

Hospital Assessment/HEALTHII Workgroup – FFY 2021

June 26, 2020



Feedback Received – General Support

- The Health System Alliance of Arizona would like to extend our sincere appreciation and support for the leadership you and your team have shown in the development and implementation of the HEALTHII payments program. AHCCCS has demonstrated an exacting commitment to listening to and incorporating feedback from stakeholders that deserves the utmost recognition.
- Thank you again for bringing the hospitals together to review the hospital assessment and rate improvement program. AzHHA and our member hospitals appreciate all the work and creativity the department is bringing to this project.
- On behalf of the three LifePoint Arizona hospitals, we would like to express our support for the HEALTHII direct payment model proposed by AHCCCS. We greatly appreciate AHCCCS' decision to utilize this Payment Model as a mechanism to address existing Medicaid reimbursement shortfalls (relative to costs) and provide additional consideration for the unique financial challenges faced by Medicaid providers located in rural communities.

Feedback Received – June 12th Model Support

- The Alliance strongly encourages AHCCCS to implement the HEALTHII payments program *as proposed* during the June 12th meeting. The Alliance believes that the HEALTHII payments program as proposed ensures that all hospital classes are treated with due consideration for the role each plays in the continued success of the Medicaid program in Arizona by equitably and holistically accounting for Medicaid reimbursement and cost disparities (HSAA)

Feedback Received – Rural Hospitals

- Rural hospitals often have unique challenges in recruiting and retaining healthcare professionals. If not all of the physician/dental funding is currently allocated, recommend using residual funding for rural practitioners. Alternatively, rural hospital rates should be increased to 105% of cost to allow for rural hospitals to adequately subsidize the practitioners in their communities (AzHHA)
- We appreciate the addition of the rural reservation-adjacent category, however, we request that the 30-mile cutoff be extended. Havasu Regional is located just 35 miles from the edge of the Colorado River reservation (AzHHA)

Feedback Received – Children’s Hospitals

- Since Phoenix Children’s Hospital faces the same financial challenges of other private urban acute care hospitals, PCH should receive a net benefit in rough parity with the benefit for those hospitals (PCH)
- When CMS discontinued the Safety Net Care Pool program after 2017, they encouraged AHCCCS to shift the support to rate increases (PCH)

Feedback Received – Acute Care Hospitals

- It appears that certain classes of private acute care hospitals (both rural and urban) pay for 95% of the increased assessment costs. We strongly encourage AHCCCS to consider adjusting its hospital assessment model to more evenly distribute the responsibility for the increased costs (LifePoint)
- Valleywise suffers from inequities because of the DSH OBRA limit. There may be an opportunity to increase reimbursement through quality incentive payments without impacting the OBRA calculation. Without payment equity in the market payment, inadequacy will jeopardize Valleywise's ability to provide care (Valleywise Health, AzHHA)

Feedback Received – Midyear Adjustments

- To ensure hospitals are not being unnecessarily over-assessed at a time when cash-flow is especially sensitive, we strongly encourage AHCCCS to revisit its hospital assessment estimates and make appropriate adjustments later in the year as better information on actual Medicaid enrollment/utilization trends for this period become available (LifePoint)
- The Alliance greatly appreciates AHCCCS's willingness to consider implementing a mid-year adjustment to the assessment based on changes to the enrollment forecast (HSAA)

HEALTHII Payments – Updated Model

Changes from the June 12 version:

- One additional hospital has been determined to meet the requirements of the rural reservation-adjacent pool
- A hospital that had been misclassified as urban acute has been moved to the rural hospital pool
- The assessment amount for children's freestanding hospitals has increased, reducing the assessment for all other contributing pools
- The HEALTHII pay-to-cost target has increased to 83% for children's freestanding hospitals
- An additional increase has been made to the blended FMAP, resulting in additional net benefit to hospitals of almost \$50M

Financial Summary – Updated

Hospital Assessment	6/12	6/26	Diff.
Baseline	\$433.1	\$433.1	\$0.0
Practitioners - Exp.	\$21.1	\$21.1	\$0.0
Rebase	\$79.4	\$79.4	\$0.0
Base Assessment	\$533.6	\$533.6	\$0.0
New Assessment	\$376.3	\$376.3	\$0.0
Total Assessment	\$909.9	\$909.9	\$0.0
Directed Payment	\$1,225.5	\$1,275.5	50.0
Less Practitioners & Rebase	(\$100.5)	(\$100.5)	\$0.0
Less New Assessment	(\$376.3)	(\$376.3)	\$0.0
Net Benefit	\$748.7	\$798.7	\$50.0
<i>Eff. Rate Increase</i>	28.6%	30.5%	1.9%

HEALTHII Payments – 6/26 Model

	Targeted Pay-to-Cost	Proportion of Total Payments	Modeled Payment Increase	Net Eff Rate Increase	Net Gain
Total IP/OP Combined	89.0%	100%	53.2%	33.3%	\$798M
Rural Hospitals	100%	13.8%	68.8%	46.0%	\$117M
Rural Reservation - Adjacent	100%	5.3%	91.8%	63.9%	\$47M
Freestanding Children's	83%	3.9%	16.2%	13.3%	\$41M
Specialty	89%	2.1%	14.2%	12.2%	\$23M
Private Urban Acute	89%	73.4%	64.6%	38.9%	\$563M
Public Acute	70%	1.5%	15.8%	5.7%	\$7M

HEALTHII Payments

- Fixed directed payment amount allocated to pools
 - Payment amounts within each pool based on actual utilization
 - Allocation methodology only - does not reflect a commitment to cost-based reimbursement
 - Resulting % allocation between payment pools is intended to be maintained in future years
 - Will evaluate annually, but not necessarily update as a % of costs each year

Additional Considerations

- Payment timing and initial payment calculations will be made on a quarterly basis; AHCCCS is still finalizing details
- AHCCCS is interested in engaging with hospital quality experts to develop quality criteria in July. Workgroup member suggestions (name and email address) should be sent to HospitalAssessmentProject@azahcccs.gov.

Timeline

- 6/30/20 Model finalized
- 7/1/20 438.6(c) Pre-Print due to CMS
- 7/2/20 Quality metrics workgroup
- 7/24/20 Quality metrics workgroup
- July/August 2020 Provide CMS with metrics details
- August 2020 Post proposed rule
- September 2020 Post final rule
- 10/01/20 Implement

Questions?

