



**Contract Year Ending 2023
Capitation Rate Notification - Access to
Professional Services Initiative
Arizona Long Term Care System
Developmental Disabilities Program**

October 1, 2022 through September 30, 2023

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

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Table of Contents

Introduction and Limitations 1

Section I Medicaid Managed Care Rates 2

I.1. General Information 2

I.2. Data 2

I.3. Projected Benefit Costs and Trends 2

I.4. Special Contract Provisions Related to Payment 2

I.4.A. Incentive Arrangements 2

I.4.B. Withhold Arrangements 2

I.4.C. Risk-Sharing Mechanisms 2

I.4.D. State Directed Payments 2

I.4.D.i. Rate Development Standards 2

I.4.D.ii. Appropriate Documentation 2

I.4.D.ii.(a) Description of State Directed Payments 2

I.4.D.ii.(a)(i) Type and Description of Directed Payment Arrangements 2

I.4.D.ii.(a)(ii) Directed Payments Incorporated in Capitation Rates 3

I.4.D.ii.(a)(iii) Directed Payments Under Separate Payment Arrangement 3

I.4.D.ii.(a)(iii)(A) Aggregate Amount 3

I.4.D.ii.(a)(iii)(B) Actuarial Certification of the Amount of the Separate Payment Term 3

I.4.D.ii.(a)(iii)(C) Estimated Impact by Rate Cell 3

I.4.D.ii.(a)(iii)(D) Preprint Acknowledgement 4

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

I.4.E. Pass-Through Payments 4

I.5. Projected Non-Benefit Costs 4

I.6. Risk Adjustment and Acuity Adjustments 4

Section II Medicaid Managed Care Rates with Long-Term Services and Supports 4

Section III New Adult Group Capitation Rates 4

Appendix 1: CYE 23 APSI Payments 5

Appendix 2: CYE 23 Certified and Adjusted Capitation Rates 6

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) Access to Professional Services Initiative (APSI), across the Contract Year Ending 2023 (CYE 23 , October 1, 2022, through September 30, 2023) capitation rates for the Arizona Long Term Care System (ALTCS) Developmental Disabilities (ALTCS-DD) Program contracted under the Arizona Department of Economic Security/Division of Developmental Disabilities (DES/DDD). This capitation rate notification document is based on CMS' recent approval of the amended APSI Preprint (AZ_Fee_AMC_Amend2_20221001-20230930).

The APSI payments are payments under 42 CFR § 438.6(c)(1)(iii)(C), as codified in the 2020 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 APSI payments allocation methodology. This capitation rate notification document also provides the CYE 23 ALTCS-DD Program capitation rates with and without the APSI 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 applicable to this rate certification, the 2022-2023 Medicaid Managed Care Rate Development Guide (2023 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 42 CFR § 438.6(c). In lieu of having an official guide to follow, AHCCCS will follow the 2023 Guide for organizing this capitation rate notification document. The 2023 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 2023 Guide that do not apply will be marked as "Not Applicable" and will be included in this rate notification document for completeness.

Section I Medicaid Managed Care Rates

I.1. General Information

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

I.2. Data

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

I.3. Projected Benefit Costs and Trends

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

I.4. Special Contract Provisions Related to Payment

I.4.A. Incentive Arrangements

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

I.4.B. Withhold Arrangements

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

I.4.C. Risk-Sharing Mechanisms

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

I.4.D. State Directed Payments

I.4.D.i. Rate Development Standards

This section of the 2023 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 2023 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(iii), were provided in the CYE 23 ALTCS-DD Program Capitation Rate Certification as signed by Erica Johnson on August 12, 2022. These sections are being provided again to facilitate CMS' review, updated as necessary to provide additional information. There was one amendment to the CYE 23 rate certification which did not impact APSI. This amendment, signed on October 31, 2023, addresses the directed payment added due to CMS' approval of AHCCCS' American Rescue Plan Act measures.

