

# **JOINT LEGISLATIVE BUDGET COMMITTEE**

**Wednesday, September 21, 2022**

**9:30 a.m.**

**House Hearing Room 1**



STATE OF ARIZONA

## Joint Legislative Budget Committee

STATE  
SENATE

DAVID M. GOWAN  
CHAIRMAN  
LELA ALSTON  
SEAN BOWIE  
RICK GRAY  
SINE KERR  
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BEN TOMA

### JOINT LEGISLATIVE BUDGET COMMITTEE

Wednesday, September 21, 2022

9:30 A.M.

House Hearing Room 1

### MEETING NOTICE

- Call to Order
- [Approval of Minutes of July 14, 2022.](#)
- EXECUTIVE SESSION
  - A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
- \*B. Arizona Department of Administration - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Dental Plans as Required Under A.R.S. § 38-658A.
- 1. [\\*ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUND - Review of FY 2023 Projects.](#)
- 2. [\\*AHCCCS/DEPARTMENT OF ECONOMIC SECURITY - Review of Capitation Rate Changes for Plan Year 2023.](#)
- \* Consent Agenda - These items will be considered in one motion and no testimony will be taken.

The Chairman reserves the right to set the order of the agenda.

09/13/2022

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People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.



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### MINUTES OF THE MEETING

#### JOINT LEGISLATIVE BUDGET COMMITTEE

July 14, 2022

The Chairman called the meeting to order at 9:36 a.m., Thursday, July 14, 2022, in House Hearing Room

1. The following were present:

Members:	Senator Gowan, Chairman	Representative Cobb, Vice-Chairman
	Senator Gray	Representative Bolick
	Senator Leach	Representative Butler
	Senator Livingston	Representative Chávez
		Representative Kavanagh
		Representative Longdon
		Representative Osborne
Absent:	Senator Alston	Representative Toma
	Senator Bowie	
	Senator Kerr	
	Senator Otondo	

#### APPROVAL OF MINUTES

Representative Cobb moved that the Committee approve the minutes of May 24, 2022. The motion carried.

#### CONSENT AGENDA

The following items were considered without further discussion.

(Continued)

**EXECUTIVE SESSION - Arizona Department of Administration - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Medical and Dental Plans Under A.R.S. § 38-658A.**

A.R.S. § 38-658A requires that, at least 10 days before the Arizona Department of Administration (ADOA) enters into, or renews, contracts for medical and dental insurance coverage, the Director of ADOA shall meet with and review for the Joint Legislative Budget Committee, in Executive Session, the planned contribution strategy for each health plan. ADOA requested review of its planned contribution strategy for state employee and retiree medical coverage for Plan Year 2023. The Committee will address the dental contribution strategy once ADOA submits its plan for that coverage. The JLBC Staff provided options.

**1A. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)/AUTOMATION PROJECTS FUND - Review of Human Resources Information System.**

A.R.S. § 41-714 requires Committee review prior to any monies being expended from ADOA's Automation Projects Fund (APF). ADOA requested Committee review of the expenditure of \$22,397,800 in FY 2023 funds for the ADOA Human Resources Information System. The JLBC Staff provided options and potential provisions:

- A. *Within 10 days of awarding the contract for the project, ADOA shall report to the JLBC Staff on the selected vendor, total cost of the project, and estimated timeline.*
- B. *A favorable review is contingent on approval from the Information Technology Authorization Committee (ITAC).*

**1B. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)/AUTOMATION PROJECTS FUND - Review of ADE School Finance System Replacement Project.**

A.R.S. § 41-714 requires Committee review prior to any monies being expended from ADOA's APF. ADOA requested Committee review of the expenditure of \$3,600,000 from the department's FY 2022 appropriation for the Arizona Department of Education (ADE) School Finance Replacement Project in FY 2023. The JLBC Staff provided options.

**1C. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)/AUTOMATION PROJECTS FUND - Review of Department of Water Resources Application Modernization Project.**

A.R.S. § 41-714 requires Committee review prior to any monies being expended from ADOA's APF. ADOA requested Committee review of the expenditure of \$1,700,000 in FY 2023 funds for the Arizona Department of Water Resources Application Modernization project. The JLBC Staff provided options and potential provisions:

- A. *Within 10 days of awarding the contract for the project, ADOA shall report to the JLBC Staff on the selected vendor, total cost of the project, and estimated timeline.*
- B. *A favorable review is contingent on approval from the Information Technology Authorization Committee (ITAC).*
- C. *A favorable review by the Committee does not commit the Legislature to any ongoing funding above the FY 2023 appropriation.*

(Continued)

## **2. ATTORNEY GENERAL (AG) - Review of Uncollectible Debts.**

A.R.S. § 35-150E requires that the Attorney General's annual report on uncollectible debts owed to the state be reviewed by the Committee before the debt can be removed from the state accounting system. The AG requested Committee review of \$16,370,754 in uncollectible debt. The JLBC Staff provided options.

## **4. ARIZONA CRIMINAL JUSTICE COMMISSION (ACJC) - Review of Edward Byrne Memorial Justice Assistance Grant Federal Application.**

A.R.S. § 41-2403 requires ACJC to submit its federal application for the Edward Byrne Memorial Justice Assistance Grant to the Committee for review 30 days prior to submission to the federal government. The JLBC Staff provided options and a potential provision:

- A. ACJC shall submit a preliminary proposal to the Committee by May 15, 2023 if the federal guidelines have not yet been received for 2023.*

## **5. ADMINISTRATIVE OFFICE OF THE COURTS (AOC)/DEPARTMENT OF WATER RESOURCES (DWR) - Review of General Adjudication Personnel and Support Fund FY 2023 Expenditure Plan.**

A.R.S. § 12-177.01 requires AOC and DWR to submit an expenditure plan to the Committee for review prior to spending monies from the General Adjudication Personnel and Support Fund in FY 2022 and FY 2023. AOC and DWR requested Committee review of the plan to spend \$1,936,200 from the fund in FY 2023. The JLBC Staff provided options.

## **6. DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount.**

Pursuant to A.R.S. § 41-1724G and A.R.S. § 41-1724H, DPS is required to submit to the Committee for review the FY 2023 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expenditure. DPS requested Committee review of the expenditure plan of \$1,346,400 of the \$2,396,400 FY 2023 appropriation to fund 3 existing programs: Detention Liaison Officer Program (\$458,300), Border County Officers (\$538,100), and Border Crimes Unit (\$350,000). The JLBC Staff provided options and a potential provision:

- A. DPS shall report to the Committee prior to implementing any changes to the proposed FY 2023 allocation of the grants.*

## **8. DEPARTMENT OF CHILD SAFETY - Review of Line Item Transfers.**

An FY 2022 General Appropriation Act footnote requires Committee review of any transfers between line items or the operating budget. DCS requested Committee review of the department's FY 2022 transfer of \$10,105,000 of Expenditure Authority monies out of the operating budget and into the following 4 line items: Adoption Services (\$7,400,000), Foster Home Placement (\$620,000), Congregate Group Care (\$1,950,000), and Extended Foster Care (\$135,000).

(Continued)

Representative Cobb moved that the Committee give a favorable review of the consent agenda items as follows: the medical portion of the Executive Session item on State Employee Health Insurance and agenda items 1A, 1B, 1C, 2, 4, 5, 6 and 8 with the JLBC Staff provisions listed above. The motion carried.

**Item 7. ARIZONA BOARD OF REGENTS (ABOR) - Review of FY 2023 Tuition Revenues** was not part of the consent agenda motion and was held for potential consideration at a future meeting.

### **REGULAR AGENDA**

#### **3. ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of Request for Proposals to Operate Florence West Prison.**

Mr. Geoff Paulsen, JLBC Staff, stated that A.R.S. § 41-1609.01 requires ADC upon publication to submit a private prison Request for Proposals (RFP) to the Committee for review. ADC requested Committee review of the department's RFP for the management and operation of the Florence West prison. The JLBC Staff provided options and potential provisions:

- A. *Upon selecting a vendor, the department shall report to the Committee on the contracted per diem rate and the annual value of the contract.*
- B. *In the next regular legislative session, the department shall work with the full legislature to address the expected property tax revenue loss to the local jurisdictions resulting from the state taking ownership of the prison.*

Mr. David Shinn, Director, ADC, responded to member questions.

Representative Cobb moved that the Committee give a favorable review of the RFP with the JLBC Staff provisions. The motion carried.

Without objection, the meeting adjourned at 10:13 a.m.

Respectfully submitted:

  
\_\_\_\_\_  
Kristy Paddack, Secretary

  
\_\_\_\_\_  
Richard Stavneak, Director

  
\_\_\_\_\_  
Senator David Gowan, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at <http://www.azleg.gov/jlbc/meeting.htm>





STATE OF ARIZONA

## Joint Legislative Budget Committee

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DATE: September 14, 2022

TO: Members of the Joint Legislative Budget Committee

FROM: Rebecca Perrera, Assistant Director

SUBJECT: Arizona Department of Administration/Automation Projects Fund - Review of FY 2023 Projects

### Request

A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF). In addition, an FY 2023 General Appropriation Act footnote requires the Arizona Department of Administration (ADOA) to request review of AHCCCS's expenditure plan for the Prepaid Medicaid Management Information System.

ADOA is requesting review for 3 projects. The ADOA request includes reallocating unspent FY 2022 APF appropriations for the Business One-Stop web portal to begin Phase 2 of the project. ADOA also requests \$1,755,600 to begin the development of the Prepaid Medicaid Management Information System (PMMIS) Systems Integrator. Finally, ADOA requests \$870,900 for the Department of Revenue (DOR) to begin the design and procurement of the Integrated Tax System modernization project.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Under either option, the Committee may also consider the following provision:

- A. In its future request for review of FY 2023 appropriations for the Business One-Stop Portal, ADOA shall submit a report on the projected development costs for the remaining project and operating costs for the system.

(Continued)



- B. Prior to awarding any procurement contract for the tax system, the department shall request Committee review of the department's plan to address the project specifications required by the FY 2023 General Appropriation Act.

#### Key Points

ADOA requests the review of 3 automation projects:

- 1) Reallocation of unspent FY 2022 funds for Phase 1 of the ADOA Business One-Stop web portal to start the design of Phase 2 functionality.
- 2) \$1.8 million to begin the procurement, design, and development phase of the AHCCCS management information system.
- 3) \$870,900 to begin the scoping and procurement of the new tax system at DOR.

#### Analysis

##### ADOA – Business One-Stop Show Web Portal

The portal will provide a single online location for an individual to apply for the applicable licenses and registrations across state agencies to operate a business in Arizona. The FY 2022 budget included \$7.8 million from the ADOA APF Subaccount for Phase 1 design costs associated with the development of a Business One-Stop Shop Web Portal. ADOA is utilizing existing state contracts for the development. The portal will be developed on the Arizona Department Transportation (ADOT) "SuperPortal" which is the same technology platform that interfaces with ADOT's new MVDNow. The Phase 1 expenditures completed the development for functionality for any business to plan or start operations in Arizona.

ADOA is requesting to reallocate unspent Phase 1 money to begin the development of Phase 2 which would add functionality to "manage" a business in Arizona such as adding a dashboard to allow a business to connect accounts for multiple franchises. ADOA was unable to report the total amount of unspent Phase 1 funds. The FY 2023 budget appropriated \$15.6 million to ADOA via a transfer from the General Fund for Phase 2 of the portal project. ADOA will request review of its FY 2023 appropriation at a later date. ADOA still estimates that the total project costs will be approximately \$32.2 million over 3 phases. The Committee may consider a provision requiring ADOA to report on the remaining projected project development costs and operating costs in its future request for review of the FY 2023 appropriation.

