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

November 15, 2016

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) 15-005-B, which was submitted to the Centers for Medicare & Medicaid Services (CMS) San Francisco Regional Office on August 26, 2015. This SPA updates the State Plan section on outpatient hospital rates.

Based on the information provided, we are approving SPA 15-005-B with an effective date of October 1, 2015 as requested. We are enclosing the approved Form CMS-179 and the following Medicaid State Plan pages:

• Attachment 4.19-B, Pages 1 and 1(a)

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

CENTERS FOR MEDICARE AND MEDICAID SERVICES	•	
TRANSMITTAL AND NOTICE OF APPROVAL OF	1. TRANSMITTAL NUMBER:	2. STATE
STATE PLAN MATERIAL	15-005B	Arizona
STATETLAN WATERIAL		
	3. PROGRAM IDENTIFICATION: TIT	TI E VIV OE THE
FOR: Centers for Medicare and Medicaid Services	SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR	4. PROPOSED EFFECTIVE DATE	
CENTERS FOR MEDICARE AND MEDICAID SERVICES	October 1, 202	15
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
5. TYPE OF PLAN MATERIAL (Check One):		
☐ NEW STATE PLAN ☐ AMENDMENT TO BE O	CONSIDERED AS NEW PLAN	□ AMENDMENT
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AME		
	· 1	i amenameni)
6. FEDERAL STATUTE/REGULATION CITATION:	7. FEDERAL BUDGET IMPACT:	
42 CFR 447 Subpart C	FFY 15: \$0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION	
	OR ATTACHMENT (If Applicable):	
	OK III THEIMIEN (IJ IIppiicubie)	•
A44 4 10 D 1	C	
Att. 4.19-B, page 1.	Same	
Att. 4.19-B, page 1(a).		
10. SUBJECT OF AMENDMENT:		
10. Subject of Alviendiment.		
Updates outpatient hospital reimbursement rates for the period October 1, 2015 to September 30, 2016.		
11. GOVERNOR'S REVIEW (Check One):		
☐ GOVERNOR'S OFFICE REPORTED NO COMMENT	OTHER, AS SPEC	IFIED:
COMMENTS OF GOVERNOR'S OFFICE ENCLOSED		
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		
12. SIGNATURE OF STATE AGENCY OFFICIAL:	16. RETURN TO:	
12. SIGNATURE OF STATE AGENCY OFFICIAL:	16. RETURN TO:	
12. SIGNATURE OF STATE AGENCY OFFICIAL:		
Marion	Monica Coury	
Mais	Monica Coury 801 E. Jefferson, MD#4200	
13. TYPED NAME:	Monica Coury	
13. TYPED NAME: Monica Coury	Monica Coury 801 E. Jefferson, MD#4200	
13. TYPED NAME: Monica Coury 14. TITLE:	Monica Coury 801 E. Jefferson, MD#4200	
13. TYPED NAME: Monica Coury	Monica Coury 801 E. Jefferson, MD#4200	
13. TYPED NAME: Monica Coury 14. TITLE:	Monica Coury 801 E. Jefferson, MD#4200	
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED:	Monica Coury 801 E. Jefferson, MD#4200	
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034	
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034	
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED:	
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016	
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015 PLAN APPROVED – ON	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016 E COPY ATTACHED	
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015 PLAN APPROVED – ON 19. EFFECTIVE DATE OF APPROVED MATERIAL:	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016 E COPY ATTACHED 20. SIGNATURE OF REGIONAL OF	FICIAL:
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015 PLAN APPROVED – ON 19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2015	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016 E COPY ATTACHED 20. SIGNATURE OF REGIONAL OFF	
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015 PLAN APPROVED – ON 19. EFFECTIVE DATE OF APPROVED MATERIAL:	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016 E COPY ATTACHED 20. SIGNATURE OF REGIONAL OF	
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015 PLAN APPROVED – ON 19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2015	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016 E COPY ATTACHED 20. SIGNATURE OF REGIONAL OFF	istrator
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015 PLAN APPROVED – ON 19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2015 21. TYPED NAME: Henrietta Sam-Louie	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016 E COPY ATTACHED 20. SIGNATURE OF REGIONAL OF /s/ 22. TITLE: Associate Regional Admini	istrator
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015 PLAN APPROVED – ON 19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2015	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016 E COPY ATTACHED 20. SIGNATURE OF REGIONAL OF /s/ 22. TITLE: Associate Regional Admini	istrator
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015 PLAN APPROVED – ON 19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2015 21. TYPED NAME: Henrietta Sam-Louie	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016 E COPY ATTACHED 20. SIGNATURE OF REGIONAL OF /s/ 22. TITLE: Associate Regional Admini	istrator
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015 PLAN APPROVED – ON 19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2015 21. TYPED NAME: Henrietta Sam-Louie	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016 E COPY ATTACHED 20. SIGNATURE OF REGIONAL OF /s/ 22. TITLE: Associate Regional Admini	istrator
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015 PLAN APPROVED – ON 19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2015 21. TYPED NAME: Henrietta Sam-Louie	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016 E COPY ATTACHED 20. SIGNATURE OF REGIONAL OF /s/ 22. TITLE: Associate Regional Admini	istrator
13. TYPED NAME: Monica Coury 14. TITLE: Assistant Director 15. DATE SUBMITTED: August 26, 2015 FOR REGIONAL OF 17. DATE RECEIVED: August 26, 2015 PLAN APPROVED – ON 19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2015 21. TYPED NAME: Henrietta Sam-Louie	Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 FICE USE ONLY 18. DATE APPROVED: 11/15/2016 E COPY ATTACHED 20. SIGNATURE OF REGIONAL OF /s/ 22. TITLE: Associate Regional Admini	istrator

