



**Contract Year Ending 2019  
Arizona Long Term Care System/  
Elderly and Physical Disability  
Capitation Rate Notification -  
Nursing Facility Enhanced Payments**

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

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## Introduction and Limitations

The purpose of this capitation rate notification document is to provide documentation, including the data, assumptions, and methodologies, used to allocate the delivery system and provider payments initiatives (Nursing Facility Enhanced Payments) across the October 1, 2018 through September 30, 2019 (Contract Year Ending 2019 or CYE 19) capitation rates for the Arizona Long Term Care System (ALTCS)/Elderly and Physical Disability (EPD) Program. The nursing facility enhanced payments are payments under 42 CFR § 438.6(c)(1)(iii)(B). This capitation rate notification document was prepared for Centers for Medicare & Medicaid Services (CMS), or its actuaries, for review of the nursing facility enhanced payments allocation methodology. This capitation rate notification document also provides the CYE 19 ALTCS/EPD Program capitation rates with and without the nursing facility enhanced 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 Arizona Health Care Cost Containment System (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 should be provided in its entirety. Any third party reviewing this capitation rate notification document should be familiar with the AHCCCS Medicaid managed care program, the provisions of 42 CFR Part 438 at 81 FR 27497 applicable to this capitation rate notification document, the 2019 Medicaid Managed Care Rate Development 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, AHCCCS has had several meetings with CMS regarding § 438.6(c) payment arrangements. From these meetings, CMS has provided guidance that a capitation rate certification is not required for § 438.6(c) payment allocations across rate cells. Rather, a capitation rate notification document can be provided to CMS that documents the data, assumptions, and methodologies, used to allocate § 438.6(c) payments, along with the capitation rates with and without the § 438.6(c) payments.

In light of not having an official guide to follow, AHCCCS will follow the rate development guide for capitation rate certifications that was used in the original CYE 19 capitation rate setting, which is the 2019 Medicaid Managed Care Rate Development Guide (2019 Guide). The 2019 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 delivery system and provider payment initiatives and it is this section that will contain the capitation rate notification documentation. Since an official guide with respect to § 438.6(c) payment capitation rate updates is not yet available from CMS, the following section, Section I.4.D.ii.(b), was added by AHCCCS to the 2019 Guide to capture the data, assumptions, and methodology used to allocate the nursing facility payments by rate cell. Sections of the 2019 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 nursing facility enhanced payments for the CYE 19 ALTCS/EPD Program rate update.

### **I.2. Data**

Not Applicable to the nursing facility enhanced payments for the CYE 19 ALTCS/EPD Program rate update.

### **I.3. Projected Benefit Costs and Trends**

Not Applicable to the nursing facility enhanced payments for the CYE 19 ALTCS/EPD Program rate update.

### **I.4. Special Contract Provisions Related to Payment**

#### **I.4.A. Incentive Arrangements**

Not Applicable to the nursing facility enhanced payments for the CYE 19 ALTCS/EPD Program rate update.

#### **I.4.B. Withhold Arrangements**

Not Applicable to the nursing facility enhanced payments for the CYE 19 ALTCS/EPD Program rate update.

#### **I.4.C. Risk-Sharing Mechanisms**

Not Applicable to the nursing facility enhanced payments for the CYE 19 ALTCS/EPD Program rate update.

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

##### **I.4.D.i. Rate Development Standards**

This section of the 2019 Guide provides information on provider payment initiatives.

##### **I.4.D.ii. Appropriate Documentation**

The following sections of the 2019 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(v), were provided in the Contract Year Ending 2019 ALTCS/EPD Program Capitation Rate Certification as signed by Matthew C. Varitek on August 21, 2018. These sections are being provided again to facilitate CMS' review. Additionally, as stated in the Introduction and Limitations, AHCCCS has added a new section, Section I.4.D.ii.(b), titled "Allocation Methodology" to describe the data, assumptions, and methodology to allocate the nursing facility enhanced payments by rate cell.