##### AHCCCS – Prepaid Medicaid Management Information System (PMMIS)

PMMIS is a 30-year old mainframe computer system that manages all of the critical Medicaid business functions for Arizona including processing all claims, and provider enrollment. The FY 2023 budget included a \$9.5 million appropriation which consists of \$500,000 from the General Fund and \$9.0 million in Federal Medicaid Authority for AHCCCS to contract with a systems integrator to transition PMMIS to a new platform. Pursuant to an FY 2023 General Appropriation Act footnote ADOA is requesting review of \$1.8 million of the \$9.5 million on behalf of AHCCCS to begin the planning, design, and procurement of the new system.

AHCCCS currently uses an IT system that is 30 years old and runs on outdated mainframe technology. The new PMMIS System will follow requirements established by the Federal Centers for Medicare and Medicaid Services which will allow the new system to meet flexible program demands.

(Continued)

AHCCCS will use a Systems Integrator vendor to integrate each module (provider enrollment, claims, prior authorizations, etc.), manage the project, and provide technical oversight. Via ADOA, AHCCCS is requesting review of \$1.8 million to develop the scope of work, project requirements and Request for Proposal (RFP) and to procure a Systems Integrator. ADOA/AHCCCS anticipates awarding the contract in June 2023.

Department of Revenue (DOR) – Integrated Tax System Modernization

The FY 2023 budget appropriated \$15.8 million to DOR to begin the replacement of the state's Tax System. DOR is requesting review of \$870,900 of the \$15.8 million to begin the scoping and procurement of the new tax system. The funding will be used for 6 FTE Positions and contractors. Funding also includes 30 workstations. Vendor staff will use State issued computers because DOR's security requirements do not allow external access to their network. DOR anticipates opening the RFP process in October 2022 and awarding the contract in Spring 2023. In addition, DOR will use the initial funds to prepare and clean data, prepare requirements for system forms and reports, and generate a communication and change management plan.

An FY 2023 General Appropriation Act footnote includes several project requirements for the new tax system, including data searching and reporting functions along with an integrated individual income tax model. Prior to awarding any procurement contract for the tax system, DOR is required to receive Committee review on how the planned project will meet the requirements outlined in the FY 2023 budget. The Committee may consider Provision B, which would reiterate this review requirement to the department.

RP:kp

**Douglas A. Ducey**  
Governor



**Andrew Tobin**  
Director

**ARIZONA DEPARTMENT OF ADMINISTRATION**

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE SUITE 401  
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(602) 542-1500

**August 31, 2022**

The Honorable David M. Gowan, Chairman  
Arizona State Senate  
Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, Arizona 85007

The Honorable Regina E. Cobb, Vice-Chairman  
Arizona House of Representatives  
Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, Arizona 85007



Dear Senator Gowan and Representative Cobb:

The Arizona Department of Administration (ADOA) is submitting this request for review of quarter two fiscal year 2023 Automation Projects Fund (APF) with projects related to the Department of Administration, Business One Stop Portal; Arizona Health Care Cost Containment System, PMMIS Replacement (aka MES Modernization); and Department of Revenue, State Tax Accounting and Reconciliation System (STARS) - Pre Contract Award Preparation. The monies have been appropriated to support APF expenditure plans.

The attached documents contain a detailed explanation of the proposed project. We will be happy to meet with your staff to provide further explanation as appropriate.

Sincerely,

J.R. Sloan  
State CIO

Enclosures

cc: Richard Stavneak, Director, JLBC  
Matthew Gress, Director, OSPB  
Andrew Tobin, Director ADOA  
Ashley Ruiz, Assistant Director, ADOA  
Jacob Wingate, CFO, ADOA

Rebecca Perrera, JLBC Staff  
Duncan Spilsbury, OSPB Staff

Favorable Review Request Summary					
Agency	Project Name	FY 2020 APF Appropriation*	Favorably Reviewed	Favorable Review Request	Review Not Yet Requested
ADOA	Business One Stop Portal	\$1,000,000	\$1,000,000	\$1,000,000	\$0
Agency	Project Name	FY 2022 APF Appropriation*	Favorably Reviewed	Favorable Review Request	Review Not Yet Requested
ADOA	Business One Stop Portal	\$7,758,900	\$7,758,900	\$0	\$0
Agency	Project Name	FY 2023 APF Appropriation*	Favorably Reviewed	Favorable Review Request	Review Not Yet Requested
AHCCCS	PMMIS Replacement (aka MES Modernization)	\$500,000	\$0	\$92,400	\$407,600
AHCCCS	PMMIS Replacement (aka MES Modernization)	\$9,000,000	\$0	\$1,663,200	\$7,336,800
DOR	State Tax Accounting and Reconciliation System (STARS)-Pre Contract A	\$15,819,800	\$0	\$870,900	\$14,948,900

# ARIZONA

DEPARTMENT OF ADMINISTRATION  
ARIZONA STRATEGIC ENTERPRISE TECHNOLOGY

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**Agency:** Department of Administration

**Project:** Business One Stop Portal

**Appropriation:** Business One Stop Portal

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## CURRENT REQUEST

The Arizona Department of Administration requests favorable review of revisions to the scope of work to be completed under the original expenditure plan for the Business One Stop project.

The FY 2022 enacted budget included an appropriation of \$7,758,828 for the Department, in conjunction with agency partners, to develop a Business One Stop portal. Upon completion, this portal will provide a single online location to help citizens and businesses plan, start, grow, move, and exit businesses in Arizona through a secure, digital experience. The Joint Legislative Budget Committee favorably reviewed the original expenditure plan of \$7.8 million for Phase 1 development during its meeting on July 15, 2021.

The Department anticipates completing Phase 1 development work in the next 2–3 months for a lower cost than originally anticipated. In preparation for Phase 2 development, the Department proposes expanding the scope of the original expenditure plan, which only covered Phase 1, to also include planning and initial work on Phase 2. This change does not require reallocating costs across expenditure categories or modifications to the project plan for Phase 1. It will allow the project team to accomplish more work on the project without increasing costs.

The FY 2023 enacted budget included an appropriation of \$15,614,300 to continue project development. The Department is not requesting review of that funding at this time, but will return to the Committee at a future meeting.

### ***FY2020 - Assessment***

In FY2020, the department utilized qualified outside contractors to conduct an assessment and feasibility study using \$1M in APF funding. The assessment provided recommendations to the State on how best to achieve the goal of creating a Business One Stop online portal.

FY 2020 Appropriation	FY 2020 Favorably Reviewed	FY 2020 Current Request	FY 2020 Remaining APF Funds Yet to be Reviewed
\$1,000,000	\$1,000,000	\$0	\$0

### ***FY2022 and FY2023 - Phase I & II***

In FY2022, Business One Stop received a favorable review of \$7.8M for Phase I to support launching the core application. This phase included features in the 'Plan' and 'Start' stages of the business lifecycle and operations and maintenance costs for the program. The Business One Stop program will continue to utilize the initial Phase I funding that expires in June 2023 for the previously approved Phase I functionality. Phase I activities include outreach to the business community; detailed planning and requirements gathering for Phase II; ongoing program operations such as maintenance, support, security, and hosting; and call center operations. The project requests the ability to use these existing funds to also commence Phase II development work.

FY 2022 Appropriation	FY 2022 Favorably Reviewed	FY 2022 Current Request	FY 2022 Remaining APF Funds Yet to be Reviewed
\$7,758,900	\$7,758,900	\$0	\$0

## PROJECT DESCRIPTION

### **Background**

Arizona continues to enhance the Business One Stop online portal that provides a single online location to help citizens & businesses plan, start, grow, move, & exit businesses in Arizona through a secure, digital experience that does not require in-person interaction. Entities that wish to create a business in Arizona must interact with multiple State agencies using isolated processes. This leads to a complicated citizen experience, increased confusion, and poor to no information sharing between agencies. These isolated systems and experiences result in duplication of data across systems, increased data errors and increased time for customers to apply for services and achieve results.

Key problems to be addressed by Business One Stop include:

- Too many agencies and touchpoints for a business owner
- Long waits and uncertainty around processing times
- Confusion in planning and starting phase leading to mistakes and potential delays in business registration
- Multiple fee structures across agencies
- Potential security issues needing constant monitoring of online information
- Required mail, in-person activities, and notary requirements leading to slower processing times

### **Solution**

Business One Stop will:

- Provide agencies, businesses and citizens with a central workflow platform (or one capable of seamlessly integrating with multiple disparate back end systems) for processing the identified core agencies lines of business.
- Provide citizens and businesses with the feel of entering one environment to complete all tasks/requirements of multiple agencies in an online environment.
- Leverage existing State investments in enterprise systems, assets and resources to the extent reasonable while maintaining alignment with the goal of a singular portal.

### **Additional Scope**

The Business One Stop roadmap includes three phases, the first of which was favorably reviewed in FY22. This request is to increase the scope of the originally approved project funding to include developing additional Phase II features in the 'Grow', 'Move' and 'Exit' stages of the business lifecycle. The portal will also be expanded, adding features intended to foster business growth and relocation. These features include development of 30-40 journeys to provide robust functionalities to enable all domestic business owners to manage end-to-end critical functions of their businesses. Includes critical features and functionalities of agencies from "Plan, Start, Run, Exit" stages (e.g. personalized wizard, keep data consistent in one place, file reports, transfer entities/ close business online). This phase will also include 2-3 additional State agencies providing licensing and permitting services and potential interaction with City and County level agencies and systems that support the goals of Business One Stop.

The detailed plan regarding Phase II will be presented to the Information Technology Authorization Committee (ITAC) for review and approval to include approved schedule, scope and budget before the development work kicks off in FY 2023.

### **Benefits**

The focus of this project is to leverage the investments made in Phase I to further the development of the Business One Stop citizen experience, while also providing agencies with a modern, centralized workflow platform on the backend to complete the agency work required to optimize the citizen experience.

The enhanced application will better serve our customers, increase interaction with the public and improve the delivery of agency services because it will provide a single point of interface with the State rather than requiring customers to work separately through multiple state agencies. It will also provide enhanced features to guide the customer through the process while avoiding duplicative data entry.

## PROJECT GOALS/MILESTONES

Based on initial planning efforts for Phase II that are already underway, the program team has developed the following roadmap estimating the development and release of planned features in FY23 if this request is favorably reviewed. This roadmap will undergo additional refinement as detailed requirements gathering occurs. As the program continues to receive user feedback, the program will continually reevaluate the roadmap to ensure the delivered features best align with citizen needs.

