



**Contract Year Ending 2020
Arizona Long Term Care System Department of
Economic Security/Division of Developmental
Disabilities Capitation Rate Notification – Pediatric
Services Initiative**

October 1, 2019 through September 30, 2020

**Prepared for:
The Centers for Medicare & Medicaid Services**

**Prepared by:
AHCCCS Division of Health Care Management**

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CYE 20 ALTCS DES/DDD Capitation Rate Notification Document

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Introduction and Limitations

The purpose of this capitation rate notification document is to provide documentation of the data, assumptions, and methodologies used to allocate a delivery system and provider payments initiative (i.e., state directed payment), the Arizona Health Care Cost Containment System (AHCCCS) Pediatric Services Initiative (PSI) Program, across the October 1, 2019 through September 30, 2020 (Contract Year Ending 2020 or CYE 20, or alternatively, Federal Fiscal Year 2020 (FFY 20)) capitation rates for the Arizona Long Term Care System (ALTCS) Department of Economic Security/Division of Developmental Disabilities (DES/DDD) Program. The PSI payments are payments under 42 CFR § 438.6(c)(1)(iii)(B), as codified in the 2016 Medicaid and Children’s Health Insurance Program (CHIP) Managed Care Final Rule. This capitation rate notification document was prepared for Centers for Medicare & Medicaid Services (CMS), or its actuaries, for review of the PSI payments allocation methodology. This capitation rate notification document also provides the CYE 20 ALTCS DES/DDD Program capitation rates with and without the PSI payments for CMS review. This capitation rate notification document may not be appropriate for any other purpose.

This capitation rate notification document may also be made available publicly on the AHCCCS website or distributed to other parties. If this capitation rate notification document is made available to third parties, then this capitation rate notification document and the original rate certification along with any amendments should be provided in their entirety. Any third party reviewing this capitation rate notification document and capitation rate certifications should be familiar with the AHCCCS Medicaid managed care program, the provisions of 42 CFR Part 438 of 81 FR 27497 applicable to this rate certification, the 2020 Medicaid Managed Care Rate Development Guide (2020 Guide), Actuarial Standards of Practice and generally accepted actuarial principles and practices.

CMS has yet to release a rate development guide for capitation rate updates related to payments under § 438.6(c). However, the 2020 Guide, the rate development guide used in the original CYE 20 capitation rate setting, included new sections under Section I.4.D. which AHCCCS addressed in the original certifications and is including again in this capitation rate notification document to address the incorporation of the directed payment into the rate certification’s rate cells consistent with the distribution methodology described in the original capitation rate certification.

In lieu of having an official guide to follow, AHCCCS will follow the 2020 Guide for organizing this capitation rate notification document. Sections of the 2020 Guide that do not apply will be marked as “Not Applicable” and will be included in this rate update document for completeness.

Section I Medicaid Managed Care Rates

I.1. General Information

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

I.2. Data

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

I.3. Projected Benefit Costs and Trends

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

I.4. Special Contract Provisions Related to Payment

I.4.A. Incentive Arrangements

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

I.4.B. Withhold Arrangements

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

I.4.C. Risk-Sharing Mechanisms

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

I.4.D. Delivery System and Provider Payment Initiatives

I.4.D.i. Rate Development Standards

This section of the 2020 Guide provides information on delivery system and provider payment initiatives authorized under 42 CFR § 438.6(c).

I.4.D.ii. Appropriate Documentation

The following sections of the 2020 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(iii), were provided in the CYE 20 ALTCS DES/DDD Program Capitation Rate Certification as signed by Erica Johnson on August 16, 2019. These sections are being provided again to facilitate CMS' review, updated as necessary to provide additional information.

I.4.D.ii.(a) Description of Delivery System and Provider Payment Initiatives

I.4.D.ii.(a)(i) Type and Description of Directed Payment Arrangements

The PSI seeks to provide enhanced support to ensure financial viability of the state's freestanding children's hospitals, or pediatric units of a general acute care hospital with more than 100 beds, excluding nursery beds. In 2014, as the Arizona legislature expanded coverage for adults, it authorized AHCCCS to make uncompensated care payments to the state's freestanding children's hospitals or pediatric units of a general acute care hospital with more than 100 beds, excluding nursery beds. CMS approved an extension of the Safety Net Care Pool (SNCP) for freestanding children's hospitals or pediatric units of a general acute care hospital with more than 100 beds, excluding nursery beds, only,

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“in light of their critical role in Medicaid delivery and as a transition to reforming the current payment system” (CMS demonstration approval letter, Dec. 26, 2013). Independent evaluations of the SNCP confirmed the need for enhanced funding for freestanding children’s hospitals or pediatric units of a general acute care hospital with more than 100 beds, excluding nursery beds and recommended that AHCCCS “consider additional policy changes to direct funding to Phoenix Children’s Hospital (PCH) and the recipients it serves” should PCH continue to experience uncompensated costs (*Evaluation of Safety Net Care Pool Payments for Phoenix Children’s Hospital*, Navigant, March 29, 2018). The PSI is consistent with AHCCCS’ and CMS’ shared goals of ensuring financial support through payment rates rather than separate funding pools.

