



Hospital Assessment/HEALTHII Workgroup

April 6, 2023

Feedback/Response – HSAA

<u>HSAA Feedback</u>	<u>AHCCCS Response</u>
<p>Recommends AHCCCS maximize base FFY 24 HEALTHII payments, subject to federal limits on assessments. Increasing base payments will help hospitals maintain service levels in the face of high inflation and labor shortages. After base payment increases have been prioritized in the FFY 24 model, it will then be more appropriate to prioritize quality payments in later years.</p>	<p>AHCCCS maintains the position that HEALTHII payment increases should be tied to quality measures. AHCCCS believes this approach more directly advances the HEALTHII preprint goals of improving health of AHCCCS members and their experience of care. The 4/6 draft model provides a \$50M HEALTHII quality payment increase, up from the \$20M in the 3/8 model.</p>
<p>Disagrees with AHCCCS' forecast that the Hospital Assessment Fund need will grow to \$641M in FFY 24 and requests the agency revise its forecast down.</p>	<p>AHCCCS acknowledges hospital concerns over the HAF projection. We've confirmed with our budget team that the estimate is the most appropriate given the information we know at the time.</p>

Feedback/Response – AzHHA

<u>AzHHA Feedback</u>	<u>AHCCCS Response</u>
<p>AHCCCS should work with the Governor’s Office to eliminate any disparity in HEALTHII payment %’s between public acute and private urban acute hospitals.</p>	<p>AHCCCS does not plan to modify the relative magnitude of base HEALTHII payment %s of hospital classes in the FFY 24 model.</p>
<p>Recommends that AHCCCS increase base FFY 24 HEALTHII payments to address additional cost pressures faced by hospitals since 2022. Rebasng the model’s assessment data should provide more room in the federal hold harmless calculation to do so.</p>	<p>AHCCCS maintains the position that HEALTHII payment increases should be tied to quality measures. AHCCCS believes this approach more directly advances the HEALTHII preprint goals of improving health of AHCCCS members and their experience of care. The 4/6 draft model provides a \$50M HEALTHII quality payment increase, up from the \$20M in the 3/8 model.</p>

Feedback/Response – AzHHA

<u>AzHHA Feedback</u>	<u>AHCCCS Response</u>
<p>Hospitals may be reporting HEALTHII payment and assessment amounts in different lines of the Uniform Accounting Report (UAR), which could impact the calculated assessments due from a hospital.</p> <p>Requests that AHCCCS consistently account for the potential UAR reporting differences noted above when preparing the FFY 24 model.</p>	<p>Given that the model uses FYE 2021 data, AHCCCS requested feedback on the rebasing process and any adjustments identified by the hospital.</p> <p>To ensure uniform treatment of HEALTHII payments and assessments, AHCCCS has made an additional request to all assessed hospitals to confirm the reporting locations. Adjustments will be made in the final model.</p>

Supplemental FYE 2021 UAR Data Request

- AHCCCS treatment of HEALTHII and HCIF/HAF Assessments in FFY '24 Model
 - HEALTHII payments included in Other Contractual Allowances (line 145)
 - Assessments included in Expenses (lines 156-163)
- The agency recently requested that hospitals indicate whether they reported payments and assessments in the manner listed above.
- If reported differently, the hospital must indicate the amount and UAR lines the HEALTHII payments and both assessments amounts were included.
- Any outstanding hospital responses and supplemental data are due by 4/11.

Feedback/Response – AzHHA

<u>AzHHA Feedback</u>	<u>AHCCCS Response</u>
Requests that AHCCCS provide guidance on how hospitals should report HEALTHII payments and assessment expenses in Uniform Accounting Reports.	AHCCCS will work with interested hospitals to engage ADHS this summer. Ultimately, any guidance on how to fill out the UAR will come from ADHS.
Requests that the small psychiatric hospital exemption be increased from 2,500 to 3,000 discharges. The current threshold was chosen in 2013 and has not been updated for subsequent growth in population and behavioral health needs.	AHCCCS does not plan to increase the small psychiatric hospital discharge threshold from the current 2,500. The agency is not aware of systemic changes that would have impacted per hospital discharge levels over time in a way that warrants raising the exemption threshold.
Requests that AHCCCS provide hospitals at least 2 to 3 weeks to review preliminary FFY 22 reconciliation results, before they need to request detail	For the FFY 2022 reconciliation process, AHCCCS will give hospitals 2 weeks from receipt of the preliminary calculation to request a detail file.