### FY23 Business One Stop Roadmap

Business One Stop Roadmap				
FY23	Q1	Q2	Q3	Q4
ACC	<div> <div>Phase 1 - Design</div> <div>Phase 2 - Planning</div> </div>	<div>Form for capital request to state</div> <div>Open record and document request</div> <div>PI: Principal/ officer search</div> <div>State Agent registration</div> <div>Certificate of Discharge</div>	<div>PI: Operations, log files, Phase 3 planning</div> <div>Open to Check Agent Account</div> <div>Change PI</div> <div>Using Affidavit of Publication</div>	<div>File Annual LLP report on request ext.</div> <div>Centralized digital communications</div>
ADOR		<div>PI: Account Protection</div> <div>PI: Refuse a log of data request / important documents</div> <div>PI: Principal/ officer search</div>	<div>PI: Intake return (LPR)</div>	<div>Centralized digital communications</div>
ADOT		<div>Best in class UI</div> <div>PI: Refuse planning resources</div>	<div>Principal/ officer search</div>	<div>Change PI</div> <div>Help Center</div>
SOS		<div>PI: Systematic LP, LLP &amp; LLPF fees</div> <div>PI: Active partnership linkage</div> <div>PI: Trade name officer linkage</div> <div>PI: API monitoring</div> <div>Renew trade mark</div> <div>Renew trade name</div> <div>Change PI</div>		<div>File annual report (LLP &amp; LLPF)</div> <div>Centralized digital communications</div>
New Agency / Board		<div>Vetting new partners</div>	<div>Kick off agreements and research</div>	<div>File annual report</div> <div>Planning - Checklist &amp; Fee est.</div>
Local Govt		<div>Vetting new partners</div>	<div>Kick-off agreements and research</div>	<div>File annual report</div> <div>Planning - Checklist &amp; Fee est.</div>

## PROJECT COST DETAIL <sup>1</sup>

**Professional Services** - This category includes the resources necessary to develop Business One Stop, including IV&V, Designers, Developers, UI/UX developer, Testers, DevOps, Security expert, Senior Architect, DBA, Business Analyst, Business SME, Product owner. \$5,898,881

**Program Management** - This category includes the resources necessary to run the program, including a Program Manager, Project Manager, Business Analyst, and . \$677,952

**Maintenance** - Production support, Maintenance support, Feature enhancement \$1,008,800

**Infrastructure** - Network, Storage and Disaster recovery costs. \$61,327

**Software** - 3rd party license costs, Automated Testing tools, Traffic Analytics tools, Application performance analytics tools, Bug tracking software, Code repository tool \$39,920

**Miscellaneous Costs**- Marketing and branding, Penetration testing, Performance testing \$71,948

**Total** \$7,758,828

<sup>1</sup> The previously reviewed budget does not need to change based on the expanded scope in this request.

# ARIZONA

DEPARTMENT OF ADMINISTRATION  
ARIZONA STRATEGIC ENTERPRISE TECHNOLOGY

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**Agency:** Arizona Health Care Cost Containment System

**Project:** PMMIS Replacement (aka MES Modernization)

**Appropriation:** AHCCCS Operating Lump Sum – System Integrator Funding

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## CURRENT REQUEST

Pursuant to Laws 2022, Chapter 313, Section 10, the Department of Administration, on behalf of the Arizona Health Care Cost Containment System (AHCCCS), is requesting favorable review of \$1,755,600 to contract the services of a Systems Integration (SI) provider to transition Prepaid Medicaid Management Information System (PMMIS) to a new platform. The new system will enable AHCCCS to comply with rules and cybersecurity requirements established by the Centers for Medicare and Medicaid Services (CMS). The SI provider will be responsible for the integration and testing of system modules, as well as monitoring and adjusting modules for continuous operation.

FUND	FY 2023 Appropriation	FY 2023 Favorably Reviewed	FY 2023 Current Request	FY 2023 Not Yet Reviewed
General	\$500,000	\$0	\$92,400	\$407,600
Federal EA	\$9,000,000	\$0	\$1,663,200	\$7,336,800

## PROJECT DESCRIPTION

### Background

AHCCCS serves over 2.4 million members and 109,000 providers with a Prepaid Medicaid Management Information System (PMMIS) that was designed and implemented over thirty (30) years ago. The homegrown system uses technology that is no longer taught in schools and is becoming impossible to find resources to support. AHCCCS must transition PMMIS to a new platform that follows the modernization modularity rules and cybersecurity requirements established by the Centers for Medicare and Medicaid Services. Further, the new system must be sustainable into the future with the technology necessary to provide the flexibility, agility, scalability, and data security required by AHCCCS and its governing bodies.

### Solution

AHCCCS requires the ongoing services of a Systems Integration (SI) provider to remain in compliance with CMS modernization modularity and cybersecurity requirements. In the initial building phase, the SI provider will be responsible for the integration of modules and providing technical oversight for the PMMIS program to validate all modules are integrated and tested end-to-end ensuring a successful, timely, and cost-effective completion. In addition, the SI provider will establish technical standards and perform project oversight. The SI provider will also be responsible for monitoring all connections between different modules (provider enrollment, claims, encounters, prior authorizations, etc.) and for adjusting when necessary to ensure smooth continuous operation.

There are two primary components of the project:

- 1) Requirements Development



- The FY22 Appropriation included funding to contract with a vendor for the development of a roadmap for the replacement of the PMMIS (MES) System. AHCCCS has contracted with NTT Data to complete this task.
- In order to leverage the experience and knowledge of the NTT team that is developing the final roadmap, AHCCCS intends to contract with NTT for the development of the SI requirements and to provide SI planning and procurement support.
- The NTT DATA team will work collaboratively with AHCCCS to process, gather, organize, prioritize, document, validate, trace, store and maintain all requirements for a Systems Integration solution. The Project Manager and Systems Analyst will organize and support SI planning and procurement activities, engaging the SI Advisory and Procurement Advisory consultants as needed. This will result in an SI solution to support the Medicaid Enterprise Systems (MES) needs.
- Timeline:

Project Schedule	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10
Tasks	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Initiation										
Specifications and SOW Development										
CMS Review and Approval (as required)										
SOW Release and Response										
Evaluation										
Contract Award										
Maintain Roadmap Documentation										
Business Process Improvement Planning										
Develop and Maintain Roadmap Integrated Schedule										
APD Development										

## 2. Procurement

- NTT DATA will work collaboratively with AHCCCS to create the requirements to support the SI Solution Scope of Work. Once reviewed, the drafted, vetted, and validated requirements can be transferred into a Request for Proposal (RFP) template.

## PROJECT GOALS/MILESTONES

Description	Start Date (Est.)	End Date (Est.)	Duration (weeks/months)
Initiation	9/1/22	9/30/22	1 month
Specifications and SOW Development	9/1/22	11/30/22	3 months
CMS Review and Approval	12/1/22	1/31/23	2 months
SOW Release and Response	2/1/23	3/31/23	2 months
Evaluation	4/1/23	5/30/23	2 months
Contract Award	6/1/23	6/31/23	1 month
Maintain Roadmap Documentation	2/1/23	6/31/23	5 months
Business Process Improvement Planning	2/1/23	6/31/23	5 months
Develop and Maintain Roadmap Integrated Schedule	2/1/23	6/31/23	5 months

## PROJECT COST DETAIL

Professional Services - AHCCCS & NTT staff - Requirements Development	\$1,755,600
<b>Total Development Cost for FY23</b>	<b>\$1,755,600</b>

Based on the requirement, development, and procurement timelines, it is unlikely that the full FY 2023 appropriation will be utilized. AHCCCS has included a request in the FY 2024 Budget Submittal related to ongoing funding associated with the System Integrator.

# ARIZONA

DEPARTMENT OF ADMINISTRATION  
ARIZONA STRATEGIC ENTERPRISE TECHNOLOGY

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**Agency:** Department of Revenue

**Project:** State Tax Accounting and Reconciliation System (STARS)  
Pre Contract Award Preparation

**Appropriation:** Integrated Tax System Modernization

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## CURRENT REQUEST

The Department of Administration on behalf of Department of Revenue, is requesting favorable review of \$870,900 appropriated from the Automation Projects Funds in FY 2023 to complete the non-development costs of the STARS Pre Contract Award Preparation project.

FY 2023 Appropriation	FY 2023 Favorably Reviewed	FY 2023 Current Request	FY 2023 APF Remaining Balance
\$15,819,800	\$0	\$870,900	\$14,948,900

## PROJECT DESCRIPTION

### ***Background***

The Arizona Department of Revenue is requesting funding to perform Pre-RFP award preparation activities for its integrated tax system modernization project. This funding will be utilized to fund six dedicated Full Time Employees (FTEs) and contractors that will solely focus on preparation activities up to the award of the solicitation. This funding request includes additional computer equipment to be utilized by the selected vendor's staff to implement the final solution.

### ***Solution***

This funding request will be used for the following:

### **Professional Services**

- **3 - FTE Business Subject Matter Experts (SME):** These business subject matter experts will participate in STARS preparation activities. These activities will include:
  - Participating fully in the procurement process by being available to provide timely responses for Offeror's questions and participating in the Evaluation committee that will be tasked to evaluate and score bids.
  - Data Preparation: The Department has received feedback during its benchmarking interviews that data preparation is a must. The dedicated SMEs will lead the data cleansing and profiling efforts needed to be prepared for the vendor to come onsite.
  - Forms, Reports and Correspondence Review: The Department has received feedback during its benchmarking interviews that tax form, reports and correspondence preparation is a long process that must be started early. These efforts will include inventorying, revising and reformatting and making a determination on what items will be migrated to the new ITS.
  - Other Preparation Activities: The Business SMEs will also participate in other preparation activities such as developing the communication and change management plan.

- **1 - FTE SR. Project Manager:** The assigned Project Manager will be responsible for managing all phases of the Project Management Life Cycle (PMLC). Prior to the RFP award the Project Manager will prepare planning tasks to immediately begin work with the selected vendor.
- **1 - FTE SR. Business Analyst:** The assigned Business Analyst will support planning and documentation efforts associated with the PMLC in preparation for the project kickoff.
- **1 - FTE SR. Procurement Specialist:** The assigned Senior Procurement Specialist will assist and be the backup for the ADOR Chief Procurement Officer, assist in the interaction with the State Procurement Office with all the contracting, vendor(s) management procurement processes during the project.

The current ADOR Procurement Office is a team of 2, and given the complexity and scale of STARS, not having a dedicated procurement specialist to STARS would be putting the project at risk from a Project perspective.

#### Other Operating Expenditures - Contractor Services

- **1 - Program Manager:** Reporting to and under the supervision of the STARS Executive Sponsor, the Program Manager will coordinate projects needed to reach the targeted goals. It is important that this position is funded before the project commences so they can be adequately prepared.
- **2 - Extract, Load, Transform (ETL):** The ETL Contractors will work with the business Subject Matter Experts (SMEs) in preparing the agency's data for migration.
- **2 - HR Analyst Advanced:** These contractors will be participating in recruitment, class and compensation, general Human Resource (H.R.) duties pertaining to project staffing.

#### Hardware

The Department is requesting funding for 30 workstations to be used by the selected vendors staff in the implementation project. The vendor will be required to use ADOR issued equipment as the Department's security requirements do not allow for external access to the ADOR network by non-ADOR equipment. This request is being made earlier than normal to account for the current issues in the supply chain.

#### Benefits

This funding will ensure that the Department is properly prepared for the award and on-boarding of the selected vendor.

