



**Contract Year Ending 2018
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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Management**

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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 pass-through payments for nursing facilities (Nursing Facility Enhanced Payments – Allotment 1) and to allocate the delivery system and provider payments initiatives (Nursing Facility Enhanced Payments - Allotment 2) across the October 1, 2017 through September 30, 2018 (Contract Year Ending 2018 or CYE 18) capitation rates for the Arizona Long Term Care System (ALTCS)/Elderly and Physical Disability (EPD) Program. The nursing facility enhanced payments are combination of enhanced payment under 42 CFR § 438.6(c)(1)(iii)(B) and pass-through payments under 42 CFR § 438.6(d). 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 18 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 of 81 FR 27497 applicable to this capitation rate notification document, the 2018 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)(1)(iii)(B) and § 438.6(d). However, AHCCCS has had several meetings with CMS regarding § 438.6(c)(1)(iii)(B) and § 438.6(d) payment arrangements. From these meetings, CMS has provided guidance that a capitation rate certification is not required for § 438.6(c)(1)(iii)(B) and § 438.6(d) 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)(1)(iii)(B) and § 438.6(d) payments, along with the capitation rates with and without the § 438.6(c)(1)(iii)(B) and § 438.6(d) 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 18 capitation rate setting, which is the 2018 Medicaid Managed Care Rate Development Guide (2018 Guide). The 2018 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 Section I.4.E covers pass-through payments and it is those section that will contain the capitation rate notification documentation. Since an official guide with respect to § 438.6(c)(1)(iii)(B) and § 438.6(d) payment capitation rate updates is not yet available from CMS, the following section, Section

I.4.D.ii.(b) and I.4.E.ii.(c) were added by AHCCCS to the 2018 Guide to capture the data, assumptions, and methodology used to allocate the nursing facility payments by rate cell. Sections of the 2018 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 18 ALTCS/EPD Program rate update.

I.2. Data

Not Applicable to the nursing facility enhanced payments for the CYE 18 ALTCS/EPD Program rate update.

I.3. Projected Benefit Costs and Trends

Not Applicable to the nursing facility enhanced payments for the CYE 18 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 18 ALTCS/EPD Program rate update.

I.4.B. Withhold Arrangements

Not Applicable to the nursing facility enhanced payments for the CYE 18 ALTCS/EPD Program rate update.

I.4.C. Risk-Sharing Mechanisms

Not Applicable to the nursing facility enhanced payments for the CYE 18 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 2018 Guide provides information on provider payment initiatives.

I.4.D.ii. Appropriate Documentation

The following sections of the 2018 Guide, Section I.4.D.ii.(a)(i) through Section I.4.D.ii.(a)(iv), were provided in the Contract Year Ending 2018 ALTCS/EPD Program Capitation Rate Certification as signed by Matthew C. Varitek on September 14, 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

The original estimate of anticipated enhanced nursing facility payments before premium tax was approximately \$31.0 million. Enhanced nursing facility payments will be paid by AHCCCS to the Contractors 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

Enhanced nursing facility payments are not included in the certified capitation rates and had no effect on the development of the capitation rates. AHCCCS describes the methodology, data and assumptions related the enhanced nursing facility payments within the 438.6(c) pre-print.

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

The actual payment for the allotment 2 nursing facility enhanced payments is \$27,442,409 without premium tax and the total amount with 2% premium tax is \$28,002,458.

AHCCCS paid the Contractors via a lump sum payment. The traditional CYE 18 capitation rates will not be disrupted or changed.

The AHCCCS Division of Health Care Management (DHCM) Actuarial Team used Federal Fiscal Year (FFY) 16 (October 1, 2015 through September 30, 2016) 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 16 data year than the Contractors which would be responsible for distributing enhancement payments during CYE 18 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 18 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

I.4.E.i. Rate Development Standards

This section of the 2018 Guide provides information on the pass-through payments.

