

**Janice K. Brewer, Governor**  
**Thomas J. Betlach, Director**

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*Our first care is your health care*  
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

April 10, 2013

Ms. Melanie Bella  
Director, Medicare-Medicaid Coordination Office  
Centers for Medicare and Medicaid Services  
Department of Health and Human Services  
7500 Security Boulevard  
Baltimore, Maryland 21244

Submitted via email to [Melanie.Bella@cms.hhs.gov](mailto:Melanie.Bella@cms.hhs.gov)

**Subject: Arizona Capitated Financial Alignment Demonstration Withdrawal**

Dear Ms. Bella:

This letter is to notify you that after long, thoughtful consideration, AHCCCS is withdrawing the State of Arizona's proposal to pursue the Capitated Financial Alignment Demonstration.

I need to begin by commending you and your team for the admirable way in which you have pursued improved care for dual eligible members. I want to thank you and your team for your continued dedication and commitment focusing on one of the most intricate healthcare problems facing us today. Developing a system that integrates Medicare and state-specific Medicaid programs is a tall order.

The continued challenges you have faced in exploring and developing solutions for serving some of the nation's most vulnerable and complex individuals affirm why this integration effort has moved more slowly than we had all initially hoped. Improving the delivery of services and experience for individuals with both Medicare and Medicaid requires determination, patience, and flexibility. It also involves continued education efforts for those who do not understand or appreciate the opportunities and results that an appropriate managed care model has to offer a population with complex needs that is forced to navigate between two enormous, fragmented systems. I also applaud you and your team for developing proposals to address the inadequacies of the current status quo, which is indefensible. Your models reflect the realities and unique services that each program has to offer for the beneficiaries.

Clearly one of the challenges for your office is that each state has developed a proposal based on a unique set of circumstances and market forces. In Arizona, there are a multitude of factors in play.

1. Arizona is in the midst of two significant procurements for managed care plans with 10-1-13 start dates involving complex transitions for members and services.
2. Additional procurements are scheduled during the three year demonstration period.
3. Significant political and operational challenges are involved with restoring coverage for childless adults and the developing the infrastructure required for the ACA.
4. All current health plans are D-SNPs.
5. 43,000 members are currently aligned with contracted health plans.
6. General Mental Health/Substance Abuse services are currently not integrated for some members.

In our decision-making process, we have had to weigh the impact of these challenges in combination with the significant Arizona related risks associated with the demonstration. As we have previously

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highlighted, some of the risks for Arizona include: the implementation start date; the path forward after the three-year demonstration; and the issues surrounding capitation rates and supplemental benefits.

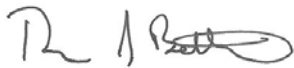
We believe it is in the best interest of our members and all parties for Arizona to withdraw.

Arizona will continue to pursue alignment through the use of our managed care model. We will be looking to build off the D-SNP platform moving forward. We will be pursuing partnerships with other states and the National Association of Medicaid Directors in looking to leverage D-SNPs and build upon the success we have had to date. Arizona will work to improve alignment, member experience, and administrative alignment for health plans. As we identify potential opportunities, I hope that we can continue to work collaboratively with your office to improve the delivery model, health plan oversight and the health outcomes of the members we serve.

As part of our efforts to align benefits, we request your assistance in maximizing alignment for individuals in Maricopa County with Serious Mental Illness. You will be copied on a letter sent to Jonathan Blum, Deputy Administrator and Director for the Center of Medicare, requesting assistance operationalizing the transition of a group of these members from their current D-SNP to a D-SNP operated under a partnership, but operated by their current Medicare structure.

We again thank you and your team for all your work in this important project. We look forward to our continued partnership in improving care for Medicare-Medicaid enrollees.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. J. Betlach', with a stylized flourish at the end.

Thomas J. Betlach  
Director

cc: Lauren Moldawer