#### **PROJECT GOALS/MILESTONES**

Description	Start Date (Est.)	End Date (Est.)	Duration (weeks/months)
<b>Procurement:</b> RFP Refinement Period	08/01/2022	08/31/2022	1 Month
<b>Procurement:</b> RFP Procurement Process Phase 1 -- Vendor Bidding and Responses	10/03/2022	11/03/2022	1 Month
<b>Procurement:</b> RFP Procurement Process Phase 2 -- Evaluation	11/07/2022	03/03/2023	4 Months
<b>Procurement:</b> RFP Procurement Process Phase 3 -- Contract Award	03/06/2023	03/16/2023	2 Weeks
<b>Legacy Data Preparation :</b> Data Cleansing and Profiling	08/01/2022	04/28/2023	9 Months

<b>Form Data Preparation</b> : Form, Reports and Correspondence Review	08/01/2022	04/28/2023	9 Months
<b>Budget &amp; Finance:</b> Cash Flow Planning & Integrated Tax System Fund Invoicing	08/01/2022	09/30/2022	2 Months
<b>Budget &amp; Finance:</b> Receive Revenues and Complete Revenue Accounting Procedures for Deposits	10/03/2022	12/30/2022	3 Months
<b>Human Resources</b> : Onboard Pre-Contract Award FTEs	10/03/2022	12/30/2022	3 Months
<b>People and Communications:</b> Communication and Change Management Planning	08/01/2022	04/28/2023	9 Months

#### PROJECT COST DETAIL

<b>Professional Services</b> - Full Time Employees	\$450,100
<b>Other Operating Expenditures</b> - Contractor Services	\$347,400
<b>Hardware</b> - Computers, monitors and docking stations	\$73,400
<b>Total Non-Development Cost for FY 2023</b>	<b>\$870,900</b>

Approver Name

Approver Signature

Date

\_\_\_\_\_

\_\_\_\_\_

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STATE OF ARIZONA

## Joint Legislative Budget Committee

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**DATE:** September 14, 2022

**TO:** Members of the Joint Legislative Budget Committee

**FROM:** Maggie Rocker, Fiscal Analyst  
Chandler Coiner, Fiscal Analyst

**SUBJECT:** AHCCCS/Department of Economic Security - Review of Capitation Rate Changes for Plan Year 2023

### Request

Pursuant to an FY 2023 General Appropriation Act footnote, the state's Medicaid agencies must present their plans to the Committee for review prior to implementing any changes in capitation rates. The request includes CYE 2023 capitation rates (October 2022 – September 2023) for the Arizona Health Care Cost Containment System (AHCCCS) and the Department of Economic Security's (DES) Arizona Long Term Care System (ALTCS) program.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the capitation rates.
2. An unfavorable review.

### Analysis

The Federal government agrees to pay a flat per-member, per-month amount for each type of Medicaid enrollee.<sup>1</sup> Below, we discuss proposed changes to capitated programs within AHCCCS and DES.

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<sup>1</sup> The capitation rates are updated annually for changes in utilization and unit costs, as well as AHCCCS fee schedule changes and programmatic adjustments. Federal regulations require that AHCCCS establish rates that are "actuarially sound," meaning that the rates "are projected to provide for all reasonable, appropriate, and attainable costs that are required under the terms of the contract" with the managed care plan. The proposed rates must be certified by an actuary and approved by the federal Centers for Medicare and Medicaid Services (CMS), among other requirements specified in federal law.

(Continued)

### **Key Points**

- 1) AHCCCS is proposing a capitation adjustment across the state's Medicaid programs, both within AHCCCS and DES – Developmental Disabilities (DD).
- 2) The rates increases are within budget.
- 3) The rates incorporate funding for legislatively enacted rate and benefit changes from the FY 2023 budget, including:
  - Long-term care provider rate increases (skilled nursing and home and community-based services) of 11% in aggregate.
  - OBGYN provider increase of 88%.
  - Behavioral health outpatient provider increase of 2.3%.
  - AHCCCS coverage for chiropractic care and diabetes self-management training.

### AHCCCS Rate Adjustment

Within AHCCCS, the rates are increasing by approximately \$81.5 million Total Funds in Contract Year Ending 2023 (October 1, 2022 through September 30, 2023). Unless otherwise specified, the dollar values in this memo represent Total Funds. The rates are within budget.

The capitation rate increase consists of the following components:

1. Provider Rate Increases and Benefit Additions: An increase of \$253.9 million is associated with provider rate increases and benefit additions. This amount includes:
  - \$226.4 million to increase provider reimbursement rates for Home and Community-Based Services (HCBS) and Skilled Nursing Facilities by 11% in aggregate. This amount also includes a 2.3% aggregate increase for outpatient behavioral health providers and an 88% increase to the 4 global OBGYN codes. The Legislature included funding for these adjustments in the enacted FY 2023 budget.
  - \$27.5 million for additional benefits and programmatic changes as required by the FY 2023 budget. This amount includes \$16.1 million to establish coverage for chiropractic services and approximately \$3.5 million for coverage of diabetes self-management training.
2. All Other Changes: \$(186.8) million is for all other changes to capitation rates. This decrease is primarily associated with utilization of existing services being lower than assumed when developing prior capitation rates. The CYE 2023 capitation rates were calculated based on actual utilization of services from CYE 2021 (October 1, 2020 through September 30, 2021), adjusted for future anticipated utilization increases. According to AHCCCS actuaries, service utilization during the CYE 2021 base period may have been lower compared with prior years due to the federally declared COVID-19 public health emergency, which prohibited AHCCCS from disenrolling members who signed up for Medicaid during the pandemic. The actuaries expect some members who would have otherwise been disenrolled from the program "have the potential to be otherwise insured, or healthier than average than an 'ordinary' Medicaid member," which may have served to lower overall utilization during CYE 2021.

While the actuaries applied an "acuity adjustment" to the rates to reflect expected higher average utilization after the end of the public health emergency and associated enrollment decreases, the

(Continued)



net impact of using the CYE 2021 utilization data is still a reduction in comparison to current capitation rates.

DES – DD Rate Adjustment

AHCCCS is also requesting to adjust capitation rates for the DD program administered by DES. In total, the rates will increase \$285.8 million Total Funds in CYE 2023.

The DD increase includes the following components:

1. Provider Rate Increases and Benefit Additions: \$205.7 million for an increase to provider reimbursement rates for HCBS, Skilled Nursing Facilities, and behavioral health providers, as well as additional benefits. This includes:
  - This reflects a 12-16% rate increase across services, including attendant care and group homes. It also includes an increase for the same services typically impacted by minimum wage beginning January 1, 2023.
  - A rate increase of 8% for therapy services, nursing services, nursing supported group homes, and developmental homes.
  - \$1.8 million for benefit additions (e.g. adult chiropractic services).

The JLBC Staff estimates the \$205.7 million in increases will have a General Fund cost of approximately \$59.4 million in CYE 2023. The overall magnitude of the rate increases is consistent with legislative intent. Laws 2022, Chapter 313 appropriated \$64.8 million from the General Fund for these provider rate increases in FY 2023.

2. All Other Changes: \$82.7 million for all other changes to capitation rates, including:
  - \$62.4 million increase for rebase, utilization and unit cost trends, and other miscellaneous adjustments. While there was a decline in overall utilization during COVID-19, utilization shifted from less expensive services to more cost-intensive services. This component assumes utilization will start returning to those less expensive services, as observed pre-pandemic.
  - \$20.3 million for administration costs, much of which reflects a 10% salary increase for DD administrative staff and caseload managers funded in the FY 2023 enacted budget.

MR/CC:lm

August 29, 2022

The Honorable David Gowan, Chairman  
Joint Legislative Budget Committee  
1700 W Washington St.  
Phoenix, Arizona 85007



Dear Senator Gowan:

The Arizona Health Care Cost Containment System (AHCCCS) has completed its actuarial analysis of Managed Care Organization (MCO) capitation rates that are effective beginning October 1, 2022 and respectfully requests to be placed on the agenda of the next JLBC meeting to review these rates.

In accordance with federal regulations, MCO capitation rates must be actuarially sound and must be approved by the Centers for Medicare and Medicaid Services (CMS). They must cover the anticipated costs for providing medically necessary services to AHCCCS members. As such, capitation rates are developed to reflect the costs of services provided as well as utilization of those services by AHCCCS members. Capitation rate trends reflect a combination of changes in cost and utilization, calculated as a per member per month (PMPM) expenditure to AHCCCS Contractors [including other state agencies, the Arizona Department of Economic Security/Division of Developmental Disabilities (DES/DDD) and the Department of Child Safety Comprehensive Health Plan (DCS CHP)].

Capitation rates are certified by actuaries when a new program is established. Rates must also be recertified every year to coincide with MCO annual contract periods. AHCCCS contracts are awarded on an October 1 through September 30 schedule.

In addition to the annual rate development, the capitation rates must be amended mid-year when action occurs that is expected to impact the MCOs' expenses by a material amount (as determined by the actuaries) and a rate adjustment is required to maintain actuarial soundness. AHCCCS strives to mitigate the need for mid-year capitation adjustments whenever possible, but has identified several reasons why such action might be necessary during Contract Year Ending (CYE) 2023:

- An adjustment factor has been included in this year's capitation rates to reflect the unwinding of the public health emergency (PHE) due to COVID-19. If the actual end date of the PHE varies significantly from our assumed end date then this could result in over-or-under-funded capitation rates.
- AHCCCS is currently negotiating the renewal of its five-year Demonstration project (waiver) under Section 1115 of the Social Security Act. AHCCCS' existing waiver was extended through September 30, 2022, and is seeking a renewal period from October 1, 2022 through September 30, 2027. CMS is expected to approve the waiver in mid-to-late-September - too late to be considered in the development of the CYE 2023 capitation rates.
- The reinvestment of funds generated from enhanced federal funding authorized under the American Rescue Plan (ARP) Act to strengthen Home and Community Based Services (HCBS) continues through 2024. State procurement rules and planning efforts cannot be delayed to a later year in order to align with the capitation development time frame due to the constricted period to expend the funds.

This letter details the annual renewal of rates for CYE 2023 from October 1, 2022 through September 30, 2023 for the following programs:

- AHCCCS Complete Care (ACC),
- AHCCCS Complete Care - Regional Behavioral Health Agreement (ACC-RBHA),
- Arizona Long Term Care System/Elderly and Physical Disability (ALTCS-EPD),
- DCS CHP, and
- ALTCS-DD (DES/DDD).

Prior to October 1, 2022, the standalone RBHA program provided integrated physical health and behavioral health services to most members with a Serious Mental Illness (SMI) designation, as well as crisis-only behavioral health services to all AHCCCS members, regardless of plan/program of enrollment. Effective October 1, 2022, these unique RBHA services are incorporated into the ACC program through specific ACC MCOs (one in each of the three regions of the state) referred to as ACC-RBHA MCOs. For the purposes of conveying capitation rate impacts specific to these RBHA services, ACC-RBHA is referred to as a program hereafter.

Before implementing the new capitation rates, AHCCCS is reporting its expenditure plan for review by the JLBC. This letter summarizes the capitation rates and their associated financial impacts.

### **Background and Summary**

Rates outlined in this letter were submitted to CMS to be effective October 1, 2022. The utilization and unit cost trends for all programs are detailed in the attached actuarial certifications. Anticipated increases in utilization of existing covered services attributable to specific initiatives or policy guidance are separately detailed. Provider rate adjustments and program changes are also identified.

In CYE 2023, capitation rates for all programs include three major categories of capitation rate growth:

- Baseline non-COVID-19 capitation rate growth, which is driven primarily by the change in base data as well as utilization and unit cost trends,
- Baseline COVID-19 capitation rate growth, which is driven by the projected end of the PHE (currently estimated to occur during CYE 2023), and
- Non-baseline capitation rate growth, which is due to program changes authorized by the Legislature via Laws 2022, Chapter 313, including:
  - Funding attributable to the October 1, 2022 rate increases for Home and Community Based Services (HCBS) and Nursing Facility (NF) stays, and behavioral health outpatient providers,
  - Funding to increase four global OBGYN codes, and newborn screening fee increases, effective October 1, 2022,
  - Additional benefits including adult chiropractic services and diabetes self management training, and
  - Salary increases for state agencies, where applicable.
  - Note: Program changes including extended eligibility for postpartum care coverage, eligibility redeterminations for older foster care youth, and KidsCare eligibility extension impact population projections, and thus overall budget, but have an immaterial impact on specific capitation rates.

