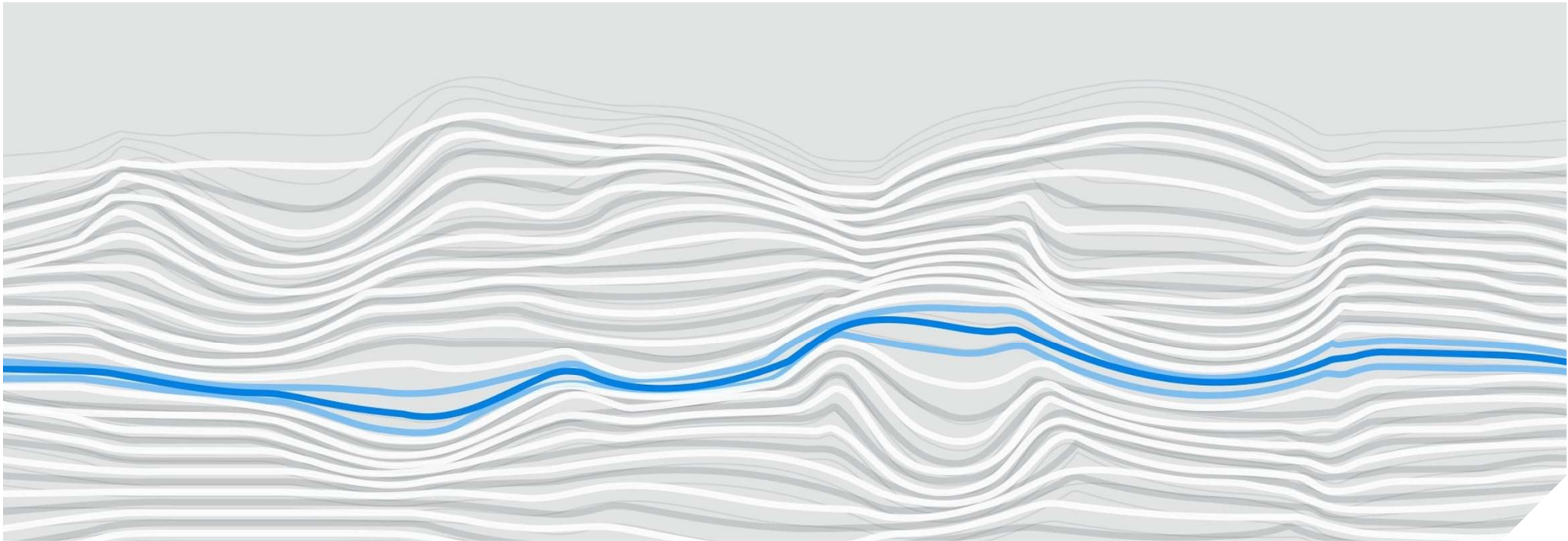


Arizona Health Care Cost Containment System



SFY 2021 Preliminary Updated Hospital Assessment Model
March 20, 2020



SFY 2021 Preliminary Updated Assessment Model

Overview

- The SFY 2021 updated hospital assessment model presented today is a **preliminary version** for discussion purposes only (does not reflect final AHCCCS policy decisions, and is subject to change)
- The preliminary updated model introduces an **outpatient assessment demonstration** in addition to the current inpatient assessment
- Key parameters for the modeled SFY 2021 assessments for both inpatient and outpatient, such as provider assessment rate differentials and exemptions, were determined to generally result in modeled fiscal impacts consistent an inpatient-only assessment scenario for evaluation purposes