Feedback/Response – Phoenix Children’s

<u>PCH Feedback</u>	<u>AHCCCS Response</u>
<p>Requests that % net gain from HEALTHII for freestanding children’s hospitals should be on par with that of private urban acute hospitals. PCH is willing to pay more in HCIF assessment in exchange for increased HEALTHII payments.</p>	<p>All hospital systems continue to show a positive net gain under the workgroup #1 and #2 FFY 24 models. AHCCCS is not modifying the relative magnitude of base HEALTHII payment %s or hospital assessment rates for any hospital class in FFY 24.</p>
<p>PCH is in its own HEALTHII payment class and therefore does not have the opportunity to benefit from the year-end reconciliation process. Requests that AHCCCS eliminate this structural inequity. PCH proposed a remedy to AHCCCS last summer.</p>	<p>The agency does not think that adding complexity to the reconciliation is beneficial to the administration or CMS approval of the program. While PCH does not benefit from incoming HEALTHII reallocations under the reconciliation, it also avoids any outgoing reallocation of payments to other hospitals.</p>

Feedback/Response – Phoenix Children’s

<u>PCH Feedback</u>	<u>AHCCCS Response</u>
<p>PCH is concerned that the model’s projected FFY 24 Medicaid services do not incorporate expansions that begin in 2023 and 2024.</p> <p>Without adjustments to the encounter forecast, PCH may end up paying assessments on the expanded services without receiving a corresponding increase in HEALTHII payments.</p>	<p>AHCCCS plans to continue modeling HEALTHII payments with base period encounters. Once expanded services are part of base encounter data in future years, they will be incorporated into the payment calculations.</p> <p>The base encounter data used in the model for calculating HEALTHII payments is typically at least as recent as the data used for calculating assessments. In the FFY 25 model, AHCCCS can ensure that encounter data used for projecting PCH HEALTHII payments does not lag the data that will be used to calculate the associated assessments.</p>

Feedback/Response – Community Health Serv.

<u>CHS Feedback</u>	<u>AHCCCS Response</u>
<p>As a % of assessments paid, CHS hospitals receive a lower return on HEALTHII than other hospital systems.</p>	<p>AHCCCS and the workgroup have not previously used that measure as a basis for setting payments/assessments. Hospitals that serve a larger Medicaid population typically receive a larger return since the HEALTHII payments are tied to Medicaid patient services.</p>
<p>CHS' return is not proportional to its Medicaid volume.</p>	<p>Most CHS hospitals are classified as private urban acute hospitals and receive the same HEALTHII % increase as other private urban acute hospitals. Western Regional receives the same HEALTHII % increase as the other rural hospitals in its payment class.</p> <p>While HEALTHII payments are calculated using encountered Medicaid volume, assessments are calculated based on statewide all payer inpatient discharges and outpatient net patient revenue.</p>

Feedback/Response – Other Hospitals

<u>Feedback</u>	<u>AHCCCS Response</u>
<p>Valleywise. There is a significant HEALTHII payment % disparity between the public acute and private urban acute hospital classes, due to the Disproportionate Share Hospital (DSH) OBRA limit. This disparity has affected the market compensation position of Valleywise relative to other hospitals.</p>	<p>AHCCCS does not plan to modify the relative magnitude of base HEALTHII payment %s of hospital classes in the FFY 24 model. AHCCCS encourages Valleywise to work with state's political leaders to address the DSH issue.</p>
<p>Palo Verde. The discharge threshold for exempting small psychiatric hospitals should be increased from 2,500 to 3,000, in order to recognize the growing need for behavioral health beds.</p>	<p>AHCCCS does not plan to increase the small psychiatric hospital discharge threshold from the current 2,500. The agency is not aware of systemic changes that would have impacted per hospital discharge levels in a way that warrants raising the exemption threshold.</p>

Inclusion of Sub-Capitated Reimbursement

- AHCCCS will seek CMS approval to include reasonable estimates of sub-capitated reimbursement when performing the FFY 24 HEALTHII reconciliation.
 - Adding sub-cap in the FFY 24 reconciliation will impact the payment allocation within the fixed pools—it will not increase the amount of the payment pools.
 - AHCCCS estimates that sub-cap reimbursement reflects about ~2% of encounters.
- Models for FFY 21 – FFY 23 excluded sub-capitation from encounters because 438.6(c)(2)(ii)(A) requires that payments are calculated based on actuals.
- AHCCCS will estimate sub-cap reimbursement similar to how it is estimated for purposes of setting capitation rates.
- If approved by CMS for the FFY 24 reconciliation, estimated sub-cap reimbursement will also be added to interim payment calculations in FFY 25.

