

- vi. Eye exams and prescriptive lenses.
- vii. Outpatient occupational and speech therapy. The duration, scope and frequency of each therapeutic modality shall be authorized as part of a treatment plan.
- viii. The AHCCCS Administration, in accordance with the signed Intergovernmental Agreement between AHCCCS and the Arizona Department of Education, shall provide direct Medicaid reimbursement for certain Medicaid services provided by a participating Local Education Agency (LEA). A LEA is a public school district, a charter school not sponsored by a school district and the Arizona School for the Deaf and Blind. The medically necessary Medicaid services must be provided by a qualified school-based provider to students who are Title XIX eligible and eligible for school health and school-based services pursuant to the Individuals with Disabilities Education Act (IDEA), Part B. Providers shall be registered in accordance with AHCCCS policies. AHCCCS health plans and ALTCS program contractors will continue to provide medically necessary services to all Title XIX members enrolled with AHCCCS and a health plan or program contractor.

Reimbursable Services

Medicaid covered services will only be reimbursable for persons who are at least three years of age and less than 21 years of age and who have been determined eligible for Title XIX and IDEA, Part B services. Those members age 21 to age 22 who are eligible for Medicaid services provided under IDEA are covered within the same service limitations that apply to all eligible AHCCCS members age 21 and older. The following Medicaid services will be eligible for reimbursement:

A. Assessment, Diagnosis and Evaluation services.

Services:

Assessment, diagnosis and evaluation services, including testing, are services used to determine IDEA eligibility or to obtain information on the individual for purposes of identifying or modifying the health related services on the IEP. These services are not covered if they are performed for educational purposes (e.g. academic testing or are provided to an individual who as the result of the assessment and evaluation is determined not to be eligible under IDEA).

Providers:

These services are covered in accordance with the requirements in 42 CFR § 440.130. Services must be performed by qualified AHCCCS providers as set forth in this State Plan Amendment and who provide these services as part of their respective area of practice (e.g., psychologists providing a behavioral health evaluation).

B. Outpatient Speech, Occupational and Physical Therapy Services.Services:

Outpatient speech, occupational and physical therapy services include individual and group therapy (e.g., neuromuscular re-education, wheel chair management, aural rehabilitation). Speech services are those necessary to diagnose, evaluate, treat, and provide for amelioration activities for specific speech, language and hearing disorders. Occupational therapy services are those services provided to improve, develop, or restore functions impaired or lost through illness, injury, or deprivation. Physical therapy services are those services provided for the purpose of preventing or alleviating movement dysfunction and related functional problems.

Providers:

These services are covered in accordance with the requirements in 42 CFR § 440.110. Services may be provided by:

- State-licensed occupational therapists and certified occupational therapy assistants;
 - State-licensed physical therapists and licensed physical therapy assistants;
- State-licensed speech-language pathologists and licensed speech-language pathologist assistants. In addition, persons who have a Provisional Speech and Language Impaired Certificate must be supervised by an American Speech and Language Hearing Association-certified pathologist

All licensed occupational therapy assistants, physical therapy assistants, and speech-language pathologist assistants must operate “under the direction of” or “supervised by” a state-licensed therapist/pathologist in accordance with Arizona Administrative Code or Arizona Revised Statute as identified:

- Licensed Speech Therapy Assistants, A.R.S. 36-1940.04
- Licensed Occupational Therapy Assistants, A.A.C. R4-43-401
- Licensed Physical Therapy Assistants, A.A.C. R4-24-303

C. Nursing Services.

Services:

Nursing services include direct nursing care services as identified in the IEP such as catheterization, suctioning and medication management. Services considered observational or stand-by in nature are not covered. In addition, nurses can provide personal care services. Personal care services are a range of human assistance services provided to persons with disabilities and chronic conditions, which enables them to accomplish tasks that they would normally do for themselves if they did not have a disability. Personal care services include assistance to eligible members in meeting essential personal physical needs, such as dressing, toileting, transfers, positioning, mobility, grooming, use of assistive device, and feeding.