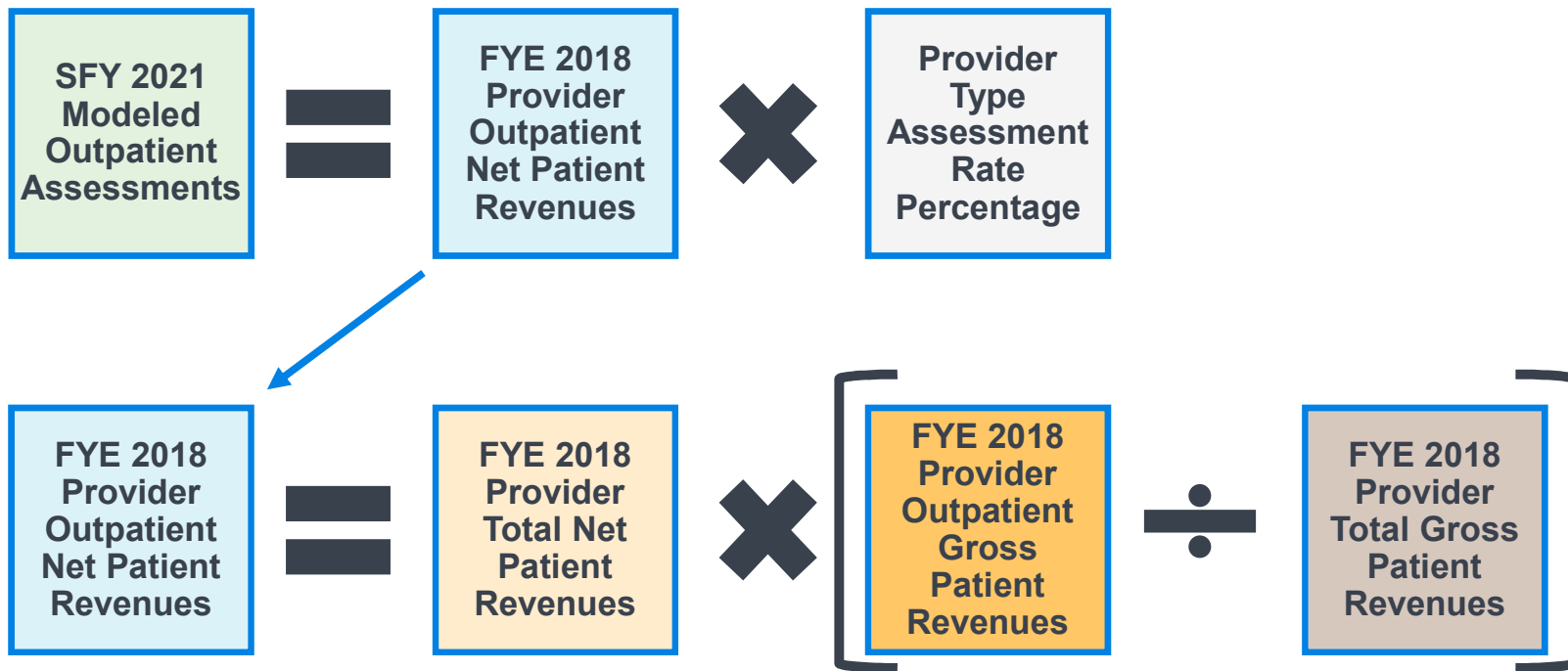
SFY 2021 Preliminary Updated Assessment Model (Cont'd)

Model Changes

- The preliminary updated hospital assessment model includes the following key changes since the January 8th meeting:
 - Minor updates to hospital discharges and revenues inputs based on provider feedback
 - Same \$433M total assessment target, with 75% / 25% split between inpatient and outpatient:
 - **\$325M in inpatient assessments** using **FYE 2018 discharges** and current inpatient assessment rate differentials
 - **\$108M in outpatient assessments** using **FYE 2018 outpatient net patient revenues** and rate differentials determined to result in consistent fiscal impacts as an inpatient-only \$433M assessment
 - Update to the inpatient assessed discharge threshold (24,000, from 23,400) based on stakeholder feedback
 - Update to the High Medicare Utilization Hospital group definition (for general acute hospitals with 25% or more Medicare covered swing-bed days as percentage of total Medicare days)

SFY 2021 Modeled Outpatient Assessment Basis

Preliminary Outpatient Assessment Calculation



SFY 2021 Outpatient Assessment Sources

Hospital Gross and Net Patient Revenues

- The FYE 2018 net patient revenues and gross patient revenues used to calculate outpatient net patient revenues are based on amounts reported by hospitals under the following source hierarchy:

1

FYE 2018 Uniform Accounting Reports (UAR):

UAR published by the Arizona Department of Health Services, reconciled where possible using available reported rounded data in Audited Financial Statements (net and gross patient revenues)

2

FYE 2018 Audited Financial Statements (AFS):

AFS data published by the Arizona Department of Health Services, if AFS did not reconcile with UAR data (net patient revenues only)

3

FYE 2018 Medicare Cost Reports (if UAR and AFS not available):

Gross patient revenues: Worksheet G-2 columns 1 and 2, line 28
Net patient revenues: Worksheet G-3 column 1, line 3
Extracted from the HCRIS database published by CMS or PDF copy

SFY 2021 Inpatient Assessment Sources

Discharges (same approach described in prior meeting)

- The FYE 2018 discharges used to calculate SFY 2021 inpatient assessments are based on amounts reported by hospitals under the following source hierarchy:

1

FYE 2018 Medicare Cost Reports:

Worksheet S-3 Part I, column 15, lines 14, 16 and 17
(extracted from the HCRIS database published by CMS or PDF copy)

