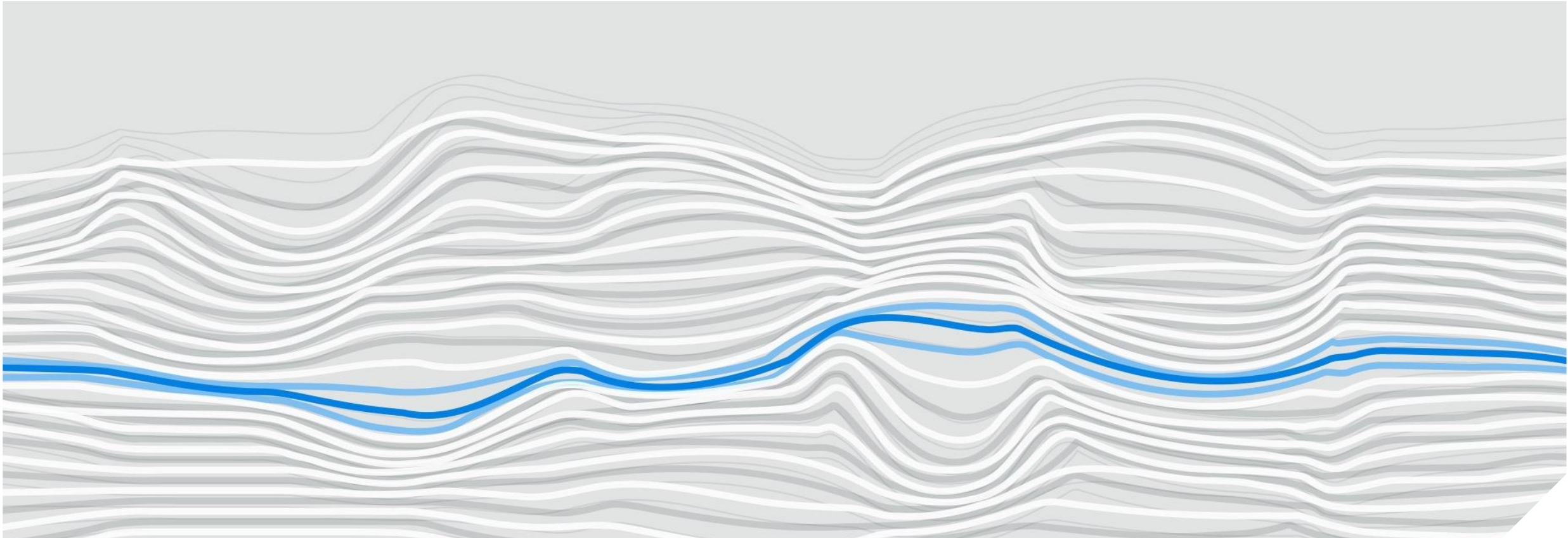


# Arizona Health Care Cost Containment System



Preliminary FFY 2024 Hospital Assessment Model  
May 5, 2023



# Agenda

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# FFY 2024 Modeling Updates

# Preliminary FFY 2024 Hospital Assessment Model Changes

Summary of key model changes since the April 6<sup>th</sup> meeting based on AHCCCS direction<sup>(1)</sup>

- Modeling incorporates revised FYE 2021 net patient revenues data based on feedback submitted by hospitals (which generally resulted in higher outpatient net patient revenues)
- This resulted in lower modeled outpatient “base” assessment rates compared to the prior model version (aggregate assessment targets did not change)
- Modeled inpatient assessment rates and HEALTHII directed payments did not change from the prior model version

Note: (1) For more information on the current model version, see the Milliman report “Updated Preliminary FFY 2024 Hospital Assessment Model” dated April 28, 2023. For more information on the prior model version, see the Milliman report “Updated Preliminary FFY 2024 Hospital Assessment Model” dated April 5, 2023.

