

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-seventh Legislature - First Regular Session

HOUSE AD HOC COMMITTEE ON EXECUTIVE BUDGET MISMANAGEMENT

Report of Interim Meeting  
Thursday, April 3, 2025  
House Hearing Room 4 -- 8:30 A.M.

RECEIVED  
CHIEF CLERKS OFFICE

APR 07 2025

Convened 8:41 A.M.

Recessed

Reconvened

Adjourned 10:08 A.M.

Members Present

Representative Gress, Chairman  
Representative Olson  
Representative Bliss  
Representative Carter  
Representative Kupper  
Representative Way

Members Absent

Representative Stahl Hamilton  
Representative Crews  
Representative Gutierrez

Agenda

Original Agenda – Attachment 1

Committee Attendance

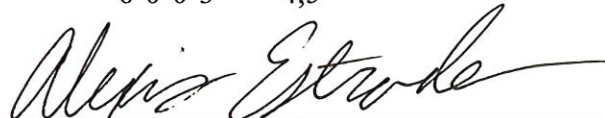
Report – Attachment 2

Presentations

<u>Name</u>	<u>Organization</u>	<u>Attachments (Handouts)</u>
DES – DDD	JLBC	3
DDD Update	Az House Republicans	6
AHCCCS Waiver	AHCCCS	7
Letter Nov 9 2023		8
Letter Feb 16, 2024		9

Committee Action

	<u>Action</u>	<u>Vote</u>	<u>Attachments</u>
Committee Findings	Adoption of Committee Findings	6-0-0-3	4,5



Alexis Estrada, Committee Secretary  
April 3, 2025

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

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## ARIZONA HOUSE OF REPRESENTATIVES

### INTERIM MEETING NOTICE OPEN TO THE PUBLIC

#### HOUSE AD HOC COMMITTEE ON EXECUTIVE BUDGET MISMANAGEMENT

**Date:** Thursday, April 3, 2025

**Time:** 8:30 A.M.

**Place:** HHR 4

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videooplayer/?clientID=6361162879&eventID=2025041001>

#### AGENDA

1. Presentation: *Growth in DDD and Recent Policy Changes*, JLBC
2. Discussion and Questions for State Agencies on the Section 1115 Waiver Process and Program Scope for Home and Community Based Services in the Division of Developmental Disabilities
  - Carmen Heredia, Director, Arizona Health Care Cost Containment System (AHCCCS)
  - Michael Wisehart, Director, Arizona Department of Economic Security (DES)
  - State Representative Megan Blanksma, Idaho, District 8
3. Adoption of Committee Findings

#### Members:

Representative Matt Gress, Chair  
 Representative Justin Olson, Vice-Chair  
 Representative Selina Bliss  
 Representative Neal Carter  
 Representative Quantá Crews  
 Representative Nancy Gutierrez  
 Representative Nickolas "Nick" Kupper  
 Representative Stephanie Stahl Hamilton  
~~Representative Kevin Volk~~  
 Representative Michael Way

03/28/2025  
 04/01/2025  
 04/02/2025  
 RA  
 VC  
 RA

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**ARIZONA STATE LEGISLATURE**  
Fifty-seventh Legislature - First Regular Session

**INTERIM COMMITTEE ATTENDANCE RECORD**

**HOUSE AD HOC COMMITTEE ON EXECUTIVE BUDGET  
MISMANAGEMENT**

COMMITTEE ON \_\_\_\_\_

CHAIRMAN: Matt Gress VICE-CHAIRMAN: Justin Olson

DATE	04/03/25	
CONVENED	8:41 a m	m
RECESSED		
RECONVENED		
ADJOURNED		
MEMBERS		
Selina Bliss	✓	
Neal Carter	✓	
Matt Gress, Chairman	✓	
Nancy Gutierrez		
Nickolas "Nick" Kupper	✓	
Justin Olson, Vice-Chairman	✓	
Stephanie Stahl Hamilton		—
Michael Way	✓	
Quanta Crews		—

✓ Present      --- Absent      exc Excused



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# **Department of Economic Security – Division of Developmental Disabilities**

**April 3, 2025**





## **Timeline of Parents as Paid Caregivers (PPCG)**

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- April 2020: Due to COVID-19, several states were granted temporary authority from feds to pay parents to provide certain services to minor children.
  - Includes attendant care and habilitation services.
- March 2021: Congress approved one-time 100% federal funding for added home and community-based services.
  - State implementation plan included PPCG.

## **Timeline of Parents as Paid Caregivers (cont.)**

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- September 2023: On behalf of DES, AHCCCS submitted waiver to continue PPCG after 100% federal funds expire in March 2025.
  - In February 2024, federal government approved Arizona's waiver to continue program through September 2027.
  - In April 2025, state will begin to fund one-third of program costs.
  - Waiver required state to cap weekly use of PPCG at 40 hours per child.
  - Can supplement 40 hours with non-parent hours.
- January 2024: FY 25 Executive Budget is published, includes \$4M General Fund request for state match cost of PPCG.
  - During session, estimated cost of the program increased considerably.

## **Timeline of Parents as Paid Caregivers (cont.)**

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- June 2024: FY 25 budget is enacted but does not include specific funding for PPCG.
- October 2024: AHCCCS/DES implemented capitation rate increase that incorporates costs of PPCG, which was estimated at \$57M General Fund.
- December 2024: Joint Legislative Budget Committee provided an unfavorable review of the rate changes. An unfavorable review does not block implementation of the rate increase.



## **Timeline of Parents as Paid Caregivers (cont.)**

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- January 2025: FY 26 Executive Budget includes \$109M General Fund supplemental for DD formula costs.
  - This dollar amount includes both PPCG and non-PPCG costs.
- July 2025: DES plans to implement the 40-hour weekly cap on PPCG.
  - DES is reviewing the standards for caseworkers to use in determining when the use of PPCG is appropriate.
  - DES plans to revise its coding as to delineate PPCG hours.

House Ad Hoc Committee on Executive Budget Mismanagement

**Meeting One Findings**

The Hobbs administration, without approval from the Legislature or specific appropriation authority, dramatically expanded its Developmental Disability program by making permanent a temporary, COVID-era program to pay parents to provide attendant and habilitative care to their minor children.

The programmatic and scope changes of the DD program adopted by AHCCCS and implemented by DES led to dramatic unfunded liabilities, threatening the entire DD program and leaving the state with at least a \$122 million budget deficit in FY2025.

The Hobbs administration, through its Medicaid agency at AHCCCS, put the Department of Economic Security under legal threat with a November 2023 Corrective Action Plan, which aimed to grant parents additional hours for care under the PPCG program, which was at odds with the "extraordinary care" standards and dramatically expanded costs to the state.

AHCCCS delayed implementation of guardrails on the PPCG program by over 18 months, despite its original plan submitted to the Federal CMS in August 2023, causing considerable cost overruns and unrealistic expectations for families.

The critical nature of the Developmental Disabilities program and its pending exhaustion of funds requires that the Executive identify available federal funds, and the Legislature will work to identify transfers of other available funds, in the month of April, to continue the program.

The State Legislature must receive annual reports from the executive administration identifying all federal funds received and an exit plan should those federal funds be eliminated.

**ARIZONA STATE LEGISLATURE**  
**Fifty-seventh Legislature - First Regular Session**

**INTERIM COMMITTEE ROLL CALL VOTE**

COMMITTEE: HOUSE AD HOC COMMITTEE ON EXECUTIVE BUDGET  
MISMANAGEMENT

DATE: April 3, 2025 MOTION: Committee findings

COCHAIRMAN: Matt Gress COCHAIRMAN: Justin Olson

	PASS	AYE	NAY	PRESENT	ABSENT
Selina Bliss		✓			
Neal Carter		✓			
Nancy Gutierrez					—
Nickolas "Nick" Kupper		✓			
Stephanie Stahl Hamilton					—
<del>Kevin Volk</del> Quanta Crews					—
Michael Way		✓			
Justin Olson, Cochairman		✓			
Matt Gress, Cochairman		✓	⊗	⊗	⊗

6      0      0      3

Alexis Estrada  
COMMITTEE SECRETARY

APPROVED:

Matt Gress  
COMMITTEE CHAIRMAN

\_\_\_\_\_  
COMMITTEE VICE-CHAIRMAN

ATTACHMENT \_\_\_\_\_





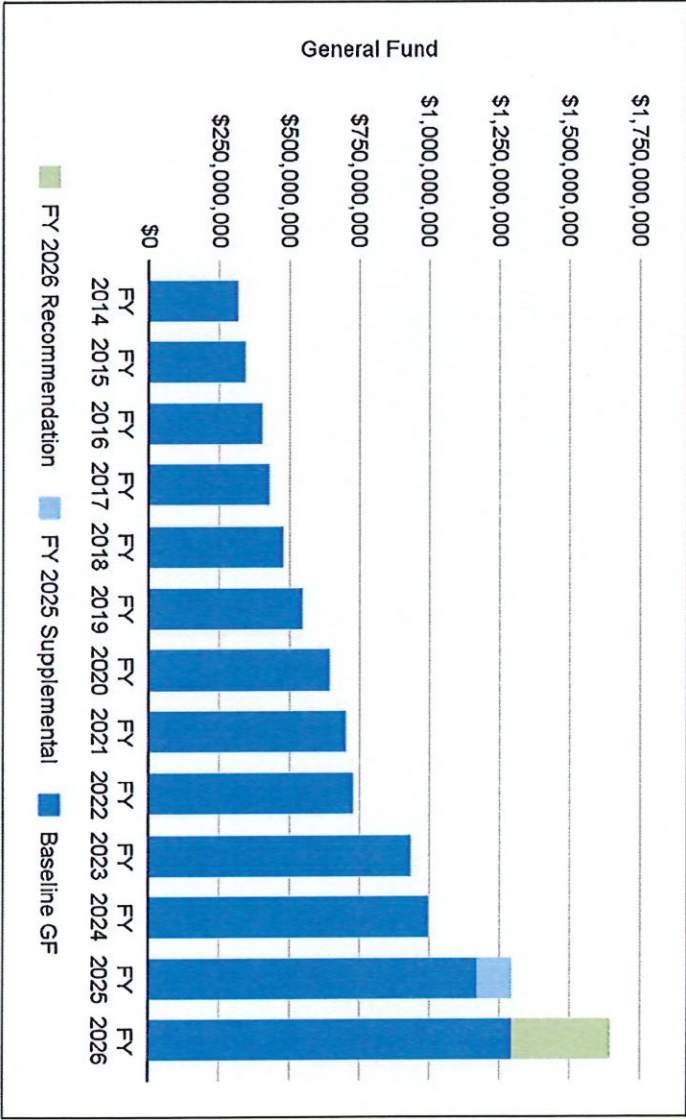
# DDD Update

*Mar 2025*

# What is Going on with DD?



## Gov Executive Budget Recommendation (cont.)



DD program slated to increase 45% in cost between FY23 and FY26



# Eligible Populations

## DDD Eligibility A.R.S. § 36-559, 36-551

### Qualifying Diagnosis for DDD Eligibility:

- Autism
- Cerebral Palsy
- Down syndrome
- Epilepsy
- Cognitive / Intellectual Disability

