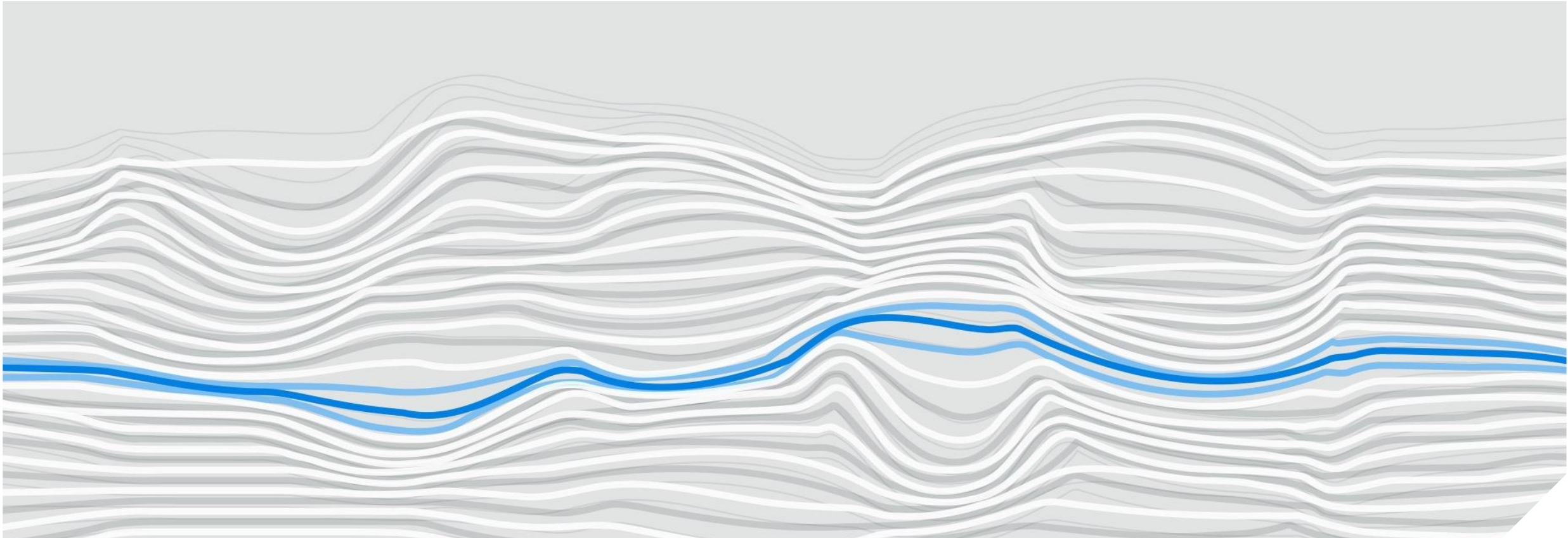


# Arizona Health Care Cost Containment System



Preliminary FFY 2023 Hospital Assessment Model  
April 20, 2022



# Preliminary FFY 2023 Hospital Assessment Model Changes

Summary of key model changes since the March 17<sup>th</sup> Meeting <sup>(1)</sup> based on AHCCCS direction

1

- Reduced the physician/dental portion of HCIF assessment to \$61.0 million (down from \$70.5M in prior version)

2

- Increased the assumed blended federal match rate to 76.00% (up from 73.89% in prior version)

- These changes had a downward impact on total modeled HCIF assessments, which are **\$44.1 million** lower than the prior model version (the baseline HAF portion did not change)
- Total modeled HEALTHII payments did not change from the prior model version; as such the estimated HEALTHII net revenue gain increased to **\$1.194 billion** (up from \$1.150 billion in the prior version)

