

Update on the State Plan Amendment for I.H.S./638 Reimbursement

Background

On March 1, 2012, AHCCCS submitted a State Plan Amendment (SPA) to address concerns regarding reimbursement methodologies for I.H.S. and 638 facilities in Arizona. The concern was that many Arizona facilities were providing higher levels of care for which the All Inclusive Rate (AIR) was not providing appropriate reimbursement.

The issue was presented at tribal consultation from which several workgroups were formed. The workgroups identified particular high cost services that facilities were providing. Those services were segregated from the AIR and listed separately in the SPA for reimbursement at the fee schedule. For other services, facilities would have the choice of billing for a service by either using the AIR or the fee schedule. The SPA pages are attached for reference.

CMS Response

AHCCCS staff had an initial with CMS staff on March 20, 2012. CMS identified some concerns but felt that more internal review was needed. On May 24, 2012, CMS staff held a second call with AHCCCS staff and then provided follow up guidance and questions, which are attached.

At that time, CMS expressed the main policy that the AIR is supposed to include the cost for services provided at the facilities. Therefore, they could not support a policy that permitted the facilities to choose between the AIR and the fee schedule. AHCCCS staff explained again the purpose of allowing choice, which was to address the facilities' primary concern that the AIR was not covering costs of providing care. CMS understood, but maintained that providing an option between the AIR and the fee schedule was contrary to federal regulations and was not consistent with efficiency and economy.

If choice was not going to be allowed, AHCCCS staff asked whether some services could be billed using only the fee schedule. This way, the tribal workgroups could review the high-cost services that were separately identified and select those services to be reimbursed using the fee schedule. CMS explained that this might be permissible but that for any service for which the AIR would not be used, AHCCCS would have to offer a justification.

Next Steps/Options

AHCCCS explained to CMS that it would need to take this back to tribal consultation, which was scheduled for June 20, 2012. Based on this preliminary response from CMS, AHCCCS believes there are two options.

1. **Justify use of fee schedule.** Together with the workgroup, AHCCCS could select the services for which facilities would like to be reimbursed using the fee

- schedule and provide a formal justification to CMS. For those services for which the workgroups preferred a choice between the AIR and the fee schedule, one billing method would need to be selected. In order to provide a justification, AHCCCS would require cost information to show, for instance, that facilities are underpaid for a particular service using the AIR. Another type of justification can be when the AIR does not factor in a particular type of service into the national average (e.g. skilled nursing facility reimbursement).
2. **Create a separate AIR for Arizona.** As part of the dialogue with CMS, Arizona learned that Alaska is carved out of the national AIR. Although AHCCCS is not certain that CMS would even entertain this option, AHCCCS staff felt it was important to raise it for consideration. This would mean claims for Arizona I.H.S. and 638 facilities would not be included in the national calculation of the AIR. Rather, Arizona would have its own AIR based on the average cost of the claims from facilities within the State.

In addition to the above, AHCCCS has requested that CMS move ahead with reviewing the change that would allow facilities to bill for five encounters/visits per day, instead of the current three encounters per day. If CMS allows AHCCCS to move ahead, then we can obtain a quicker approval of the total number of visits while these other reimbursement issues remain pending.