



# Hospital Assessment/HEALTHII Workgroup

April 20, 2022

# Feedback/Response – HSAA

<u>HSAA Feedback</u>	<u>AHCCCS Response</u>
<p>Supports exempting the new public acute hospital class from the HCIF assessment in recognition of the adverse impact of DSH program limits on HEALTHII payments to this hospital.</p>	<p>AHCCCS agrees that exempting a public acute hospital class from the assessments partly addresses a DSH constraint that uniquely impacts Valleywise.</p>
<p>Does not support exempting the public hospital class from the HAF exemption, as HAF coverage payments to the hospital are not impacted by the DSH program limits.</p>	<p>AHCCCS believes the HAF exemption is warranted given the unique role of this public acute hospital and the support the exemption would provide.</p> <p>The agency intends to proceed with exemptions on both assessments for the public acute hospital class. If it is determined through subsequent research that the exemptions reduce DSH federal financial participation, AHCCCS will not implement the exemptions.</p>

# Feedback/Response – HSAA

<u>HSAA Feedback</u>	<u>AHCCCS Response</u>
<p>Requests that AHCCCS view exemptions for public acute hospitals as addressing a highly unique situation. The exemption should not set precedent to consider future exemption proposals.</p>	<p>The exemption for this class of public safety net acute care hospitals does not set a precedent to consider future exemption requests from other hospitals.</p>
<p>Recommends further increasing FFY 23 HEALTHII payments to \$1.94B, by raising HCIF assessments to ~5.9% of net patient revenues.</p>	<p>The proposed HEALTHII payment increases based on policy decisions would violate the requirement to hold the General Fund harmless through increases to the public acute hospital class and decreases to the Valleywise DSH OBRA limit. Implementation of an increased payment model is <u>dependent on hospitals receiving approval from the Legislature and Governor’s Office, including an exemption for AHCCCS from the state rulemaking timeline.</u></p>

# Feedback/Response – HSAA

<u>HSAA Feedback</u>	<u>AHCCCS Response</u>
<p>Proposes that HEALTHII payment increase %'s under the enhanced payment proposal should be applied to all hospital classes. The highest upward adjustments should go to Private Urban Acute hospitals in recognition that the class has incurred a large share of cost growth in serving Medicaid members in recent years.</p>	<p>If hospitals obtain approval from the Legislature and Governor's Office for payment increases, AHCCCS anticipates implementing <u>proportional increases</u> to each hospital class payment rate in FFY 23. HEALTHII payments would increase to an estimated +\$2B while assessments would represent 5.8% of net patient revenue in FFY 23.</p>

# Feedback/Response – AzHHA

<u>AzHHA Feedback</u>	<u>AHCCCS Response</u>
<p>Supports creation of a public acute hospital assessment class that is exempted from both assessments. AHCCCS should continue to look for ways to mitigate reimbursement inequities of the state’s DSH payment arrangements.</p>	<p>AHCCCS agrees that exempting a public acute hospital class from the assessments partly addresses a DSH constraint that uniquely impacts Valleywise.</p>
<p>Hospitals are concerned they will have to pay back more of their FFY 21 HEALTHII payments during the reconciliation than previously anticipated. AzHHA would appreciate if AHCCCS would post preliminary reconciliation calculations so that hospitals facing recoupment can plan ahead.</p>	<p>AHCCCS will provide <u>preliminary FFY 21 Medicaid service utilization totals by hospital reimbursement class</u>. Hospitals can then calculate how their share of total utilization in the class compares to their share of the class's FFY 21 HEALTHII payments. The timing of providing those figures has not been determined but may occur in June or July.</p>
<p>Requested that FFY 21 recoupment payments be due after September 2022.</p>	<p>AHCCCS plans to reconcile FFY 21 HEALTHII payments during October to December 2022. With CMS clarification, AHCCCS determined that FFY 21 HEALTHII reconciliation payments must be made within 2 years from the quarter in which the utilization occurred.</p>

# Feedback/Response – PCH

<u>PCH Feedback</u>	<u>AHCCCS Response</u>
<p>Requests that AHCCCS view the exemptions for public acute hospitals as addressing a highly unique situation. The exemption should not set precedent to consider future exemption proposals.</p>	<p>The exemption for this class of public safety net acute care hospitals does not set a precedent to consider future exemption requests from other hospitals.</p>
<p>Requests that AHCCCS increase PCH’s projected FFY 23 Medicaid services to maintain the hospital’s share of HEALTHII payments at FFY 22 levels.</p> <p>The hospital is concerned that their FFY 21 base data is understated due to differences in how COVID has impacted child vs. adult/child hospitals. The freestanding children’s hospital payment class was the only class to see a decrease in utilization and HEALTHII payments relative to the FFY 22 model.</p>	<p>AHCCCS does not intend to modify the base data for temporary year-to-year fluctuations that occur for a given hospital. AHCCCS and Milliman are not able to accurately determine the extent that each hospital was temporarily and uniquely impacted by the COVID pandemic. Several other hospitals also saw decreases in their base data from prior year models.</p>