I.4.E.ii. Appropriate Documentation

The following sections of the 2018 Guide, Section I.4.E.ii.(a) through Section I.4.E.ii.(b), were provided in the Contract Year Ending 2018 ALTCS/EPD Program Capitation Rate Certification as signed by Matthew C. Varitek on September 14, 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.E.ii.(c), titled "Allocation Methodology" to describe the data, assumptions, and methodology to allocate the nursing facility enhanced payments by rate cell.

I.4.E.ii.(a) Existing Pass-Through Payments

The ALTCS/EPD Program includes an existing pass-through payment for nursing facilities.

I.4.E.ii.(a)(i) Description of Pass-Through Payments

AHCCCS seeks to provide enhanced support to Arizona nursing facilities in order to maintain access to care. Contractors will pass-through payments to qualifying network providers. The pass-through payments will not supplant any payments to eligible providers.

I.4.E.ii.(a)(ii) Amount of Pass-Through Payments

Nursing facility pass-through payments are not included in the certified capitation rates. AHCCCS will adjust capitation rates either as a per member per month adjustment or in the form of a lump sum payment to the Contractor in an amount equal to the pass-through payments due nursing facility providers after the completion of each contract year quarter. The total amount before premium tax of the pass-through payment for Nursing Facilities for CYE 18 is \$64,823,565. The total amount with 2% premium tax is \$66,146,495.

I.4.E.ii.(a)(iii) Providers Receiving Pass-Through Payments

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

I.4.E.ii.(a)(iv) Financing Mechanism Pass-Through Payments

The nursing facility pass-through payments are financed through an assessment on Arizona nursing facilities pursuant to State Law ARS §36-2999.51 et seq. and State Rule R9-28-702.

I.4.E.ii.(a)(v) Amount of Pass-Through Payments in Previous Rating Period

The total amount before premium tax of the pass-through payment for nursing facilities incorporated in the CYE 17 capitation rates was \$86,236,789. The total amount with 2% premium tax was \$87,996,724.

I.4.E.ii.(a)(vi) Amount of Pass-Through Payments in Rating Period with July 5, 2016

For purposes of CYE 2018 rate development, AHCCCS now understands the aggregate pass-through payment amount will be computed based on the period July 1, 2015 through June 30, 2016. The total amount before premium tax of the pass-through payment for nursing facilities for the time frame July 1, 2015 through June 30, 2016 was \$64,823,565.

I.4.E.ii.(b) Base Amount Information

Not applicable. The CYE 18 capitation rates for the ALTCS/EPD Program do not include a hospital pass-through.

I.4.E.ii.(c) Allocation Methodology

The actual payment for the nursing facility enhanced payments allotment 1 is \$64,823,565 without premium tax and the total amount with 2% premium tax is \$66,146,495.

AHCCCS paid the Contractors via a lump sum payment. The traditional CYE 18 capitation rates will not be disrupted or changed.

The AHCCCS Division of Health Care Management (DHCM) Actuarial Team used FFY 16 (October 1, 2015 through September 30, 2016) 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 16 data year than the Contractors which would be responsible for distributing enhancement payments during CYE 18 due to the ALTCS/EPD RFP (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 18 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 pass-through payments had been made on a capitated basis.

Appendix II contains the capitation rates with and without nursing facility pass-through payments.

I.5. Projected Non-Benefit Costs

Not Applicable to the nursing facility enhanced payments for the CYE 18 ALTCS/EPD Program rate update.

I.6. Risk Adjustment and Acuity Adjustments

Not Applicable to the nursing facility enhanced payments for the CYE 18 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 18 ALTCS/EPD Program rate update.

Section III New Adult Group Capitation Rates

Not Applicable to the nursing facility enhanced payments for the CYE 18 ALTCS/EPD Program rate update.