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

##### **I.4.D.ii.(a)(i) Description**

AHCCCS seeks to provide enhanced support to nursing facilities in order to preserve access to these providers who deliver essential services to Medicaid recipients in Arizona. Contractors will provide a uniform dollar increase across all Contractors' reported nursing facility Medicaid bed days to network providers that provide nursing facility services. The uniform increase is intended to supplement, not supplant, payments to eligible providers.

##### **I.4.D.ii.(a)(ii) Amount**

Nursing facility enhanced payments are not included in the capitation rates. AHCCCS will adjust capitation rates in the form of an annual lump sum payment to the Contractors after the completion of the contract year. The original estimate of anticipated enhanced nursing facility payments before premium tax was approximately \$106.0 million, of which approximately \$96.2 million will be paid to ALTCS/EPD Contractors, and the remainder is paid on a fee-for-service basis outside ALTCS/EPD. Enhanced nursing facility payments will be paid by AHCCCS to the Contractors outside capitation, either as a per member per month adjustment or through lump sum payments after each contract year quarter.

##### **I.4.D.ii.(a)(ii) Providers Receiving Payment**

The qualifying providers receiving the payments include nursing facilities who deliver essential services to ALTCS/EPD enrollees.

##### **I.4.D.ii.(a)(iv) Effect on Capitation Rate Development**

Nursing facility enhanced payments had no effect on the development of the capitation rates. The allocation methodology is a uniform dollar increase based on each facility's proportion of Medicaid resident bed days to total nursing facility Medicaid resident bed days. AHCCCS will submit to CMS a notification letter when all the nursing facility enhanced payments are made detailing the actual amount of the payment. That letter will describe the distribution methodology of the total payments to the individual rate cells. AHCCCS describes the methodology, data and assumptions related to the enhanced nursing facility payments within the 438.6(c) pre-print, which has been submitted but not yet approved.

##### **I.4.D.ii.(a)(v) Description of How the Payments are Included in the Capitation Rates**

Funding for nursing facility enhanced payments is not included in the certified capitation rates and will be paid out as a lump sum payment.

##### **I.4.D.ii.(b) Allocation Methodology**

The actual payment for the nursing facility enhanced payments is \$87,113,798 without premium tax and the total amount with 2% premium tax is \$88,891,631.

AHCCCS paid the Contractors via a lump sum payment. The traditional CYE 19 capitation rates will not be disrupted or changed.

The AHCCCS Division of Health Care Management (DHCM) Actuarial Team used Federal Fiscal Year (FFY) 17 (October 1, 2016 through September 30, 2017) adjudicated and approved encounter data to allocate

the nursing facility enhanced payments by capitation rate cell. The encounter data used for this allocation included: nursing facility providers that were eligible for nursing facility enhanced payments, relevant claim health plan information, relevant rate cell information, and counts of accommodation days. The allocation also incorporated information about nursing facilities' contracted status with the currently active ALTCS/EPD Program Contractors. This information was necessary because many nursing facilities were contracted with different Program Contractors during the CYE 17 data year than the Contractors which would be responsible for distributing enhancement payments during CYE 19 due to the ALTCS/EPD RFP #YH18-0001 (contract awards effective beginning CYE 18). The AHCCCS DHCM Actuarial Team excluded Fee for Service (FFS) utilization from the development of the payments to ALTCS/EPD Program Contractors. After all exclusions, a payment for each ALTCS/EPD Program Contractor, including an adjustment for premium tax, was developed. See Appendix I for the payments.

The payments were allocated by rate cells using the same encounter data listed above which had all relevant rate cell information included. The allocation of payments by Contractor was driven by the percentage of total accommodation days that were assigned to each Contractor. FFY 19 member month data was used to develop PMPM representations of the Contractors' payment amounts to provide information on how the capitation rates would have changed if the nursing facility enhanced payments had been made on a capitated basis.

Appendix II contains the capitation rates with and without nursing facility enhanced payments.

#### **I.4.E. Pass-Through Payments**

Not Applicable to the nursing facility enhanced payments for the CYE 19 ALTCS/EPD Program rate update.

