

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-03-17
Baltimore, Maryland 21244-1850



State Demonstrations Group

OCT 05 2017

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

Dear Mr. Betlach:

This letter is in regards to Arizona's section 1115 demonstration, Arizona Health Care Cost Containment System (AHCCCS), and the January 18, 2017, amendment to the demonstration to implement the Targeted Investments Program. The Centers for Medicare & Medicaid Services (CMS) has reviewed and approved a new attachment to the Special Terms and Conditions (STC) that will serve as the Designated State Health Programs (DSHP) Claiming Protocol.

As outlined in STC 51, the protocol describes the procedures used that ensure that federal financial participation (FFP) is claimed for permissible expenditures under the 1115 demonstration. The attachment is enclosed with this letter, and will be Attachment H of Arizona's 1115 demonstration STCs. The state may begin claiming FFP in accordance with the established STCs for the DSHP.

If you have any questions, please contact your project officer, Ms. Jessica Woodard, at either 410-786-9249 or by email at Jessica.Woodard@cms.hhs.gov.

We look forward to continuing to partner with you and your staff on the AHCCCS demonstration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrea J. Casart", is written over a faint, circular stamp or watermark.

Andrea J. Casart
Director

Division of Medicaid Expansion Demonstrations

Enclosure

cc: Henrietta Sam-Louie, Associate Regional Administrator, CMS San Francisco Regional Office

Richard Kimball, Financial Management Group, CMS

Attachment H
TARGETED INVESTMENTS PROGRAM DSHP CLAIMING PROTOCOL

DSHP Claiming Protocol

1. State Documentation of DSHP Expenditures.

Documentation made available by the State for CMS review for quarterly DSHP expenditures will include the agency, program, provider(s), payment amount(s), and relevant provider costs as described below.

2. Offsets.

In accordance with the STC, DSHP expenditures submitted to CMS will not include:

- a. Grant funding to test new models of care
- b. Construction costs (bricks and mortar)
- c. Room and board expenditures
- d. Animal shelters and animal vaccines
- e. School based programs for children
- f. Unspecified projects
- g. Debt relief and restructuring
- h. Costs to close facilities
- i. HIT/HIE expenditures
- j. Services provided to undocumented individuals
- k. Sheltered workshops
- l. Research expenditures
- m. Rent and/or Utility Subsidies that are normally funded by the United States Department of Housing and Urban Development and United States Department of Agriculture (USDA) or other state/local rental assistance programs
- n. Prisons, correctional facilities, services for incarcerated individuals and services provided to individuals who are civilly committed and unable to leave
- o. Revolving capital fund
- p. Expenditures made to meet a maintenance of effort requirement for any federal grant program
- q. Administrative costs
- r. Cost of services for which payment was made by Medicaid or CHIP (including from managed care plans)
- s. Cost of services for which payment was made by Medicare or Medicare Advantage
- t. Funds from other federal grants
- u. Needle-exchange programs
- v. Abortions that would not be allowable if furnished under Medicaid or CHIP
- w. Costs associated with funding federal matching requirements.

To ensure DSHP expenditures do not include costs associated with providing coverage of non-emergency services to undocumented immigrants, the State will reduce actual

expenditures by the proportion of the AHCCCS population enrolled in the Emergency Services Program (ESP), which is 6.3%. This adjustment is the undocumented immigrant offset.

3. Financial Data Reporting.

The Arizona Financial Information System (AFIS) is the accounting system of record for the state of Arizona. Payment voucher information is entered into AFIS by AHCCCS and ADES. All payments made by the state are processed in AFIS. AFIS expenditure data is the basis for identifying the total DSHP expenditure, prior to applying offsets.

For DSHP services to individuals with Serious Mental Illness, AHCCCS' total reportable DSHP expenditures start with the amounts AHCCCS paid the Regional Behavioral Health Authorities (RBHAs) as reported in AFIS. RBHAs provide quarterly financial reports to AHCCCS that identify specific, actual expenditures. These reports are the basis for identifying and calculating offsets as discussed below to reduce the total reportable DSHP expenditures.

For early intervention developmentally disabled DSHP services, ADES' total reportable DSHP expenditures start with the amount of ADES paid to its contracted providers as reported in AFIS. ADES will identify and calculate offsets as discussed below to reduce the total reportable DSHP expenditures.

4. Designated State Health Programs Detail

Services to Individuals with Serious Mental Illness

State Agency: AHCCCS
Program: Services to Individuals with Serious Mental Illness (SMI)
Funding Source: Intergovernmental Agreement (IGA) Funds provided by Maricopa County and Pima County.

Brief Description:

Two counties in Arizona provide funds to AHCCCS via Intergovernmental Agreements (IGAs) to provide services to non-Medicaid individuals with Serious Mental Illness (SMI). AHCCCS contracts with managed care organizations called Regional Behavioral Health Authorities (RBHAs), who contract with providers for case management, peer support and planning, community based supports, medication management services, and other medical services. Funding flows from the counties, to AHCCCS, to RBHAs, and then to providers.

Eligible Population:

The program serves individuals who request behavioral health services, are determined eligible to receive SMI services, and are determined not eligible for Medicaid/CHIP.