2

FYE 2018 Uniform Accounting Reports (UAR):

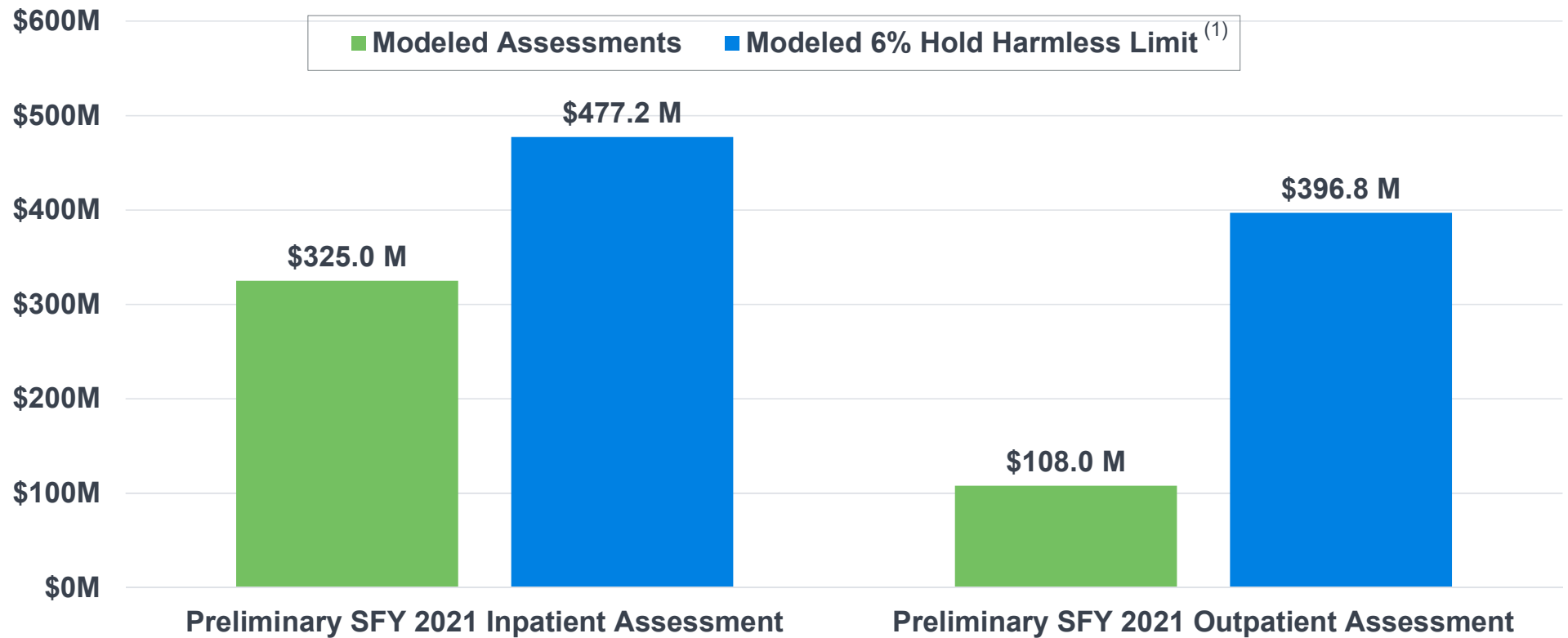
UAR data published by the Arizona Department of Health Services
(used only if HCRIS data is not available)

3

Provider Self-Reported Data:

Most recent available data collected directly from providers
(used only if HCRIS/UAR data are not available)

Preliminary Modeled Assessments and Hold Harmless Limit



SFY 2021 Preliminary Assessment Model Exhibits

Exhibit Types

- Preliminary model exhibits include the following types of summaries:

A

Assessment Rate Summaries: Modeled assessment rates and assessable units, by hospital type

B

Net Impact Summaries: Modeled assessments, coverage payments, and net impact, by hospital type, hospital system, and hospital

C

Assessment Rebasing Impact Summaries: Comparison of SFY 2020 inpatient assessments, modeled SFY 2021 inpatient-only assessments, and modeled SFY 2021 inpatient and outpatient assessments combined, by hospital type and hospital

D

Model Inputs Summary: Hospital reported FYE 2018 discharges and revenues used as model inputs

- Summaries include inpatient and outpatient combined, inpatient-only, and outpatient-only (results should be considered in the context of the combined inpatient and outpatient impact)