# FFY 2024 Preliminary Model Results

# Preliminary FFY 2024 Model Totals

Combined Inpatient and Outpatient

FFY 2024 Preliminary Model Totals		Total Amount (\$ Millions)
<b>Modeled Assessments</b>		
<b>Hospital Assessment Fund (HAF)</b>		
Modeled baseline HAF assessments	A	\$ 641.8
<b>Health Care Investment Fund (HCIF)</b>		
Modeled HCIF assessments for HEALTHII payments (includes administration)	B	\$ 370.9
Modeled HCIF assessments for physician/dental payments	C	70.5
Total modeled FFY 2024 HCIF assessments	D = B+C	\$ 441.4
Applied HCIF surplus balance from prior periods	E	\$ 100.0
Total HCIF costs including surplus from prior periods	F = D+E	\$ 541.4
<b>Total Modeled FFY 2024 Assessments</b>	<b>G = A+D</b>	<b>\$ 1,083.2</b>
<b>Estimated Coverage Payment Net Revenue Gain (Relates to HAF Assessment)</b>		
Total modeled Coverage Payments	H	\$ 1,535.2
Less: Total modeled HAF assessments	I	(641.8)
<b>Total Estimated FFY 2024 Coverage Payment Net Revenue Gain</b>	<b>J = H+I</b>	<b>\$ 893.4</b>
<b>Estimated HEALTHII Net Revenue Gain (Relates to HCIF Assessment)</b>		
Total modeled HEALTHII directed payments with pay-for reporting (net of premium tax)	K	\$ 1,934.5
Less: Total modeled HCIF assessments	L	(441.4)
<b>Total Estimated FFY 2024 HEALTHII Net Revenue Gain</b>	<b>M = K+L</b>	<b>\$ 1,493.2</b>
<b>Total Estimated FFY 2024 Hospital Net Revenue Gain</b>	<b>N = J+M</b>	<b>\$ 2,386.6</b>

# Preliminary Modeled Assessment Rates

## Combined Baseline HAF and HCIF Assessment Rates

Hospital Assessment Peer Group	Inpatient		Outpatient	
	Percent of Base Assessment	Modeled FFY 2024 Assessment Rate	Percent of Base Assessment	Modeled FFY 2024 Assessment Rate
<b>Rates Applicable to Each Hospital Type:</b>				
Critical Access Hospitals	100%	\$ 1,140.50	25%	1.8795%
Freestanding Children's Hospitals	20%	\$ 228.50	20%	1.5036%
Freestanding Rehabilitation Hospitals	0%	\$ 0.00	0%	0.0000%
High Medicare/Out-of-State Patient Utilization Hospital	0%	\$ 0.00	0%	0.0000%
Large Psychiatric Hospitals	25%	\$ 285.25	25%	1.8795%
LTAC Hospitals	25%	\$ 285.25	25%	1.8795%
Medium Pediatric Intensive General Acute Hospitals	90%	\$ 1,026.50	75%	5.6384%
Non-CAH Rural Acute Hospitals	100%	\$ 1,140.50	60%	4.5107%
Pediatric-Intensive General Acute Hospitals	80%	\$ 912.50	65%	4.8865%
Public Acute Hospital	0%	\$ 0.00	0%	0.0000%
Short Term Specialty Hospitals	0%	\$ 0.00	0%	0.0000%
Small Psychiatric Hospitals and AZ State Hospital	0%	\$ 0.00	0%	0.0000%
Urban Acute Hospitals	100%	\$ 1,140.50	100%	7.5179%
<b>Rates Applicable to All Non-Exempted Hospital Types:</b>				
Rate Applied to Non-Exempted Psychiatric Sub-Provider Units	25%	\$ 285.25	N/A	N/A
Rate Applied to Non-Exempted Rehabilitation Sub-Provider Units	0%	\$ 0.00	N/A	N/A
Rate Applied to Units Above Threshold <sup>(1)</sup>	10%	\$ 114.50	N/A	N/A

Note: (1) The modeled inpatient assessment unit threshold is 23,000 (no outpatient threshold). The inpatient threshold is not applicable to inpatient discharges for Psychiatric Sub-Providers, Rehabilitation Sub-Providers.

# Preliminary Modeled HEALTHII Payment Impact

Combined Inpatient and Outpatient (In Millions)

HEALTHII Reimbursement Class	Class HEALTHII Payment Increase Percentage <sup>(1)</sup>	Modeled HEALTHII Base Directed Payments	Modeled HEALTHII Pay-for-Reporting Incentive Payments	Modeled Total HEALTHII Payments	Modeled HCIF Assessments	Estimated Net Revenue Gain / (Loss) From Assessments <sup>(2)</sup>
A	B	C	D	E = C + D	F	G = E – F
Freestanding Children's Provider	22.42%	\$70.5	\$1.9	\$ 72.4	\$ 4.7	\$ 67.7
Private Urban Acute Hospital	90.99%	\$1,365.5	\$36.4	\$ 1,401.8	\$ 354.1	\$ 1,047.7
Public Acute Hospital	21.85%	\$32.8	\$0.9	\$ 33.7	\$ 0.0	\$ 33.7
Rural Hospital	95.27%	\$266.5	\$7.2	\$ 273.7	\$ 61.2	\$ 212.6
Rural Reservation-Adjacent Hospitals	127.24%	\$102.8	\$2.5	\$ 105.4	\$ 18.3	\$ 87.1
Specialty Hospital	19.66%	\$46.4	\$1.1	\$ 47.5	\$ 3.1	\$ 44.4
<b>Total</b>		<b>\$1,884.5</b>	<b>\$ 50.0</b>	<b>\$ 1,934.5</b>	<b>\$ 441.4</b>	<b>\$ 1,493.2</b>

Note: (1) The payment increase percentages apply only to the modeled base HEALTHII payments.