An individual is determined eligible to receive SMI services if they have a qualifying SMI diagnosis and functional impairment caused by the diagnosis. Qualifying diagnoses include anxiety, bipolar, major depression, obsessive-compulsive, dissociative, personality, psychotic, and post-traumatic stress disorders. Functional impairment means long-term dysfunction in one of the following domains: (1) inability to live in an independent or family setting without supervision, (2) risk of serious harm to self or others, (3) dysfunction in role performance, or (4) risk of deterioration. Individuals are evaluated for SMI eligibility by a clinician and receive an initial SMI evaluation and a final SMI eligibility determination.

When an individual requests to receive behavioral health services they are also required to participate in a preliminary financial screening and eligibility process to identify third party payers and determine if they are eligible for Medicaid/CHIP, including submission of an application and completion of the eligibility determination process. If an individual receives an SMI determination, but does not qualify for Medicaid/CHIP, they are eligible to receive services under this program. An individual does not qualify for Medicaid/CHIP if they have household income or assets in excess of the following thresholds, do not meet residency requirements, and/or do not otherwise qualify for categorical eligibility:

Eligibility Criteria:	Income <	Assets >
Children	200% FPL	-
Adults	133% FPL	-
Pregnant Women	156% FPL	-
Long-Term Care	300% FBR	\$2,000
SSI CASH	100% FBR	\$2,000
SSI MAO	100% FPL	-

Funding:

Services provided to non-Title XIX individuals with SMI may be funded by the County IGAs, Mental Health Block Grant, Substance Abuse Block Grant, or State General Fund.

This DSHP reflects only the County IGAs, and so excludes other federal and state sources of funding. Two Arizona counties (Maricopa and Pima) provide approximately \$60 million annually for this state-only program. Funding and associated expenditures are contained within AHCCCS. The counties provide funding to AHCCCS on a monthly basis in accordance with IGAs. These County IGA funds do not serve to meet any maintenance of effort requirement or federal matching requirement for any federal program.

No copayments or fees are charged to this population and so patient payments do not offset the cost of providing services or provide revenue for the program.

In some cases, individuals not eligible for Medicaid/CHIP may have third-party coverage that covers all or a portion of behavioral health services. RBHAs and behavioral health providers are required to determine third party health insurance coverage prior to providing services under this program and are responsible for cost avoiding by coordinating benefits. If third-party liability is identified after services have been provided, RBHAs and providers are responsible for post-payment recovery. All expenditures reported for this program are net of any TPL revenue that is collected.

Eligible Providers:

The State makes monthly installment payments based on the annual contract amount to RBHAs under existing non-Medicaid services contracts. RBHAs contract with behavioral health providers, who provide direct services. On a quarterly basis, RBHAs report back to AHCCCS on the actual services provided in the form of RBHA financial statements. AHCCCS' monthly payments to the RBHAs are reconciled to actual RBHA expenditures.

Documentation and Claiming Process:

Step 1 AHCCCS Division of Business and Finance (DBF) identifies actual expenditures of County IGA funds to RBHAs based on appropriation, fund, and sub-fund account codes as recorded in AFIS. This methodology excludes all federal funds and State General Fund expenditures. The identified amount is the initial, unadjusted DSHP expenditure, which reflects costs incurred by AHCCCS in making payments to the RBHAs specifically for the County IGA program.

Step 2 On a quarterly basis, each RBHA submits a Statement of Activities that reports expenses by funding source, including the County IGA program. AHCCCS Division of Health Care Management (DHCM) reviews the quarterly RBHA financial statements for the period and identifies IGA funds paid to the RBHAs that were not used to provide SMI services and/or were used to provide services that are not permissible as DSHP expenditures, per Section 2. The DSHP expenditure is reduced by these amounts.

The following expenditures are excluded because they are not for SMI services:

- General Mental Health and Substance Abuse Services to non-SMI Adults
- Children's Services to Remanded Juveniles
- Central City Addiction Recovery Center (CCARC) Services

The following expenditures are excluded because they are not DSHP eligible:

- Room and Board Services
- Services provided to residents of an Institution for Mental Diseases (IMD)
- Medicare Part D Prescription Drug Costs
- RBHA Administrative Costs

Step 3 AHCCCS DBF applies the 6.3% undocumented immigrant offset on the DSHP expenditure adjusted by Step 2. The DSHP expenditure is reduced by this amount.

Step 4 AHCCCS prepares a summary schedule that identifies the initial, unadjusted DSHP expenditure in AFIS (Step 1), shows the reductions for funds paid to RBHAs that were not used to provide SMI services and/or were used to provide services that are not permissible as DSHP expenditures (Step 2), and shows the 6.3% undocumented immigrant offset (Step 3). The final amount is the adjusted, eligible DSHP payment. An example summary schedule is attached.

Step 5 The State submits a claim to CMS for FFP based on the total computable expenditure incurred by the State in making the eligible DSHP payment.

Step 6 The State attests expenditures used are correct and verifiable as DSHP allowable.

Process occurs quarterly based on quarterly financial reporting.