# Feedback/Response – PCH

<u>PCH Feedback</u>	<u>AHCCCS Response</u>
<p>PCH is concerned that the model’s projected FFY 23 Medicaid services do not incorporate new services that are anticipated to be provided at expanded PCH facilities starting mid-FFY 23.</p>	<p>AHCCCS plans to continue modeling payments with base period utilization. Once expanded services are part of base data in future years, they will be incorporated into the payment calculations.</p>
<p>AHCCCS should consider alternative models in FFY 23 or later years that allow HEALTHII payments to PCH to grow in parity with volume growth of other hospitals.</p>	<p>AHCCCS is willing to review methodology changes proposed by PCH for FFY 24.</p>
<p>AHCCCS should consider models that raise assessments close to the 6.0% hold harmless limit to increase HEALTHII payments.</p>	<p>Policy decisions to increase HEALTHII payments may violate requirements to hold the General Fund harmless through increases to the public acute hospital class and decreases to the Valleywise DSH OBRA limit. Implementation of an increased payment model in future years is <u>dependent on hospitals receiving approval from the Legislature and Governor’s Office.</u></p>

# Financial Summary - Updated

Hospital Assessment	FFY 2022	FFY 2023	Difference
<b>HAF Assessment</b>	\$ 533.5	\$ 587.9	\$ 54.4
HCIF Assessment for HEALTHII and Administrative Costs	\$ 367.4	\$ 332.8	\$ (34.6)
HCIF Assessment for Practitioner Payments	\$ 70.5	\$ 61.0	\$ (9.5)
<b>Total HCIF Assessment</b>	\$ 437.9	\$ 393.8	\$ (44.1)
<b>Total Assessment</b>	\$ 971.4	\$ 981.7	\$ 10.3
Total modeled HEALTHII payments	\$ 1,362.0	\$ 1,587.4	\$ 225.4
Less HCIF Assessment	\$ (437.9)	\$ (393.8)	\$ 44.1
Estimated HEALTHII Net Gain	\$ 924.1	\$ 1,193.7	\$ 269.6



# FFY 2024 Considerations

- HEALTHII FMAP is preliminarily projected to drop -1.5% in FFY 24
  - At a lower FMAP, a given amount of HCIF assessment will “buy” less HEALTHII payments

FFY	HEALTHII FMAP	Chg HEALTHII FMAP	Arizona Reg FMAP
2023	76.00%	2.12%	69.56%
2024 (est.)	74.50%	-1.50%	66.92%

- HAF enrollment expected to decline in FFY 24
  - AHCCCS will begin Medicaid eligibility redeterminations after the PHE, which may result in disenrollments
  - PHE currently set to end mid-July, but the actual end date is uncertain
  - Gradual enrollment declines in FFY 23 would be annualized in FFY 24

# FFY 2024 Considerations

- Pay-for-Performance Quality HEALTHII payments begin FFY 24
  - FFY 24 growth in payments may primarily be tied to performance
  - Stakeholder workgroup is expected to determine preliminary metrics in May 2022
  - Financial modeling related to Quality payments will occur during next year's workgroups
- Use of HCIF balance may partly help address pressures in FFY 24
  - Projected FFY 22 Balance: ~\$150-160M
  - Projected FFY 23 Balance: ~\$90-\$100M, after using \$59.9M of prior year balance

# FFY 2021 HEALTHII Reconciliation

- AHCCCS clarified with CMS that FFY 21 HEALTHII reconciliation payments must be made within 2 years from the quarter in which the utilization occurred.
- AHCCCS will perform the reconciliation of FFY 21 payments during October through December 2022.
- FFY 21 Reconciliation adjustments will be offset with the Interim FFY 23 HEALTHII payment made in December 2022.

# Tentative Timeline

- 4/20/22 Second/Final workgroup meeting
- 5/4/22 Feedback due
- May 2022 Model Finalized
- May 2022 Post Proposed rule
- 7/1/22 438.6(c) preprint due to CMS
- Sept. 2022 Post Final Rule

Please email comments related to the model to AHCCCS at [HospitalAssessmentProject@azahcccs.gov](mailto:HospitalAssessmentProject@azahcccs.gov) by **Wednesday, May 4, 2022**



Thank You