# Preliminary FFY 2023 Model Totals

Combined Inpatient and Outpatient

FFY 2023 Preliminary Model Totals		Total Amount (\$ Millions)
<b>Modeled Assessments</b>		
<b>Hospital Assessment Fund (HAF)</b>		
Modeled baseline HAF assessments	A	\$ 587.9
<b>Health Care Investment Fund (HCIF)</b>		
Modeled HCIF assessments for HEALTHII payments (includes administration)	B	\$ 332.8
Modeled HCIF assessments for physician/dental payments	C	61.0
Total modeled FFY 2023 HCIF assessments	D = B+C	\$ 393.8
Applied HCIF surplus balance from prior periods	E	\$ 59.9
Total HCIF costs including surplus from prior periods	F = D+E	\$ 453.7
<b>Total Modeled FFY 2023 Assessments</b>	<b>G = A+D</b>	<b>\$ 981.7</b>
<b>Estimated Coverage Payment Net Revenue Gain (Relates to HAF Assessment)</b>		
Total modeled Coverage Payments	H	\$ 1,575.8
Less: Total modeled HAF assessments	I	(587.9)
<b>Total Estimated FFY 2023 Coverage Payment Net Revenue Gain</b>	<b>J = H+I</b>	<b>\$ 987.8</b>
<b>Estimated HEALTHII Net Revenue Gain (Relates to HCIF Assessment)</b>		
Total modeled HEALTHII directed payments (net of premium tax)	K	\$ 1,587.4
Less: Total modeled HCIF assessments	L	(393.8)
<b>Total Estimated FFY 2023 HEALTHII Net Revenue Gain</b>	<b>M = K+L</b>	<b>\$ 1,193.7</b>
<b>Total Estimated FFY 2023 Hospital Net Revenue Gain</b>	<b>N = J+M</b>	<b>\$ 2,181.5</b>

# Preliminary FFY 2023 Modeled Assessment Rates

## Combined Baseline HAF and HCIF Assessment Rates

Hospital Assessment Peer Group	Inpatient		Outpatient	
	Percent of Base Assessment	Modeled FFY 2023 Assessment Rate	Percent of Base Assessment	Modeled FFY 2023 Assessment Rate
<b>Rates Applicable to Each Hospital Type:</b>				
Critical Access Hospitals	100%	\$ 1,014.75	25%	1.9200%
Freestanding Children's Hospitals	20%	\$ 203.25	20%	1.5360%
Freestanding Rehabilitation Hospitals	0%	\$ 0.00	0%	0.0000%
High Medicare Utilization Hospital	0%	\$ 0.00	0%	0.0000%
High Medicare/Out-of-State Patient Utilization Hospital	0%	\$ 0.00	0%	0.0000%
Large Psychiatric Hospitals	25%	\$ 254.00	25%	1.9200%
LTAC Hospitals	25%	\$ 254.00	25%	1.9200%
Medium Pediatric Intensive General Acute Hospitals	90%	\$ 913.25	75%	5.7600%
Non-CAH Rural Acute Hospitals	100%	\$ 1,014.75	60%	4.6080%
Pediatric-Intensive General Acute Hospitals	80%	\$ 811.75	65%	4.9920%
Public Acute Hospital	0%	\$ 0.00	0%	0.0000%
Short Term Specialty Hospitals	0%	\$ 0.00	0%	0.0000%
Small Psychiatric Hospitals and AZ State Hospital	0%	\$ 0.00	0%	0.0000%
Urban Acute Hospitals	100%	\$ 1,014.75	100%	7.6800%
<b>Rates Applicable to All Non-Exempted Hospital Types:</b>				
Rate Applied to Non-Exempted Psychiatric Sub-Provider Units	25%	\$ 254.00	N/A	N/A
Rate Applied to Non-Exempted Rehabilitation Sub-Provider Units	0%	\$ 0.00	N/A	N/A
Rate Applied to Units Above Threshold <sup>(1)</sup>	10%	\$ 101.75	10%	0.7680%

Note: (1) The modeled inpatient assessment unit threshold is 24,000, and there is no modeled outpatient assessment unit threshold. The inpatient threshold is not applicable to inpatient discharges for Psychiatric Sub-Providers, Rehabilitation Sub-Providers.

# Preliminary FFY 2023 Modeled HEALTHII Payment Impact

Combined Inpatient and Outpatient (In Millions)

HEALTHII Reimbursement Class	Class HEALTHII Payment Increase Percentage	Modeled HEALTHII Class Fixed Payment Pool	Modeled HCIF Assessments	Estimated Net Revenue Gain / (Loss) From Assessments <sup>(1)</sup>
A	B	C	D	E = C - D
Freestanding Children's Provider	17.93%	\$ 51.5	\$ 5.2	\$ 46.3
Private Urban Acute Hospital	72.77%	\$ 1,166.0	\$ 315.3	\$ 850.6
Public Acute Hospital	17.48%	\$ 26.8	\$ 0.0	\$ 26.8
Rural Hospital	76.20%	\$ 223.0	\$ 54.2	\$ 168.8
Rural Reservation-Adjacent Hospitals	101.76%	\$ 78.9	\$ 16.4	\$ 62.4
Specialty Hospital	15.73%	\$ 41.3	\$ 2.6	\$ 38.7
<b>Total</b>		<b>\$ 1,587.4</b>	<b>\$ 393.8</b>	<b>\$ 1,193.7</b>

Note: (1) Does not include costs incurred by hospitals for performing Medicaid services.

