



JAN 18 2017

Mr. Thomas Betlach
Director
Arizona Health Care Cost Containment System
801 East Jefferson Street
Phoenix, AZ 85034

Dear Mr. Betlach:

The Centers for Medicare & Medicaid Services (CMS) is approving Arizona's request to amend the demonstration project entitled, "Arizona Health Care Cost Containment System (AHCCCS)" (No. 11-W-00275/09). This amendment is effective January 18, 2017, and will operate until the demonstration expiration date of September 30, 2021. Through this amendment and managed care contractual changes, the state will implement the Targeted Investments Program, to support physical and behavioral health care integration and coordination for beneficiaries with behavioral health needs enrolled in AHCCCS including beneficiaries who have transitioned to the community from criminal justice facilities. Through a subsequent state plan amendment, the state will also implement American Indian medical homes, supporting the integration and coordination of care for American Indian AHCCCS enrollees in the American Indian Health Program (AIHP).

Through the Targeted Investments Program, the state will direct its managed care plans to make specific payments to certain providers pursuant to 42 CFR 438.6(c), with such payments incorporated into the actuarially sound capitation rates, to incentivize providers to improve performance. The Targeted Investments Program will:

- Reduce fragmentation between acute care and behavioral health care,
- Increase efficiencies in service delivery for members with behavioral health needs, and
- Improve health outcomes for the affected populations.

To further support the state's targeted investment and to promote new expenditures that will result in more effective and efficient use of federal funds, CMS has approved time-limited expenditure authority for Designated State Health Programs (DSHP). This one-time investment of DSHP funding will be phased down over the demonstration period. The additional funds will provide a short term federal investment, such that by the end of the demonstration, the care coordination will be supported through ongoing payment arrangements without the need for

demonstration authority. We can continue to provide technical assistance to assist the state in converting provider payments to alternative payment model arrangements that focus on improving quality and cost of care.

The enclosed STCs further define the nature, character, and extent of anticipated federal involvement in the project, the state's implementation of the expenditure authorities, and the state's responsibilities to CMS during the demonstration period. Our approval of the demonstration is conditioned upon the state's compliance with these STCs. Our approval is further subject to CMS receiving the state's written acknowledgement of the award and acceptance of these STCs within 30 days of the date of this letter.

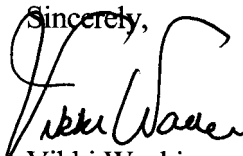
Your project officer for this demonstration is Ms. Jessica Woodard. She is available to answer any questions concerning your section 1115 demonstration. Ms. Woodard's contact information is as follows:

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Center for Medicaid & CHIP Services
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Official communications regarding program matters should be sent simultaneously to Ms. Woodard and to Ms. Henrietta Sam-Louie, Associate Regional Administrator in our San Francisco Regional Office. Ms. Sam-Louie's contact information is as follows:

Centers for Medicare & Medicaid Services
Division of Medicaid and Children's Health Operations
90 7th Street, #5-300 (W)
San Francisco, CA 94103-6706
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If you have questions regarding this approval, please contact Mr. Eliot Fishman, Director, State Demonstrations Group, Center for Medicaid & CHIP Services, at (410) 786-9686.

Sincerely,

Vikki Wachino
Director

Enclosures

cc: Henrietta Sam-Louie, Associate Regional Administrator, CMS San Francisco Regional Office