Providers:

These services are covered in accordance with the requirements in 42 CFR § 440.60 and 42 CFR § 440.167. Services may be provided by:

- State-licensed Registered Nurses; or
- Licensed Practical Nurses

D. Transportation Services.

Services:

Transportation services will be provided in compliance with CMS policy and will be paid for when an eligible member's need for special transportation is specified in the IEP. These services will only be reimbursed for the same day in which the member obtains another Medicaid covered reimbursable service through the LEA. Transportation services are not covered if the eligible member is transported on a school bus with other non-IDEA eligible students who are attending school.

Providers: These services are covered in accordance with the requirements in 42 CFR § 441.62. LEAs serve as transportation providers and must meet the same provider qualifications as all AHCCCS Medicaid transportation providers (e.g., proof of insurance and appropriate transportation license of drivers).

E. Behavioral Health Services.

Services:

Medically necessary services are health care, diagnostic services, treatments and other measures to identify, correct or ameliorate any disability and/or chronic condition. Services are provided as health and behavior interventions to identify the psychological, behavioral, emotional, cognitive, and social factors important to the prevention, treatment, or management of physical and mental health problems. Behavioral health services include individual/group therapy and counseling.

Providers:

These services are covered in accordance with the requirements in 42 CFR § 440.60 and 42 CFR § 440.50. Services may be provided by:

- State licensed psychiatrists;
- State licensed Ph.D. psychologists;
- Arizona Board of Behavioral Health Examiners licensed marriage and family therapists (LMFT), licensed professional counselors (LPC), and licensed clinical social workers (LCSW); all of whom must have current licensure by the Arizona Board of Behavioral Health Examiners as a LCSW, LPC or LMFT, or if outside Arizona, be licensed or certified to practice independently by the local regulatory authority.

F. Personal Care Services.

Services:

Personal care services are a range of human assistance services provided to persons with disabilities and chronic conditions, which enables them to accomplish tasks that they would normally do for themselves if they did not have a disability. Personal care services include assistance to eligible members in meeting essential personal physical needs, such as dressing, toileting, transfers, positioning, mobility, grooming, use of assistive device, and feeding.

Providers:

These services are covered in accordance with the requirements in 42 CFR § 440.167. All licensed and qualified personnel may authorize personal care services contained within the IEP/service plan. Services may be provided by:

- School-based health attendants certified by the LEA in general care, to include first aid and CPR.

G. Audiological Services.

Services:

Audiology services include testing and evaluating hearing-impaired children that may or may not be improved by medication or surgical treatment. In accordance with Arizona Administrative Code, R9-22-213, annual audiological assessments will be provided to students with disabilities. These billable assessments are separate from the screenings offered to the general student population.

Providers:

These services are covered in accordance with the requirements in 42 CFR § 440.110 (c)(3). Services may be provided by:

- Arizona Department of Health Services (ADHS)-Licensed Audiologist.

4.c. Family planning services and supplies for individuals of child-bearing age.

Family planning services include:

- i. contraceptive counseling, medication, supplies and associated medical and laboratory exams;
- ii. sterilizations; and,
- iii. natural family planning education or referral.

Family planning services do not include abortion or abortion counseling.

5 b. Medical and surgical services furnished by a dentist (in accordance with section 1905(a)(5)(B) of the Act).

The following dental services are not covered under this benefit and are not considered physician services: dental cleanings, routine dental examinations, dental restorations including crowns and fillings, extractions, pulpotomies, root canals, and the construction or delivery of complete or partial dentures.

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**DIRECT MEDICAID REIMBURSEMENT FOR CERTAIN MEDICAID SERVICES
PROVIDED BY A PARTICIPATING LOCAL EDUCATION AGENCY (LEA)**

A. Reimbursement Methodology for Early and Periodic Screening, Diagnostic, and Treatment Services.

The following describes the reimbursement methodology for services provided pursuant to Attachment 3.1.A, 4.b.ix., Limitations under EPSDT services.

