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State/Territory Name: Arkansas

State Plan Amendment (SPA) #: 13-25

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Superseding Page Listing
- 4) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Dallas Regional Office
1301 Young Street, Room 833
Dallas, Texas 75202



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

March 14, 2014

Our Reference: SPA-AR-13-25

Dr. Andrew Allison
State Medicaid Director
Arkansas Department of Health and Human Services
P.O. Box 1437
Little Rock, Arkansas 72203

Dear Dr. Allison:

We have reviewed the proposed amendment to your Medicaid State Plan submitted under Transmittal Number (TN) 13-25. The Arkansas Title XIX State Plan has been amended to clarify that Episode of Care negative incentive adjustments will not exceed ten percent (10%) of the provider's gross Medicaid reimbursements received by the provider during the calendar year, rather than the performance period. For Rural Health Centers (RHCs), the negative incentive adjustment will not result in payment at less than the rate required under the PPS methodology, but Medicaid reserves the right to adjust total reimbursements to RHCs based on appropriate utilization under the utilization control responsibility to safeguard against unnecessary or inappropriate use of Medicaid services and against excess payments consistent with regulations at 42 CFR Part 456.

Transmittal Number 13-25 is approved with an effective date of January 1, 2014 as requested. A copy of the HCFA-179, Transmittal No. 13-26 dated September 9, 2013 is enclosed along with the approved plan pages.

If you have any questions, please contact Stacey Shuman at (214) 767-6479.

Sincerely,

A solid black rectangular box redacting the signature of Bill Brooks.

Bill Brooks
Associate Regional Administrator
Division of Medicaid and Children's Health

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION		1. TRANSMITTAL NUMBER: ** 2013-025 2013-013	2. STATE ARKANSAS
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE January 1, 2014	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION:		7. FEDERAL BUDGET IMPACT: a. FFY 2014 \$-0- b. FFY 2015 \$-0-	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: See attached listing		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): See attached listing	
10. SUBJECT OF AMENDMENT: The Arkansas Title XIX State Plan has been amended to clarify that Episode of Care negative incentive adjustments will not exceed ten percent (10%) of the provider's gross Medicaid reimbursements received by the provider during the calendar year, rather than the performance period.			
11. GOVERNOR'S REVIEW (Check One): <input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Division of Medical Services PO Box 1437, Slot S295 Little Rock, AR 72203-1437 Attention: Glenda Higgs	
13. TYPED NAME: Andrew Allison, PhD			
14. TITLE: Director, Division of Medical Services			
15. DATE SUBMITTED: September 9, 2013			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: September 9, 2013		18. DATE APPROVED: March 14, 2014	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: January 1, 2014		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: Bill Brooks		22. TITLE: Associate Regional Administrator Division of Medicaid & Children's Health	
23. REMARKS: * Pen and Ink change made per State's e-mail dated 5/28/14 authorizing the Dallas Regional Office to correct the TN from TN 13-013 to TN 13-025.			

**ATTACHED LISTING FOR
ARKANSAS STATE PLAN
TRANSMITTAL #2013-025**

**8. Number of the Plan
Section or Attachment**

Attachment 4.19-A, Page 11f

Attachment 4.19-B, Page 1aa(2)

Attachment 4.19-B, Page 1aaaaa

Attachment 4.19-B, Page 1aaaaaa

Attachment 4.19-B, Page 1aaaaaaa

Attachment 4.19-B, Page 1ooo

Attachment 4.19-B, Page 2a(3)

Attachment 4.19-B, Page 5(2)

