

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6706



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

June 8, 2017

Tom Betlach, Director
Arizona Health Care Cost Containment System
801 East Jefferson Street
Phoenix, AZ 85034

Dear Mr. Betlach:

We have reviewed the proposed State Plan Amendment (SPA) 16-012-B, which was submitted to the Centers for Medicare & Medicaid Services (CMS) San Francisco Regional Office on December 30, 2016. This SPA adds a description of Value Based Purchasing (VBP) differential adjusted payments for outpatient hospitals and integrated clinics.

Based on the information provided, we are approving SPA 16-012-B with an effective date of October 1, 2016 as requested. We are enclosing the approved Form CMS-179 and the following Medicaid State Plan pages:

- Attachment 4.19-B, Page 1(a)
- Supplement 2 to Attachment 4.19-B, Pages 1-2

If you have any additional questions or need further assistance, please contact Brian Zolynas at (415) 744-3601 or Brian.Zolynas@cms.hhs.gov.


Sincerely,

/s/

Henrietta Sam-Louie
Associate Regional Administrator
Division of Medicaid & Children's Health Operations

Enclosure:

cc: Jessica Woodard

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER: 16-012-B	2. STATE Arizona
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: Centers for Medicare and Medicaid Services		4. PROPOSED EFFECTIVE DATE October 1, 2016	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR Part 447		7. FEDERAL BUDGET IMPACT: FFY 17: \$180,700 FFY 18: \$0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Att. 4.19-B, pages 1 , 1(a), and 5e Supplement 2 to Att. 4.19-B, pages 1-2		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Same	
10. SUBJECT OF AMENDMENT: Updates the State Plan to include Value Based Purchasing (VBP) differential adjusted payment for hospitals providing outpatient hospital services and providers registered with AHCCCS as integrated clinics.			
11. GOVERNOR'S REVIEW (Check One): <input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Beth Kohler 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034	
13. TYPED NAME: Beth Kohler			
14. TITLE: Deputy Director			
15. DATE SUBMITTED: December 30, 2016			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: December 30, 2016		18. DATE APPROVED: June 8, 2017	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2016		20. SIGNATURE OF REGIONAL OFFICIAL: /s/	
21. TYPED NAME: Henrietta Sam-Louie		22. TITLE: Associate Regional Administrator, Division of Medicaid and Children's Health Operations	
23. REMARKS: Pen and ink changes to Box 8			

State: ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-
OTHER TYPES OF CARE

See Supplement 2 to Attachment 4.19-B for value based purchasing (VBP) differential adjusted payment for outpatient hospital services.

Rate Updates

Notwithstanding the methods and rates as otherwise described, for claims with dates of service between April 1, 2011 and September 30, 2011, all payments for outpatient hospital services will be reduced by 5% of the payment that would otherwise have been made under the methodology in effect as of October 1, 2010, as described above.

For claims with dates of service effective from October 1, 2011 to September 30, 2015, all payments for outpatient hospital services will be reduced by 5% under the methodology in effect as of October 1, 2011. For claims with dates of service effective October 1, 2015 to September 30, 2016, all payments for outpatient hospital services will be made using the methodology in effect as of September 30, 2015 resulting in a year to year 0% aggregate impact on Outpatient Hospital Rates. For claims with dates of service effective on or after October 1, 2016, outpatient hospital services will be made according to the AHCCCS fee schedule located on the AHCCCS website at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/>. These fees were updated October 1, 2016 for a 0% aggregate impact.

State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-
OTHER TYPES OF CARE

The following is a description of methods and standards for determining Value Based Purchasing (VBP) Differential Adjusted Payments for hospitals providing outpatient hospital services and providers registered with AHCCCS as integrated clinics. The purpose of the VBP Differential Adjusted Payment is to distinguish facilities which have committed to supporting designated actions that improve patients' care experience, improve members' health, and reduce cost of care growth. The VBP Differential Adjusted Payment Schedule represents a positive adjustment to the AHCCCS Fee-For-Service rates. These payment adjustments will occur for all dates of service in Contract Year Ending (CYE) 2017 (October 1, 2016 through September 30, 2017) only.

1) Outpatient Hospital Services**A. Applicability**

A hospital providing outpatient hospital services must meet the following criteria to qualify for the VBP Differential Adjusted Payment:

1. Must be an AHCCCS registered Arizona hospital; or a high volume out-of-state hospital as defined at AAC R9-22-712.64(C) with AHCCCS payments exceeding \$5 million in CYE 2014;
2. By June 1, 2016, the hospital must have executed an agreement with and electronically submitted admission, discharge, and transfer information, as well as data from the hospital emergency department, to a qualifying health information exchange organization; and
3. CMS must have approved the hospital's attestation demonstrating meaningful use as described in 42 CFR 495.22 during an electronic health record reporting period in 2015; or, received its fourth year incentive payment prior to 2016; or, for a children's hospital that does not participate in the Medicare electronic health record incentive program, the AHCCCS Administration must have approved the hospital's attestation demonstrating meaningful use as described in 42 CFR 495.22 during an electronic health record reporting period in 2015.

B. Exemptions:

IHS and 638 tribally owned and/or operated facilities, including hospital and nursing facilities are exempt from this initiative based on payments primarily at the federally-mandated all-inclusive rate.

C. Payment Methodology

For outpatient services with dates of service from October 1, 2016 through September 30, 2017, the payment otherwise required for outpatient hospital services provided by qualifying hospitals shall be increased by 0.5%.

State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-
OTHER TYPES OF CARE

2) Integrated Clinics**A. Applicability**

Providers must meet the following criteria to qualify for the VBP differential adjusted payment as an integrated clinic:

1. Must be registered with AHCCCS as Integrated Clinic and licensed by the Arizona Department of Health Services as an Outpatient Treatment Center that provides both behavioral health services and physical health services.

B. Exemptions:

IHS and 638 tribally owned and/or operated Integrated Clinics are exempt from this initiative at this time based on payments primarily at the federally-mandated all-inclusive rate.

C. Payment Methodology

For the contracting year October 1, 2016 through September 30, 2017, VBP Differential Adjusted Rates will be paid for select physical health services and will provide an increase of 10% over the AHCCCS Fee-For-Service rates for the same services. The physical health services that qualify for the VBP Differential Adjusted Rate are published on the Agency's website:

<https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/rates/ValueBasedPaymentRateDifferentialPublicNoticeForICs04222016Final>