Table I displays the overall baseline non-COVID-19 capitation rate growth for all AHCCCS programs, including DES/DDD, as a (1.5 percent) decrease as shown in “Column 1.” Table I also includes data detailing baseline COVID-19 capitation changes which account for a 0.7 percent increase for all AHCCCS programs, including DES/DDD, as shown in “Column 2.”

The combined, overall baseline capitation rate decrease (non-COVID-19 and COVID-19) for all AHCCCS programs, including DES/DDD, is (0.9 percent). See “Column 3” for overall baseline capitation impacts by program. The baseline capitation rate growth intended by the Legislature for SFY 2023 was 3.1 percent for AHCCCS and DES/DDD, as reported in the *JLBC FY 2023 Baseline Budget*. AHCCCS will continue to evaluate enrollment trends to determine if a budgetary shortfall is anticipated as a result of capitation and enrollment growth rates, though no concerns are noted at this time.

Additionally, non-baseline capitation rate adjustments in CYE 2023 are included to account for several program changes authorized by the Legislature. Of these, HCBS and nursing facility rate increases have the largest impact on the capitation rates. The impact of the authorized legislative funding on capitation rates is 3.3% and is displayed in Table I, “Column 4.” Including both baseline and non-baseline items, overall capitation rate growth for AHCCCS programs, including DES/DDD, is 2.4 percent as shown in “Column 5.”

**Table I. CYE 2023 Capitation Rate Changes**

Program	CYE 2023 Change from CYE 2022 Rates				
	1	2	3	4	5
	Baseline Non-COVID-19	Baseline COVID-19	Baseline Total	Non-Baseline Chgs <sup>1</sup>	Total
ACC	-2.3%	0.9%	-1.4%	0.9%	-0.5%
ACC-RBHA	-2.0%	0.6%	-1.4%	1.3%	0.0%
DCS CHP	-5.5%	1.1%	-4.4%	2.3%	-2.2%
EPD	-1.5%	0.1%	-1.4%	10.4%	9.0%
AHCCCS Total	-2.3%	0.8%	-1.5%	2.1%	0.6%
ALTCS-DD <sup>2</sup>	2.1%	0.1%	2.1%	9.0%	11.1%
TCM	6.4%	0.0%	6.4%	13.1%	19.5%
DES/DDD Total	2.1%	0.1%	2.2%	9.0%	11.2%
AHCCCS and DES/DDD Total	-1.5%	0.7%	-0.9%	3.3%	2.4%

<sup>1/</sup> Includes funding for the October 1, 2022 rate increase for program changes authorized by the Legislature via Laws 2022, Chapter 313

<sup>2/</sup> CYE 2022 rate reflects the ALTCS-DD rate as of 1/1/22.

### Drivers of Baseline Non-COVID-19 Impact

Overall non-COVID-19 baseline decrease of (1.5 percent) in the capitation rates is attributable to the following factors, which are described more fully in subsequent pages:

1. Rebase – Adjustments to medical expenses to reflect more recent incurred experience account for a net increase of 2.6 percent.
2. Trend – The assumed change in utilization and unit cost trends for medical services accounts for a decrease of (1.7 percent).
3. Reinsurance Deductible – AHCCCS is increasing the standard reinsurance deductible from \$50,000 to \$75,000 for an increase of 0.4 percent.
4. Administration, Case Management, and Care Management – Adjustments to the non-benefit component of the rates to reflect the costs to administer and manage the programs account for an increase of 0.3 percent.
5. Other – Factors such as adjustments to fee schedules and differential provider rates, MCO pharmacy rebates, and Proposition 206 account for a decrease of (3.2 percent).

The relative impacts of each of these drivers on the capitation rates for each program are summarized in Table II below.

**Table II. CYE 2023 Capitation Rate Change by Component - Baseline Non-COVID-19**

Program	Rebase (Services)	Trend (Services)	Reins. Deductible	Admin, Care Mgt, Case Mgt	Other	Baseline
ACC	1.1%	-2.4%	0.6%	0.5%	-2.1%	-2.3%
ACC-RBHA	-2.2%	-1.8%	0.1%	-0.4%	2.3%	-2.0%
DCS CHP	-3.8%	-0.7%	0.5%	1.3%	-2.8%	-5.5%
EPD	6.7%	-0.9%	0.0%	0.1%	-7.4%	-1.5%
ALTCS-DD	9.2%	0.4%	0.2%	-0.2%	-7.5%	2.1%
<b>Total</b>	<b>2.6%</b>	<b>-1.7%</b>	<b>0.4%</b>	<b>0.3%</b>	<b>-3.2%</b>	<b>-1.5%</b>

#### *Rebase and Trends*

Capitation rates for all programs were rebased using actual experience incurred for the period of October 1, 2020 through September 30, 2021. Across all programs, this adjustment results in a net change of 2.6 percent.

The inclusion of funding associated with increases for medical expense utilization and inflation is required in order to ensure that capitation rates are actuarially sound. The certifying actuaries developed and applied utilization and unit cost trends for categories of service primarily based on actual experience incurred during the period October 1, 2017 through September 30, 2021. Across all programs, the anticipated impact to capitation rates attributable to medical trend is a decrease of (1.7 percent). Part of the reason for the decrease, aside from lower trend rates, is due to a reduced time frame between the base period and the rating period compared to the prior year rates. In development of the CYE 2022 rates, an atypically long gap between the base and rating periods was necessary to avoid the artificially depressed

utilization associated with the initial COVID-19 period - resulting in a greater number of months (33) for which trend was applied. The CYE 2023 rate development returns to a more typical gap (24 months) between the base and rating periods. This reduced time frame decreased the impact of compounding associated with medical trends in the CYE 2023 capitation rates.

As displayed in Table III, a key driver of medical trend is pharmacy, which is expected to grow at a trend rate of 3.8 percent, which is lower than prior years. Pharmacy trend growth is responsible for 0.4 percent of overall capitation rate growth. Another driver is a physician and professional medical services trend of 3.0 percent, which is responsible for 0.4 percent of overall capitation rate growth.

**Table III. CYE 2023 Capitation Trends by Category of Service (COS)**

	<b>% Contribution to Cap Rate Change</b>	<b>Trend Rate</b>
<b>ACC, ACC-RBHA, and CHP Programs</b>		
Pharmacy	0.4%	3.8%
Physician/Professional/Medical Services	0.4%	3.0%
Inpatient Hospital and Nursing Facility	0.3%	2.7%
Outpatient Hospital	0.3%	3.9%
Community Health Centers	0.1%	3.4%
Transportation	0.0%	2.0%
Other	0.1%	2.2%
<b>Sub-Total Non-ALTCS Trend</b>	<b>1.8%</b>	<b>3.1%</b>
<b>ALTCS EPD and ALTCS-DD Programs</b>		
Home and Community Based Services	0.3%	2.0%
Acute Care & Behavioral Health	0.2%	2.7%
Nursing Facilities and Institutions	0.1%	2.1%
<b>Sub-Total ALTCS Trends</b>	<b>0.7%</b>	<b>2.2%</b>
<b>TOTAL TRENDS ALL COS</b>	<b>2.3%</b>	<b>2.8%</b>

Note: Totals may not add due to rounding

#### *Reinsurance Deductible*

Effective October 1, 2022, AHCCCS is increasing the standard reinsurance deductible from \$50,000 to \$75,000, which will impact all MCOs. Across all programs, this adjustment results in a net change of 0.4 percent. However, this is a budget neutral impact to AHCCCS.

Reinsurance is a risk-sharing arrangement with the MCOs for the reimbursement of certain service costs incurred for a member beyond a predetermined monetary threshold (deductible). The increase in the deductible level shifts more risk to the MCOs and thus increases their financial incentives to promote long term cost containment. By moving this additional up-front risk to MCOs, a one-time corresponding increase to capitation rates is necessary to maintain actuarial soundness.

### *Administration, Care Management, and Case Management*

Across all programs, the adjustment of rates to address the costs to administer the programs and manage care for enrollees accounts for a net change of 0.3 percent. Specific items are described further in the program information summarized below.

### *Other Factors*

AHCCCS makes adjustments to provider rates based on access to care issues; based on Medicare rate adjustments when rates are tied to Medicare; to differentiate providers who support actions that improve patients' care experience, improve members' health, and reduce cost of care growth; and to meet federal or state requirements. Furthermore, utilizing more recent base data in the development of the CYE 2023 capitation rates results in fewer adjustments needing to be applied to the base, thus reducing the impact of program changes when compared to the CYE 2022 rates. The impact on overall AHCCCS capitation rates from these provider rate adjustments is a decrease of (3.6 percent). In addition, rates are increased 0.4 percent for other programmatic changes. The combined impacts of these rate development components is a decrease of (3.2 percent).

### **Drivers of Baseline COVID-19 Rate Change**

Following national and state emergency declarations in March 2020, AHCCCS sought authority from CMS to implement numerous program flexibilities in response to the COVID-19 pandemic. These flexibilities are reflected in the base data used to develop the CYE 2023 capitation rates, and there were no adjustments needed within the rates since all flexibilities which had a material impact on the base data have been extended either via ARP (e.g., parents as paid caregivers) or legislative action (e.g. price parity for telehealth services). However, there are other COVID-19 impacts due to the upcoming unwinding of the PHE.

The overall COVID-19 baseline increase of 0.7 percent in the capitation rates is driven by the expectation that lower cost members will disenroll from Medicaid during CYE 2023, which causes an increase in the average cost profile of Medicaid members. To account for this change in the average cost profile, AHCCCS actuaries applied acuity adjustment factors to the rates.

The acuity adjustment factors are applied to the ACC and ACC-RBHA rates. The acuity adjustment factors incorporated into capitation rate development assume a PHE end date of January 2023 with redeterminations starting in February 2023. If the PHE ends on a different date than assumed, AHCCCS intends to review the acuity factor model with the final PHE end date and adjust the capitation rates for revised acuity adjustment factors if deemed appropriate. If capitation rates are adjusted, a new contract with the revised capitation rates will be submitted, and if the change results in a capitation rate for any rate cell changing by more than the +/- 1.5% (*de minimis* allowable by CMS without recertification), an amended actuarial certification will be submitted.

Note that the CYE 2023 capitation rates do not include costs for administration of COVID-19 vaccines, as these are funded with a 100 percent federal match rate, which is consistent with how this was handled for the CYE 2022 capitation rates. During the PHE to date, payers do not incur any costs for the vaccine itself thus there is no vaccine expense for AHCCCS in the capitation rates. Should this policy change at the federal level, AHCCCS would need to revisit potential impacts.

### **ACC Renewal Rates**

The CYE 2023 renewal rates for ACC reflect a baseline decrease of (1.42 percent) and a non-baseline increase of 0.90 percent for an overall decrease of (0.53 percent) from the most recently submitted rates effective October 1, 2021. Several factors contributed to the baseline change:

- (1.27 percent) for rebase and trend adjustments
- 0.56 percent for the reinsurance deductible change
- (2.99 percent) for provider reimbursement changes (fee schedule and differential provider rates)
- 0.51 percent for administration cost changes
- 0.95 percent for other program changes including MCO pharmacy rebates
- 0.91 percent for COVID-19-related measures

The non-baseline increase of 0.90 percent is attributable to program changes authorized by the Legislature with the following changes being the most impactful for ACC:

- The October 1, 2022 rate increases for Home and Community Based Services (HCBS) and Nursing Facility (NF) stays, and behavioral health outpatient providers, and
- Increases for four global OBGYN codes, and
- Chiropractic care services for adults.

