



DEC 26 2013

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

Dear Mr. Betlach:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) has received and reviewed several of the state's requests to amend Arizona's Medicaid section 1115 demonstration, the Arizona Health Care Cost Containment (AHCCCS) demonstration (11-W-00275/09 and 21-W-00064/9). On August 30, 2013, the state requested to extend the safety net care pool (SNCP) for the Phoenix Children's Hospital only through December 31, 2017. On November 1, 2013, the state submitted amendment requests to 1) open enrollment to Medicaid starting December 1, 2013 for certain childless adults with incomes at or below 100 percent of the Federal poverty level (FPL) who have pending disability reviews financed through existing Safety Net Care Pool (SNCP) dollars; 2) continue coverage through January 31, 2014 for children with incomes above 133 percent of the FPL who are currently enrolled in the KidsCare II program; 3) continue uncompensated care payments through September 30, 2016 to Indian Health Service (IHS) and 638 Tribal facilities; and 4) make revisions to the special terms and conditions (STCs) to reflect the state's 2014 Medicaid expansion efforts. CMS previously approved the state's request to open enrollment early for certain childless adults and extend the KidsCare II program in a November 27, 2013 letter to the state.

CMS is approving: 1) the use of SNCP funding for uncompensated care payments to Phoenix Children's Hospital from the date of this approval through December 31, 2014 in light of their critical role in Medicaid delivery and as a transition to reforming the current payment system; and 2) continued uncompensated care payments to IHS and 638 Tribal facilities for certain services not covered by the Medicaid state plan through December 31, 2014. As indicated in the STCs, the state will be required to submit a new amendment request and evaluation in order for CMS to consider further extension of such payments beyond the dates indicated. CMS is also approving conforming changes to the STCs to account for restoration of childless adult coverage and expansion for new adults in Medicaid.

CMS acknowledges the state's December 9, 2013 withdrawal of the waiver amendment request that was submitted to CMS on November 9, 2012 to continue authority to cover childless adults with enhanced federal matching funds. This amendment request is being withdrawn by the state due to the approved expansion of Medicaid in the state, and as such, will no longer be considered by CMS.

Finally, CMS is further clarifying from the November 27, 2013 letter sent to the state that the four additional hospitals, which were added to the SNCP without expanding funding for the SNCP, could only receive funds for uncompensated care payments for demonstration year 3 (October 2013 through December 2013). As indicated in the letter, CMS does not have the authority to approve retroactive payments after a demonstration year ends.

CMS' approval of amendments to the AHCCCS demonstration is effective as January 1, 2014 and is conditioned upon continued compliance with the enclosed set of STCs defining the nature, character, and extent of anticipated federal involvement in the project. The award is subject to our receiving your written acknowledgement of the award and acceptance of these STCs within 30 days of the date of this letter.

A copy of the revised STCs and expenditure authorities are enclosed. The waiver authorities for the demonstration are unchanged by these amendments and remain in force.

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

Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
Mail Stop: S2-01-16
7500 Security Boulevard
Baltimore, MD 21244-1850
Telephone: (410) 786-0921
E-mail: Wakina.Scott@cms.hhs.gov

Official communications regarding program matters should be sent simultaneously to Ms. Scott and to Ms. Gloria Nagle, Associate Regional Administrator for the Division of Medicaid and Children's Health in our San Francisco Regional Office. Ms. Nagle's contact information is as follows:

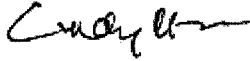
Ms. Gloria Nagle
Associate Regional Administrator
Division of Medicaid and Children Health Operations
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103 -6706
Email: Gloria.Nagle@cms.hhs.gov

We appreciate the collaborative relationship we have with your staff and look forward to continuing our partnership in providing health care to the citizens of Arizona.

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If you have questions regarding this approval, please contact Mr. Eliot Fishman, Director, Children and Adults Health Programs Group, Centers for Medicaid & CHIP Services, at (410) 786-5647.

Sincerely,

A handwritten signature in black ink, appearing to read "Cindy Mann", with a stylized flourish at the end.

Cindy Mann
Director

Enclosures

cc:

Gloria Nagle, Associate Regional Administrator, San Francisco Regional Office