In addition to qualifying diagnosis, must also have substantial functional limitations in 3 or more of these daily life skills related to the disability:

- Receptive and expressive language
- Learning
- Self-direction
- Self-care
- Mobility
- Capacity for Independent living
- Economic self-sufficiency

### A person aged 0 to 3 years must:

Have a significant delay in one or more developmental areas or an established condition that could lead to a developmental disability.

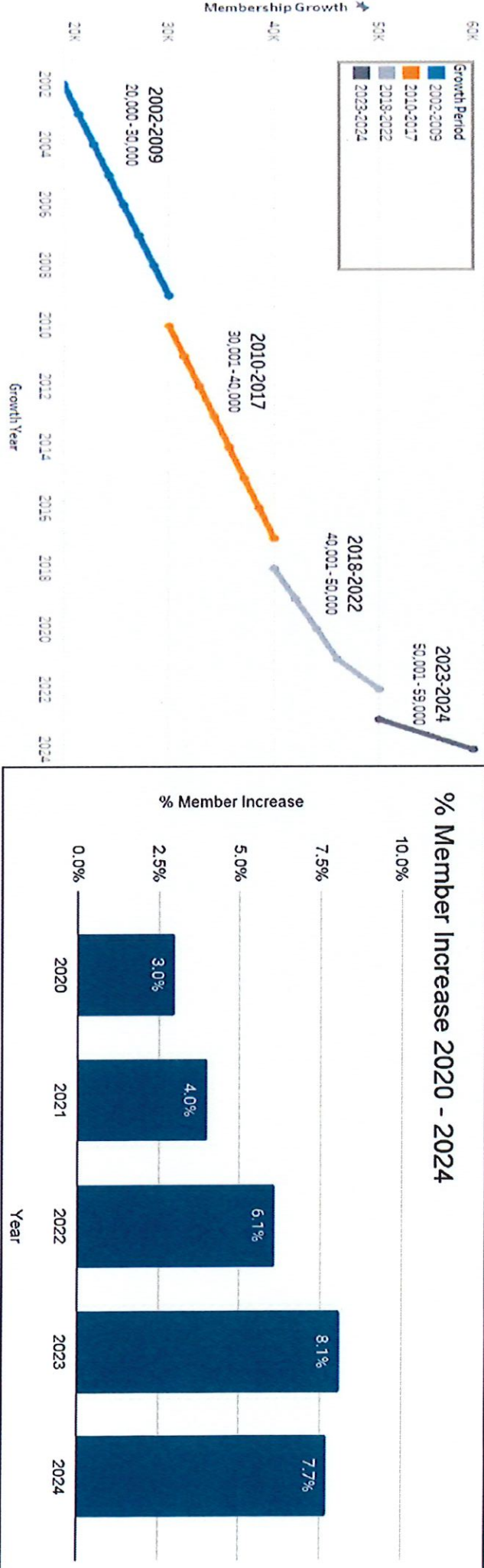
### A person aged 3 to 6 years must:

Have one of the following developmental disabilities OR be **At-Risk** for developing one of these disabilities



# DD Enrollment

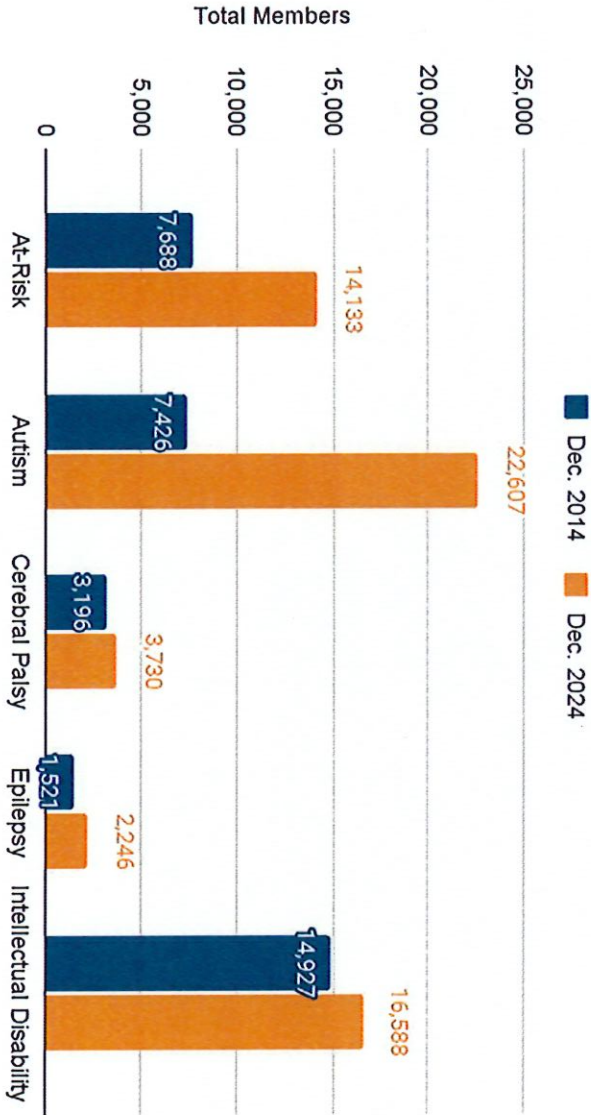
1999 - 17,224 members      2024 (December) - 59,079 members



DDD enrollment has nearly tripled since 2000 and has experienced 6-8% annual growth recently.

# Enrollment Increases

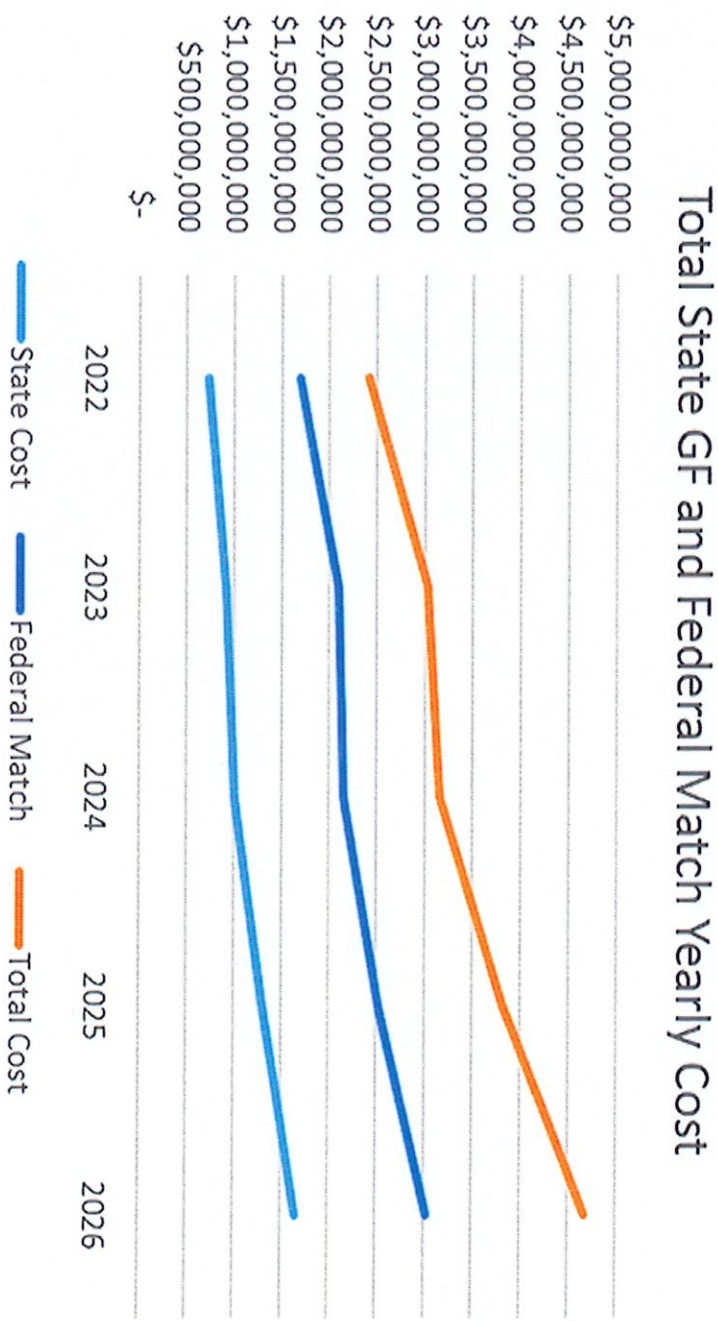
Members by Qualifying Diagnosis 2014 vs 2024



10-year growth

Autism: 204%.