Appendix I: CYE 18 Nursing Facility Enhanced Payments

Rate Cell	Contractor	GSA	Allotment 1	Allotment 2
Prospective Dual	UHC-LTC	North	\$5,927,380	\$2,509,297
Prospective Dual	Banner-UFC	South	\$7,102,585	\$3,006,809
Prospective Dual	Mercy Care	South	\$7,210,729	\$3,052,590
Prospective Dual	UHC-LTC	Central	\$8,304,291	\$3,515,539
Prospective Dual	Banner-UFC	Central	\$3,494,673	\$1,479,435
Prospective Dual	Mercy Care	Central	\$21,484,975	\$9,095,450
Prospective Non-Dual	UHC-LTC	North	\$630,984	\$267,121
Prospective Non-Dual	Banner-UFC	South	\$1,210,474	\$512,442
Prospective Non-Dual	Mercy Care	South	\$1,609,379	\$681,315
Prospective Non-Dual	UHC-LTC	Central	\$1,833,160	\$776,050
Prospective Non-Dual	Banner-UFC	Central	\$1,161,149	\$491,561
Prospective Non-Dual	Mercy Care	Central	\$6,176,715	\$2,614,851
Total			\$66,146,495	\$28,002,458

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

Appendix II: CYE 18 Certified and Adjusted Capitation Rates

Rate Cell	Contractor	GSA	Certified Capitation Rate 10/1/17 - 12/31/17	Allotment 1 PMPM	Allotment 2 PMPM	Adjusted Capitation Rate 10/1/17 - 12/31/17	Certified Capitation Rate 1/1/18 - 9/30/18	Allotment 1 PMPM	Allotment 2 PMPM	Adjusted Capitation Rate 1/1/18 - 9/30/18
Prospective Dual	UHC-LTC	North	\$2,771.65	\$215.21	\$91.11	\$3,077.97	\$2,796.52	\$215.21	\$91.11	\$3,102.84
Prospective Dual	Banner-UFC	South	\$2,940.84	\$179.50	\$75.99	\$3,196.33	\$2,969.09	\$179.50	\$75.99	\$3,224.58
Prospective Dual	Mercy Care	South	\$3,130.43	\$285.45	\$120.84	\$3,536.72	\$3,161.11	\$285.45	\$120.84	\$3,567.40
Prospective Dual	UHC-LTC	Central	\$2,676.91	\$138.99	\$58.84	\$2,874.74	\$2,702.62	\$138.99	\$58.84	\$2,900.45
Prospective Dual	Banner-UFC	Central	\$3,137.78	\$153.28	\$64.89	\$3,355.94	\$3,166.68	\$153.28	\$64.89	\$3,384.84
Prospective Dual	Mercy Care	Central	\$3,272.61	\$230.92	\$97.76	\$3,601.29	\$3,304.13	\$230.92	\$97.76	\$3,632.81
Prospective Non-Dual	UHC-LTC	North	\$5,363.16	\$162.16	\$68.65	\$5,593.97	\$5,395.96	\$162.16	\$68.65	\$5,626.77
Prospective Non-Dual	Banner-UFC	South	\$5,489.66	\$204.98	\$86.78	\$5,781.42	\$5,526.78	\$204.98	\$86.78	\$5,818.54
Prospective Non-Dual	Mercy Care	South	\$6,095.08	\$338.11	\$143.14	\$6,576.33	\$6,138.33	\$338.11	\$143.14	\$6,619.58
Prospective Non-Dual	UHC-LTC	Central	\$5,858.90	\$188.72	\$79.89	\$6,127.51	\$5,887.86	\$188.72	\$79.89	\$6,156.47
Prospective Non-Dual	Banner-UFC	Central	\$6,551.50	\$288.78	\$122.25	\$6,962.53	\$6,583.52	\$288.78	\$122.25	\$6,994.55
Prospective Non-Dual	Mercy Care	Central	\$6,940.43	\$273.02	\$115.58	\$7,329.03	\$6,975.98	\$273.02	\$115.58	\$7,364.58

Note: the Certified Capitation Rates, Allotment amounts PMPM, and Adjusted Capitation Rates all include premium tax.