Direct Medicaid reimbursement for certain medical services provided by Local Education Agencies (LEAs) is based on a cost based methodology. Medicaid Services are services that are medically necessary and provided to Medicaid recipients by LEAs in accordance with an Individualized Education Program (IEP) under the Individuals with Disabilities Education Act (IDEA) and as defined in Attachment 3.1.A, 4.b.ix. These services include:

1. Speech-Language Pathology Services
2. Occupational Therapy Services
3. Physical Therapy Services
4. Nursing Services
5. Specialized Transportation Services
6. Behavioral Health Services
7. Personal Care Services
8. Audiological Services

All reimbursable services must meet the service definitions as described in the provider registration criteria and based on the definition and scope contained in the AHCCCS Medical Policy Manual (AMPM) and the AHCCCS Fee-For-Service Provider Manual. These services must be:

- Identified in an Individualized Education Plan (IEP) as a necessary service or provided as part of an assessment, diagnostic or evaluation service in order to determine a student's eligibility under IDEA, Part B. If the person is not eligible for IDEA, Part B, the assessment, diagnostic or evaluation service will not be eligible for direct reimbursement.
- Provided by a provider who is employed or under contract with the LEA. The provider must meet all applicable federal and state licensure and certification requirements and have a valid AHCCCS Provider Registration Number on the date the service was rendered.
- Provided on school grounds unless the IEP specifies that an eligible student should be educated in an alternative setting and/or the IEP service cannot appropriately be provided at the school.
- Ordered or prescribed by a qualified provider in accordance with the AHCCCS AMPM.
- Considered medically necessary as defined in the AMPM, notated in the IEP as medically necessary and supported with medical records that can be audited to establish medical necessity.

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A LEA who requests reimbursement for approved Medicaid services must be registered with AHCCCS as a group billing entity and enter into a participation agreement with the Third Party Administrator under contract with AHCCCS. As an AHCCCS registered provider, the LEA is required to comply with all applicable federal and state laws and regulations.

AHCCCS shall process claims based on Medicaid eligibility and for approved services provided on the claimed date of service. If CMS or AHCCCS disallow a claim that was already reimbursed, the LEA or former LEA shall refund the overpayment to AHCCCS. The refund may be accomplished through transfer of funds to AHCCCS, or the amount in dispute shall be withheld from a future payment to the LEA.

Audit Functions

The Third Party Administrator, with AHCCCS approval, shall establish an annual compliance audit review program to ensure that LEAs are appropriately billing for medically necessary Medicaid services for Medicaid eligible students.

B. Direct Medical Payment Methodology

Effective with dates of services on or after July 1, 2011, LEAs will be reimbursed on a cost basis consistent with a certified public expenditure (CPE) reimbursement methodology. On an interim basis, LEAs will be reimbursed an amount equal to the rate contained in the AHCCCS fee-for-service schedule for covered school-based Medicaid services or, the amount billed by the provider to a LEA, whichever is less. However, the interim payment remitted to the LEA will only be the federal share of the interim rate. Current AHCCCS rates are effective on or after the date indicated in Attachment 4.19B, p. 2, Annual Update Section. All rates are published on the Agency's website at :
<http://www.azahcccs.gov/commercial/ProviderBilling/rates/Physicianrates/Physicianrates.aspx>.

On an annual basis a LEA-specific cost reconciliation and cost settlement for all over and under payments will be processed. Under payments will be paid to the LEAs by AHCCCS. Overpayments will be paid to AHCCCS by the LEAs. This may be accomplished through transfer of funds to AHCCCS, or the amount in dispute shall be withheld from a future payment to the LEA.

C. Data Capture for the Cost of Providing Health-Related Services

Data capture for the cost of providing health-related services will be accomplished utilizing the following data sources:

- 1) Total direct and indirect costs, less any federal payments for these costs, will be captured utilizing the following data:
 - a. School Health Services cost reports received from LEAs;

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- b. Arizona Department of Education (ADE) Unrestricted Indirect Cost Rate (UICR);
- c. Random Moment Time Study (RMTS) Activity Code 4B (Direct Medical Services-Covered as IEP Services) and Activity Code 10 (General Administration); and
- d. LEA specific Medicaid IEP Ratios.

D. Data Sources and Cost Finding Steps

The following provides a description of the data sources and steps to complete the cost finding and reconciliation:

- 1) Allowable Costs: Direct costs for direct medical services include unallocated payroll costs and other unallocated costs that can be directly charged to direct medical services. Direct payroll costs include the total compensation (i.e., salaries and benefits and contract compensation) to the direct services personnel for the provision of health services listed in the description of covered Medicaid services delivered by LEAs in Attachment 3.1.A, 4.b.ix.

