard, CMS

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>  <b>FOR: Centers for Medicare and Medicaid Services</b>		1. TRANSMITTAL NUMBER: 15-008	2. STATE Arizona
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE October 1, 2015	
5. TYPE OF PLAN MATERIAL ( <i>Check One</i> ):  <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT ( <i>Separate Transmittal for each amendment</i> )			
6. FEDERAL STATUTE/REGULATION CITATION:  42 CFR 447 Subpart C, 42 CFR 433.68(d)		7. FEDERAL BUDGET IMPACT:  FFY 16: \$0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  Att. 4.19-D, pages 9, 9(a).		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ):  Same	
10. SUBJECT OF AMENDMENT:  Updates the State Plan to exempt out of state nursing facilities from receiving supplemental payments			
11. GOVERNOR'S REVIEW ( <i>Check One</i> ): <input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL:  		16. RETURN TO:  Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034	
13. TYPED NAME: Monica Coury			
14. TITLE: Assistant Director			
15. DATE SUBMITTED: December 15, 2015			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED:		18. DATE APPROVED:	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL:		20. SIGNATURE OF REGIONAL OFFICIAL:	
21. TYPED NAME:		22. TITLE:	
23. REMARKS:			

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**

C. Audit Requirements

The AHCCCS periodically conducts audits of the financial and statistical records of participating providers. Specifications for the audits are found in the Arizona Long Term Care System (ALTCS) Uniform Accounting and Reporting System and Guide for Credits of ALTCS Contractors and Providers.

D. Rates Paid

Fee-for-service reimbursement for nursing facilities is made in accordance with methods and standards which are specified in this attachment of the State Plan.

E. Nursing Facility Supplemental Payments

Effective October 1, 2012, nursing facilities that are located in Arizona with Arizona Medicaid utilization will receive a quarterly supplemental payment to compensate providers for costs of covered services furnished to Arizona Medicaid beneficiaries to improve access to care.

1. Each nursing facility's supplemental payment shall be determined as follows:

- a) On a quarterly basis, AHCCCS shall determine the aggregate supplemental payment amount for all nursing facilities by:
  - i. Determining the total amount from the nursing facility provider assessment fund for the quarter, which is the assessment amount collected from providers in accordance with paragraph E.2.
  - ii. Subtracting one percent of the total estimated assessments, and
  - iii. Dividing the difference of subsections (a)(i) and (a)(ii) by (1 minus the appropriate federal medical assistance percentage (FMAP)).
- b) AHCCCS shall calculate the quarterly supplemental payment to each nursing facility that has Arizona Medicaid utilization per paragraph (b)(i) below, excluding facilities outside of Arizona, ICF/IIDs and Arizona Veteran's Homes, by:
  - i. Determining each facility's proportion of Medicaid resident bed days to total nursing facility Medicaid resident bed days for all facilities by utilizing adjudicated claims and encounter data for the most recent 12 month period, including appropriate claims lag. The most recent 12 month period is defined as the contiguous 12-month period that ends six months prior to the month in which the Medicaid resident bed days are pulled. AHCCCS will pull the Medicaid resident bed day data in the first quarter of each payment year.
  - ii. Multiplying subsections (b)(i) and (a)(iii)
  - iii. Determining the fee-for-service share of the amount in (b)(ii) by applying a ratio of the facility's Medicaid fee-for-service bed days to the facility's total Medicaid bed days. The remaining share pertains to Medicaid managed care services; Medicaid managed care services are reimbursed separately by AHCCCS through capitation payments.

TN No. 15-00215-008

Supersedes

Approval Date \_\_\_\_\_

Effective Date January 1, 2015 ~~October 1, 2015~~

TN No. ~~12-01015-002~~

## 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**

(c) AHCCCS shall make quarterly supplemental payments to eligible nursing facility providers after the assessment quarter. The fee-for-service quarterly supplemental payment will be made directly to each eligible nursing facility. If the fee-for-service quarterly supplemental payment amount is less than \$25 for an individual facility, no fee-for-service quarterly supplemental payment will be made.

(d) A facility must be open on the date the supplemental payment is made in order to receive a payment.

(e) During the quarter ending March 31, 2015, an additional quarterly payment adjustment will be made that is equal to the difference between what the quarterly payment would be if the pool amount was determined under paragraph 2 below effective January 1, 2015 and what the quarterly payment would be if the pool amount was determined based on paragraph 2 as it was in effect prior to January 1, 2015.

2. The nursing facility assessment to be collected from each nursing facility is as follows:

- (a) The assessment is imposed on non-Medicare patient days as allowed for under 42 CFR 433.68(d);
- (b) The assessment imposed is \$10.50 per non-Medicare day except:
  - i. Continuing Care Retirement Communities, ICF/IIDs, IHS and Tribal 638 nursing facilities, ~~and~~ Arizona Veteran's Homes, and facilities located outside of Arizona will not be assessed;
  - ii. Facilities with 58 or fewer total beds will not be assessed; and
  - iii. Facilities with annual Medicaid days greater than or equal to the number required to achieve a slope of at least 1 applying the uniformity tax waiver test described in 42 CFR 433.68(e)(2) will be assessed at a rate of \$1.40 per non-Medicare day.

The patient days used in the computations are derived from the Nursing Facility Uniform Accounting Report (UAR) Cost Reports filed with the Arizona Department of Health Services. Calculations for the assessment will be made once per year in August, using the most recently filed UAR as of August 1 immediately preceding the start of the assessment year. Only those facilities with a full year UAR will be assessed. The computed annual assessment amount will be divided by four and imposed on a quarterly basis.

TN No. ~~15-00215-008~~

Supersedes \_\_\_\_\_ Approval Date \_\_\_\_\_

Effective Date ~~January 1, 2015~~ October 1, 2015

TN No. ~~12-01015-002~~