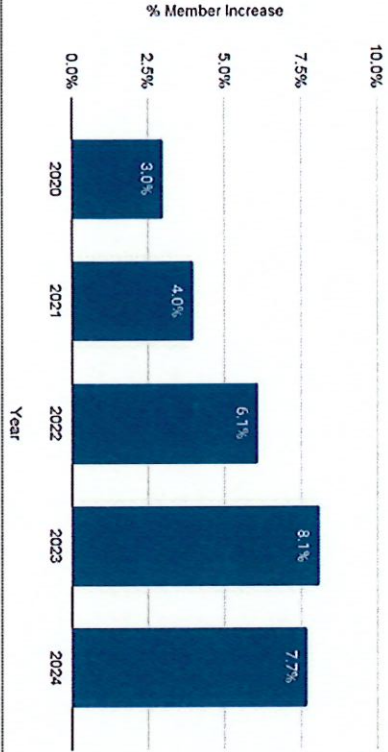
Intellectual disability: 11%



By 2026, DD is projected to reach over \$4.5 billion in expenses, with continued growth expected in FY27 & FY28.



% Member Increase 2020 - 2024



ITEM	SFY 2021	SFY 2022	SFY 2023	SFY 2024
Expenditures	\$410,734,978	\$451,655,155	\$471,298,813	\$565,808,231

Blended FMAP		
State Fiscal Year	Federal Share	AZ State Share
2022	70.01%	29.99%
2023	69.67%	30.33%
2024	68.34%	31.66%
2025	66.21%	33.79%
2026 (est)	64.67%	35.34%

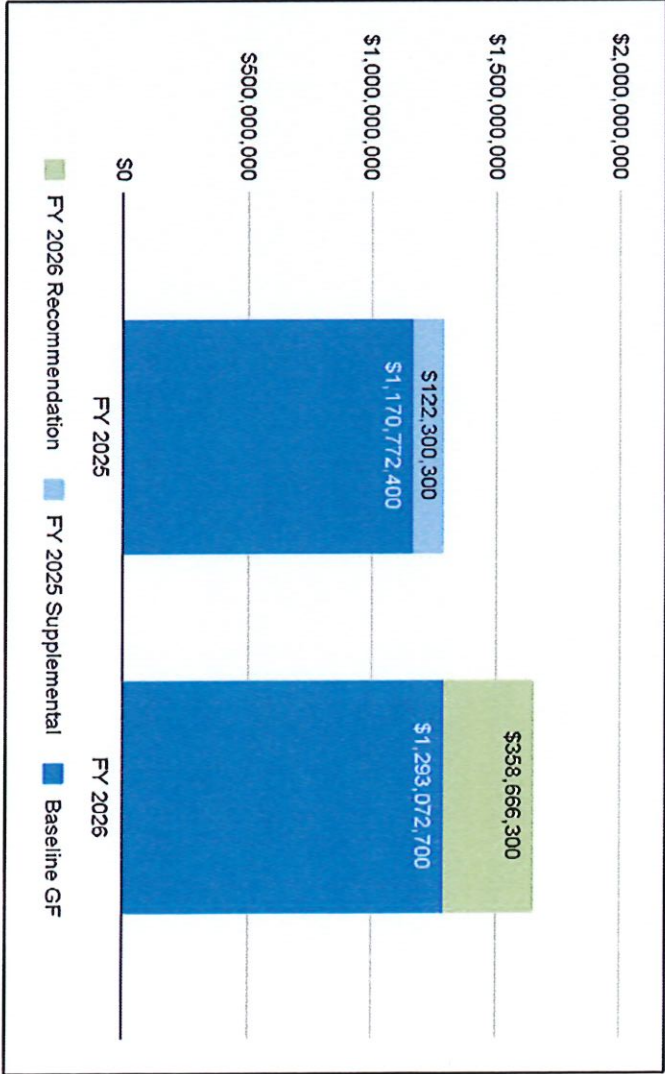
## Growth Drivers



- The substantial growth of the DDD program has been caused by:
  - Increased DDD membership
  - Increased authorized service hours
  - Increase in utilization
  - Increased cap rates set by AHCCCS
  - Shifts from federal funding to state funding

# Governor's Proposed Budget

- The Governor's Budget Proposal includes a recommendation for \$122.3M GF in supplemental funding for FY2025
- The proposal also recommends an additional \$358.7M GF for FY2026. Total GF would be \$1.65B



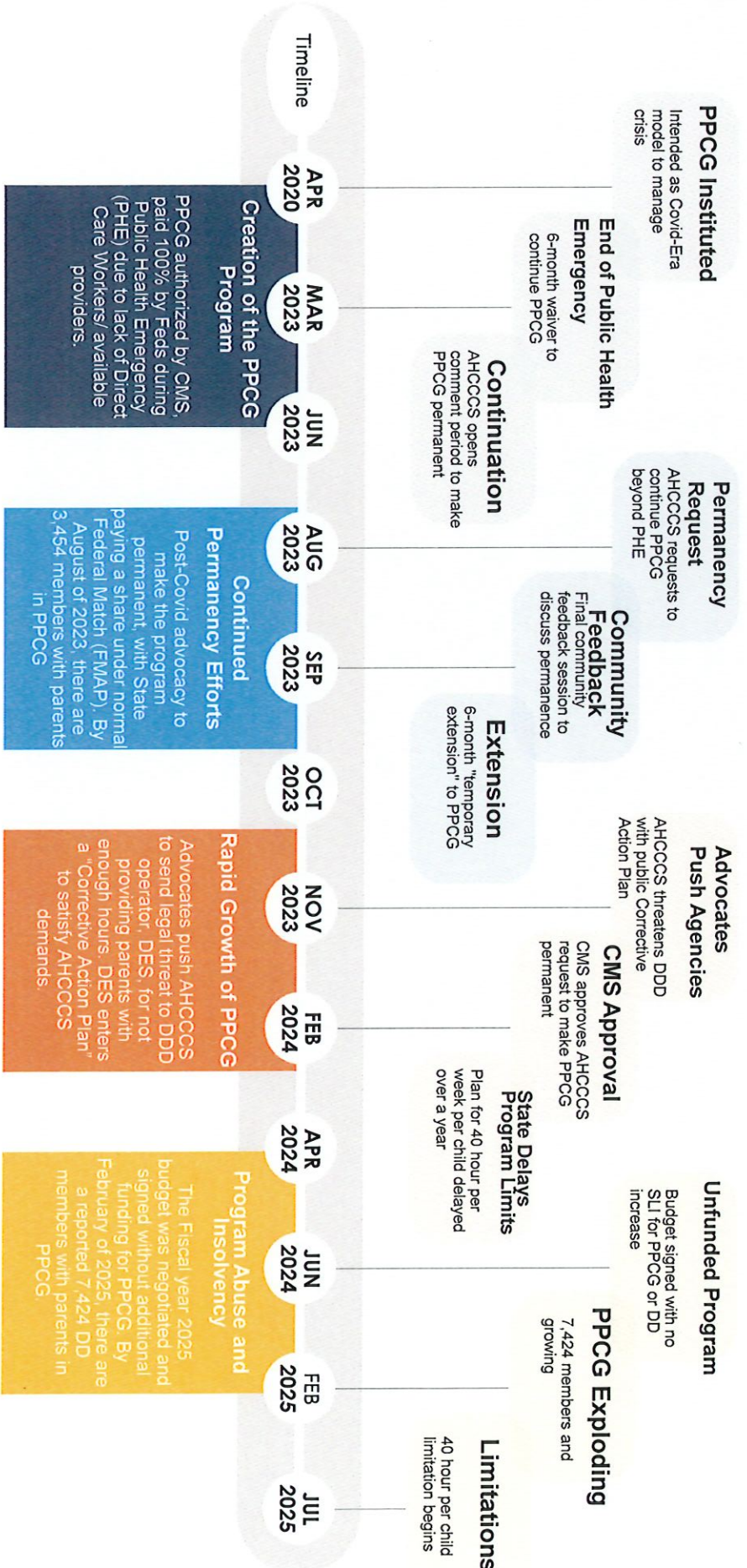




## Parents as Paid Caregivers (PPCG)

- **Background:** "The ALTCS program includes a flexible service delivery model whereby spouses and family members (including parents of adult children) can provide paid authorized services within the member's own home. Prior to COVID-19, parents of minor children had never been paid for the care they provided to their minor child."
- **Agency Explanation:** "As defined in AHCCCS' 1115 Waiver, "extraordinary care," is defined as "care that exceeds the range of activities that a [parent] would ordinarily perform in the household on behalf of the recipient [member], if he/she did not have a disability or chronic illness, and which are necessary to assure the health and welfare of the enrollee, and avoid institutionalization." The State is seeking to ensure the continuation of allowing for parents to be reimbursed for the provision of this "extraordinary" attendant care and habilitation services to their minor children past the current expiration date of November 11, 2023, through a section 1115 Demonstration amendment."
- **Why (per AHCCCS):** 1) Mitigate Direct Care worker (DCW) shortage and other access to care challenges 2) **increase member satisfaction** and promote positive health and well-being outcomes 3) Extend an additional support service to restore, enhance, and maintain family functioning to **preserve effective care for the member in the home and community** 4) Ensure that members receive high-quality care while **increasing timely accessibility** to care providers

# Parents as Paid Care Givers (PPCG)







# AHCCCS Expands PPG

2023 November – AHCCCS [threatens](#) DDD with public  
Corrective Action Plan

*"AHCCCS has been made aware of numerous member concerns related to the implementation of the current PPG program through various avenues, including the public comment period for the Waiver proposal... Some of the concerns report that members (and families) have been denied or reduced in the amount or duration of attendant care and/or habilitation services due to the Support Coordinator's view that the parent is responsible for these services as a natural provider in contravention to the flexibility available under the PPG program. On numerous occasions AHCCCS has communicated to DDD the requirements for proper implementation of the Appendix K flexibility and AHCCCS' expectations to ensure prompt compliance."*

AHCCCS Rescinds CAP in April 2024



November 09, 2023

Zane Garcia Ramadan  
Assistant Director/CEO  
Department of Economic Security/Division of Developmental Disabilities  
1780 W Jefferson, 4th Floor  
Phoenix, AZ 85007

SUBJECT: Notice of Mandated Corrective Action Plan – Assessments for Attendant Care and Parents as Paid Caregivers

Dear Mr. Garcia Ramadan:

The Arizona Health Care Cost Containment System (AHCCCS), Division of Health Care Services (DHCS) has determined the Department of Economic Security/Division of Developmental Disabilities (DDD) is not in compliance with its Contract Y16-0014, Section D, Paragraph 9 Scope of Services and Paragraph 15 Case Management, as well as the 1115 Waiver, Appendix K Amendment, specific to Parents as Paid Caregivers, and as a result DDD is required to submit a Corrective Action Plan (CAP) to remediate concerns outlined in this notice.

