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**DHS Secretary Kristi Putnam
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March 4, 2024

Hon. Terry Rice, Arkansas Legislative Council Co-Chair
Hon. Jeff Wardlaw, Arkansas Legislative Council Co-Chair
1 Capitol Mall, Fifth Floor
Little Rock, Arkansas 72201

Dear Senator Rice and Representative Wardlaw:

As directed by Section 15 of Act 213 of 2022, I am reporting to Arkansas Legislative Council (ALC) the status of our efforts to increase reimbursement rates under the Living Choices Assisted Living Waiver. DHS is continuing the work necessary to implement Act 198 of 2023, which authorizes DHS to establish cost reporting for Medicaid-funded assisted living facilities.

Meyers and Stauffer provided a draft report for review by all stakeholders prior to completion of the final version. On January 16, 2024, DHS received the rate study report from Meyers and Stauffer and shared this information with providers. The rate study report also was presented to the ALC Hospital and Medicaid Study Subcommittee on February 7. Additionally, the cost report analysis was posted for public comment with the period ending on February 16. DHS has compiled the comments and posted responses as of March 4, 2024. Responses can be found at <https://humanservices.arkansas.gov/rules/ar-living-choices-al-waiver/>

In October 2023, DHS petitioned CMS for approval to implement the current Appendix K rates in use for ALF reimbursements as the permanent rates for the duration of the current Living Choices waiver. These rates are \$81.59 for urban facilities and \$85.67 for rural facilities. Formal CMS approval of these rates was received on January 24, 2024, with an effective date of March 1, 2024. DHS now plans to petition CMS for approval to implement a new rate of \$86.73, which represents the highest resulting rate from the rate study report. In addition, DHS will engage providers to discuss programmatic and policy change requests submitted during public comment.

In addition, DHS's Division of Aging, Adult, and Behavioral Health Services is updating the Living Choices provider manual to reflect the cost reporting requirements of Act 198. These changes have been submitted for internal review with an anticipated submission to ALC in early 2024.

DHS is continuing its broad-based review of the entire Medicaid system to assess options for long-term sustainability of the program. Assisted living payment rates and programmatic structure are part of this review process. Annual cost reporting for Medicaid-funded assisted living providers will now be completed on an annual basis with determinations presented to ALC for consideration.

Very respectfully,

Kristi Putnam
Secretary, Arkansas Department of Human Services