Attachment 4.19-B, Page 9aa

Attachment 4.19-B, Page 10bb

Attachment 4.19-B, Page 14aa

**9. Number of the Superseded Plan
Section or Attachment**

Attachment 4.19-A, Page 11f
Approved 09-06-12, TN 12-10

Attachment 4.19-B, Page 1aa(2)
Approved 09-06-12, TN 12-10

Attachment 4.19-B, Page 1aaaaa
Approved 09-06-12, TN 12-10

Attachment 4.19-B, Page 1aaaaaa
Approved 09-06-12, TN 12-10

Attachment 4.19-B, Page 1aaaaaaa
Approved 09-06-12, TN 12-10

Attachment 4.19-B, Page 1ooo
Approved 09-06-12, TN 12-10

Attachment 4.19-B, Page 2a(3)
Approved 09-06-12, TN 12-10

Attachment 4.19-B, Page 5(2)
Approved 09-06-12, TN 12-10

Attachment 4.19-B, Page 9aa
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Attachment 4.19-B, Page 10bb
Approved 09-06-12, TN 12-10

Attachment 4.19-B, Page 14aa
Approved 09-06-12, TN 12-10

**State: Arkansas
Date Received: 9/9/2013
Date Approved: 3/14/2014
Date Effective: 1/1/2014
Transmittal Number: 13-25**

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL SERVICES

January 1, 2014

1. Inpatient Hospital Services (continued)

A. INCENTIVES TO IMPROVE CARE QUALITY, EFFICIENCY, AND ECONOMY (CONTINUED)

2. Negative Incentive Adjustments: If the average adjusted episode of care paid claims are higher than the acceptable threshold, the PAP will remit to Medicaid the difference between the acceptable threshold and the average adjusted episode reimbursement, multiplied by the number of episodes included in the calculation, multiplied by 50% or the risk sharing percentage specified for the episode of care. Unless provided otherwise for a specific episode of care, a provider's net negative incentive adjustment (total positive adjustments minus total negative adjustments) for all episode of care **adjustments made** during any **calendar year** shall not exceed ten percent (10%) of the provider's gross Medicaid reimbursements **received by the provider** during that **calendar year**.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
OTHER TYPES OF CARE

January 1, 2014

2.a. Outpatient Hospital Services (continued)

A. INCENTIVES TO IMPROVE CARE QUALITY, EFFICIENCY, AND ECONOMY (CONTINUED)

2. Negative Incentive Adjustments: If the average adjusted episode of care paid claims are higher than the acceptable threshold, the PAP will remit to Medicaid the difference between the acceptable threshold and the average adjusted episode reimbursement, multiplied by the number of episodes included in the calculation, multiplied by 50% or the risk sharing percentage specified for the episode of care. Unless provided otherwise for a specific episode of care, a provider's net negative incentive adjustment (total positive adjustments minus total negative adjustments) for all episode of care **adjustments made** during any **calendar year** shall not exceed ten percent (10%) of the provider's gross Medicaid reimbursements **received by the provider** during that **calendar year**.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
OTHER TYPES OF CARE

Revised: January 1, 2014

2.b. Rural Health Clinic Services and other ambulatory services that are covered under the plan and furnished by a rural health clinic (continued)

A. ALTERNATE PAYMENT METHODOLOGY TO INCENTIVES TO IMPROVE CARE QUALITY, EFFICIENCY, AND ECONOMY

I. PURPOSE: In order to assure that Medicaid funds are used to purchase medical assistance efficiently and economically (quality services of the right kind and mix), Medicaid has established a payment improvement initiative ("Payment Improvement Program," or "Program"). The Program:

1. Establishes Principle Accountable Providers ("PAPs") for defined episodes of care;
2. Uses episode-based data to evaluate the quality, efficiency and economy of care delivered in the course of the episode of care, and to apply incentive adjustments;
3. Incentivizes improved care quality, efficiency and economy by rewarding high-quality care and outcomes;
4. Encourages clinical effectiveness;
5. Promotes early intervention and coordination to reduce complications and associated costs; and
6. When provider referrals are necessary, encourages referral to efficient and economic providers who furnish high-quality care.

Complete details including technical information regarding specific quality and reporting metrics, performance thresholds and incentive adjustments are available in the Episodes of Care Medicaid Manual available at <https://www.medicaid.state.ar.us/InternetSolution/Provider/docs/docs.aspx> and also at the Arkansas Health Care Payment Improvement Initiative website at <http://www.paymentinitiative.org/Pages/default.aspx>.