The DIS/DDD Contract Section D, Paragraph 9, Scope of Services, provides:

*The Contractor shall be responsible for providing the following acute care, Long Term Care (LTC), and case management services in accordance with AAFP, ACOA, and as*



# Growth in DD services

- These tables include all attendant and habilitative care, not just PPCG
- Attendant care service hours among minor children increased by a factor of 6.9x compared to 5 years earlier
- Habilitation utilization has increased by a factor of 2.1x over the same period
- The proportion of minor children authorized to receive attendant care also increased from 9.8% in FY 2019 to 39.3% in FY 2024.

Total Hours of Service Delivered - Members aged 0 -17								
Service	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	
Attendant Care	862,640	1,016,527	1,469,575	3,113,746	3,372,907	4,317,869	6,977,396	
Habilitation Hourly	3,192,999	3,347,849	3,570,893	4,138,629	4,195,661	5,067,116	6,934,157	
Grand Total	4,055,639	4,364,376	5,040,468	7,252,375	7,568,568	9,384,985	13,911,553	

Percentage of Members aged 0 -17 Receiving Attendant Care								
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	
Members Authorized	1,438	1,685	2,756	3,964	4,007	4,888	8,055	
Total Population (AL TCS)	16,279	17,175	17,643	17,384	17,582	18,433	20,513	
% Authorized	8.80%	9.80%	15.60%	22.80%	22.80%	26.50%	39.30%	





# PPCG By the Numbers

- 6,391 Parents in PPCG for 7,424 DD members, 17% receiving more than 40 hrs
- Parents limited to 16 hours of care per day, must use Electronic Verification (EVV)
- 90-day in-person Support Coordinator visitations and service plan reviews
- 40 hr limit is per child, not the parent
- If a member is authorized more than 40 hrs, another family member may provide them
- For a child with 2 parents, their combined hours cannot exceed 40 hrs per child

Table 1 Average PPCG Hours Per Week		
Service Hours	Parents	% of Total
1-12	794	12.4%
13-20	1,098	17.2%
21-40	3,431	53.7%
41-50	437	6.8%
51-60	258	4.0%
61+	373	5.8%
Total	6,391	100.0%

\* As of Sept 2024



# Questions?

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# Arizona Section 1115 Waiver Amendment Request: Parents as Paid Caregivers

August 24, 2023

Attachment 7

## Table of Contents

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## I. SUMMARY

The Arizona Health Care Cost Containment System (AHCCCS) is requesting an amendment to the State's current Demonstration project, "Arizona Medicaid Section 1115 Demonstration" under section 1115 of the Social Security Act (Project Number 11-W-00275/9). In response to the COVID-19 Public Health Emergency (PHE), AHCCCS submitted and received approval for an Appendix K waiver amendment to allow for certain flexibilities to their program, including payments to parents who serve as paid caregivers for minor children. The goal of this proposal is to better address the direct care worker (DCW) shortage by permanently extending payments to parents who serve as paid caregivers for minor children while also further developing the Arizona Long Term Care System (ALTCS) to include extended family supports to preserve a supportive home environment and mitigate access to care challenges.

Since 1982, AHCCCS has been delivering high-quality, cost-effective health care services to Arizonans via a managed care delivery system authorized through an 1115 waiver. In 1988, AHCCCS' original 1115 Demonstration was substantially amended to allow Arizona to implement ALTCS for individuals who are elderly and/or have physical disabilities and individuals with intellectual/developmental disabilities. Since that time, the ALTCS program has evolved by creating an array of home and community based settings and services to support members to live in the least restrictive setting while still receiving the appropriate care. The program has continued to grow to over 65,000 members in July of 2023 with approximately 89 percent of members receiving HCBS. The ALTCS program includes a flexible service delivery model whereby spouses and family members (including parents of adult children) can provide paid authorized services within the member's own home. Prior to COVID-19, parents of minor children had never been paid for the care they provided to their minor child.

The COVID-19 Public Health Emergency (PHE) necessitated new innovations and service delivery models to ensure members continued to receive services if the family decided not to allow DCWs into their homes or if DCWs decided not to continue working in the home setting to mitigate the risk of exposure. As a result, AHCCCS submitted and received approval for a temporary Appendix K PHE flexibility to allow parents to be reimbursed for the provision of the "extraordinary care" that was required of them throughout the course of the pandemic. The agency received an extension of this flexibility for six months after the end of the PHE on March 22, 2023, extending the program until November 11, 2023, under the same Appendix K authority. As defined in AHCCCS' 1115 Waiver, "extraordinary care," is defined as "care that exceeds the range of activities that a [parent] would ordinarily perform in the household on behalf of the recipient [member], if he/she did not have a disability or chronic illness, and which are necessary to assure the health and welfare of the enrollee, and avoid institutionalization." The State is seeking to ensure the continuation of allowing for parents to be reimbursed for the provision of this "extraordinary" attendant care and habilitation services to their minor children past the current expiration date of November 11, 2023, through a section 1115 Demonstration amendment.

Under this Demonstration proposal, the agency will seek to:

- Mitigate DCW shortage and other access to care challenges by allowing payments to parents who serve as paid caregivers for their minor children,
- Increase member satisfaction and promote positive health and well-being outcomes for the target population,
- Extend an additional support service to restore, enhance, and maintain family functioning to preserve effective care for the member in the home and community, and



- Ensure that members receive high-quality care while increasing timely accessibility to care providers.

## II. OVERVIEW

### Background

On March 13, 2020, the President of the United States declared the 2019 novel coronavirus (COVID-19) a nationwide emergency pursuant to Section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121-5207 (the “Stafford” Act). The President’s declaration provided authority for the Secretary of the U.S. Department of Health and Human Services to enhance States’ ability to respond to the COVID-19 outbreak, including the power to temporarily waive or modify Medicaid and CHIP requirements under Section 1135 of the Social Security Act. Temporary flexibilities were granted through policy changes or various legal authorities.

To minimize disruption in care for AHCCCS members requiring home and community-based services (HCBS) during the course of the PHE, Arizona requested and received approval via an Appendix K amendment which allowed parents of minor children to receive payment for attendant care and habilitation services. Most recently, Arizona obtained an extension of this Appendix K amendment currently set to expire six months after the end of the public health emergency on November 11, 2023. Upon careful review of this authority with Agency staff and external stakeholders, AHCCCS has determined the need to make payments to parents of minor caregivers an on-going flexibility within the State’s Section 1115 Research and Demonstration Waiver.

### Addressing Arizona’s Workforce Shortage Through Temporary Flexibilities

Prior to the PHE, Arizona experienced overall workforce shortages in the state. These shortages were further exacerbated by the PHE and are particularly pronounced for DCWs delivering services in HCBS settings.<sup>1</sup> Further complicating matters, there is a nationwide shortage of in-home caregivers due to rising demand for services related to the aging population<sup>2</sup>. In Arizona, this translates to potentially 41,000 new and available jobs for direct-care workers over the next seven years to help meet demand.<sup>3</sup> A workforce survey of DCWs conducted by the Paraprofessional Healthcare Institute (PHI) in 2021 estimated that Arizona providers will need to fill nearly 130,000 job openings from 2016.<sup>4</sup>

As the PHE continued, the DCW workforce challenges were exacerbated and the system became more reliant on parents providing authorized paid care, while parents became increasingly accustomed to the care being delivered in this way. As a result, when ARP Section 9817 funding became available AHCCCS decided to continue this PPCG flexibility through September 30, 2024 using the Section 9817 funds to provide an additional runway for parents, case managers, and the provider agencies representing the DCW workforce to prepare for this flexibility to end and make plans for this transition to mitigate any

<sup>1</sup> Watts, M., Musumeci, M., Ammula, M. 2021. *State Medicaid Home & Community-Based Services (HCBS) Programs Respond to COVID-19: Early Findings from a 50-State Survey*. Kaiser Family Foundation. <https://www.kff.org/report-section/state-medicare-home-community-based-services-hcbs-programs-respond-to-covid-19-early-findings-from-a-50-state-survey-issue-brief/>

<sup>2</sup> MACPAC. 2022, March. *State Efforts to Address Medicaid Home-and Community-Based Services Workforce Shortages*. [https://www.azahcccs.gov/shared/Downloads/News/2022/220322\\_MACPAC-brief-on-HCBS-workforce.pdf](https://www.azahcccs.gov/shared/Downloads/News/2022/220322_MACPAC-brief-on-HCBS-workforce.pdf)

<sup>3</sup> Duarte, C., 2019, February 10. *Shortage of Home-Care Workers in US, Arizona called a ‘Growing Crisis’*. Arizona Daily Star. [https://tucson.com/news/local/shortage-of-home-care-workers-in-us-arizona-called-a/article\\_f3acc21a-f915-593d-b0fa-d207080a3680.html](https://tucson.com/news/local/shortage-of-home-care-workers-in-us-arizona-called-a/article_f3acc21a-f915-593d-b0fa-d207080a3680.html)

<sup>4</sup> Campbell, Stephen. *Insights From the Frontline: Results of a Statewide Survey of Paid Caregivers in Arizona*. Paraprofessional Healthcare Institute (PHI), 2021.



potential access to care risks. Outside of extending PPCG, AHCCCS prioritized the use of the ARP funding to develop a multi-pronged approach to address recruitment and retention of DCWs to bolster the workforce to assume the provision of care after the conclusion of the flexibility. These strategies were informed by the HCBS stakeholder community as well as the 2021 PHI survey findings suggesting opportunities to support paid caregivers through additional compensation, training, supervision, and opportunities for advancement and support. The multi-pronged approach includes the following activities:

- Time limited directed provider payments to support recruitment and retention efforts,
- Develop new or additional trainings, including specialized trainings as a way to promote workforce retention,
- Support the career pathway of a DCW by promoting transparency on how to begin a career as a DCW and provide administrative resources to encourage recruitment,
- Promote investments in the development of new tools and technologies, such as a workforce database that helps the agency monitor workforces across the state, including DCWs, and
- Expand existing processes and technologies in the state, such as home-grown training programs.