Please see Appendix Table 2 for more detail.

#### **RBHA Renewal Rates (now ACC-RBHA)**

The CYE 2023 renewal rates for the risk groups newly integrated into the ACC-RBHA program reflect a baseline decrease of (1.36 percent) and a non-baseline increase of 1.34 percent for an overall decrease of (0.03 percent) from the most recently submitted rates effective October 1, 2021. Several factors contributed to the baseline change:

- (4.02 percent) for rebase and trend adjustments
- (1.67 percent) for provider reimbursement changes (fee schedule and differential provider rates)
- (0.37 percent) for administration cost reductions
- 0.05 percent for the reinsurance deductible change
- 4.05 percent for other program changes including MCO pharmacy rebates
- 0.60 percent for COVID-19-related measures

The non-baseline increase of 1.34 percent is attributable to several program changes authorized by the Legislature with the following changes being the most impactful for ACC-RBHA:

- The October 1, 2022 rate increases for Home and Community Based Services (HCBS) and Nursing Facility (NF) stays, and behavioral health outpatient providers, and
- Chiropractic care services for adults

Laws 2022, Chapter 313 includes a footnote stating:

*"It is the intent of the Legislature that the percentage attributable to administration and profit for the Regional Behavioral Health Authorities be 9 percent of the overall capitation rate."*

The percentage attributable to administration and profit of the actuarially sound CYE 2023 capitation rates and lump sum directed payments, for the unique RBHA services, is 8.1 percent.



Please see Appendix Table 3 for more detail.

#### **DCS CHP Renewal Rates**

The CYE 2023 renewal rates for CHP reflect a baseline decrease of (4.44 percent) and a non-baseline increase of 2.28 percent for an overall decrease of (2.16 percent) from the most recently submitted rates effective October 1, 2021. Several factors contributed to the baseline change:

- (4.53 percent) for rebase and trend adjustments
- (3.02 percent) for provider reimbursement changes (fee schedule and differential provider rates)
- 1.26 percent for administration cost changes
- 0.53 percent for the reinsurance deductible change
- 0.24 percent for other program changes including MCO pharmacy rebates
- 1.09 percent for COVID-19-related measures

The non-baseline increase of 2.28 percent is attributable to several program changes authorized by the Legislature with the following change being the most impactful for DCS CHP:

- The October 1, 2022 rate increase for behavioral health outpatient providers, as appropriated under Laws 2022, Chapter 313

Please see Appendix Table 4 for more detail.

#### **ALTCS-EPD Renewal Rates**

The CYE 2023 renewal rates for ALTCS-EPD reflect a baseline decrease of (1.41 percent) and a non-baseline increase of 10.43 percent, for an overall increase of 9.02 percent from the most recently submitted rates effective October 1, 2021. Several factors contributed to the baseline change:

- 5.81 percent for rebase and trend adjustments
- 0.12 percent for administration and case management
- (3.35 percent) provider reimbursement changes (fee schedule and differential provider rates)
- (0.01 percent) for the reinsurance deductible change
- (4.06 percent) for other program changes including MCO pharmacy rebates
- 0.08 percent for COVID-19 related measures

The non-baseline increase of 10.43 percent is attributable to several program changes authorized by the Legislature with the following change being the most impactful for ALTCS-EPD:

- The October 1, 2022 rate increases for Home and Community Based Services and Nursing Facility stays, as appropriated under Laws 2022, Chapter 313

Please see Appendix Table 5 for more detail.

#### **ALTCS-DD Renewal Rates**

The CYE 2023 renewal rates for ALTCS-DD reflect a baseline increase of 2.14 percent and a non-baseline increase of 8.98 percent for an overall increase of 11.12 percent from the most recently submitted rates effective January 1, 2022. Several factors contributed to the baseline change:

- 9.65 percent for rebase and trend adjustments
- (6.94 percent) for provider reimbursement changes (fee schedule and differential provider rates)
- (0.26 percent) for administrative and case management cost reductions
- 0.22 percent for the reinsurance deductible change
- (0.60 percent) for other program changes
- 0.07 percent for COVID-19-related measures

The non-baseline increase of 8.98 percent is attributable to several program changes authorized by the Legislature with the following two changes being the most impactful for ALTCS-DD:

- The October 1, 2022 rate increases for Home and Community Based Services and Nursing Facility stays, as appropriated under Laws 2022, Chapter 313, and
- Legislatively mandated salary increases for state agency salary increases where applicable, as appropriated under Laws 2022, Chapter 313

Additionally, CYE 2023 rates for targeted case management (TCM) reflect an increase of 19.51 percent from the most recently submitted rates effective October 1, 2021, with the increase driven primarily by the legislatively mandated salary increases.

Please see Appendix Table 6 for more detail.

### **Lump Sum Payments**

In addition to capitation amounts that are paid on a PMPM basis, AHCCCS also makes lump sum payments to MCOs that are associated with specific initiatives. Key initiatives are highlighted and summarized below.

#### *Access to Professional Services Initiative*

The Access to Professional Services Initiative (APSI) provides a uniform percentage increase to reimbursement for qualified practitioners. Under 42 CFR §438.6(c), this is considered a “directed payment” arrangement and is subject to prior approval by CMS. The increase in reimbursement under this initiative ensures access to care for AHCCCS members and will allow providers to achieve quality outcomes, including reducing readmissions and increasing preventative screenings, that help to bend the health care cost curve. APSI provides a uniform percentage increase of 70 percent to otherwise contracted rates for qualified practitioners for all claims for which AHCCCS is the primary payer. The rate increase is intended to supplement, not supplant, payments to eligible providers. The initiative is funded via intergovernmental transfers (IGTs) and no General Fund monies are required. The total estimated payment amount for CYE 2023 is \$203.8 million Total Fund.

#### *Pediatric Services Initiative*

The Pediatric Services Initiative (PSI) is also a directed payment arrangement under 42 CFR §438.6(c) and is subject to prior approval by CMS. PSI provides an estimated uniform percentage increase of 24 percent for hospital services provided by a freestanding children’s hospital or pediatric unit of a general acute care hospital with more than 100 beds. The increase in reimbursement under PSI ensures access to

care for pediatric members and will support provider strategies to manage care for those members with complex conditions. Specifically, this program is anticipated to help reduce unplanned readmissions and hospital-acquired conditions, and thereby bend the health care cost curve. Like APSI, this initiative is funded via intergovernmental transfers (IGTs) and no General Fund monies are required. The total estimated payment amount for CYE 2023 is \$75.0 million Total Fund.

#### *Alternative Payment Model Initiative – Performance-Based Payments*

In CYE 2016, AHCCCS began reimbursing MCOs under the Alternative Payment Model (APM) Initiative-Performance-Based Payments (PBP) Incentive. Under 42 CFR §438.6(a) and (b), these payments are considered an incentive arrangement that provides limited funding to MCOs to support activities that advance the AHCCCS Quality Strategy. The purpose of the initiative is specifically to promote MCO activities that focus on quality improvement and that result in improved health outcomes and cost containment. This initiative is a key component to the AHCCCS goal to pursue and implement long term strategies that bend the cost curve while improving member health outcomes. PBP funding allows MCOs to make incentive payments to providers that meet specific performance objectives or criteria. Excluding DES/DDD, for CYE 2021 the total payment amount, which will be paid during CYE 2023, is estimated to be \$66.5 million Total Fund.

#### *HEALTHII Payments*

Laws 2020, Chapter 46, Section 2 established a new hospital assessment that is deposited into the Health Care Investment Fund and used to make Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII) directed payments to hospitals and to increase base reimbursement for services reimbursed by AHCCCS under the dental fee schedule and physician fee schedule. The HEALTHII payments are made as lump sum payments outside of base capitation rates, and so do not contribute to overall capitation rate growth. The total payments for HEALTHII during CYE 2023 are estimated to be \$1.92 billion, and do not include any General Fund monies.

#### **Cost Avoidance**

AHCCCS' contracted MCOs cost-avoid millions in medical costs in accordance with AHCCCS contracts and policies, which contributes to the modest growth in overall medical expense and capitation rates. The following discussion is provided for informational purposes only, and highlights the historical savings of these activities.

Inherent in the encounter and financial data used by the actuaries to set the capitation rates are unit cost trends which incorporate MCOs' Coordination of Benefits (COB) activities. AHCCCS provides MCOs with verified commercial and Medicare coverage information for their members which they use to ensure payments are not made for medical services that are covered by the other carriers. When MCOs make a payment to cover members' coinsurance, deductibles, or Medicaid-covered services that are not covered by the other carriers, they submit encounters containing these reduced amounts.

Table IV below shows a significant increase in encounter-reported COB cost avoidance from SFY 2008 to SFY 2022 among all MCOs. Those services are excluded completely from capitation rate development. AHCCCS continues to emphasize the importance of COB activities with its contracted MCOs.

#### **Table IV. Coordination of Benefits (COB) Cost Avoidance**

Program	COB Cost Avoidance (Encounters) (millions)		
	SFY 2008	SFY 2022	$\Delta$
ACC	\$391	\$897	↑ by 129%
ACC-RBHA	\$8	\$0	↓ by 100%
ALTCS-EPD	\$130	\$233	↑ by 79%
ALTCS-DD	\$16	\$71	↑ by 344%
DCS CHP	\$0.0075	\$0.24	↑ by 3,100%
Total	\$545	\$1,201	↑ by 117%

The actuarial certifications for the rates are attached. Should you have any questions on any of these issues, please feel free to contact Colby Schaeffer, Chief Actuary, at [colby.schaeffer@azahcccs.gov](mailto:colby.schaeffer@azahcccs.gov).

Sincerely,



Jami Snyder  
Director

cc: The Honorable Regina Cobb, Vice Chairman, Joint Legislative Budget Committee  
Richard Stavneak, Director, Joint Legislative Budget Committee  
Art Harding, Director of Legislative Affairs, Governor's Office  
Matthew Gress, Director, Office of Strategic Planning and Budgeting  
Cameron Dodd, Budget Analyst, Office of Strategic Planning and Budgeting

**TABLE 1A**  
**CYE 2023 MEDICAID CAPITATION RATES**

Program	CYE 22 Rate			CYE 23 Rate				CYE 23 Change from CYE 22 Rates				
	Non-COVID	COVID	Total	Baseline Non-COVID	Baseline COVID	Non-Baseline <sup>1</sup>	Total	Baseline Non-COVID	Baseline COVID	Baseline Total	Non-Baseline Chgs <sup>1</sup>	Total
ACC	\$ 419.70	\$ 0.98	\$ 420.69	\$ 409.87	\$ 4.83	\$ 3.77	\$ 418.47	-2.3%	0.9%	-1.4%	0.9%	-0.5%
RBHA	\$ 57.44	\$ 0.22	\$ 57.65	\$ 56.30	\$ 0.56	\$ 0.77	\$ 57.64	-2.0%	0.6%	-1.4%	1.3%	0.0%
CHP	\$ 1,310.27	\$ 11.95	\$ 1,322.22	\$ 1,237.19	\$ 26.34	\$ 30.12	\$ 1,293.65	-5.5%	1.1%	-4.4%	2.3%	-2.2%
EPD	\$ 4,824.84	\$ -	\$ 4,824.84	\$ 4,753.06	\$ 3.74	\$ 503.32	\$ 5,260.12	-1.5%	0.1%	-1.4%	10.4%	9.0%
AHCCCS Total								-2.2%	0.8%	-1.5%	2.1%	0.6%
DD 2	\$ 5,435.55	\$ -	\$ 5,435.55	\$ 5,548.32	\$ 3.57	\$ 487.95	\$ 6,039.85	2.1%	0.1%	2.1%	9.0%	11.1%
TCM	\$ 181.02	\$ -	\$ 181.02	\$ 192.55	\$ -	\$ 23.79	\$ 216.33	6.4%	0.0%	6.4%	13.1%	19.5%
DES Total								2.1%	0.1%	2.2%	9.0%	11.2%
AHCCCS and DES Total								-1.5%	0.7%	-0.9%	3.3%	2.4%

<sup>1/</sup> Includes funding for October 1, 2022 rate increases for Home and Community Based Services and Nursing Facility stays, as appropriated under Laws 2022, Chapter 313.