Other direct costs include costs directly related to the approved direct services personnel for the delivery of medical services, such as direct materials, supplies and equipment. Only those direct materials, supplies, and equipment that have been identified and included in the CMS approved Medicaid cost reporting instructions are Medicaid allowable costs and can be included on the Medicaid cost report.

Total direct costs for direct medical services are reduced on the cost report by any federal funding source resulting in direct costs net of federal funds.

These direct costs net of federal funds are accumulated on the annual cost report, resulting in total direct costs net of federal funds. The cost report contains the scope of cost and methods of cost allocation that have been approved by CMS. The source of this financial data will be audited Chart of Account records kept at the LEA level. The Chart of Accounts is uniform throughout the state of Arizona. Costs will be reported on an accrual basis.

- a) Direct Medical Services, Non-federal cost pool for allowable providers consists of:
 - i. Salaries;
 - ii. Benefits;
 - iii. Medically-related purchased services; and
 - iv. Medically-related supplies and materials
- 2) Indirect costs are determined by applying the LEA's specific unrestricted indirect cost rate to its net direct costs. Arizona LEAs use predetermined fixed rates for indirect costs. The Arizona Department of Education is the cognizant agency for LEAs, and approves unrestricted indirect cost rates for LEAs

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for the United States Department of Education. Only Medicaid-allowable costs are certified by LEAs. LEAs are not permitted to certify indirect costs that are outside their unrestricted indirect cost rate.

Indirect Cost Rate:

The Arizona Department of Education UICR is the unrestricted indirect cost rate calculated by the Arizona Department of Education. Apply the Arizona Department of Education Cognizant Agency Unrestricted Indirect Cost Rate (UICR) applicable for dates of service in the rate year.

- 3) Net direct costs and indirect costs are combined.
- 4) Time Study Percentages: A CMS-approved time study is used to determine the percentage of time that medical service personnel spend on direct medical services, general and administrative time and all other activities to account for 100 percent of time to assure that there is no duplicate claiming. The appropriate time study results will be applied to the direct medical services cost pool. The direct medical services costs and their respective time study results must be aligned to ensure proper cost allocation. The use of the CMS-approved time study methodology assures that no more than 100 percent of time and costs are captured and that the time study is statistically valid per OMB Circular A-87 cost allocation requirements.
- 5) Medicaid's portion of total net costs is calculated by multiplying the results from Item 4 by the Medicaid IEP ratio. The numerator will be the number of Medicaid IEP students in the LEA who have an IEP and received direct medical services as outlined in their IEP and the denominator will be the total number of students in the LEA with an IEP who received direct medical services as outlined in their IEP. Direct medical services are those services billable under the FFS program as defined Attachment 3.1.A, 4.b.ix of the Medicaid State Plan.

E. Specialized Transportation Services Payment Methodology

Effective dates of service on or after July 1, 2011, providers will be paid on a cost basis. Providers will be reimbursed interim rates for Specialized Transportation services at the lesser of the provider's billed charges or the statewide enterprise interim rate. However, the interim payment remitted to the LEA will only be the federal share of the interim rate. Current AHCCCS rates are effective on or after the date indicated in Attachment 4.19B, p. 2, Annual Update Section. All rates are published on the Agency's website at:

<http://www.azahcccs.gov/commercial/ProviderBilling/rates/Physicianrates/Physicianrates.aspx>.

On an annual basis a cost reconciliation and cost settlement will be processed for all over and under payments.

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Transportation to and from school may be claimed as a Medicaid service when the following conditions are met:

- 1) Special transportation is specifically listed in the IEP as a required service;
- 2) The child requires transportation in a vehicle adapted to serve the needs of an individual with a disability;
- 3) A medical service is provided on the day that specialized transportation is billed; and
- 4) Transportation services are billed in units of 1-way trips. The LEA must be registered with AHCCCS as a transportation provider and must meet the same provider qualifications as all AHCCCS Medicaid transportation providers (e.g., proof of insurance and licensure of school bus drivers).