#### **I.5. Projected Non-Benefit Costs**

Not Applicable to the nursing facility enhanced payments for the CYE 19 ALTCS/EPD Program rate update.

#### **I.6. Risk Adjustment and Acuity Adjustments**

Not Applicable to the nursing facility enhanced payments for the CYE 19 ALTCS/EPD Program rate update.

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

Not Applicable to the nursing facility enhanced payments for the CYE 19 ALTCS/EPD Program rate update.

### **Section III New Adult Group Capitation Rates**

Not Applicable to the nursing facility enhanced payments for the CYE 19 ALTCS/EPD Program rate update.

## Appendix I: CYE 19 Nursing Facility Enhanced Payments

Rate Cell	Contractor	GSA	NF Enhanced Payments
Dual	UHC-LTC	North	\$7,803,356
Dual	Banner-UFC	South	\$9,010,814
Dual	Mercy Care	South	\$9,963,362
Dual	UHC-LTC	Central	\$11,762,316
Dual	Banner-UFC	Central	\$3,757,796
Dual	Mercy Care	Central	\$28,531,867
Non-Dual	UHC-LTC	North	\$927,047
Non-Dual	Banner-UFC	South	\$1,618,819
Non-Dual	Mercy Care	South	\$2,304,990
Non-Dual	UHC-LTC	Central	\$3,084,138
Non-Dual	Banner-UFC	Central	\$1,318,977
Non-Dual	Mercy Care	Central	\$8,808,149
Total			\$88,891,631

Note: the Amounts by rate cell and Totals include premium tax.

## Appendix II: CYE 19 Certified and Adjusted Capitation Rates

Rate Cell	Contractor	GSA	Certified Capitation Rate 10/1/18 - 12/31/18	NF Enhanced Payments PMPM	Adjusted Capitation Rate 10/1/18 - 12/31/18	Certified Capitation Rate 1/1/19 - 9/30/19	NF Enhanced Payments PMPM	Adjusted Capitation Rate 1/1/19 - 9/30/19
Dual	UHC-LTC	North	\$2,879.08	\$264.39	\$3,143.47	\$2,904.09	\$264.39	\$3,168.48
Dual	Banner-UFC	South	\$3,156.91	\$211.16	\$3,368.07	\$3,185.61	\$211.16	\$3,396.77
Dual	Mercy Care	South	\$3,034.21	\$374.66	\$3,408.87	\$3,060.87	\$374.66	\$3,435.53
Dual	UHC-LTC	Central	\$2,540.77	\$166.55	\$2,707.32	\$2,564.44	\$166.55	\$2,730.99
Dual	Banner-UFC	Central	\$3,625.06	\$146.13	\$3,771.19	\$3,657.53	\$146.13	\$3,803.66
Dual	Mercy Care	Central	\$3,397.63	\$293.62	\$3,691.25	\$3,428.35	\$293.62	\$3,721.97
Non-Dual	UHC-LTC	North	\$5,516.93	\$228.29	\$5,745.22	\$5,543.97	\$228.29	\$5,772.26
Non-Dual	Banner-UFC	South	\$5,534.21	\$246.41	\$5,780.62	\$5,560.64	\$246.41	\$5,807.05
Non-Dual	Mercy Care	South	\$5,955.21	\$491.11	\$6,446.32	\$5,985.19	\$491.11	\$6,476.30
Non-Dual	UHC-LTC	Central	\$5,993.97	\$275.57	\$6,269.54	\$6,024.69	\$275.57	\$6,300.26
Non-Dual	Banner-UFC	Central	\$7,331.72	\$280.60	\$7,612.32	\$7,370.46	\$280.60	\$7,651.06
Non-Dual	Mercy Care	Central	\$6,439.51	\$349.14	\$6,788.65	\$6,470.18	\$349.14	\$6,819.32

Note: the Certified Capitation Rates, NF Enhanced Payments PMPM, and Adjusted Capitation Rates all include premium tax.