

1620-C COST EFFECTIVENESS STUDY (CES)

REVISION DATE: 11/12/2025

REVIEW DATES: 4/7/2025, 4/15/2024, 10/26/2023

EFFECTIVE DATE: 7/6/2021

REFERENCES: A.R.S. § 36-551; AMPM 1620-C; Division Operations Policy 414; Division Medical Policy 1620-L; Division Medical Policy 1630

PURPOSE

This policy outlines the requirements for the Cost Effectiveness Study (CES) of services covered by Arizona Long Term Care Services (ALTCS).

DEFINITIONS

1. "Adverse Benefit Determination" means the denial or limited authorization of a service request or the reduction, suspension, or termination of a previously approved service.
2. "Business Day" means 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding holidays listed in A.R.S. § 1-301.
3. "Cost Effective" or "Cost Effectiveness" means that the amount paid for Home and Community Based Services (HCBS) under the ALTCS program is appropriate when the HCBS services provided to the Member meet the Member's needs in the least restrictive setting in comparison to the cost of providing care to the

Member in an Institutional Setting and does not exceed 100% of the Net Institutional Cost.

4. "Cost Effectiveness Study" or "CES" means a three-month projection of service costs required by AHCCCS for Members who are eligible for ALTCS and whose costs exceed 80% of their approved institutional rate.
5. "Cost Effectiveness Study Worksheet" or "CES Worksheet" means the form that the Support Coordinator completes to document the results of a Cost Effectiveness Study.
6. "Cost Effectiveness Study - Share of Cost" or "CES SOC" means the amount that AHCCCS has determined based on the Member's income and expenses that the Member would have to pay if the Member were living in an Institutional Setting.
7. "Home and Community-based Services" or "HCBS" means, as defined in A.R.S. § 36-2939, services that may be provided in a Member's home, at an alternative residential setting as prescribed in A.R.S. § 36-591 or at other behavioral health alternative residential facilities licensed by the Arizona Department of Health Services and approved by the director of

AHCCCS.

8. "Institutional Setting" means:
 - a. A nursing facility as specified in 42 U.S.C. § 1396 r(a);
 - b. An Institution for Mental Diseases (IMD) for a Member who is either under age 21 or age 65 or older;
 - c. An Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID);
 - d. A hospice (free-standing, hospital, or nursing facility subcontracted beds) as specified in A.R.S. § 36-401.

9. "Managed Risk Agreement" or "MRA" means a document developed by the Support Coordinator or District Nurse and the Responsible Person, which outlines potential risks to the Member's health, safety, and well-being as a result of decisions made by the Member or their Responsible Person regarding Long Term Care Services and Supports. The Managed Risk Agreement specifies the alternatives offered to the Member and documents the Member's choices with regard to any decisions involving placement, services, and supports.

10. "Member" means the same as "Client", a person receiving developmental disabilities services from the Division as specified in A.R.S. § 36-551.
11. "Net Institutional Cost" means the monthly institutional cost based on the Member's assessed level of care or other needs minus the CES SOC. The result is compared to the cost of providing HCBS services to the Member to determine Cost Effectiveness.
12. "Notice of Adverse Benefit Determination" means a written notice provided to the affected Responsible Person which explains the Adverse Benefit Determination made by the Division or AHCCCS regarding the service authorization to deny, reduce, suspend, or terminate a service authorization request, or to authorize a service in an amount, duration, or scope that is less than requested as specified in 42 C.F.R. § 438.210(c), 42 C.F.R. § 438.404, and 42 C.F.R. § 438.400(b).
13. "Planning Document" means a written plan developed through an assessment of functional needs 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.

14. "Planning Team" means a defined group of individuals comprised of the Member, the Responsible Person if other than the Member, and, with the Responsible Person's consent, any individuals important in the Member's life, including extended family members, friends, service providers, community resource providers, representatives from religious/spiritual organizations, and agents from other service systems.