#### **Seeking Payment to Parents as Paid Caregivers Permanently**

Addressing workforce shortages needs to focus simultaneously on filling the current gaps as well as preparing for future membership growth to mitigate compounded shortages in the future. In recognition of these challenges, the Agency proposed numerous interventions and investments described above aimed at attracting and retaining the DCW workforce through its [Section 9817 ARPA Spending Plan](#), including payments to parents of minor children. However, over the course of implementing the aforementioned initiatives, based on stakeholder feedback and available data it became apparent to the State that the PPCG program continues to be a critical lifeline for children with complex needs (and their families) that AHCCCS serves. The anticipated workforce needs and projected increase in our ALTCS population, combined with the anticipated number of DCWs entering the workforce, creates a scenario where augmenting the DCW workforce in Arizona through this PPCG program is essential to ensuring members are able to receive the care they need.

Under this proposal, parents who do provide these services must meet all requirements as established by AHCCCS policy including being employed/contracted by an AHCCCS Registered Direct Care Service Agency, demonstrating competency to provide care including passing specific competency tests, and complying with Electronic Visit Verification (EVV) per the 21<sup>st</sup> Century Cures Act (Cures Act). The services and number of authorized hours will be assessed and determined through the Person-Centered Service Planning (PCSP) process including a determination of what services/hours will be provided by informal (uncompensated) supports. Additionally, the provision of informal supports must be voluntary on the part of the caregiver. AHCCCS will update the Home and Community Based Services (HCBS) Needs Tool (HNT) to define the services and tasks that may be assessed for and qualify as “extraordinary care.”

Agencies employing or contracting with parents providing these services must maintain agency supervisory visits as further detailed in AMPM 1240-A. As part of the quarterly supervisory visits, a succession and workforce plan for the member/family shall be established that gets evaluated, updated, and implemented. The individual workforce development plan should include at a minimum, planning for respite workers and contingencies should the parent be unable to provide care or fulfill their responsibilities as the caregiver. The member specific plans shall inform the agency’s broader workforce planning efforts to ensure they are responsive to member needs and preferences. Supervisory visits



should also include an assessment of the well-being of the family member(s) and offer support/services/resources for any identified need.

In accordance with AHCCCS Medical Policy Manual (AMPM) Section 1620, case managers will review with a member/family members/Health Care Decision Makers (and other members of the service planning team) various service delivery models and utilize a decision tree to make an informed decision regarding the model that will best meet the member's needs, including decisions about the individuals who will serve as caregivers such as DCWs recruited by the agency and/or member/family, non-parental family members, and/or parents as a last resort when other options have been exhausted and when the parent is willing and able to provide the paid care.

Consistent with AHCCCS' ALTCS guiding principles, the person centered planning process should maximize member-direction and support the member to make an informed decision and lead/participate in the process to the fullest extent possible. Specifically, Members will have an informed choice of providers and shall have the final say in who provides their care, including whether a parent or non-parent DCW serves as a paid caregiver. Case managers will document any selection of a member-directed service model option in the PCSP, including the option for parents of minor children to provide paid care. Unless medically contraindicated, the PCSP shall also include an individualized habilitation goal based upon the member's needs and preferences that affords the member interaction with peers in community settings.

Parents who provide these services must also maintain quarterly in-person case management visits as further detailed in AMPM 1620-E. Parents would be limited to 40 hours of paid care, per child, in a given week where paid care by a parent caregiver cannot exceed more than 16 hours in a single day. If two children are receiving direct care services (habilitation, attendant care, personal care, or homemaker services), the parent(s) may provide up to a combined 80 hours of paid care per week (40 hours for each child). The exact number of hours (up to 40 per child) approved for payment will be determined through the person-centered planning process and must meet medical necessity requirements. Although these hourly limitations are in place, members can still receive more than 40 hours of authorized paid care in a given week through the use of an alternate caregiver.

Currently, in Arizona, there are 277 members receiving over 40 hours of paid care from their parent providers out of the total 3,454 members with parent DCWs. In order to allow adequate time for families and provider agencies to prepare for the 40 hour limit, the state proposes to implement a phased-in approach for families already enrolled in the program and currently providing care over the 40 hour limit. The phased-in approach will be implemented as follows:

1. From the time of approval until January 31, 2024: There will be no hourly limitations in place.
2. From February 1, 2024, until May 31, 2024: There will be an 80 hour per week limitation.
3. From June 1, 2024, to September 30th, 2024: The hourly limitation will drop to 60 hours a week.
4. Beginning October 1, 2024, and thereafter: The 40 hour per week limitation will be in effect.

Providers will ensure they have active and implementable workforce plans that are reflective of their entire current membership needs irrespective of whether or not members are served by a parent DCW. Parents of minor children should only be considered for paid care as an alternative when all other options have been exhausted. This workforce plan will be considerate of recruiting and retaining an



adequately trained and competent workforce that can meet their membership's unique healthcare and acuity needs and preferences.

**Extend Family Support/Home Care Maintenance:**

As an auxiliary support to the PPCG proposal detailed above, the Agency is proposing to establish a home care training family support (family support) service as part of the HCBS benefit package detailed in "Attachment L" of the State's approved STC document (Project Number 11-W-00275/9) for the long-term care population on the basis of the institutional level of care criteria (age or disability) that qualifies them for long term services and supports. Family support is directed toward restoration, enhancement, or maintenance of the family functioning to increase the family's ability to effectively interact and care for the member in the home and community. This service provides critical supports to members and their caregivers for the purpose of learning about, navigating, and planning for implementation of their Person-Centered Service Plans (PCSP) and help to address the needs of the family member(s), who are providing compensated and uncompensated care, including challenges they face when coping with the member's health care condition(s) and related stress and isolation that accompanies continuous and daily care of the member. Currently, a comparable service is available to AHCCCS members with a behavioral health need under the rehabilitation benefit in the agency's State Plan. By extending this benefit to the long-term care population and expanding beyond just those with a behavioral health need, AHCCCS will be better positioned to preserve the supportive environment and sustain the likelihood of members remaining in their home, thereby mitigating access to care challenges and risks of the member's utilization of higher levels of care in order to have their needs met.

AHCCCS is seeking authority to provide family support to primary caregivers (providing compensated and uncompensated care) of children and adults enrolled in the Arizona Long Term Care System (ALTCS) program. The service will be provided by family members who have lived experience in supporting a family member enrolled in the ALTCS program and demonstrate competencies required to provide the service. Family support may involve activities such as assisting the family to learn skills related to adjustment to the member's disability or aging process or significant life events or transitions, enhancing and improving the health and well-being of the member and family unit, navigating the health care system, self-advocacy, development of natural supports and community support systems, participating in the PCSP development, and implementation of individual and family goals and long-term life planning.

Family support would be limited to ALTCS members who are residing at home and will not supplant case management services. Primary family caregivers are eligible for the service and that includes families created through birth, foster care, adoption, marriage, or a self-created family unit. The service will be authorized by the case manager with limits on the amount, frequency and/or duration specified in PCSP and based on assessed needs. The PCSP will include a specific assessment of the family members' physical and mental well-being and outline targeted goals for both the family member and the member specific to the family support service. Family support may be provided individually or in a group setting. Additionally, more than one provider agency may bill for family support provided to a member at the same time if indicated by the member's assessed needs as identified through their PCSP.

### **III. WAIVER AMENDMENT PROPOSAL DETAILS**

**A. Proposed Cost Sharing Requirements under the Demonstration as Amended:**

This Demonstration does not change the Medicaid benefit package design; there is no new cost-sharing, copayments, or coinsurance for any benefit provided under the waiver. State Plan benefits will continue

to be applied in accordance with the State Plan and all eligibility groups will continue to receive all State Plan benefits.

**B. Proposed Changes to the Delivery System under the Demonstration as Amended:**

The delivery system for persons impacted by this proposed 1115 Waiver amendment will not vary from AHCCCS' current program features as described in the current State Plan and Demonstration.

**C. Proposed Changes to Benefit Coverage under the Demonstration as Amended:**

Through the Extended Family Support and Home Care Maintenance Demonstration, AHCCCS is seeking to add an additional benefit to the existing HCBS benefit package detailed in "Attachment L" of the State's approved STC document (Project Number 11-W-00275/9). The proposed service provides critical support to members and their caregivers to assist with the education, navigation, and implementation of their PCSPs to address the needs of the family members serving with the goal of restoring, enhancing, and maintaining family functioning.

**D. Proposed Changes to Eligibility Requirements.**

The Demonstration does not change the Medicaid benefit package design; there are no new eligibility requirements outside of those established as an eligible minor within ALTCS enrolled within Arizona's 1115 Demonstration Project.