Exhibit Type A: Preliminary Modeled Assessment Rates

Hospital Type	Modeled Inpatient Assessment			Modeled Outpatient Assessment			Combined Inpatient and Outpatient
	Percent of Base Assessment	Modeled SFY 2021 Assessment Rate	Total Modeled Generated Assessments	Percent of Base Assessment	Modeled SFY 2021 Assessment Rate	Total Modeled Generated Assessments	Total Modeled Generated Assessments
Rates Applicable to Each Hospital Type:							
Critical Access Hospitals	100%	\$611.00	\$4,572,113	25%	0.5032%	\$1,245,088	\$5,817,201
Freestanding Children's Hospitals	0%	\$0.00	\$0	0%	0.0000%	\$0	\$0
Freestanding Rehabilitation Hospitals	0%	\$0.00	\$0	0%	0.0000%	\$0	\$0
High Medicare Utilization Hospital	0%	\$0.00	\$0	0%	0.0000%	\$0	\$0
High Medicare/Out-of-State Patient Utilization Hospital	0%	\$0.00	\$0	0%	0.0000%	\$0	\$0
Large Psychiatric Hospitals	25%	\$152.75	\$6,463,616	25%	0.5032%	\$101,051	\$6,564,667
LTAC Hospitals	25%	\$152.75	\$320,775	25%	0.5032%	\$0	\$320,775
Medium Pediatric Intensive General Acute Hospitals	90%	\$549.75	\$50,559,958	75%	1.5097%	\$16,844,356	\$67,404,314
Non-CAH Rural Acute Hospitals	100%	\$611.00	\$41,513,173	60%	1.2077%	\$13,157,229	\$54,670,402
Pediatric-Intensive General Acute Hospitals	80%	\$488.75	\$21,969,801	65%	1.3084%	\$7,440,640	\$29,410,442
Short Term Specialty Hospitals	0%	\$0.00	\$0	0%	0.0000%	\$0	\$0
Small Psychiatric Hospitals and AZ State Hospital	0%	\$0.00	\$0	0%	0.0000%	\$0	\$0
Urban Acute Hospitals	100%	\$611.00	\$194,544,844	100%	2.0129%	\$68,914,990	\$263,459,834
Rates Applicable to All Non-Exempted Hospital Types:							
Rate Applied to Non-Exempted Psychiatric Sub-Provider Units	25%	\$152.75	\$ 2,290,945	N/A	N/A	N/A	\$2,290,945
Rate Applied to Non-Exempted Rehabilitation Sub-Provider Units	0%	\$0.00	\$ 0	N/A	N/A	N/A	\$0
Rate Applied to Units Above Threshold ⁽¹⁾	10%	\$61.25	\$ 2,858,048	10%	0.2033%	\$299,646	\$3,154,693
Total			\$ 325,093,272			\$ 108,000,000	\$ 433,093,272



Note: (1) The modeled inpatient assessment unit threshold is 24,000 and the modeled outpatient assessment unit threshold is \$300 million, not applicable to inpatient discharges for Psychiatric Sub-Providers, Rehabilitation Sub-Providers.

Exhibit Type B: Preliminary Modeled Impact (IP & OP)

Hospital Type	Total Inpatient and Outpatient Hospital Assessment ¹	Total Inpatient and Outpatient Projected Hospital Coverage Payments	Total Inpatient and Outpatient Estimated Net Gain/Loss	Number of Hospitals with Estimated Gain	Number of Hospitals with Estimated \$0 Gain	Number of Hospitals with Estimated Loss	Number of Hospitals With Impact to be Determined
Critical Access Hospitals	\$ 5,817,201	\$ 30,992,538	\$ 25,175,338	11	0	0	0
Freestanding Children's Hospitals	\$ 0	\$ 6,000,176	\$ 6,000,176	1	0	0	0
Freestanding Rehabilitation Hospitals	\$ 0	\$ 10,150,670	\$ 10,150,670	11	0	0	0
High Medicare Utilization Hospital	\$ 0	\$ 1,020,768	\$ 1,020,768	1	0	0	0
High Medicare/Out-of-State Patient Utilization Hospital	\$ 0	\$ 7,265,185	\$ 7,265,185	1	0	0	0
Large Psychiatric Hospitals	\$ 6,564,667	\$ 102,976,996	\$ 96,412,329	10	0	0	0
LTAC Hospitals	\$ 320,775	\$ 6,478,493	\$ 6,157,718	6	0	0	0
Medium Pediatric Intensive General Acute Hospitals	\$ 69,233,845	\$ 246,218,878	\$ 176,985,033	5	0	0	0
Non-CAH Rural Acute Hospitals	\$ 54,928,703	\$ 152,736,142	\$ 97,807,439	12	0	0	0
Pediatric-Intensive General Acute Hospitals	\$ 30,222,626	\$ 137,884,671	\$ 107,662,046	2	0	0	0
Short Term Specialty Hospitals	\$ 0	\$ 7,963,784	\$ 7,963,784	5	3	0	0
Small Psychiatric Hospitals and AZ State Hospital	\$ 0	\$ 9,528,530	\$ 9,528,530	6	1	0	1
Urban Acute Hospitals	\$ 266,005,456	\$ 668,360,221	\$ 402,354,765	25	0	1	1
Total Border Hospitals	\$ 0	\$ 27,271,275	\$ 27,271,275	0	0	0	0
Total Out of State Hospitals	\$ 0	\$ 2,522,970	\$ 2,522,970	0	0	0	0
Total	\$ 433,093,272	\$ 1,417,371,297	\$ 984,278,024	96	4	1	2