15. "Prior Period Coverage" or "PPC" means for Title XIX Members, the period of time prior to the Member's enrollment, during which a Member is eligible for covered services. The timeframe is from the effective date of eligibility to the day a Member is enrolled with a Contractor. Refer to 9 A.A.C. 22 Article 1. If a Member made eligible via the Hospital Presumptive Eligibility (HPE) program is subsequently determined eligible for AHCCCS via the full application process, PPC for the Member will be covered by AHCCCS Fee-For-Service and the Member will be enrolled with the Contractor only on a prospective basis.

16. “Responsible Person” means an adult with a developmental disability who is a Member or an applicant for whom no guardian has been appointed, the parent or guardian of a minor with a developmental disability, or the guardian of an adult with a developmental disability.
17. “Support Coordinator” means the same as “Case Manager”, a person who coordinates the implementation of the individual program plan of goals, objectives and appropriate services for persons with developmental disabilities as specified in A.R.S. § 36-551.

A. GENERAL REQUIREMENTS OF THE COST EFFECTIVENESS STUDY (CES)

1. The Division shall ensure Home and Community Based Services (HCBS) provided to a Member under the ALTCS Program are Cost Effective when compared to the cost of providing care to the Member in an Institutional Setting.
2. The Division shall require a Cost Effectiveness Study (CES) Worksheet to be completed quarterly:

- a. When the Member's HCBS service costs are at or above 80% of the Net Institutional Cost for one or more months as identified on a quarterly Focus payment report; and
 - b. Until the Member's HCBS service costs are demonstrated to be below 80% of the Net Institutional Cost based on the Member's level of care or other needs.
3. The Division shall require a revised CES Worksheet to be completed within 10 Business Days when any of the following occurs:
- a. A change in residential setting, staffing, or services that could potentially put the Member's HCBS service costs at or above 80% Cost Effectiveness; or
 - b. A change in other HCBS services that would potentially put the Member's costs at or above 80% Cost Effectiveness; or
 - c. Discharge is considered for a Member residing in an Institutional Setting.
4. The Division shall not approve HCBS service costs in excess of 100% of Cost Effectiveness during PPC enrollment.

B. COMPLETING A CES WORKSHEET

1. The Support Coordinator shall include the following HCBS services the Member is receiving when completing the CES Worksheet:
 - a. Assisted living facilities;
 - b. In-home support services:
 - i. Attendant care;
 - ii. Habilitation hourly;
 - iii. Respite; and
 - iv. Homemaker.
 - c. Day services for adults or children;
 - d. Employment services;
 - e. Transportation to and from:
 - i. Day services for adults or children; and
 - ii. Employment services.
 - f. Habilitation provided in alternative residential settings and supported living services;
 - g. Habilitation - music;
 - h. Home delivered meals;
 - i. Nursing:
 - i. Continuous or shift;

- ii. Nursing respite; and
 - iii. Licensed home health aide.
 - j. Emergency alert systems;
 - k. Behavioral health respite; and
 - l. Behavioral health alternative residential settings.
2. The Support Coordinator shall not include the following services on the CES Worksheet:
- a. Occupational therapy;
 - b. Physical therapy;
 - c. Respiratory therapy;
 - d. Speech therapy;
 - e. Room and board;
 - f. Home modifications;
 - g. Interpretation and translation services;
 - h. Community transition services;
 - i. Nursing provided on an intermittent or per visit basis, not to exceed 2 consecutive hours per visit and no more than 4 visits per day;
 - j. Behavioral health medication management;
 - k. Behavioral health therapeutic day services;

- l. Behavioral health case management;
 - m. Psychosocial rehabilitation;
 - n. Other covered behavioral health services as outlined in
AMPM Exhibit 300-2A and AMPM Exhibit 300-2B.
 - o. Home Health Aide provided by the health plan;
 - p. Physical health services provided by the health plan;
 - q. Hospice services;
 - r. Customized durable medical equipment (DME);
 - s. Medical supplies;
 - t. Pharmacy services;
 - u. Fiscal intermediary monthly fee; and
 - v. Transportation for medical services, including therapies.
3. The Support Coordinator shall include the Member's CES SOC as determined by AHCCCS when completing the CES Worksheet.
4. The Support Coordinator shall complete a CES Worksheet and indicate "none" in the comments field of the CES Worksheet for a Member admitted to an Institutional Setting who:
- a. Was previously over 80% of Cost Effectiveness; and

- b. Has no anticipated discharge date from the Institutional Setting.