## IV. REQUESTED WAIVER & EXPENDITURE AUTHORITIES

### REQUESTED WAIVER & EXPENDITURE AUTHORITIES

**Comparability; Amount, Duration, Scope of Services**

1902(a)(10)(B); 1902(a)(17)  
(42 CFR 440.240)  
(42 CFR 440.230)

To the extent necessary to enable the State to offer different or additional services to some categorically eligible individuals, than to other eligible individuals, based on differing care arrangements for eligible minor ALTCS members in the Parents as Paid Caregivers Program.

To the extent necessary to permit the State to offer coverage through MCOs that provide additional or different benefits to enrollees, than those otherwise available to other eligible individuals.

**Parents as Paid Caregivers**

1905(a)(24); (42 CFR 440.167)

To the extent necessary to enable the State to allow parents to perform demonstration caregiver services, including personal care and habilitation services, for eligible minor ALTCS members notwithstanding the requirements of 42 CFR 440.167.

**Comparability; Amount, Duration, Scope of Services**

1902(a)(10)(B); 1902(a)(17)



(42 CFR 440.240)

(42 CFR 440.230)

To the extent necessary to enable the State to offer the family support demonstration service to some categorically eligible individuals, and not to other eligible individuals, based on differing care arrangements for eligible ALTCS members living at home.

To the extent necessary to permit the State to offer coverage through MCOs that provide additional or different benefits to enrollees, than those otherwise available to other eligible individuals.

#### Parents as Paid Caregivers

Expenditures for demonstration caregiver services, including habilitation and personal care, provided by parents of eligible minor ALTCS members that are inconsistent with the requirements of 42 CFR 440.167.

#### Family Support

Expenditures for the family support demonstration service provided to eligible ALTCS members living at home.

## V. EVALUATION DESIGN

Arizona's 1115 Waiver Evaluation design will be modified to incorporate the AHCCCS Parents as Paid Caregivers demonstration proposal. The table below outlines the proposed hypotheses for this 1115 Waiver amendment and potential performance measures that would allow AHCCCS to effectively test each of the specific hypotheses.

#### Parents as Paid Caregivers Objectives, Hypothesis, and Approaches

Objectives	Proposed Hypothesis	Potential Approaches
The AHCCCS Parents as Paid Caregivers demonstration and Extended Family Support Demonstration will increase member satisfaction, ensure delivery of medically appropriate services in the community, and promote positive health and well-being outcomes for the target population.	Both the AHCCCS Parents as Paid Caregivers demonstration and Extended Family Support demonstration will maintain or increase the rate of children in the ALTCS program being served in the home.	Data will be drawn from a variety of sources including, but not limited to: <ul style="list-style-type: none"> <li>• Member surveys,</li> <li>• State eligibility and enrollment data,</li> <li>• Claims/encounter data,</li> <li>• Administrative program data (PMMIS),</li> <li>• T-MSIS, and</li> <li>• National/regional benchmarks.</li> </ul>
	Both the AHCCCS Parents as Paid Caregivers demonstration and Extended Family Support demonstration yield improved member satisfaction with care.	
	The AHCCCS Parents as Paid Caregivers demonstration will mitigate the DCW shortage by increasing timely	

	accessibility to care providers.	
	The AHCCCS Parents as Paid Caregiver demonstration will improve ongoing care stability for the target population.	
	The AHCCCS Parents as Paid caregivers demonstration will yield cost-effective care for AHCCCS members.	
	The AHCCCS Extended Family Support demonstration will increase member and family unit stability through decreased stress and burnout.	

Arizona will develop and submit to CMS a summative evaluation report within 18 months of the end of the current Demonstration period. Included in this summative evaluation report will be a discussion on the impacts resulting from payment to parents of minor children as paid caregivers and extended family support services.

## VI. PUBLIC NOTICE PROCESS

Pursuant to the terms and conditions that govern Arizona's Demonstration, Arizona must provide documentation of its compliance with the Demonstration of Public Notice process (42 CFR 431.408), the tribal consultation requirements pursuant to Section 1902(a)(73) of the Act as amended by Section 5006(e) of the American Recovery and Reinvestment Act of 2009, and the tribal consultation requirements outlined in STC 13.

### Public Website

The AHCCCS Parents as Paid Caregivers amendment proposal was posted on the AHCCCS website at <https://www.azahcccs.gov/Resources/Federal/PendingWaivers/ParentCareGivers.html> on June 16, 2023, for public comment. The web page includes a summary of the waiver amendment request, the schedule (dates and times) of public forums across the state, and this draft Waiver amendment proposal. In addition to the website posting, AHCCCS uses social media accounts and electronic mail to notify interested parties about Arizona's Waiver amendment proposal.

### Publication of Public Notice in the Arizona Administrative Register

On July 07, 2023, public notice of the AHCCCS Parents as Paid Caregivers amendment proposal was published in the Arizona Administrative Register. The notice included a summary description of the 1115 Waiver amendment request, the locations, dates and times of the public hearings, instructions on how to submit comments, and a link to where copies of Arizona's Waiver amendment proposal are available for public review and comments.

### Stakeholder Meetings:

AHCCCS presented the details of Arizona's Parents as Paid Caregivers amendment proposal at two virtual public forum meetings on July 18, 2023, and August 2, 2023, and at Tribal Consultation held on June 22,



## Draft: AHCCCS Parents as Paid Caregivers Waiver Amendment

2023. In addition, the demonstration proposal was presented at the State Medicaid Advisory Committee (SMAC) meeting on July 12, 2023. Stakeholders were able to submit comments and questions on the proposed 1115 Waiver amendment request during any of the forums, by email to: [waiverpublicinput@azahcccs.gov](mailto:waiverpublicinput@azahcccs.gov), or by mail to: AHCCCS, c/o Division of Community Advocacy and Intergovernmental Relations (DCAIR); 801 E. Jefferson Street, MD 4200, Phoenix, AZ 85034. All comments must have been received by August 21, 2023.

AHCCCS will be presenting the changes to the Parents as Paid Caregivers amendment proposal informed by the public comment period at an additional Public Forum held on September 6, 2023. Details regarding the additional public forum can be found below.

Public Forum Meeting	Meeting Dates & Times	Meeting Web Link & Call-in Information
<b>Post Public Comment Public Forum</b>	September 6, 2023, 1 p.m. - 2 p.m. AZ Time	<p>Register in advance for this webinar:  <a href="https://ahcccs.zoom.us/webinar/register/WN_KjIweFG1Rw-fUQYYQE1_6A">https://ahcccs.zoom.us/webinar/register/WN_KjIweFG1Rw-fUQYYQE1_6A</a></p> <p>Or join by phone:</p> <p>Dial (for higher quality, dial a number based on your current location):            US: +1 408 638 0968 or            +1 669 444 9171 or            +1 669 900 6833 or            +1 719 359 4580 or            +1 253 205 0468 or            +1 253 215 8782 or            +1 346 248 7799 or            +1 312 626 6799 or            +1 360 209 5623 or            +1 386 347 5053 or            +1 507 473 4847 or            +1 564 217 2000 or            +1 646 876 9923 or            +1 646 931 3860 or            +1 689 278 1000 or            +1 301 715 8592 or            +1 305 224 1968 or            +1 309 205 3325 or            888 475 4499 (Toll Free) or            833 548 0276 (Toll Free) or            833 548 0282 (Toll Free) or</p>



		877 853 5257 (Toll Free)  Webinar ID: 820 9183 2369 Passcode: 392302918
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More information about the proposed 1115 Waiver amendment, including the proposed 1115 Waiver application and the full public notice and public input process, can be found at <https://www.azahcccs.gov/Resources/Federal/PendingWaivers/ParentCareGivers.html>.

## VII. PUBLIC COMMENT SUMMARY

As part of Arizona's Parents as Paid Caregivers Waiver Amendment, AHCCCS acknowledged, reviewed, and considered all comments received throughout the public input process. In total, AHCCCS directly engaged more than 1700 stakeholders across the state through community forums and other regularly held meetings. AHCCCS received over 2,500 pieces of written and verbal input throughout the duration of the public input process. These responses were obtained from a variety of different stakeholders including, but not limited to, providers, public health organizations, legal advocates, tribal organizations, hospitals, and consumer advocacy groups.

AHCCCS is in the process of compiling and summarizing key themes of all received comments for publication within this proposal. AHCCCS has considered and utilized all comments received to inform the changes of the proposal to create this present version. Publication of all comments along with responses to the most common themes will be included in this updated proposal in the coming week.

## VIII. BUDGET NEUTRALITY

This Parents as Paid Caregivers Amendment Proposal is not changing or adding any existing service that will have a material impact on the existing Budget Neutrality Workbook that exists for the State's current 1115 Demonstration number 11-W-00275/9. Due to the authority regarding parents as paid caregivers already existing through a temporary COVID-19 Appendix K flexibility at the time the full budget neutrality model was created, the State does not anticipate a change within the existing member month rates or capitation rates. Rather, this proposal is requesting a permanent extension of an already existing temporary flexibility through an 1115 Demonstration Waiver.

## IX. APPENDIX

*Include all supplemental information needed for the application. This can include Budget neutrality reports, public notice documentation, or any other information deemed necessary for the approval of the application.*

November 09, 2023

Zane Garcia Ramadan  
Assistant Director/CEO  
Department of Economic Security/Division of Developmental Disabilities  
1780 W Jefferson, 4<sup>th</sup> Floor  
Phoenix, AZ 85007

**SUBJECT: Notice of Mandated Corrective Action Plan – Assessments for Attendant Care and Parents as Paid Caregivers**

Dear Mr. Garcia Ramadan:

The Arizona Health Care Cost Containment System (AHCCCS), Division of Health Care Services (DHCS) has determined the Department of Economic Security/Division of Developmental Disabilities (DDD) is not in compliance with its Contract YH6-0014, Section D, Paragraph 9 Scope of Services and Paragraph 15 Case Management, as well as the 1115 Waiver, Appendix K Amendment, specific to Parents as Paid Caregivers, and as a result DDD is required to submit a Corrective Action Plan (CAP) to remediate concerns outlined in this notice.

