

June 28, 2023

Brian Zolynas
Division of Medicaid and Children's Health Operations
U.S. Department of Health & Human Services
Centers for Medicare & Medicaid Services
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

RE: Arizona SPA # AZ-23-0010, Alcohol and/or Drug Services, Intensive Outpatient

Dear Mr. Zolynas:

Enclosed is State Plan Amendment (SPA) # AZ-23-0010. This SPA updates the rate methodology for alcohol and/or drug services, intensive outpatient, effective May 1, 2023.

Federal Fiscal Impact

The federal fiscal impact for this SPA is:

- FFY 23: (\$1,162,200)
- FFY 24: (\$2,789,300)

AHCCCS calculated the fiscal impact based on actual utilization during a time period that best reflected reasonable usage of the code and applied the appropriate FMAP to calculate the federal impact of the rate change.

Impact on Overall Spending in the Service Category

The annualized fee-for-service (FFS) spend for the rehabilitative services benefit category, where this rate is located, using the same time period identified for the fiscal impact was appx. \$351 million in federal funds. As a result, an annualized reduction of (\$2.7M) is only a decrease of (0.8%) to the benefit category.

Summary of Public Engagement

This SPA is part of the State's broader initiative to deter fraud, waste and abuse. The State suspects that providers had been abusing the code for alcohol and/or drug services, intensive outpatient (H0015). This suspicion was confirmed by a provider who publicly acknowledged that their reimbursement funds have been used for transportation, meals and housing.

AHCCCS participated in substantial public engagement activities to inform the public of the rate methodology update occurring through this SPA. Those activities included posting a public notice on April 5, 2023, discussing the SPA at two (2) tribal consultation (TC) meetings and presenting at the Arizona Advisory Council on Indian Health Care. Opposition was not noted by tribal stakeholders and many were either supportive of the SPA or did not hold a strong opinion. One TC participant indicated that there would likely be no impact to her facility's business operations due to reimbursement at the All Inclusive Rate (AIR) for Indian Health Services (IHS)/Tribal 638 health facilities.

AHCCCS received 50 written comments, which included comments of support for the methodology update and comments which opposed it. Among those who supported the methodology update were behavioral health providers and one managed care organization. One commenter noted, "Intensive Outpatient Services (IOP) should be used very sparingly and only when lower levels of services are unable to meet the clinical needs of our members. Individual therapy and groups that are less intensive, 1-2 hours per week as an example, have demonstrated great outcomes and are more likely to deliver a higher quality of care than more intensive levels of services such as IOP. I would recommend no more than the proposed 157.86 for the H0015 code." Many of the commenters who opposed the adjustment were affiliated with providers who benefited from the by-report reimbursement methodology. Many comments of opposition noted the impact that the methodology change would have on business operations and ability to pay salaries and some commenters mentioned that their behavioral health clients would also be submitting comments. We subsequently received some comments from behavioral health clients, which described their lived experience and recovery needs. Executive management at AHCCCS participated in reviewing the public comments with particular attention to any members that noted behavioral health needs. To address those needs, we coordinated with behavioral health providers across the state to explore capacity and found support from providers who were willing to accommodate behavioral health clients affected by business closures. Among the biggest supporters of the methodology adjustment was a reputable behavioral health provider specializing in treatment catered to the behavioral health and cultural needs of Native Americans. A commenter from that organization noted that the methodology adjustment is "warranted and will help stop the exploitation of American Indian people and the loop hole that is being exploited by some providers."

Tribal Consultation on this SPA occurred on June 1, 2023 and June 22, 2023. The Tribal Consultation presentation is available on the following webpages:

- June 1, 2023:
https://www.azahcccs.gov/AmericanIndians/Downloads/Consultations/Meetings/2023/060123_SpecialTCMeetingDay1.pdf
- June 22, 2023:
https://www.azahcccs.gov/AmericanIndians/Downloads/Consultations/Meetings/2023/062220_23_QuarterlyTC.pdf

Public Notice for this SPA was posted on the following webpages:

<https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/rates/H0015FinalPubicNotice.pdf>

If there are any questions about the enclosed SPA, please contact Ruben Soliz at ruben.soliz@azahcccs.gov or 602-417-4355.

Sincerely,



Alex Demyan
Assistant Director
Arizona Health Care Cost Containment System (AHCCCS)

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER 23 — 0 0 1 0	2. STATE AZ
3. PROGRAM IDENTIFICATION: TITLE 19 OF THE SOCIAL SECURITY ACT	

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
May 1, 2023

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY **23** \$ **(1,162,200)**
b. FFY: **24** \$ **(\$2,789,300)**

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B, page 5c

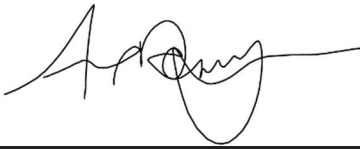
8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

Attachment 4.19-B, page 5c

9. SUBJECT OF AMENDMENT
Updates the fee-for-service (FFS) rate methodology for alcohol and/or drug services, intensive outpatient.

10. GOVERNOR'S REVIEW (Check One)

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

11. SIGNATURE OF STATE AGENCY OFFICIAL


12. TYPED NAME
Alex Demyan

13. TITLE
Assistant Director

14. DATE SUBMITTED: 6/28/23

15. RETURN TO
Alex Demyan
801 E. Jefferson St., MD #4200
Phoenix, AZ 85034

FOR CMS USE ONLY

PLAN APPROVED - ONE COPY ATTACHED

16. DATE RECEIVED	17. DATE APPROVED
18. EFFECTIVE DATE OF APPROVED MATERIAL	19. SIGNATURE OF APPROVING OFFICIAL
20. TYPED NAME OF APPROVING OFFICIAL	21. TITLE OF APPROVING OFFICIAL

22. REMARKS

State: ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

Rate Update:

Except as otherwise noted in the plan, state-developed fee schedule rates are the same for both governmental and private providers for other types of care. The agency’s fee schedule rates are effective for services provided on or after ~~October~~ May 1, 2023~~2~~. All rates are published at: <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/>

TN No. ~~22-0023~~ 23-0010

Supersedes TN No. ~~21-020~~ 22-0023
1, 2023~~2~~

Approved: _____

Effective Date: October May