The PSI provides a uniform dollar increase for inpatient and outpatient services provided by the state’s freestanding children’s hospitals, or pediatric units of a general acute care hospital with more than 100 beds, excluding nursery beds. The increase is intended to supplement, not supplant, payments to eligible hospitals or pediatric units.

I.4.D.ii.(a)(ii) Directed Payments Incorporated in Capitation Rates

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

I.4.D.ii.(a)(iii) Directed Payments Under Separate Payment Arrangement

The PSI were not included in the ALTCS DES/DDD certified capitation rates and will be paid out via lump sum payments.

I.4.D.ii.(a)(iii)(A) Aggregate Amount

The original estimates of anticipated payments including premium tax for PSI were approximately \$17.6 million. AHCCCS distributed the total payment via four interim quarterly lump sum payments to the Contractors, and a final redistribution of the payment based on actual CYE 20 utilization after the completion of the contract year. The total payments paid through the ALTCS DES/DDD Contractors for the PSI were \$20.4 million, inclusive of premium tax.

I.4.D.ii.(a)(iii)(B) Providers Receiving Payment

The qualifying providers receiving the uniform increase for inpatient and outpatient hospital services are freestanding children’s hospitals, or pediatric units of a general acute care hospital with more than 100 beds, excluding nursery beds.

I.4.D.ii.(a)(iii)(C) Distribution Methodology

The distribution methodology for PSI is unchanged from the original capitation rate certification. The distribution methodology for the CYE 20 PSI is based on members’ utilization of inpatient and outpatient services at freestanding children’s hospitals, or pediatric units of a general acute care hospital with more than 100 beds, excluding nursery beds. The uniform increase is applied to eligible services performed by providers eligible for the PSI (identified in the encounters by Servicing Provider Tax IDs). Eligible services are those submitted on UB-04 Inpatient Hospital and UB-04 Outpatient Hospital. CYE 20 adjudicated and approved encounter data have been used to allocate the PSI payments by capitation rate cell.

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I.4.D.ii.(a)(iii)(D) Estimated Impact by Rate Cell

Appendix 1 shows the total dollars paid including premium tax by rate cell. Appendix 2 shows the payments by rate cell incorporated into the capitation rates as PMPMs.

I.4.D.ii.(a)(iii)(E) Pre-Print Acknowledgement

AHCCCS submitted an amended PSI § 438.6(c) pre-print to CMS and received approval. The payment arrangement is accounted for in a manner consistent with the amended pre-print.

I.4.D.ii.(a)(iii)(F) Future Documentation Requirements

AHCCCS is submitting this notification documentation to CMS which incorporates the total amount of the PSI payments into the rate certification's rate cells, consistent with the distribution methodology described in Section I.4.D.ii.(a)(iii)(C). The capitation rates with and without the PSI can be found in Appendix 2.

I.4.E. Pass-Through Payments

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

I.5. Projected Non-Benefit Costs

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

I.6. Risk Adjustment and Acuity Adjustments

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

Section II Medicaid Managed Care Rates with Long-Term Services and Supports

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

Section III New Adult Group Capitation Rates

Not applicable to the PSI for the CYE 20 ALTCS DES/DDD Program rate update.

Appendix 1: CYE 20 PSI Payments

Rate Cell	CYE 20 PSI Dollars
ALTCS DDD	\$ 20,393,601
TCM	\$ -

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Appendix 2: CYE 20 Certified and Adjusted Capitation Rates

Rate Cell	Capitation Rates Effective 10/1/19 - 10/31/19			Capitation Rates Effective 11/1/19 - 12/31/19			Capitation Rates Effective 1/1/20 - 9/30/20		
	Cap Rates without PSI	PSI PMPM	Cap Rates with PSI	Cap Rates without PSI	PSI PMPM	Cap Rates with PSI	Cap Rates without PSI	PSI PMPM	Cap Rates with PSI
ALTCS DDD	\$ 4,892.18	\$ 48.97	\$ 4,941.15	\$ 4,752.63	\$ 48.97	\$ 4,801.60	\$ 4,840.31	\$ 48.97	\$ 4,889.28
TCM	\$ 172.92	\$ -	\$ 172.92	\$ 172.92	\$ -	\$ 172.92	\$ 172.92	\$ -	\$ 172.92

Notes:

- 1) October 1, 2019 – October 31, 2019 capitation rates are inclusive of the Health Insurer Provider Fee as signed by Mike Du on October 19, 2020
- 2) November 1, 2019 – December 31, 2019 and January 1, 2020 - September 30, 2020 capitation rates are as signed by Erica Johnson on August 16, 2019