II. NOTICE and AMENDMENTS: The Program and Program amendments are subject to review and approval by the Centers for Medicare and Medicaid Services (CMS). Rules establishing the Program are adopted in compliance with the Arkansas Administrative Procedure Act, Ark. Code Ann. § 25-15-204. Except in cases of emergency as defined in Ark. Code Ann. § 25-15-204(e)(2)(A), providers will receive at least 30-days written notice of any and all changes to the Episodes of Care Medicaid Manual and State Plan pages.

III. MEDICAID PAYMENTS: Subject to the incentive adjustments described below, providers, including PAPs, furnish medically necessary care to eligible beneficiaries and are paid in accordance with the published Medicaid reimbursement methodology in effect on the date of service.

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OTHER TYPES OF CARE

Revised: January 1, 2014

2.b. Rural Health Clinic Services and other ambulatory services that are covered under the plan and furnished by a rural health clinic (continued)

A. ALTERNATE PAYMENT METHODOLOGY TO INCENTIVES TO IMPROVE CARE QUALITY,
EFFICIENCY, AND ECONOMY (CONTINUED)

IV. INCENTIVE ADJUSTMENTS: The Program promotes efficient and economic care utilization by making incentive adjustments based on the aggregate valid and paid claims (“paid claims”) across a PAP’s episodes of care ending during the twelve (12) month performance period specified for the episode. Unless provided otherwise for a specific episode of care, incentive adjustments are made annually in the form of gain sharing (positive incentive adjustments) or provider risk sharing payments to Medicaid (negative incentive adjustments), and equal 50% of the difference between the average adjusted episode expenditures and the applicable threshold as described below. Incentive adjustments will occur no later than ninety (90) days after the end of the performance period. Because the incentive adjustments are based on aggregated and averaged claims data for a particular performance period, adjustments cannot be apportioned to specific provider claims.

1. Positive Incentive Adjustments: If the PAP’s average adjusted episode paid claims are lower than the commendable threshold and the PAP meets the quality requirements established by Medicaid for each episode type, Medicaid will remit an incentive adjustment to the PAP equal to the difference between the average adjusted episode reimbursement and the commendable threshold, multiplied by the number of episodes included in the calculation, multiplied by 50% or the gain sharing percentage specified for the episode of care. To avoid incentivizing underutilization, Medicaid may establish a gain sharing limit. PAPs with average adjusted episode expenditures lower than the gain sharing limit will receive an incentive adjustment calculated as though the PAP’s average adjusted episode of care paid claims equal the gain sharing limit.

2. Negative Incentive Adjustments: If the average adjusted episode of care paid claims are higher than the acceptable threshold, the PAP will remit to Medicaid the difference between the acceptable threshold and the average adjusted episode reimbursement, multiplied by the number of episodes included in the calculation, multiplied by 50% or the risk sharing percentage specified for the episode of care. Unless provided otherwise for a specific episode of care, a provider’s net negative incentive adjustment (total positive adjustments minus total negative adjustments) for all episodes of care during any performance period shall not exceed ten percent (10%) of the provider’s gross Medicaid reimbursements during that performance period.

For Rural Health Centers (RHCs), the negative incentive adjustment will not result in payment at less than the rate required under the PPS methodology, but Medicaid reserves the right to adjust total reimbursements to RHCs based on appropriate utilization under our utilization control responsibility to safeguard against unnecessary or inappropriate use of Medicaid services and against excess payments consistent with regulations at 42 CFR Part 456.

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**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
OTHER TYPES OF CARE**

Revised: January 1, 2014

2.b. Rural Health Clinic Services and other ambulatory services that are covered under the plan and furnished by a rural health clinic (continued)

A. ALTERNATE PAYMENT METHODOLOGY TO INCENTIVES TO IMPROVE CARE QUALITY, EFFICIENCY, AND ECONOMY (CONTINUED)

V. APPLICATION: Complete details including technical information regarding specific quality and reporting metrics, performance thresholds and incentive adjustments are available in the Episodes of Care Medicaid Manual available at <https://www.medicaid.state.ar.us/InternetSolution/Provider/docs/docs.aspx> and also at the Arkansas Health Care Payment Improvement Initiative website at <http://www.paymentinitiative.org/Pages/default.aspx>.