<sup>2/</sup> CYE 22 rate reflects the DES DD rate as of 1/1/22.

APPENDIX TABLE 1B  
CYE23 CAPITATION RATES BY RISK GROUP

		CYE22 Rates		CYE23 Rates			Projected Expenditures:				Change from CYE22 Rates		
ACC	CYE23 Proj MDs	Total	Baseline	Non-Baseline 1/	Total	CYE22 Rates CYE23 Proj MDs	CYE23 Baseline Rates CYE23 Proj MDs	CYE23 Non-Baseline Rates CYE23 Proj MDs	CYE23 Total Rates CYE23 Proj MDs	Baseline	Non-Baseline	Total	
AGE <1	517,571	\$ 669.71	\$ 668.82	\$ 9.76	\$ 678.58	\$ 346,623,300	\$ 346,162,300	\$ 5,052,900	\$ 351,215,200	-0.1%	1.5%	1.3%	
Age 1-20	9,413,982	\$ 212.26	\$ 199.46	\$ 0.84	\$ 200.29	\$ 1,998,195,200	\$ 1,877,679,400	\$ 7,879,100	\$ 1,885,558,500	-6.0%	0.4%	-5.6%	
Age 21+	3,966,790	\$ 411.91	\$ 432.60	\$ 2.38	\$ 434.98	\$ 1,633,938,900	\$ 1,715,992,600	\$ 9,448,600	\$ 1,725,441,200	5.0%	0.6%	5.6%	
Duals	1,384,568	\$ 147.28	\$ 160.18	\$ 1.86	\$ 162.04	\$ 233,382,200	\$ 253,815,300	\$ 2,941,500	\$ 256,756,800	8.8%	1.3%	10.0%	
SSNWO	671,416	\$ 1,315.20	\$ 1,301.64	\$ 7.95	\$ 1,309.58	\$ 883,043,400	\$ 873,939,100	\$ 5,336,800	\$ 879,275,800	-1.0%	0.6%	-0.4%	
ESA	5,330,571	\$ 689.13	\$ 679.33	\$ 2.72	\$ 682.05	\$ 3,673,434,100	\$ 3,621,221,700	\$ 14,510,800	\$ 3,635,732,400	-1.4%	0.4%	-1.0%	
NEA	1,408,741	\$ 497.75	\$ 466.98	\$ 5.00	\$ 471.98	\$ 701,205,300	\$ 657,847,000	\$ 7,046,400	\$ 664,893,500	-6.2%	1.0%	-5.2%	
Delivery	26,400	\$ 6,525.45	\$ 5,995.18	\$ 1,292.20	\$ 7,287.38	\$ 172,372,000	\$ 158,272,900	\$ 34,114,100	\$ 192,386,900	-8.1%	19.8%	11.7%	
Total	22,919,978	\$ 420.69	\$ 414.70	\$ 5.77	\$ 418.47	\$ 9,642,092,400	\$ 9,504,930,300	\$ 86,330,200	\$ 9,591,260,300	-1.4%	0.9%	-0.5%	

		CYE22 Rates		CYE23 Rates			Projected Expenditures:				Change from CYE22 Rates		
RBHA	CYE23 Proj MDs	Total	Baseline	Non-Baseline 1/	Total	CYE22 Rates CYE23 Proj MDs	CYE23 Baseline Rates CYE23 Proj MDs	CYE23 Non-Baseline Rates CYE23 Proj MDs	CYE23 Total Rates CYE23 Proj MDs	Baseline	Non-Baseline	Total	
SMI	579,022	\$ 2,206.06	\$ 2,121.77	\$ 31.43	\$ 2,153.20	\$ 1,277,359,300	\$ 1,228,553,600	\$ 18,197,300	\$ 1,246,750,800	-3.8%	1.4%	-2.4%	
Critics	24,445,273	\$ 6.76	\$ 7.56	\$ 0.04	\$ 8.00	\$ 163,356,000	\$ 184,480,500	\$ 1,083,200	\$ 185,573,700	17.6%	0.7%	18.3%	
Total	25,024,295	\$ 57.63	\$ 56.87	\$ 0.77	\$ 57.64	\$ 1,442,715,300	\$ 1,421,044,100	\$ 19,280,500	\$ 1,442,324,500	-1.4%	1.5%	0.0%	

		CYE22 Rates		CYE23 Rates			Projected Expenditures:				Change from CYE22 Rates		
EPD	CYE23 Proj MDs	Total	Baseline	Non-Baseline 1/	Total	CYE22 Rates CYE23 Proj MDs	CYE23 Baseline Rates CYE23 Proj MDs	CYE23 Non-Baseline Rates CYE23 Proj MDs	CYE23 Total Rates CYE23 Proj MDs	Baseline	Non-Baseline	Total	
Dual	360,882	\$4,035.84	\$ 3,925.38	\$ 468.54	\$ 4,394.25	\$ 1,052,879,200	\$ 1,024,063,500	\$ 122,312,800	\$ 1,146,376,300	-2.7%	11.6%	8.9%	
Non-Dual	34,558	\$8,597.65	\$ 8,732.59	\$ 668.21	\$ 9,400.59	\$ 469,072,400	\$ 476,433,200	\$ 36,456,100	\$ 512,879,300	1.6%	7.8%	9.3%	
Total	395,441	\$ 4,824.84	\$ 4,756.80	\$ 503.32	\$ 5,260.12	\$ 1,521,951,600	\$ 1,500,486,700	\$ 158,768,900	\$ 1,659,255,600	-1.4%	10.4%	9.0%	

		CYE22 Rates		CYE23 Rates			Projected Expenditures:				Change from CYE22 Rates		
DCS CHP	CYE23 Proj MDs	Total	Baseline	Non-Baseline 1/	Total	CYE22 Rates CYE23 Proj MDs	CYE23 Baseline Rates CYE23 Proj MDs	CYE23 Non-Baseline Rates CYE23 Proj MDs	CYE23 Total Rates CYE23 Proj MDs	Baseline	Non-Baseline	Total	
Integrated Rate	157,741	\$ 1,322.22	\$1,263.53	\$ 30.12	\$ 1,293.65	\$ 208,568,300	\$ 199,510,200	\$ 4,751,600	\$ 204,061,700	-4.4%	2.3%	-2.2%	

AHCCCS TOTAL	23,972,181					\$ 12,815,527,800	\$ 12,627,771,300	\$ 269,131,200	\$ 12,896,902,300	-1.5%	2.1%	0.6%
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		CYE22 Rates		CYE23 Rates			Projected Expenditures:				Change from CYE22 Rates		
DES DD	CYE23 Proj MDs	Total	Baseline	Non-Baseline 1/	Total	CYE22 Rates CYE23 Proj MDs	CYE23 Baseline Rates CYE23 Proj MDs	CYE23 Non-Baseline Rates CYE23 Proj MDs	CYE23 Total Rates CYE23 Proj MDs	Baseline	Non-Baseline	Total	
DD Regular 2/	471,684	\$ 5,435.53	\$ 5,551.90	\$ 487.95	\$ 6,039.85	\$ 2,563,861,500	\$ 2,618,738,300	\$ 230,158,200	\$ 2,848,896,600	2.1%	9.0%	11.1%	
DD TCM	68,534	\$ 181.02	\$ 192.55	\$ 23.79	\$ 216.33	\$ 12,406,100	\$ 13,195,800	\$ 1,650,200	\$ 14,826,000	6.4%	13.1%	19.5%	
Total	540,217	\$ 4,768.95	\$ 4,871.99	\$ 429.07	\$ 5,301.06	\$ 2,576,267,600	\$ 2,631,934,100	\$ 231,788,400	\$ 2,863,722,600	2.2%	9.0%	11.2%	

AHCCCS & DES TOTAL	24,512,398					\$ 15,391,595,400	\$ 15,259,705,400	\$ 500,919,600	\$ 15,760,624,700	-0.9%	5.3%	2.4%
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Appendix Table 1C CPE 23 Capitation Rate Change by Component									
Non-COVID									
Program	Trend	Rebate	(Utilization and Fee Schedule Update)	DAP	Increased Screenings	Other Program Changes	Provider Reimbursement Changes	Rx Rebates	Administration Costs
AHCCCS	1.1%	-1.4%	-1.1%	1.0%	0.0%	0.8%	0.5%	-1.7%	0.5%
ACC	1.1%	-1.4%	-1.1%	1.0%	0.0%	0.8%	0.5%	-1.7%	0.5%
RBHA	-2.2%	-1.8%	-2.2%	0.5%	0.0%	4.1%	-1.2%	0.2%	0.1%
EPD	6.7%	-0.8%	-3.0%	-0.3%	0.0%	-1.2%	0.0%	0.0%	0.0%
CHP	-3.8%	-0.7%	-1.2%	-0.1%	0.0%	0.3%	0.0%	0.0%	0.5%
AHCCCS Total %	1.3%	-2.1%	-5.7%	0.7%	0.0%	0.5%	0.0%	0.1%	0.4%
AHCCCS \$ in Millions	166.7	5	(268.5)	5	(410.9)	5	95.7	5	17.6
DDP \$ in Millions	9.2%	0.4%	-6.9%	5	(178.0)	5	(15.3)	5	1.6
DDP \$ in Millions	237.1	5	10.4	5	(178.0)	5	(15.3)	5	1.6
AHCCCS+DDP Total (\$ in Millions)	403.8	5	(258.0)	5	(648.8)	5	95.7	5	17.6
AHCCCS+DDP	2.6%	-1.7%	-4.3%	0.6%	0.0%	0.3%	0.0%	0.1%	0.4%
CPE 23 Capitation Rate Change by Component									
COVID									
Program	Rebate	Expanded Other Program Activity	COVID Tests	Telehealth Use	Changes	Adjustment	Baseline Total	Non-Baseline Total	Total
AHCCCS	0.4%	-0.2%	-0.1%	0.0%	0.0%	1.0%	-1.4%	0.9%	-0.5%
ACC	0.4%	-0.2%	-0.1%	0.0%	0.0%	1.0%	-1.4%	0.9%	-0.5%
RBHA	0.0%	0.0%	-0.4%	0.0%	0.0%	1.4%	-1.4%	1.3%	0.0%
EPD	2.0%	0.1%	-0.9%	0.0%	0.0%	-1.4%	-1.4%	10.4%	9.0%
CHP	0.3%	-0.2%	-0.1%	0.0%	0.8%	0.8%	-1.5%	2.1%	0.6%
AHCCCS Total %	0.3%	-0.2%	-0.1%	0.0%	0.8%	0.8%	-1.5%	2.1%	0.6%
AHCCCS \$ in Millions	40.9	5	(21.1)	5	(18.6)	5	(187.7)	5	269.1
DDP \$ in Millions	0.1%						2.7%	9.0%	11.2%
DDP \$ in Millions							2.7%	9.0%	11.2%
AHCCCS+DDP	0.3%	-0.1%	-0.1%	0.0%	0.6%	0.6%	-0.9%	3.3%	2.4%
Total (\$ in Millions)									
Total (\$ in Millions)									