Note: (2) Does not include costs incurred by hospitals for performing Medicaid services or baseline HAH / coverage payments.



# Preliminary Modeled Impact from Total Assessments

Combined Coverage Payments and HEALTHII Payments (Inpatient and Outpatient in Millions)

Hospital Assessment Peer Group	Total Modeled FFY 2024 HAF Assessments	Total Modeled FFY 2024 HCIF Assessments	Total Modeled FFY 2024 Coverage Payments	Total Modeled FFY 2024 HEALTHII Payments	Estimated Hospital Net Revenue Gain / (Loss) from Total Assessments <sup>(1)</sup>	Number of Hospitals with Estimated Gain	Number of Hospitals with Estimated \$0 Gain	Number of Hospitals with Estimated Loss
CAH	\$ 10.6	\$ 6.8	\$ 41.2	\$ 70.3	\$ 94.2	12	0	0
Freestanding Children's Hospitals	\$ 4.5	\$ 4.7	\$ 5.9	\$ 72.4	\$ 69.1	1	0	0
Freestanding Rehabilitation Hospitals	\$ 0.0	\$ 0.0	\$ 18.0	\$ 5.4	\$ 23.4	13	0	0
High Medicare/Out-of-State Patient Utilization Hospital	\$ 0.0	\$ 0.0	\$ 10.7	\$ 6.0	\$ 16.7	1	0	0
Large Psychiatric Hospitals	\$ 11.8	\$ 3.0	\$ 121.4	\$ 34.9	\$ 141.5	12	0	0
LTAC Hospitals	\$ 0.5	\$ 0.1	\$ 7.4	\$ 1.6	\$ 8.4	5	0	0
Medium Pediatric Intensive General Acute Hospitals	\$ 111.2	\$ 79.5	\$ 244.5	\$ 428.4	\$ 482.2	5	0	0
Non-CAH Rural Acute Hospitals	\$ 87.8	\$ 55.0	\$ 152.2	\$ 228.2	\$ 237.6	12	0	0
Pediatric-Intensive General Acute Hospitals	\$ 23.0	\$ 14.3	\$ 68.3	\$ 121.1	\$ 152.0	1	0	0
Public Acute Hospital	\$ 0.0	\$ 0.0	\$ 108.7	\$ 33.7	\$ 142.3	1	0	0
Short Term Specialty Hospitals	\$ 0.0	\$ 0.0	\$ 8.8	\$ 2.1	\$ 10.9	8	3	0
Small Psychiatric Hospitals and AZ State Hospital	\$ 0.0	\$ 0.0	\$ 12.7	\$ 3.5	\$ 16.1	10	0	0
Urban Acute Hospitals	\$ 392.4	\$ 277.9	\$ 702.9	\$ 926.9	\$ 959.5	28	0	1
Total Border Hospitals	\$ 0.0	\$ 0.0	\$ 29.6	\$ 0.0	\$ 29.6	0	0	0
Total Out of State Hospitals	\$ 0.0	\$ 0.0	\$ 2.9	\$ 0.0	\$ 2.9	0	0	0
<b>Total</b>	<b>\$ 641.8</b>	<b>\$ 441.4</b>	<b>\$ 1,535.2</b>	<b>\$ 1,934.5</b>	<b>\$ 2,386.6</b>	<b>109</b>	<b>3</b>	<b>1</b>

# Limitations

*The services provided for this project were performed under the signed Consulting Services Agreement between Milliman and Acro Service Corp dated December 22, 2022.*

*This presentation has been prepared for the use of the Arizona Health Care Cost Containment System (AHCCCS) for an Arizona Medicaid hospital stakeholder work group on May 5, 2023. We understand this presentation will be shared with Arizona Medicaid hospital stakeholders for discussion purposes at this meeting. This presentation may not be distributed to other third parties without the prior consent of Milliman. To the extent that the information contained in this presentation is provided to any approved third parties, the presentation should be distributed in its entirety. Any user of the data must possess a certain level of expertise in health care modeling that will allow appropriate use of the data presented.*

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*Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience. **Modeled hospital specific HEALTHII payments are estimates subject to change based on actual contracted MCO utilization during the 2024 contract year.***

*This work is not complete. Final results and recommendations may vary significantly from this draft document based on additional findings and information gathering.*



# Thank you

Ben Mori  
Principal and Senior Healthcare Consultant  
+1 206 613 8204  
[Ben.Mori@Milliman.com](mailto:Ben.Mori@Milliman.com)