Effective for dates of service on or after October 1, 2012, the defined scope of services within the following episode(s) of care are subject to incentive adjustments:

(1) **Perinatal Care Episodes**

Effective for dates of service on or after October 1, 2013, the defined scope of services within the following episode(s) of care are subject to incentive adjustments:

- (1) **Acute Exacerbation of Chronic Obstructive Pulmonary Disease (COPD) Episodes**
- (2) **Acute Exacerbation of Asthma Episodes**

Effective for dates of service on or after March 14, 2014, the defined scope of services within the following episode(s) of care are subject to incentive adjustments:

- (1) **Acute Ambulatory Upper Respiratory Infection (URI) Episodes**

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
OTHER TYPES OF CARE

January 1, 2014

4.b. Early and Periodic Screening and Diagnosis of Individuals Under 21 Years of Age and Treatment of Conditions Found
(Continued)

(17) Psychology Services (Continued)

A. INCENTIVES TO IMPROVE CARE QUALITY, EFFICIENCY, AND ECONOMY (CONTINUED)

IV. INCENTIVE ADJUSTMENTS (Continued)

1. Positive Incentive Adjustments: If the PAP's average adjusted episode paid claims are lower than the commendable threshold and the PAP meets the quality requirements established by Medicaid for each episode type, Medicaid will remit an incentive adjustment to the PAP equal to the difference between the average adjusted episode reimbursement and the commendable threshold, multiplied by the number of episodes included in the calculation, multiplied by 50% or the gain sharing percentage specified for the episode of care. To avoid incentivizing underutilization, Medicaid may establish a gain sharing limit. PAPs with average adjusted episode expenditures lower than the gain sharing limit will receive an incentive adjustment calculated as though the PAP's average adjusted episode of care paid claims equal the gain sharing limit.

2. Negative Incentive Adjustments: If the average adjusted episode of care paid claims are higher than the acceptable threshold, the PAP will remit to Medicaid the difference between the acceptable threshold and the average adjusted episode reimbursement, multiplied by the number of episodes included in the calculation, multiplied by 50% or the risk sharing percentage specified for the episode of care. Unless provided otherwise for a specific episode of care, a provider's net negative incentive adjustment (total positive adjustments minus total negative adjustments) for all episode of care **adjustments made** during any **calendar year** shall not exceed ten percent (10%) of the provider's gross Medicaid reimbursements **received by the provider** during that **calendar year**.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
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5. Physicians' Services (continued)

A. INCENTIVES TO IMPROVE CARE QUALITY, EFFICIENCY, AND ECONOMY (CONTINUED)

2. Negative Incentive Adjustments: If the average adjusted episode of care paid claims are higher than the acceptable threshold, the PAP will remit to Medicaid the difference between the acceptable threshold and the average adjusted episode reimbursement, multiplied by the number of episodes included in the calculation, multiplied by 50% or the risk sharing percentage specified for the episode of care. Unless provided otherwise for a specific episode of care, a provider's net negative incentive adjustment (total positive adjustments minus total negative adjustments) for all episode of care **adjustments made** during any **calendar year** shall not exceed ten percent (10%) of the provider's gross Medicaid reimbursements **received by the provider** during that **calendar year**.