Transportation costs included on the cost report worksheet will only include those personnel and non-personnel costs associated with special education reduced by any federal payments for these costs, resulting in adjusted costs for transportation. The cost identified on the cost report includes the following:

- 1) Bus Drivers
- 2) Mechanics
- 3) Substitute Drivers
- 4) Fuel
- 5) Repairs & Maintenance
- 6) Rentals
- 7) Contract Use Cost (Insurance Costs)
- 8) Depreciation

The source of these costs will be audited Chart of Accounts data kept at the LEA level. The Chart of Accounts is uniform throughout the State of Arizona. Costs will be reported on an accrual basis. Special education transportation costs include those for wheelchair lifts and other special modifications which are necessary to equip a school bus in order to transport children with disabilities.

When LEAs are not able to discretely identify the special education transportation cost from the general education transportation costs, a special education transportation cost discounting methodology will be applied. A rate will be established and applied to the total transportation cost of the LEA. This rate will be based on the total number of specialized vehicles divided by the total number of vehicles used by LEAs to provide transportation to students. The result of this rate (%) multiplied by LEA Transportation Cost for each of the categories listed above will be included on the cost report. It is important to note that this cost will be further discounted by the ratio of Medicaid Eligible special education IEP One Way Trips divided by the total number of special education IEP One Way Trips. The numerator data will be provided from bus logs. The process will ensure that only one way trips for Medicaid eligible Special Education children with IEP's are billed and reimbursed under the Medicaid program.

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F. Certification of Funds Process

Each LEA will submit a Certification of Public Expenditure Form on an annual basis. On an annual basis, each LEA will certify through its cost report its total actual, incurred Medicaid allowable costs/expenditures. Providers are permitted to certify only Medicaid-allowable costs and are not permitted to certify any indirect costs outside their unrestricted indirect cost rate.

G. Annual Cost Report Process

For Medicaid services provided in schools during the state fiscal year (July 1 through June 30) each provider must complete an annual cost report. The cost report is due five months after the fiscal year end. At the discretion of AHCCCS, providers may be granted extensions up to three months.

The primary purposes of the LEA provider's cost report are to:

- 1) Document the LEA provider's total CMS approved Medicaid-allowable costs of delivering Medicaid coverable services using a CMS approved cost allocation methodology.
- 2) Reconcile the annual interim payments to the LEA provider's total CMS approved, Medicaid-allowable costs using a CMS approved cost allocation methodology.

The annual Medicaid Cost Report includes a certification of funds statement to be completed, certifying the provider's actual, incurred costs/expenditures. All filed annual Cost Reports are subject to desk review by AHCCCS or its designee.

H. The Cost Reconciliation Process

The cost reconciliation process must be completed within twenty-four months of the end of the reporting period covered by the annual Medicaid Cost Report. The total CMS-approved, Medicaid allowable scope of costs based on CMS-approved cost allocation methodology procedures are compared to the LEA provider's Medicaid interim payments delivered during the reporting period as documented in the Medicaid Management Information System (MMIS), resulting in a cost reconciliation.

For the purposes of cost reconciliation, the state may not modify the CMS-approved scope of costs, the CMS approved cost allocation methodology procedures, or its CMS-approved RMTS for cost-reporting purposes. Any modification to the scope of cost, cost allocation methodology procedures, or RMTS for

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cost-reporting purposes requires approval from CMS prior to implementation; however, such approval does not necessarily require the submission of a new state plan amendment.

I. The Cost Settlement Process

For services delivered for a period covering July 1st, through June 30th, the annual Medicaid Cost Report is due on or before December 1st of the preceding fiscal year (5 months after the fiscal year end), with the cost reconciliation and settlement processes completed within twenty-four months of the cost report due date.

If the LEA provider's interim payments exceed the actual, certified costs for the delivery of school based health services to Medicaid clients, the LEA provider will return an amount equal to the overpayment. AHCCCS will submit the federal share of the overpayment to CMS in the federal fiscal quarter following receipt of payment from the provider. AHCCCS will comply with the Medicaid overpayment rules and will be accountable for returning the Federal share within the time limits, even if the LEA has not returned the overpayment to the State within this timeframe.

If the LEA provider's actual, certified costs exceed the interim payments, AHCCCS will pay the federal share of the difference to the provider in accordance with the final actual certification agreement and submit claims to CMS for reimbursement of that payment in the federal fiscal quarter following payment to the provider.

AHCCCS shall issue a notice of settlement that denotes the amount due to or from the LEA.