Reductions/Offsets for Non-Matchable Expenditure List:

The reportable DSHP expenditures incurred by AHCCCS as reported in AFIS are evaluated for the non-matchable expenditures listed in Section 2 and in the AHCCCS STCs.

Any DSHP expenditures reported from AFIS already exclude expenditures that are funded by federal grants or federal financial participation and other non-state, non-local government funding or revenue sources.

Expenditures for this program are not utilized to meet the state maintenance of effort requirements for the Mental Health Block Grant and Substance Abuse Block Grant, and so do not need to be reduced or offset for this purpose.

The following DSHP ineligible expenditures are offsets/reductions that apply to this program.

- Room and Board Services
- Services provided to residents of an Institution for Mental Diseases (IMD)
- Medicare Part D Prescription Drug Costs
- RBHA Administrative Costs

These are expenditures for services that are not Medicaid-like or for non-medical services. Finally, actual expenditures are reduced by the undocumented immigrant offset amount to exclude costs associated with non-emergency services provided to undocumented immigrants.

Developmentally Disabled Services

State Agency: Arizona Department of Economic Security (ADES)
Program: Division of Developmental Disabilities (DDD)
Funding Source: State General Fund Appropriation

Brief Description:

The Arizona Department of Economic Security (ADES) Division of Developmental Disabilities (DDD) provides state-only early intervention and home and community based services to individuals who are not eligible for Medicaid. Annual funding of approximately \$16.8 million is provided by a state general fund appropriation. DDD directly contracts with independent providers for early intervention services, day treatment, habilitation, residential group homes, occupational therapy, physical therapy, and speech therapy.

Eligible Population:

The target population is primarily children, specifically the early intervention population aged 0 to 3 with, or at risk of, developmental delays. Developmental delays are based on diagnostic criteria in the areas of physical, cognitive, language/communication, social/emotional, and adaptive self-help childhood development. Individuals must be

ineligible for Medicaid in order to receive state-only services. Children are ineligible for Medicaid primarily due to household income or assets in excess of established limits. Some individuals may have other insurance, in which cases state-only funding may function as the payer of last resort.

Funding:

The source of non-federal revenue is an annual state general fund appropriation. DDD exchanges a file with AHCCCS to identify individuals who are Medicaid-eligible and for whom Medicaid should pay for services, and providers must bill Medicaid first. For individuals with third party coverage, providers must bill insurance first and DDD requires documentation of the denial of those claims in order to process a state-only payment. All expenditures for this program are net of costs that were avoided or revenues recovered.

IDEA Part C is not a funding source for this program. However, ADES DDD reports these state-only expenditures to the Arizona Department of Education in order to demonstrate compliance with state Maintenance of Effort requirements for IDEA Part C.

Eligible Providers:

ADES DDD contracts with independent providers for early intervention services, day treatment, habilitation, residential group homes, occupational therapy, physical therapy, and speech therapy.

Documentation and Claiming Process:

- Step 1 ADES submits data summary table to AHCCCS that identifies actual expenditures based on appropriation, fund, and sub-fund account codes as recorded in AFIS. This amount is the initial, unadjusted DSHP expenditure. These identified expenditures are expenditures incurred by ADES in making medical service payments to contracted providers for the DDD program.
- Step 2 ADES submits data summary table to AHCCCS that identifies actual expenditures based on service category to AHCCCS, including identification of the amount of expenditures for Room and Board services. The DSHP expenditure is reduced by this amount.
- Step 3 ADES submits data summary table to AHCCCS that identifies state expenditures reported as Maintenance of Effort (MOE) for the IDEA Part C federal grant. The DSHP expenditure is reduced by this amount. MOE is calculated once annually and offset is applied in a single quarter.

- Step 4 AHCCCS applies the 6.3% undocumented immigrant offset on the DSHP expenditure as adjusted by Step 2 and Step 3. The DSHP expenditure is reduced by this amount.
- Step 5 AHCCCS prepares a summary schedule that identifies the initial, unadjusted DSHP expenditure in AFIS (Step 1), shows the reduction for Room and Board expenditures (Step 2), shows the reduction for IDEA Part C MOE (Step 3), and shows the 6.3% undocumented immigrant offset (Step 4). The final amount is the adjusted, eligible DSHP payment.
- Step 6 The State submits a claim to CMS for FFP based on the total computable expenditure incurred by the State in making the eligible DSHP payment.
- Step 7 The State attests expenditures used are correct and verifiable as DSHP allowable.

Reductions/Offsets for Non-Matchable Expenditure List:

Any DSHP expenditures reported from AFIS already exclude expenditures that are funded by federal grants or federal financial participation and other non-state, non-local government funding or revenue sources.

Actual expenditures are reduced by Room and Board expenditures. These are the only expenditures for services that are not Medicaid-like. The expenditures reported in AFIS do not include any payments made by ADES for non-medical services.

Actual expenditures are reduced by the expenditures reported as MOE for the IDEA Part C grant program. Process occurs quarterly and IDEA Part C MOE offset is calculated annually and applied to a single quarter.

Finally, actual expenditures are reduced by the undocumented immigrant offset amount to exclude costs associated with services provided to undocumented immigrants.