



**Contract Year Ending 2021
Arizona Long Term Care System Department of
Economic Security/Division of Developmental
Disabilities Program Capitation Rate Notification
– Pediatric Services Initiative**

October 1, 2020 through September 30, 2021

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

Prepared by:

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CYE 21 ALTCS DES/DDD Program Capitation Rate Notification - PSI

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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, 2020 through September 30, 2021 (Contract Year Ending 2021 or CYE 21, or alternatively, Federal Fiscal Year 2021 (FFY 21)) 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 21 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 2020-2021 Medicaid Managed Care Rate Development Guide (2021 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). In lieu of having an official guide to follow, AHCCCS will follow the 2021 Guide for organizing this capitation rate notification document. The 2021 Guide describes the rate development standards and appropriate documentation to be included within Medicaid managed care rate certifications. In particular, Section I.4.D. covers state directed payments and it is this section that will contain the capitation rate notification documentation. Sections of the 2021 Guide that do not apply will be marked as “Not Applicable” and will be included in this rate notification document for completeness.

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Section I Medicaid Managed Care Rates

I.1. General Information

Not applicable to the PSI for the CYE 21 ALTCS DES/DDD Program rate update.

I.2. Data

Not applicable to the PSI for the CYE 21 ALTCS DES/DDD Program rate update.

I.3. Projected Benefit Costs and Trends

Not applicable to the PSI for the CYE 21 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 21 ALTCS DES/DDD Program rate update.

I.4.B. Withhold Arrangements

Not applicable to the PSI for the CYE 21 ALTCS DES/DDD Program rate update.

I.4.C. Risk-Sharing Mechanisms

Not applicable to the PSI for the CYE 21 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 2021 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 2021 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(iii), were provided in the CYE 21 ALTCS DES/DDD Program Capitation Rate Certification as signed by Erica Johnson on November 13, 2020. These sections are being provided again to facilitate CMS' review, updated as necessary to provide additional information. There were two amendments to the CYE 21 rate certifications which did not impact PSI. The amendments were signed on December 10, 2021 (costs associated with the flu vaccine gift cards to be claimed at 50 percent administrative match) and March 14, 2022 (new directed payment added for American Rescue Plan Act Home and Community Based Services). The certified capitation rates shown in Appendix 2 exclude the flu vaccine gift card PMPMs subject to administrative FMAP, consistent with the amendment signed December 10, 2021.

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 the financial viability of the state's freestanding children's hospitals with more than 100 licensed pediatric beds. The PSI provides a uniform dollar

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increase for inpatient and outpatient services provided by the state's freestanding children's hospitals with more than 100 licensed pediatric beds. The increase is intended to supplement, not supplant, payments to eligible hospitals.

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

Not applicable to the PSI for the CYE 21 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 \$12 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 21 utilization after the completion of the contract year. The total payments paid through the ALTCS DES/DDD Contractors for the PSI were approximately \$13.9 million, inclusive of premium tax.

I.4.D.ii.(a)(iii)(B) Actuarial Certification of the Amount of the Separate Payment Term

The actuary certified to the aggregate directed payment estimates as actuarially sound according to 42 CFR § 438.4 in the original rate certification. The original estimates were based on projections of future events. This notification document incorporates the actual final aggregate payments by rate cell and the actuary certifies the final payment amounts by rate cell as actuarially sound according to 42 CFR § 438.4.

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

The qualifying providers receiving the uniform increase for inpatient and outpatient hospital services are freestanding children's hospitals with more than 100 licensed pediatric beds.

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

The distribution methodology for PSI is unchanged from the amended capitation rate certification. The distribution methodology for the CYE 21 PSI is based on members' utilization of inpatient and outpatient services at freestanding children's hospitals with more than 100 licensed pediatric 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 21 adjudicated and approved encounter data have been used to allocate the PSI payments by capitation rate cell.

I.4.D.ii.(a)(iii)(E) 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.

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

These payments are being made under the approved PSI § 438.6(c) payment arrangement in a manner consistent with the pre-prints approved by CMS (inclusive of any/all correspondence between the state and CMS regarding the pre-print).

I.4.D.ii.(a)(iii)(G) 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)(D). 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 21 ALTCS DES/DDD Program rate update.

I.5. Projected Non-Benefit Costs

Not applicable to the PSI for the CYE 21 ALTCS DES/DDD Program rate update.

I.6. Risk Adjustment and Acuity Adjustments

Not applicable to the PSI for the CYE 21 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 21 ALTCS DES/DDD Program rate update.

Section III New Adult Group Capitation Rates

Not applicable to the PSI for the CYE 21 ALTCS DES/DDD Program rate update.

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Appendix 1: CYE 21 PSI Payments

Rate Cell	CYE 21 PSI Dollars with Premium Tax
ALTCS DDD	\$ 13,899,787
TCM	\$ -

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Appendix 2: CYE 21 Certified and Adjusted Capitation Rates

Rate Cell	Capitation Rates Effective 10/1/20 - 12/31/20			Capitation Rates Effective 1/1/21 - 9/30/21		
	Cap Rates without PSI	PSI PMPM	Cap Rates with PSI	Cap Rates without PSI	PSI PMPM	Cap Rates with PSI
ALTCS DDD	\$ 5,263.22	\$ 31.83	\$ 5,295.05	\$ 5,308.82	\$ 31.83	\$ 5,340.65
TCM	\$ 176.08	\$ -	\$ 176.08	\$ 176.08	\$ -	\$ 176.08