The DES/DDD Contract Section D, Paragraph 9, Scope of Services, provides:

*The Contractor shall be responsible for providing the following acute care, Long Term Care (LTC), and case management services in accordance with AMPM ACOM, and as approved by the AHCCCS Director, all of which are incorporated herein by reference, and may be found on the AHCCCS website [ 42 CFR Part 457, 42 CFR Part 438]. The Contractor shall ensure that the services are sufficient in amount, duration, or scope to reasonably be expected to achieve the purpose for which the services are furnished [42 CFR 438.210(a)(4)]. The Contractor shall not arbitrarily deny or reduce the amount, duration, or scope of a required service solely because of diagnosis, type of illness or condition of the member [42 CFR 457.1230(d), 42 CFR 438.210(a)(3)(ii)].*

*The Contractor may place appropriate limits on a service on the basis of criteria such as medical necessity, or for utilization control, provided the services furnished can be reasonably expected to achieve their purpose [42 CFR 457.1230(d), 42 CFR 438.210(a)(3)(i), 42 CFR 438.210(a)(4)]...*

The DES/DDD Contract Section D, Paragraph 15, Case Management, provides:

Attachment 8

*Case Management is a collaborative process which assesses, plans, implements, coordinates, monitors, and evaluates options and services to meet an individual's health needs through communication and available resources to promote quality and cost-*



*effective outcomes. The Case Management process involves review and assessment of the ALTCS member's strengths, preferences, and service and support needs with the member and the planning team. The review shall result in an individualized, mutually agreed upon, appropriate and cost effective PCSP that meets the medical, functional, social, and behavioral health needs of the member in the most integrated and least restrictive setting [42 CFR 438.208(c)(3)(i) - (v), 42 CFR 441.301(c)(1) - (3)].*

*The PCSP is a written plan developed through an assessment of functional need that reflects the services and supports (paid and unpaid) that are important for and important to the member in meeting the identified needs and preferences for the delivery of such services and supports...*

The AHCCCS Medical Policy Manual (AMPM) Exhibit 1620-17, Home and Community Based Services (HCBS) Member Needs Assessment - Guidelines, provides:

*There can be no differentiation or discrimination in the types of frequencies of service authorized simply because the member's caregiver will be a family member or other live-in individual.*

...

*Upon completion, the case manager is required to sign and date the HNT and must attest that "I have contacted the IFS/s named above (top of Page 1) and s/he voluntarily agree/s to provide the services indicated, with no compensation" by checking the box above the signature line.*

The 1115 Waiver, Appendix K Amendment for Parents as Paid Caregivers (PPCG) permits parents of minor children to receive payment for direct care services. Eligible individuals include members eligible for and enrolled with the Arizona Long Term Care System (ALTCS) under the age of 18 and who require home and community-based services (HCBS). AHCCCS has submitted a permanent addition to its 1115 Waiver Demonstration to continue this program on September 27, 2023. CMS has extended the Appendix K authority through March 29, 2024, pending negotiation and approval of the waiver proposal. The benefits allow legally responsible parents to receive payment for "extraordinary" direct care services (attendant care and habilitation). The parents must be employed/contracted by an AHCCCS Registered Direct Care Service Agency and meet all the direct care worker requirements in AHCCCS policy. The number of hours authorized for a parent to provide care are assessed and determined through the person-centered planning process and must meet medical necessity requirements. Additional policy will be issued once the Waiver proposal has been approved by CMS, including a standard assessment to determine "extraordinary" care.



AHCCCS has been made aware of numerous member concerns related to the implementation of the current Parents as Paid Caregivers program through various avenues, including the public comment period for the Waiver proposal. In light of the number and substance of these continuing concerns, AHCCCS noted them as a public comment theme in the Waiver proposal itself. Concerns center around Support Coordinators refusing to conduct assessments and/or to properly perform assessments to evaluate home and community-based services, including attendant care. Some of the concerns report that members (and families) have been denied or reduced in the amount or duration of attendant care and/or habilitation services due to the Support Coordinator's view that the parent is responsible for these services as a natural provider in contravention to the flexibility available under the parents as paid caregiver program. On numerous occasions AHCCCS has communicated to DDD the requirements for proper implementation of the Appendix K flexibility and AHCCCS' expectations to ensure prompt compliance.

The Contractor is again reminded that it is prohibited from requiring parents, or other household members, to provide natural support above and beyond typical parenting responsibilities. In addition, as outlined in Contract and Policy, DES/DDD is obligated to assess needed services for members, provide those services determined medically necessary, and, thereafter, affirmatively allow for choice of provider, including parents providing paid care if the member and family decide it is the most appropriate service delivery modality for their situation. Parents and other household members must be clearly informed of these available opportunities and flexibility.

As a result of the concerns outlined in this notice, DDD must provide a detailed Corrective Action Plan (CAP) to remediate these concerns, including at minimum, the following:

- Overview of training provided to support coordinator staff and leadership around appropriate assessments for HCBS services, and the PPCG benefit.
- Plan for ongoing training and evaluation of performance of support coordinators, including how DDD will promptly address any identified deficiencies.
- Proposed revisions and/or clarifications being made to policies around this benefit.

In addition, DDD must report the following information:

- An ongoing monthly report of NOAs issued regarding HCBS/attendant care services. This report should include, at a minimum, the requested service(s) and reason for denial, limitation, reduction, suspension or termination of the service.
- A summary of all appeals received related to HCBS/attendant care services between March 2023 and October 2023, including the outcome of each appeal.
- A secondary review and evaluation of authorization requests received between June 2023 and October 2023, specific to HCBS/attendant care services, including the outcome of the secondary review and any additional action taken on these authorization requests.

- A summary of all communications received by DDD from families and/or advocates presenting concerns related to HCBS/attendant care services between June 2023 and October 2023, including information on who submitted the concern as well as resolutions to concerns raised.

The above response shall be submitted to DDD's assigned AHCCCS Operations Compliance Officer, Jenna Girdosky, no later than **November 27, 2023**. After the initial response, monthly reporting will be due the last business day of the month for each following month.

There will be a subsequent notice forthcoming which will include associated issues with utilizing the assessment tools in an appropriate manner.

If you have any questions or concerns, please contact me at (602) 417-4229 or by email at [Jakenna.Lebsock@azahcccs.gov](mailto:Jakenna.Lebsock@azahcccs.gov).

Sincerely,



Meggan LaPorte, CPPO, MSW  
Chief Procurement Officer

Cc: Kristen Moore, DDD  
Jakenna Lebsock, AHCCCS  
Christina Quast, AHCCCS  
Dr. Eric Tack, AHCCCS  
Michelle Holmes, AHCCCS  
Jenna Girdosky, AHCCCS





February 16, 2024

Carmen Heredia  
Cabinet Executive Officer and Executive Deputy Director  
Arizona Health Care Cost Containment System  
801 East Jefferson Street  
Phoenix, Arizona 85034

Dear Director Heredia:

The Centers for Medicare & Medicaid Services (CMS) is approving an amendment with two policies, "Parents as Paid Caregivers" (PPCG) and "KidsCare Expansion," to the demonstration titled, "Arizona Health Care Cost Containment System (AHCCCS)" (Project Number 11-W-00275/9 and 21-W-00074/9) (the "demonstration"), in accordance with section 1115(a) of the Social Security Act (the Act).

Approval of the Parents as Paid Caregivers amendment will allow the state to continue to reimburse legally responsible parents of minor children (hereinafter referred to as "parents") for providing direct care to their minor children, helping to mitigate the direct care worker shortage and improve access to timely, effective care in the home and community. The amendment also establishes a Family Support service as part of the home and community-based services (HCBS) benefit package. The Family Support service aims to support primary caregivers, including parents, and improve access to timely, effective care in the home and community. Additionally, the KidsCare Expansion amendment will allow the state to increase the Children's Health Insurance Program (CHIP) (known in the state as KidsCare) eligibility thresholds from 200 percent of the federal poverty level (FPL) up to and including 225 percent of the FPL, with the flexibility for KidsCare coverage to go up to and include 300 percent of the FPL, subject to approval by the state legislature. The approval is effective as of the date of this letter and will remain in effect through the demonstration approval period, which is set to expire September 30, 2027.

CMS's approval of this section 1115(a) demonstration, as amended, is subject to the limitations specified in the attached waiver and expenditure authorities, special terms and conditions (STCs), and any supplemental attachments defining the nature, character, and extent of federal involvement in this project. The state may deviate from Medicaid or CHIP state plan requirements only to the extent those requirements have been specifically listed as waived or not applicable to expenditures under the demonstration.

**Extent and Scope of Demonstration Amendment**



During the COVID-19 public health emergency (PHE), the traditional provider workforce was diminished leading to inadequate capacity to provide medically necessary services such as supporting activities of daily living (ADLs). To alleviate this provider workforce shortage, Arizona submitted and received approval on April 6, 2020, for a temporary Attachment K PHE flexibility to allow parents to be reimbursed for the provision of the “extraordinary care” that was required of them throughout the course of the pandemic, and ordinarily provided by direct-care workers. As defined in the STCs, “extraordinary care” is defined as “care that exceeds the range of activities that a... parent of a minor child would ordinarily perform in the household on behalf of the recipient... minor child, if he/she did not have a disability or chronic illness, and which is necessary to assure the health and welfare of the beneficiary and avoid institutionalization.” Prior to the COVID-19 PHE, parents of minor children were not paid for extraordinary care. As the PHE continued, workforce challenges were exacerbated, and the delivery system became more reliant on parents providing authorized paid care. The PPCG program continues to be a critical lifeline for children with complex needs and their families. AHCCCS received an extension of the Attachment K authority through March 29, 2024. The state determined the need to make payments to parents as caregivers a permanent flexibility through a section 1115 demonstration amendment. The growing gap between the direct care workforce supply and demand, coupled with the projected increase in the Arizona Long Term Care System (ALTCS) population, makes it clear that continuing the PPCG program is essential to ensuring beneficiaries receive the care they need. Any individual, regardless of relationship, can apply to be a direct care worker and, if employed by an AHCCCS Registered Direct Care Service Agency, provide personal care services to a qualified beneficiary based on medical necessity and beneficiary preference.