- 5. The Support Coordination Administration shall ensure that all CES Worksheets:
 - a. Are reviewed for accuracy; and
 - b. Have the appropriate signatures documented on the CES Worksheet as follows:
 - i. Support Coordination Supervisor if projected costs are between 80% and 99% of Cost Effectiveness; or
 - ii. Area Manager if projected costs are at or above 100% of Cost Effectiveness.

- 6. The Division shall ensure the completed CES Worksheet is entered into the AHCCCS computer system.

C. WHEN HCBS SERVICE COSTS ARE AT OR ABOVE 100% COST EFFECTIVENESS

- 1. The Support Coordinator shall identify when:

- a. Change(s) in the Member’s circumstances occur and potentially put the Member’s HCBS service costs at or above 100% Cost Effectiveness; and
 - b. The CES Worksheet projects the Member’s HCBS service costs to be at or above 100% Cost Effectiveness for one or more months of the quarter.
2. The Division shall allow up to six months starting with the initial month that the Member’s HCBS service costs are first at or above 100% Cost Effectiveness to implement a cost reduction plan.
3. The Support Coordinator shall develop a cost reduction plan to reduce HCBS service costs that are at or above 100% Cost Effectiveness by:
 - a. Consulting with their supervisor and the Area Manager to discuss options and potential barriers;
 - b. Consulting with other Division personnel, as applicable; and
 - c. Convening with the Planning Team, as applicable, to discuss options for the cost reduction plan.

4. The Support Coordinator shall implement the plan to reduce HCBS service costs from the time the Member's HCBS service costs are at or above 100% Cost Effectiveness to reduce costs within six months.
5. The Support Coordinator shall:
 - a. Advise the Responsible Person of the Cost Effectiveness limitations of the services;
 - b. Initiate termination of HCBS services that are at or above 100% of Cost Effectiveness when Support Coordination Administration denies the use of State funds;
 - c. Approve the portion of HCBS services that are within Cost Effectiveness limits;
 - d. Send a Notice of Adverse Benefit Determination to the Responsible Person when any service is denied, reduced, limited, or terminated due to HCBS services being at or above 100% of Cost Effectiveness as specified in Division Operations Policy 414; and
 - e. Complete a Managed Risk Agreement (MRA) with the Responsible Person when the Responsible Person chooses to remain at home without the level of services that have

been assessed for the Member.

6. The Support Coordinator shall continue to discuss other options for reducing costs if it is unlikely that costs can or will be reduced within six months.
7. When the cost of HCBS services are at or above 100% of Cost Effectiveness, and the cost is expected to drop below 100% within the next six months because of an anticipated change in the Member's needs or circumstances, the Support Coordinator shall:
 - a. Add a comment on the CES Worksheet regarding the planned anticipated date to reduce HCBS service costs; and
 - b. Document justification and approval from Support Coordination Administration in the Member's case file as stated in Division Medical Policy 1620-L.
8. The Division shall determine whether State funds will be approved when the Member's HCBS service costs are expected to be at or above 100% of Cost Effectiveness for more than six months.

9. The Division shall:
- a. Track and monitor Members with HCBS service costs that are projected to be at or above 100% Cost Effectiveness for one or more months of the quarter.
 - b. Track implementation of the Member's cost reduction plan(s) until HCBS service costs are demonstrated to be below 100% Cost Effectiveness.
 - c. Ensure a revised CES Worksheet is entered into the AHCCCS computer system based on projections.
 - d. Monthly, respond to AHCCCS on the status of the cost reduction plans and dates to reduce HCBS service costs.

Coralyn Lingwall

Signature of System and Practice Improvement Administrator

Coralyn Lingwall

Coralyn Lingwall

2025-11-06

Date