

December 11, 2017

Mark Wong  
Division of Medicaid and Children's Health Operations  
U.S. Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6707

**RE: Arizona SPA #17-012, LTAC and Rehab rates**

Dear Mr. Wong:

Enclosed is State Plan Amendment (SPA) #17-012, LTAC and Rehab Rates, which revises the State Plan to update the LTAC and Rehab rates, effective October 1, 2017.

If you have any questions about the enclosed SPA, please contact Kyle Sawyer at (602) 417-4211.

Sincerely,



Elizabeth Lorenz  
Assistant Director  
Arizona Health Care Cost Containment System (AHCCCS)

cc: Jessica Woodard, CMS  
Brian Zolynas, CMS



STATE OF ARIZONA  
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
INPATIENT HOSPITAL CARE

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**IX. PAYMENT TO LONG-TERM ACUTE CARE HOSPITALS**

Effective October 1, 2015, long-term acute care hospitals are paid a per diem rate which will be an intensive care unit (ICU) rate, a surgery rate, or a routine rate. A hospital is eligible to receive an ICU rate or a surgery rate if the hospital is licensed by the Arizona Department of Health Services to provide ICU or surgical services.

The ICU rate applies to inpatient days associated on the claim with revenue codes in the ranges 200-204, 207-212, and 219. The surgery rate applies to inpatient days associated on the claim with revenue codes 360-369 in combination with valid procedure codes that are not on the AHCCCS excluded surgery procedures list. The routine rate applies to all other inpatient days.

An outlier is a hospital claim on which the covered charges exceed the outlier threshold, which will be an ICU threshold, a surgery threshold, or a routine threshold. The outlier thresholds for long-term acute care hospitals are the thresholds that were in effect for those hospitals on September 30, 2014. Outliers shall be reimbursed by multiplying covered charges by the statewide urban or rural cost-to-charge ratio. The outlier cost-to-charge ratio will be the sum of the urban or rural default operating cost-to-charge ratio appropriate to the location of the hospital and the statewide capital cost-to-charge ratio in the data file established by CMS as part of the Medicare Inpatient Prospective Payment System. The urban cost-to-charge ratio applies to hospitals located in Maricopa County or Pima County, and to out-of-state hospitals. The rural cost-to-charge ratio applies to all other hospitals.

AHCCCS rates were set as of October 1, 201~~7~~<sup>6</sup>, and are effective for dates of admission on and after that date. AHCCCS rates and outlier thresholds for payments to long-term acute care hospitals are published on the agency's website at <https://azahcccs.gov/PlansProviders/RatesAndBilling/FFS/LTACrehab.html>

**X. PAYMENT TO REHABILITATION HOSPITALS**

Effective October 1, 2015, rehabilitation hospitals are paid a statewide per diem rate.

An outlier is a hospital claim on which the covered charges exceed the outlier threshold. The outlier threshold for rehabilitation hospitals is the threshold that was in effect for those hospitals on September 30, 2014. Outliers shall be reimbursed by multiplying covered charges by the statewide urban or rural cost-to-charge ratio. The outlier cost-to-charge ratio will be the sum of the urban or rural default operating cost-to-charge ratio appropriate to the location of the hospital and the statewide capital cost-to-charge ratio in the data file established by CMS as part of the Medicare Inpatient Prospective Payment System. The urban cost-to-charge ratio applies to hospitals located in Maricopa County or Pima County, and to out-of-state hospitals. The rural cost-to-charge ratio applies to all other hospitals.

AHCCCS rates were set as of October 1, 201~~7~~<sup>6</sup>, and are effective for dates of admission on and after that date. AHCCCS rates and outlier thresholds for payments to rehabilitation hospitals are published on the agency's website at <https://azahcccs.gov/PlansProviders/RatesAndBilling/FFS/LTACrehab.html>

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TN No. ~~17-01216-008~~

Supersedes

~~2017~~

TN No. ~~16-0085-009~~

Approval Date: \_\_\_\_\_

Effective Date: October 1,