



March 17, 2017

Mr. Tom Betlach  
Director  
Arizona Health Care Cost Containment System  
801 E. Jefferson St.  
Phoenix, AZ 85034

Dear Mr. Betlach:

On behalf of the Arizona Hospital and Healthcare Association (AzHHA) and our more than 80 hospital, healthcare and affiliated health system members, thank you for the opportunity to comment on the Arizona Health Care Cost Containment System (AHCCCS) Administration's proposed amendment to its Sect. 1115 Research and Demonstration Waiver that seeks an exemption from the Institutions for Mental Diseases (IMD) exclusion for all beneficiaries ages 21-64, regardless of delivery system. **AzHHA strongly supports this amendment.** This proposal will allow AHCCCS to maintain and improve access to medically necessary behavioral health services throughout the state in a cost-effective manner. The AHCCCS program operated under a waiver of the IMD exclusion for many years, but the Centers for Medicare and Medicaid Services (CMS) withdrew this authority last year in conjunction with an extensive rewrite of Medicaid Managed Care regulations. Our more detailed comments follow.

The IMD exclusion generally prohibits federal Medicaid funds from being used for care provided to adult patients (ages 21-64 years) in psychiatric hospitals and mental health/substance use disorder residential treatment facilities that are larger than 16 beds. The exclusion remains one of the few examples where Medicaid law prohibits the use of federal financial participation for medically necessary care furnished by licensed medical professionals to enrollees based on the healthcare setting in which the services are provided.

CMS has historically granted Arizona a waiver from the IMD exclusion in order to ensure an adequate behavioral health network under Arizona's managed care model. This network became a vital component of the delivery system after voters approved Prop. 204 in 2000, and Medicaid coverage was extended to adults up to 100 percent of the federal poverty level. In 2016, CMS finalized its Medicaid managed care regulations, and began prohibiting states like Arizona from using "in-lieu of" authority to cover services at IMDs. Instead, the rule allows states to make a monthly capitation payment to a Medicaid managed care organization (MCO) for an adult member receiving

inpatient treatment at an IMD as long as the stay is no more than 15 days that calendar month.

While the rule change was perceived as giving new flexibility to states that had not previously delivered services through IMDs, this is not the case in Arizona where approximately 75 percent of our inpatient psychiatric beds are in located in IMDs, and where we have historically functioned under a successful Waiver. Our network has been built around IMDs, and the regulation is actually restricting the ability of AHCCCS and the MCOs to optimize these resources. If the Administration is unable to fully leverage these beds, MCOs will experience significant challenges in finding appropriate placements for AHCCCS members who are at risk of exceeding the rule's 15 day limit. In fact, after a few months we are already seeing this impact.

According to data we have received from AHCCCS, approximately 140 patients in any given month will be affected by the new rule if the Administration is not granted a Waiver. These patients, who need more intensive inpatient care and substance abuse treatment, are at risk for being diverted to emergency departments and less specialized settings, in which the care may actually be more expensive. In a July 27<sup>th</sup>, 2015 letter to CMS, the AHCCCS Administration estimated that rates in these settings are 93.5 percent greater than IMD rates.

Our members are very concerned that without a Waiver, some of the most vulnerable AHCCCS members will be unable to access necessary treatment—including those suffering from opioid and other substance addictions. Recidivism rates among medically complex patients will likely increase, and patients will revert to revolving in and out of emergency departments. Strides that we have made as a state to collectively improve care coordination, reduce readmissions and integrate behavioral and physical health will be undercut by the inability to fully leverage the appropriate care settings.

AzHHA believes AHCCCS has a proven track record in controlling costs and delivering high quality services. The state's previous waiver from the IMD exclusion is part of this track record, and we urge CMS to reauthorize it. The waiver will allow AHCCCS to deliver medically necessary behavioral health services in the most appropriate setting, in the most efficient manner.

Thank you for the opportunity to comment on the proposed waiver amendment. Please feel free to contact me if you have any questions.

Sincerely,



Debbie Johnston  
Senior Vice President, Policy Development