I.4.D.ii.(a) Description of State Directed Payments

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

The APSI seeks to provide enhanced support to certain professionals in order to (1) preserve and enhance access to these professionals who deliver essential services to Medicaid recipients in Arizona and (2) support professionals who are critical to professional training and education efforts. APSI is a program to preserve and promote access to medical services through a uniform percentage increase to the Contractors' rates for professional services provided by qualified physicians and non-physician professionals affiliated with designated hospitals who meet the following definition:

CYE 23 Capitation Rate Notification – APSI, ALTCS-DD Program

- A hospital facility with an ACGME-accredited teaching program and which is operated pursuant to the authority in Arizona Statute Title 48, Chapter 31; or,
- A hospital facility with:
 - An ACGME-accredited teaching program with a state university, and
 - AHCCCS inpatient discharge utilization volume greater than or equal to 25 percent as calculated by the Arizona Department of Health Services for calendar year 2014; or,
- A freestanding children’s hospital or a pediatric unit of a general acute care hospital with greater than one hundred (100) licensed pediatric beds, excluding nursery beds.

The APSI provides a uniform percentage increase of 68% to otherwise contracted rates for qualified practitioners for all claims for which AHCCCS is the primary payer. The rate increase is intended to supplement, not supplant, payments to eligible providers. The uniform percentage increase of 68% was reduced from the 70% increase documented in the original capitation rate certification signed on August 12, 2022, based on CMS’ recent approval of an amendment to the APSI preprint (AZ_Fee_AMC_Amend2_20221001-20230930, approved by CMS November 6, 2024) to ensure the total payments to the eligible providers would not exceed 100% of average commercial rates.

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

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

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

The APSI was not included in the ALTCS-DD certified capitation rates and has been 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 the ALTCS-DD Program for APSI were approximately \$11.4 million. AHCCCS distributed the total payment via four quarterly lump sum payments each equal to 20% of the estimated amount to the Contractor, and a final lump sum payment after the completion of the contract year which equaled the difference between the quarterly payments and the actual annual rate increase calculated based on encounter data for the contract year. The total payments paid through the ALTCS-DD Contractor for the APSI were \$12 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 AHCCCS actuaries certify the final payment amounts by rate cell as actuarially sound according to 42 CFR § 438.4.

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

Appendix 1 shows the total APSI dollars paid, including premium tax, by rate cell. Appendix 2 shows the APSI payments by rate cell as if they had been incorporated into the capitation rates as PMPMs. Totals may not add up due to rounding.

CYE 23 Capitation Rate Notification – APSI, ALTCS-DD Program

I.4.D.ii.(a)(iii)(D) Preprint Acknowledgement

These payments were made under the APSI 42 CFR § 438.6(c) payment arrangement in a manner consistent with the preprints approved by CMS (inclusive of any/all correspondence between the state and CMS regarding the preprint).

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

AHCCCS is submitting this notification document to CMS which incorporates the total amount of the APSI payments into the rate certification's rate cells, consistent with the distribution methodology described in the preprint approved by CMS. The capitation rates with and without the APSI payments can be found in Appendix 2.

I.4.E. Pass-Through Payments

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

I.5. Projected Non-Benefit Costs

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

I.6. Risk Adjustment and Acuity Adjustments

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

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

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

Section III New Adult Group Capitation Rates

Not applicable to the APSI for the CYE 23 ALTCS-DD Program rate update.

Appendix 1: CYE 23 APSI Payments

Rate Cell	CYE 23 APSI Dollars with Premium Tax
Regular DDD	\$12,035,415
Targeted Case Management	\$0

Appendix 2: CYE 23 Certified and Adjusted Capitation Rates

Rate Cell	Capitation Rates Effective 10/1/22 - 09/30/23		
	Cap Rates without APSI	APSI PMPM	Cap Rates with APSI
Regular DDD	\$6,039.85	\$25.52	\$6,065.37
Targeted Case Management	\$216.33	\$0.00	\$216.33