Note: (1) Total Hospital Assessments include assessments above the unit threshold.

Exhibit Type C: Assessment Rebase Impact

Hospital Type	Final SFY 2020 Assessment - \$331M Inpatient Only	Impact of Illustrative Modeled SFY 2021 Assessment - \$433M Inpatient Only	Illustrative Modeled SFY 2021 Assessment - \$433M Inpatient Only	Impact of Preliminary Modeled SFY 2021 Assessment - \$433M Inpatient and Outpatient	Preliminary Modeled SFY 2021 Assessment - \$433M Inpatient and Outpatient
Critical Access Hospitals	\$ 5,304,230	\$ 786,932	\$ 6,091,162	\$ (273,961)	\$ 5,817,201
Freestanding Children's Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Freestanding Rehabilitation Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
High Medicare Utilization Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
High Medicare/Out-of-State Patient Utilization Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Large Psychiatric Hospitals	\$ 4,166,144	\$ 4,444,959	\$ 8,611,103	\$ (2,046,436)	\$ 6,564,667
LTAC Hospitals	\$ 396,738	\$ 30,612	\$ 427,350	\$ (106,575)	\$ 320,775
Medium Pediatric Intensive General Acute Hospitals	\$ 55,382,210	\$ 14,421,110	\$ 69,803,320	\$ (569,475)	\$ 69,233,845
Non-CAH Rural Acute Hospitals	\$ 42,930,654	\$ 12,719,067	\$ 55,649,721	\$ (721,018)	\$ 54,928,703
Pediatric-Intensive General Acute Hospitals	\$ 24,371,150	\$ 5,980,863	\$ 30,352,013	\$ (129,387)	\$ 30,222,626
Short Term Specialty Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Small Psychiatric Hospitals and AZ State Hospital	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Urban Acute Hospitals	\$ 198,791,061	\$ 63,387,020	\$ 262,178,082	\$ 3,827,374	\$ 266,005,456
Total Border Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Out of State Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 331,342,187	\$ 101,770,563	\$ 433,112,750	\$ (19,478)	\$ 433,093,272

SFY 2021 Preliminary Assessment Model Considerations

For both inpatient and outpatient assessments

- SFY 2021 assessment model parameters and results currently under consideration by AHCCCS include, but are not limited to:
 - Hospital estimated net impacts
 - Tiered assessment rate differentials, including different rates across hospital types
 - Effective assessment rates across providers with the same “base” rate
 - Assessment unit thresholds (used to demonstrate redistributiveness in CMS’ B1/B2 test)
 - Hospital group definitions and assessment exemptions
- Final model parameters must meet CMS requirements and achieve AHCCCS policy goals

Assessment Model Feedback

Model Parameters and Hospital Reported Amounts

- AHCCCS is soliciting feedback from the hospital community on the preliminary updated model parameters for consideration
- Please email comments related to model parameters to AHCCCS at HospitalAssessmentProject@azahcccs.gov by **Tuesday, March 31, 2020**

Limitations

The services provided for this project were performed under the signed Consulting Services Agreement between Milliman and Knowledge Services (KS) dated November 4, 2019.

The information contained in this correspondence has been prepared for KS. We understand that this information will be shared with the Arizona Health Care Cost Containment System (AHCCCS), related agencies, providers, and their advisors. To the extent that the information contained in this correspondence is provided to any approved third parties, the correspondence 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.

Milliman makes no representations or warranties regarding the contents of this correspondence to third parties. Likewise, third parties are instructed that they are to place no reliance upon this correspondence prepared for AHCCS by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.

In performing this analysis, we relied on data and other information provided by CMS, AHCCCS, and Arizona Department of Health Services, and accepted it without audit. To the extent that the data provided is not accurate, the results of this analysis may need to be modified to reflect revised information.

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.

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

This presentation is for discussion purposes only. They should not be relied upon without benefit of the discussion that accompanied them.



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