State: ARIZONA

The following is a description of methods and standards for determining payment rates for specific services when payments are made directly to providers. Fee-for-services payments are made in accordance with the Arizona Health Care Cost Containment System Fee-For-Service Provider Manual and are subject to the limitations set forth in Attachment 3.1-A of the State Plan. State developed fee schedule rates are the same for both governmental and non-governmental providers, unless otherwise noted on the reimbursement pages. AHCCCS rates were set as of October 1, 2015, and are effective for dates of service on or after that date. AHCCCS rates are published on the agency's website at https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/ and apply to the following services: Outpatient Hospital; Laboratory; Pharmacy; Hospice; Clinic Services, including Freestanding Ambulatory Surgery Centers and Freestanding Dialysis Centers; Migrant Health Center, Community Health Center and Homeless Health Center Services, Home Health Services, including Durable Medical Equipment, Supplies and Prosthetic Devices; Diagnostic, Screening and Preventive Services; EPSDT Services; Freestanding Birth Centers; Behavioral Health; Family Planning; Physician; Nurse-Midwife; Pediatric and Family Nurse Practitioner; Other Licensed Practitioner; Dental; Vision; Respiratory Care; Transportation; Private Duty Nurse; Other Practitioners; Physical Therapy; Occupational Therapy; Services for individuals with speech, hearing and language disorders; Prosthetic devices; Screening; Preventative; Rehabilitation.

• Outpatient Hospital Services

From July 1, 2004 through June 30, 2005, AHCCCS shall reimburse a hospital by applying a hospital-specific outpatient cost-to-charge ratio to covered charges. If the hospital increases its charges for outpatient services filed with the Arizona Department of Health Services by more than 4.7 per cent for dates of service effective on or after July 7, 2004, the hospital-specific cost-to-charge ratio will be reduced by the amount that it exceeds 4.7 per cent. If charges exceed 4.7 per cent, the effective date of the increased charges will be the effective date of the adjusted AHCCCS cost-to-charge ratio.

For dates of service beginning July 1, 2005, AHCCCS shall reimburse hospitals for outpatient acute care hospital services from a prospective fee schedule, by procedure code, established by AHCCCS. Hospitals with similar characteristics (peer groups) such as: rural/CAH designation, bed size, pediatric emphasis, special needs hospitals, public ownership, GME programs or Level I Trauma Centers, may be paid percentage adjustments above the fee schedule amount not to exceed the total payments received under comparable circumstances pursuant to Medicare upper limits. Rural hospitals, defined as hospitals in Arizona, but outside Maricopa and Pima counties, may be paid an adjustment above the fee schedule amount not to exceed the total payments received under comparable circumstances pursuant to Medicare upper limits.

Services that do not have an established fee specified by the AHCCCS' outpatient hospital prospective fee schedule will be paid by multiplying the charges for the service by a statewide outpatient cost-to-charge ratio. For dates of service July 1, 2005 through September 30, 2011, the statewide outpatient cost-to-charge ratio is computed from hospitals' 2002 Medicare Cost Reports.

For dates of service beginning October 1, 2011, the statewide cost-to-charge ratio calculation shall equal either the CMS Medicare Outpatient Urban or the CMS Medicare Outpatient Rural Cost to Charge Ratio for Arizona. The urban cost-to-charge ratio will be used for hospitals located in a county of 500,000 residents or more and for out-of-state hospitals. The rural cost-to-charge ratio will be used for hospitals located in a county of fewer than 500,000 residents.

Hospitals shall not be reimbursed for emergency room treatment, observation hours, or other outpatient hospital services performed on an outpatient basis, if the eligible person is admitted as an inpatient to the same hospital directly from the emergency room, observation or other outpatient department. The emergency room, observation, and other outpatient hospital services provided before the admission are included in the inpatient reimbursement.

Outpatient hospital payments shall be subject to the quick pay discounts and the slow pay penalties described in Attachment 4.19-A.

Rebase

AHCCCS will rebase the outpatient hospital fee schedule every five years.

TN No. <u>15-005B</u> Supersedes TN No. <u>16-001</u>

Approval Date: November 15, 2016 Effective Date: October 1, 2015

State: <u>ARIZONA</u> METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES OTHER TYPES OF CARE

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.

TN No. 15-005B Approval Date: November 15, 2016 Effective Date: October 1, 2015

Supersedes TN No. <u>14-013B</u>