Today, CMS is approving expenditure authority that will allow Arizona to make payments for caregiver services, including personal care and habilitation, provided by parents of eligible minor ALTCS beneficiaries in the PPCG program. CMS supports states seeking to extend this authority on a longer-term basis. This approval builds on the state’s existing authority for spouse caregivers to be paid for providing extraordinary care. Parents who provide these services must meet all requirements as established by the STCs, including being employed or contracted by an AHCCCS Registered Direct Care Service Agency, demonstrating competency to provide care including passing specific competency tests, and complying with Electronic Visit Verification per the 21st Century Cures Act. The services and number of authorized hours will be assessed and determined through the Person-Centered Service Planning (PCSP) process. Additionally, under this amendment, the state intends to implement a phased-in approach, which will be detailed in the quarterly monitoring reports, for a 40-hour weekly limit for paid care by parents.

CMS is also approving expenditure authority to provide the Family Support service to primary caregivers of children and adults enrolled in the ALTCS program. The service will be provided by staff with demonstrated competencies in providing the service as well as with lived experience in supporting a family member enrolled in the ALTCS program. Family Support may involve activities such as assisting the family to learn skills related to adjustment to the beneficiary’s disability, aging process, significant life events, or transitions; enhancing and improving the health and well-being of the beneficiary and family unit; navigating the health care system; self-advocacy; development of natural supports and community support systems; participating in the PCSP development; and implementation of individual and family goals and



long-term life planning. Family support is limited to ALTCS beneficiaries who are residing at home and will not supplant case management services.

Additionally, with this approval, the AHCCCS will have the authority to raise the CHIP eligibility thresholds from 200 up to and including 225 percent of the FPL, therefore expanding eligibility under KidsCare. Further, this amendment provides Arizona with the flexibility to increase KidsCare eligibility up to 300 percent of the FPL, subject to approval by the state legislature, without the submission of a formal amendment, as long as the state complies with public notice and tribal consultation processes, as specified under 42 CFR 431.408, and provides CMS with at least 60 days' notice prior to implementation. The state will only be allowed to make upward adjustments to the eligibility threshold, up to and including 300 percent of the FPL, subject to approval by the state legislature. The state is required to comply with all existing rules for operating within the available CHIP allotment and, as necessary, requesting an increase in allotment. Any reduction in eligibility limit would require submission of a formal amendment as described in the STCs.

Arizona estimates that an additional 9,700 children under age 19 will be eligible for KidsCare with this expansion. This request is in alignment with Arizona Senate Bill 1726, which provided state authority to expand KidsCare eligibility to include individuals with income at or below 225 percent of the FPL. Approval of this demonstration amendment is likely to promote the objectives of the CHIP program by expanding coverage to low-income children. CMS's approval of this amendment is subject to the limitations specified in the attached waiver and expenditure authorities, STCs, and any supplemental attachments defining the nature, character, and extent of federal involvement in this project.

### **Budget Neutrality**

Under section 1115(a) demonstrations, states can test innovative approaches to operating their Medicaid programs if CMS determines that the demonstration is likely to assist in promoting the objectives of the Medicaid statute. CMS has long required, as a condition of demonstration approval, that demonstrations be "budget neutral," meaning the federal costs of the state's Medicaid program with the demonstration cannot exceed what the federal government's Medicaid costs in that state likely would have been without the demonstration. In requiring demonstrations to be budget neutral, CMS is constantly striving to achieve a balance between its interest in preserving the fiscal integrity of the Medicaid program and its interest in facilitating state innovation through section 1115 approvals and amendments. In practice, budget neutrality generally means that the total computable (i.e., both state and federal) costs for approved demonstration expenditures are limited to a certain amount for the demonstration approval period. This limit is called the budget neutrality expenditure limit and is based on a projection of the Medicaid expenditures that could have occurred absent the demonstration, the "without waiver" (WOW) costs.

The demonstration amendment is not expected to impact the overall number of people enrolled in the Medicaid program and is expected to be budget neutral. First, the amendment does not change the eligible populations, or the ALTCS program, rather it allows for an additional set of individuals to deliver existing approved services which are included in the state's budget



neutrality model. Second, the demonstration amendment adds the family support service, which could otherwise be covered under the state plan and is projected to be budget neutral to the federal government. The state will be held to the budget neutrality monitoring and reporting requirements as per the STCs.

### **CHIP Allotment Neutrality**

Under this amendment, the state will be subject to a limit on the amount of federal title XXI funding that the state may receive on allowable demonstration expenditures during the demonstration period. CMS has long required, as a condition of demonstration approval, that demonstrations be “allotment neutral,” meaning the federal title XXI funds for the state’s CHIP program are restricted to the state’s available allotment and reallocated funds. The state is eligible to receive title XXI funds for the demonstration population as described in STC 19, up to the amount of its title XXI allotment. Title XXI funds must be first used to fully fund costs associated with CHIP state plan populations. The demonstration expenditures are limited to remaining funds. In requiring demonstrations to be allotment neutral, CMS is constantly striving to achieve a balance between its interest in preserving the fiscal integrity of the CHIP program and its interest in facilitating state innovation and coverage through section 1115 demonstration approvals.

### **Monitoring and Evaluation**

The state is required to conduct systematic monitoring and robust evaluation of the demonstration amendment in accordance with the STCs. In collaboration with CMS, the state must update its demonstration Monitoring Protocol to incorporate how it will monitor the amendment components, including relevant metrics data as well as narrative details describing progress with implementing the amendment.

The state is required to incorporate the amendment into its evaluation activities to support a comprehensive assessment of whether the initiatives are effective in producing the desired outcomes for beneficiaries and the state’s overall Medicaid and CHIP programs. Evaluation of the KidsCare component of the amendment should assess the impact of expanding eligibility for the KidsCare program, including the premium requirement, on beneficiary enrollment, access, and health outcomes. The state must also evaluate the impact of the PPCG component on access to and quality of care. Additionally, the state’s monitoring and evaluation efforts must facilitate understanding the extent to which the amendment might support reducing existing disparities in access to and quality of care and health outcomes.

### **Consideration of Public Comments**

The federal comment period for the PPCG request was open from October 12, 2023, through November 11, 2023. CMS received a total of 64 comments, three of which were not on topic. Of the remaining 61 comments, 55 were supportive of the amendment policy and six were not. Many commenters shared their direct, positive experiences as paid parent caregivers, including how the PPCG program ameliorates the direct care workforce shortage and helps ensure beneficiaries get the right care when and where they need it.



Additionally, many commenters noted that while supportive of the state's request, they were concerned with the 40 hour per week, per child limitation. These commenters voiced their concern that some parent caregivers will have to provide unpaid extraordinary care to beneficiaries in need of more than 40 hours of services per week, and they requested the limitation be lifted or an extraordinary circumstances exemption be built into the program to allow for some parent caregivers to be paid beyond the limit. Although states are not required to under federal statute or regulations, they have the flexibility to define limitations or specific circumstances, including a cap on the number of weekly hours, under which legally responsible individuals and other family caregivers may be paid providers. Upon further engagement with stakeholders, the state decided to delay the phase-in timeline of the requirement to provide more time to update related policies and procedures and prepare case managers and parent caregivers. The state also reiterated that non-parent direct care workers would address care beyond the 40-hour limit for beneficiaries assessed for more than 40 hours of care services per week.

The federal comment period for the KidsCare Expansion request was open from November 20, 2023, through December 20, 2023. CMS received 13 comments on the policy, two of which were not on topic. The majority of the comments were positive, highlighting how expanding KidsCare is expected to improve the rate of child health insurance, increase access to affordable health care coverage, decrease costs by addressing health needs earlier, and provide financial relief for families. One comment did note that in some circumstances, programs such as KidsCare may not always reach those who need it. CMS appreciates all of the commenters interest in improving the health of children in Arizona and agrees that expanding KidsCare eligibility will likely have positive health impacts for the newly eligible children's population in the state.

After carefully reviewing the amendment request and the public comments submitted during the federal comment period, and all other relevant materials provided by the state, CMS has concluded that the approval of this amendment to the AHCCCS demonstration is likely to assist in promoting the objectives of Medicaid and CHIP.

### **Other Information**

The award is subject to CMS receiving written acceptance of this award within thirty days of the date of this approval letter. Your project officer, Ms. Kate Friedman, is available to answer any questions concerning implementation of the state's section 1115(a) demonstration, and her contact information is as follows:

Centers for Medicare & Medicaid Services  
Center for Medicaid and CHIP Services  
Mail Stop: S2-25-26  
7500 Security Boulevard  
Baltimore, MD 21244-1850  
Email: [Katherine.Friedman@cms.hhs.gov](mailto:Katherine.Friedman@cms.hhs.gov)

We appreciate your state's commitment to improving the health of people in Arizona, and we look forward to partnering with you on the AHCCCS section 1115(a) demonstration. If you have questions regarding this approval, please contact Jacey Cooper, Director, State Demonstrations Group, Center for Medicaid and CHIP Services, at [jacey.cooper@cms.hhs.gov](mailto:jacey.cooper@cms.hhs.gov).

Sincerely,

A handwritten signature in black ink, appearing to be 'D. Tsai', with a stylized flourish at the end.

Daniel Tsai  
Deputy Administrator and Director

Enclosures

cc: Brian Zolynas, State Monitoring Lead, Medicaid and CHIP Operations Group