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13. Other diagnostic, screening, preventive and rehabilitative services, i.e., other than those provided elsewhere in this plan
(Continued)

(d) Rehabilitative Services (Continued)

(1) Rehabilitative Services for Persons with Mental Illness (RSPMI) (Continued)

**A. INCENTIVES TO IMPROVE CARE QUALITY, EFFICIENCY, AND ECONOMY
(CONTINUED)**

IV. INCENTIVE ADJUSTMENTS (Continued):

1. Positive Incentive Adjustments: If the PAP's average adjusted episode paid claims are lower than the commendable threshold and the PAP meets the quality requirements established by Medicaid for each episode type, Medicaid will remit an incentive adjustment to the PAP equal to the difference between the average adjusted episode reimbursement and the commendable threshold, multiplied by the number of episodes included in the calculation, multiplied by 50% or the gain sharing percentage specified for the episode of care. To avoid incentivizing underutilization, Medicaid may establish a gain sharing limit. PAPs with average adjusted episode expenditures lower than the gain sharing limit will receive an incentive adjustment calculated as though the PAP's average adjusted episode of care paid claims equal the gain sharing limit.

2. Negative Incentive Adjustments: If the average adjusted episode of care paid claims are higher than the acceptable threshold, the PAP will remit to Medicaid the difference between the acceptable threshold and the average adjusted episode reimbursement, multiplied by the number of episodes included in the calculation, multiplied by 50% or the risk sharing percentage specified for the episode of care. Unless provided otherwise for a specific episode of care, a provider's net negative incentive adjustment (total positive adjustments minus total negative adjustments) for all episode of care **adjustments made** during any **calendar year** shall not exceed ten percent (10%) of the provider's gross Medicaid reimbursements **received by the provider** during that **calendar year**.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
OTHER TYEPS OF CARE

January 1, 2014

23. Any other medical care and any other type of remedial care recognized under State law, specified by the Secretary.
(Continued)

e. Emergency Hospital Services (continued)

A. INCENTIVES TO IMPROVE CARE QUALITY, EFFICIENCY, AND ECONOMY (CONTINUED)

2. Negative Incentive Adjustments: If the average adjusted episode of care paid claims are higher than the acceptable threshold, the PAP will remit to Medicaid the difference between the acceptable threshold and the average adjusted episode reimbursement, multiplied by the number of episodes included in the calculation, multiplied by 50% or the risk sharing percentage specified for the episode of care. Unless provided otherwise for a specific episode of care, a provider's net negative incentive adjustment (total positive adjustments minus total negative adjustments) for all episode of care **adjustments made** during any **calendar year** shall not exceed ten percent (10%) of the provider's gross Medicaid reimbursements **received by the provider** during that **calendar year**.

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OTHER TYPES OF CARE

January 1, 2014

23. Any other medical care and any other type of remedial care recognized under State law, specified by the Secretary.
(Continued)

f. Critical Access Hospitals (CAH)(continued)

A. INCENTIVES TO IMPROVE CARE QUALITY, EFFICIENCY, AND ECONOMY (CONTINUED)

2. Negative Incentive Adjustments: If the average adjusted episode of care paid claims are higher than the acceptable threshold, the PAP will remit to Medicaid the difference between the acceptable threshold and the average adjusted episode reimbursement, multiplied by the number of episodes included in the calculation, multiplied by 50% or the risk sharing percentage specified for the episode of care. Unless provided otherwise for a specific episode of care, a provider's net negative incentive adjustment (total positive adjustments minus total negative adjustments) for all episode of care **adjustments made** during any **calendar year** shall not exceed ten percent (10%) of the provider's gross Medicaid reimbursements **received by the provider** during that **calendar year**.

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27. Advanced Practice Nurse and Registered Nurse Practitioner licensed as such by the Arkansas State Board of Nursing.
(Continued)

A. INCENTIVES TO IMPROVE CARE QUALITY, EFFICIENCY, AND ECONOMY (CONTINUED)

2. Negative Incentive Adjustments: If the average adjusted episode of care paid claims are higher than the acceptable threshold, the PAP will remit to Medicaid the difference between the acceptable threshold and the average adjusted episode reimbursement, multiplied by the number of episodes included in the calculation, multiplied by 50% or the risk sharing percentage specified for the episode of care. Unless provided otherwise for a specific episode of care, a provider's net negative incentive adjustment (total positive adjustments minus total negative adjustments) for all episode of care **adjustments made** during any **calendar year** shall not exceed ten percent (10%) of the provider's gross Medicaid reimbursements **received by the provider** during that **calendar year**.

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