# Preliminary FFY 2023 Modeled Impact from Total Assessments

Combined Coverage Payments and HEALTHII Payments (Inpatient and Outpatient in Millions)

Hospital Assessment Peer Group	Total Modeled FFY 2023 HAF Assessments	Total Modeled FFY 2023 HCIF Assessments	Total Modeled FFY 2023 Coverage Payments	Total Modeled FFY 2023 HEALTHII Payments	Estimated Hospital Net Revenue Gain / (Loss) from Total Assessments <sup>(1)</sup>	Number of Hospitals with Estimated Gain	Number of Hospitals with Estimated \$0 Gain	Number of Hospitals with Estimated Loss
Critical Access Hospitals (CAHs)	\$ 9.6	\$ 5.9	\$ 39.1	\$ 48.9	\$ 72.5	12	0	0
Freestanding Children's Hospitals	\$ 4.6	\$ 5.2	\$ 5.9	\$ 51.5	\$ 47.6	1	0	0
Freestanding Rehabilitation Hospitals	\$ 0.0	\$ 0.0	\$ 16.9	\$ 3.6	\$ 20.5	12	0	0
High Medicare Utilization Hospital	\$ 0.0	\$ 0.0	\$ 1.1	\$ 1.3	\$ 2.3	1	0	0
High Medicare/Out-of-State Patient Utilization Hospital	\$ 0.0	\$ 0.0	\$ 10.6	\$ 1.2	\$ 11.8	1	0	0
Large Psychiatric Hospitals	\$ 9.9	\$ 2.5	\$ 125.4	\$ 27.5	\$ 140.5	10	0	0
LTAC Hospitals	\$ 0.4	\$ 0.1	\$ 7.2	\$ 1.5	\$ 8.2	6	0	0
Medium Pediatric Intensive General Acute Hospitals	\$ 101.2	\$66.6	\$ 243.0	\$ 355.5	\$ 430.7	5	0	0
Non-CAH Rural Acute Hospitals	\$ 78.1	\$ 50.9	\$ 159.1	\$ 185.2	\$ 215.4	12	0	0
Pediatric-Intensive General Acute Hospitals	\$ 21.4	\$ 12.9	\$ 72.0	\$ 105.8	\$ 143.5	1	0	0
Public Acute Hospitals	\$ 0.0	\$ 0.0	\$121.6	\$26.8	\$148.4	1	0	0
Short Term Specialty Hospitals	\$ 0.0	\$ 0.0	\$ 9.1	\$ 1.9	\$ 11.1	6	2	0
Small Psychiatric Hospitals and AZ State Hospital	\$ 0.0	\$ 0.0	\$ 25.9	\$ 6.8	\$ 32.7	12	0	0
Urban Acute Hospitals	\$ 362.7	\$ 249.7	\$ 706.6	\$ 770.0	\$ 864.2	24	0	5
Total Border Hospitals	\$ 0.0	\$ 0.0	\$ 29.8	\$ 0.0	\$ 29.8	0	0	0
Total Out of State Hospitals	\$ 0.0	\$ 0.0	\$ 2.3	\$ 0.0	\$ 2.3	0	0	0
<b>Total</b>	<b>\$ 587.9</b>	<b>\$ 393.8</b>	<b>\$ 1,575.8</b>	<b>\$ 1,587.4</b>	<b>\$ 2,181.5</b>	<b>104</b>	<b>2</b>	<b>5</b>

Note: (1) Does not include costs incurred by hospitals for performing Medicaid services.



# Limitations

*The services provided for this project were performed under the signed Consulting Services Agreement between Milliman and Knowledge Services (KS) dated December 21, 2020.*

*The information contained in this presentation has been prepared for the Arizona Health Care Cost Containment System (AHCCCS). We understand this presentation will be shared with AHCCCS' hospital stakeholder work group on April 20, 2022. These results may not be distributed to any other party without the prior consent of Milliman. 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.*

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*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. **Modeled hospital specific HEALTHII payments are estimates subject to change based on actual contracted MCO utilization during the 2023 contract year.***

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

*This presentation is for discussion purposes only, and should not be relied upon without benefit of the discussion that accompanied it or without review of the accompanying April 19, 2022 Milliman report "Preliminary Federal Fiscal Year 2023 Hospital Assessment Model".*



# Thank you

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