**Appendix Table 2**  
**AHCCCS Complete Care (ACC) Program**  
**CYE 23 Capitation Rate Development**

<b>Average CYE 22 Rate</b>	<b><u>PMPM</u></b>	
	<b>\$ 420.69</b>	
<b><u>CYE 23 Baseline Adjustments (Non-COVID Related)</u></b>	<b><u>PMPM</u></b>	<b><u>% Chg</u></b>
Administration Costs	\$ 2.13	0.5%
DAP	\$ 4.07	1.0%
Fee Schedule Update	\$ (17.04)	-4.1%
Increased Screenings	\$ 0.11	0.0%
Other Program Changes	\$ 3.19	0.8%
Rebase Services	\$ 4.60	1.1%
Trend (Utilization and Unit Cost)	\$ (9.95)	-2.4%
Rx Rebates	\$ 0.72	0.2%
Reinsurance	\$ 2.34	0.6%
<b>CYE 23 Baseline Adjustments (Non-COVID Related)</b>	<b>\$ (9.83)</b>	<b>-2.3%</b>
<b><u>CYE 23 Baseline Adjustments (COVID Related)</u></b>	<b><u>PMPM</u></b>	<b><u>% Chg</u></b>
Acuity Adjustment	\$ 3.72	0.9%
Expanded Telehealth Use	\$ (0.49)	-0.1%
Other Program Changes	\$ 0.01	0.0%
Rebase Services	\$ 1.57	0.4%
COVID Tests	\$ (0.96)	-0.2%
<b>CYE 23 Baseline Adjustments (COVID Related)</b>	<b>\$ 3.84</b>	<b>0.9%</b>
<b><u>CYE 23 Non-Baseline Adjustments</u></b>	<b><u>PMPM</u></b>	<b><u>% Chg</u></b>
Increased Screenings	\$ 0.21	0.0%
Other Program Changes	\$ 0.79	0.2%
HCBS, Nursing Facility, and BH Provider Rate Increases	\$ 2.77	0.7%
<b>CYE 23 Non-Baseline Adjustments</b>	<b>\$ 3.77</b>	<b>0.9%</b>
<b>Average CYE 23 Rate</b>	<b>\$ 418.47</b>	<b>-0.5%</b>



Appendix Table 3

Regional Behavioral Health Agreement (RBHA) Program  
CYE 23 Capitation Rate Development

Average CYE 22 Rate	<u>PMPM</u>	
	\$	57.65
<u>CYE 23 Baseline Adjustments (Non-COVID Related)</u>	<u>PMPM</u>	<u>% Chg</u>
Administration Costs	\$ (0.21)	-0.4%
DAP	\$ 0.29	0.5%
Fee Schedule Update	\$ (1.26)	-2.2%
Increased Screenings	\$ 0.00	0.0%
Other Program Changes	\$ 2.39	4.1%
Rebase Services	\$ (1.28)	-2.2%
Trend (Utilization and Unit Cost)	\$ (1.04)	-1.8%
Rx Rebates	\$ (0.05)	-0.1%
Reinsurance	\$ 0.03	0.1%
CYE 23 Baseline Adjustments (Non-COVID Related)	\$ (1.13)	-2.0%
<u>CYE 23 Baseline Adjustments (COVID Related)</u>	<u>PMPM</u>	<u>% Chg</u>
Acuity Adjustment	\$ 0.55	1.0%
Expanded Telehealth Use	\$ (0.22)	-0.4%
Other Program Changes	\$ 0.00	0.0%
Rebase Services	\$ 0.03	0.0%
COVID Tests	\$ (0.01)	0.0%
CYE 23 Non-Baseline Adjustments	\$ 0.35	0.6%
<u>CYE 23 Non-Baseline Adjustments</u>	<u>PMPM</u>	<u>% Chg</u>
Extension of Limited HCBS	\$ 0.12	0.2%
Other Program Changes	\$ 0.06	0.1%
HCBS, Nursing Facility, and BH Provider Rate Increases	\$ 0.59	1.0%
CYE 23 Non-Baseline Adjustments	\$ 0.77	1.3%
Average CYE 23 Rate	\$	57.64 0.0%

**Appendix Table 4**  
**Comprehensive Health Plan (CHP)**  
**CYE 23 Capitation Rate Development**

<b>Average CYE 22 Rate</b>	<b>\$</b>	<b><u>PMPM</u></b>	<b>1,322.22</b>
<b><u>CYE 23 Baseline Adjustments (Non-COVID Related)</u></b>		<b><u>PMPM</u></b>	<b><u>% Chg</u></b>
Administration Costs	\$	16.65	1.3%
DAP	\$	(0.71)	-0.1%
Fee Schedule Update	\$	(15.97)	-1.2%
Increased Screenings	\$	(0.41)	0.0%
Other Program Changes	\$	3.51	0.3%
Provider Reimbursement Changes	\$	(22.90)	-1.7%
Rebase Services	\$	(50.39)	-3.8%
Trend (Utilization and Unit Cost)	\$	(9.52)	-0.7%
Rx Rebates	\$	(0.32)	0.0%
Reinsurance	\$	6.99	0.5%
<b>CYE 23 Baseline Adjustments (Non-COVID Related)</b>	<b>\$</b>	<b>(73.08)</b>	<b>-5.5%</b>
<b><u>CYE 23 Baseline Adjustments (COVID Related)</u></b>		<b><u>PMPM</u></b>	<b><u>% Chg</u></b>
Expanded Telehealth Use	\$	(11.93)	-0.9%
Other Program Changes	\$	0.00	0.0%
Rebase Services	\$	26.62	2.0%
COVID Tests	\$	(0.31)	0.0%
<b>CYE 23 Baseline Adjustments (COVID Related)</b>	<b>\$</b>	<b>14.39</b>	<b>1.1%</b>
<b><u>CYE 23 Non-Baseline Adjustments</u></b>		<b><u>PMPM</u></b>	<b><u>% Chg</u></b>
Administration Costs	\$	5.57	0.4%
Increased Screenings	\$	0.53	0.0%
Other Program Changes	\$	0.02	0.0%
HCBS, Nursing Facility, and BH Provider Rate Increases	\$	24.00	1.8%
<b>CYE 23 Non-Baseline Adjustments</b>	<b>\$</b>	<b>30.12</b>	<b>2.3%</b>
<b>Average CYE 23 Rate</b>	<b>\$</b>	<b>1,293.65</b>	<b>-2.2%</b>

**Appendix Table 5**  
**Arizona Long Term Care System/Elderly and Physical Disability (ALTCs/EPD)**  
**CYE 23 Capitation Rate Development**

<b>Average CYE 22 Rate</b>	<b><u>PMPM</u></b>	
	<b>\$ 4,824.84</b>	
<b><u>CYE 23 Baseline Adjustments (Non-COVID Related)</u></b>	<b><u>PMPM</u></b>	<b><u>% Chg</u></b>
Administration Costs	\$ 5.76	0.1%
DAP	\$ (14.99)	-0.3%
Fee Schedule Update	\$ (146.71)	-3.0%
Other Program Changes	\$ (203.64)	-4.2%
Rebase Services	\$ 321.41	6.7%
Trend (Utilization and Unit Cost)	\$ (41.01)	-0.8%
Rx Rebates	\$ 7.67	0.2%
Reinsurance	\$ (0.28)	0.0%
<b>CYE 23 Baseline Adjustments (Non-COVID Related)</b>	<b>\$ (71.78)</b>	<b>-1.5%</b>
<b><u>CYE 23 Baseline Adjustments (COVID Related)</u></b>	<b><u>PMPM</u></b>	<b><u>% Chg</u></b>
COVID Tests	\$ 3.74	0.1%
<b>CYE 23 Baseline Adjustments (COVID Related)</b>	<b>\$ 3.74</b>	<b>0.1%</b>
<b><u>CYE 23 Non-Baseline Adjustments</u></b>	<b><u>PMPM</u></b>	<b><u>% Chg</u></b>
HCBS, Nursing Facility, and BH Provider Rate Increases	\$ 503.32	10.4%
<b>CYE 23 Non-Baseline Adjustments</b>	<b>\$ 503.32</b>	<b>10.4%</b>
<b>Average CYE 23 Rate</b>	<b>\$ 5,260.12</b>	<b>9.0%</b>

**Appendix Table 6**  
**Arizona Long Term Care System/Developmental Disabilities**  
**CYE 23 Capitation Rate Development**

	<u>REGULAR DD</u>		<u>TARGETED CASE MANAGEMENT</u>	
	<u>PMPM</u>		<u>PMPM</u>	
<b>Average CYE 22 Rate</b>	<b>\$</b>	<b>5,435.55</b>	<b>\$</b>	<b>181.02</b>
<u><b>CYE 22 Baseline Adjustments (Non-COVID Related)</b></u>	<u><b>PMPM</b></u>	<u><b>% Chg</b></u>	<u><b>PMPM</b></u>	<u><b>% Chg</b></u>
Administration Costs	\$ (13.90)	-0.3%	\$ 11.52	6.4%
Fee Schedule Update	\$ (377.31)	-6.9%	\$ -	0.0%
Other Program Changes	\$ (32.37)	-0.6%	\$ -	0.0%
Rebase Services	\$ 502.57	9.2%	\$ -	0.0%
Trend (Utilization and Unit Cost)	\$ 21.99	0.4%	\$ -	0.0%
Reinsurance	\$ 11.78	0.2%	\$ -	0.0%
<b>CYE 22 Baseline Adjustments (Non-COVID Related)</b>	<b>\$ 112.77</b>	<b>2.1%</b>	<b>\$ 11.52</b>	<b>6.4%</b>
<u><b>CYE 23 Baseline Adjustments (COVID Related)</b></u>	<u><b>PMPM</b></u>	<u><b>% Chg</b></u>	<u><b>PMPM</b></u>	<u><b>% Chg</b></u>
COVID Tests	\$ 3.57	0.1%	\$ -	0.0%
<b>CYE 23 Baseline Adjustments (COVID Related)</b>	<b>\$ 3.57</b>	<b>0.1%</b>	<b>\$ -</b>	<b>0.0%</b>
<u><b>CYE 23 Non-Baseline Adjustments</b></u>	<u><b>PMPM</b></u>	<u><b>% Chg</b></u>	<u><b>PMPM</b></u>	<u><b>% Chg</b></u>
Administration Costs	\$ 51.75	1.0%	\$ 23.79	13.1%
HCBS, Nursing Facility, and BH Provider Rate Increases	\$ 436.20	8.0%	\$ -	0.0%
<b>CYE 22 Non-Baseline Adjustments</b>	<b>\$ 487.95</b>	<b>9.0%</b>	<b>\$ 23.79</b>	<b>13.1%</b>
<b>Average CYE 23 Rate</b>	<b>\$ 6,039.85</b>	<b>11.1%</b>	<b>\$ 216.33</b>	<b>19.5%</b>