HEALTHII Quality - Pay for Reporting in '24

- HEALTHII directed payments are expected to advance quality strategy goals:
 - Improving the health of AHCCCS populations
 - Improving member experience of care
- AHCCCS plans to prioritize HEALTHII Quality payments over increases to base payments, starting in FFY 24.
- In FFY 24, AHCCCS proposes \$50M in payment for reporting of quality measures.
 - Amount reflects an upward revision from the \$20M proposed in the 3/8/23 model.
- FFY 24 payment calculations will be limited to the 8 measures that hospitals self reported to AHCCCS/HealthTech in January and February of 2023.
- Measures are weighted based on effort in reporting and clinical value.

HEALTHII Quality – Self Reported Measures

Quality Measure	Critical Access Hospital	Freestanding Children's Hospital	Freestanding Rehabilitation Hospital	General Acute Hospital	Long Term Acute Care Hospital	Psychiatric Hospital	Short Stay Hospital
Influenza Vaccination Coverage among Healthcare Personnel NQF# 0431	X	X	X	X	X	X	X
Hospital Based Inpatient Psychiatric Services (HBIPS)-2 Hours of physical restraint use NQF# 0640						X	
National Healthcare Safety Network (NHSN) Facility-wide Inpatient Hospital-onset Clostridium difficile Infection (CDI) Outcome Measure NQF# 1717		X		X			
HBIPS-3 Hours of seclusion use NQF# 0641						X	
OP-18 Median Time from ED Arrival to ED Departure for Discharged ED Patients NQF# 0496	X						
Successful Implementation of Antibiotic Stewardship Program	X						
Percent of Long-Term Care Hospital (LTCH) Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function NQF# 2631					X		
Application of Percent of Residents Experiencing One or More Falls with Major Injury (Long Stay) NQF# 0674			X		X		

HEALTHII Quality – Pay for Performance in ‘25

- In FFY 2025, AHCCCS will transition quality to pay for performance.
- Calculations will be expanded to include 4 AHCCCS calculated measures.
- The methodology and weighting used for FFY 25 pay for performance will change from what is used for FFY 24 pay for reporting.
- AHCCCS has not finalized the methodology, measure weights, time periods, baseline performance, and targeted performance for FFY 25.

HEALTHII Quality – Calculated Measures

Quality Measure	Critical Access Hospital	Freestanding Children's Hospital	Freestanding Rehabilitation Hospital	General Acute Hospital	Long Term Acute Care Hospital	Psychiatric Hospital	Short Stay Hospital
Pediatric All-Condition Readmission Measure NQF# 2393		X					
Acute Care: Patient Safety Indicators 90 (PSI 90) Measures culture of safety within the hospital. Includes 10 individually measured rates inclusive of surgical safety and wound care NQF# 0531				X			
Discharge to Community-Post Acute Care Measure for Inpatient Rehabilitation Facilities (IRF) NQF# 3479			X				
30-Day Hospital-Wide All-Cause Unplanned Readmission Rate (NQF #1789)							X

Financial Summary

	FFY 2023 *	FFY 2024	Difference
HAF Assessment	\$ 587.5	\$ 641.8	\$ 54.3
HCIF Assessment for HEALTHII and Administrative Costs	\$ 388.4	\$ 370.9	\$ (17.5)
HCIF Assessment for Practitioner Payments	\$ 61.0	\$ 70.5	\$ 9.5
Total HCIF Assessment	\$ 449.4	\$ 441.4	\$ (8.0)
Total Assessments	\$ 1,036.9	\$ 1,083.3	\$ 46.4
Total modeled HEALTHII payments	\$ 1,882.3	\$ 1,934.5	\$ 52.2
Less HCIF Assessment	\$ (449.4)	\$ (441.4)	\$ 8.0
Estimated HEALTHII Net Gain	\$ 1,432.9	\$ 1,493.2	\$ 60.3

*Due to several hospital closures, FFY 23 amounts are slightly less than in the [FFY 2023 Assessment Model Report](#).

Tentative Timeline – FFY 24 Model

- 4/6/23 Second workgroup meeting
- 4/19/23 Feedback due
- 5/3/23 Third/Final workgroup meeting (not yet scheduled)
- 5/10/23 Feedback due
- May 2023 Model Finalized; Post Proposed Rule
- 7/1/23 438.6(c) preprint due to CMS
- Sept. 2023 Post Final Rule

Please email comments related to the model to AHCCCS at HospitalAssessmentProject@azahcccs.gov by **Wednesday, April 19, 2023**.



Thank You