

March 29, 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 #17-002, DRG Pediatric Policy Adjustor

Dear Mr. Wong:

Enclosed is State Plan Amendment (SPA) #17-002, DRG Pediatric Policy Adjustor, which revises the State Plan to describe changes to the DRG pediatric policy adjustor, effective January 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

TRANSMITTAL AND NOTICE OF APPROVAL OF	1. TRANSMITTAL NUMBER:	2. STATE
STATE PLAN MATERIAL	17-002	Arizona
FOR: Centers for Medicare and Medicaid Services	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR	4. PROPOSED EFFECTIVE DATE	
CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	January 1, 2017	
5. TYPE OF PLAN MATERIAL (Check One):		
☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☐ AMENDMENT		
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)		
6. FEDERAL STATUTE/REGULATION CITATION:	7. FEDERAL BUDGET IMPACT:	
42 CFR Part 447	FFY 17: \$ 926,800 FFY 18: \$1,242,400	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):	
Att. 4.19-A, Page 20	Same	
10. SUBJECT OF AMENDMENT:		
Updates the State Plan to make changes to the DRG pediatric policy adjustor.		
11. GOVERNOR'S REVIEW (Check One): ☐ GOVERNOR'S OFFICE REPORTED NO COMMENT ☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED ☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		
12. SIGNATURE OF STATE AGENCY OFFICIAL:	16. RETURN TO:	
13 PS	Elizabeth Lorenz 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034	
13. TYPED NAME: Elizabeth Lorenz		
14. TITLE:		
Assistant Director		
15. DATE SUBMITTED: 3/29/17		
FOR REGIONAL OFFICE USE ONLY		
17. DATE RECEIVED:	18. DATE APPROVED:	
PLAN APPROVED – ONE COPY ATTACHED		
19. EFFECTIVE DATE OF APPROVED MATERIAL:	20. SIGNATURE OF REGIONAL OF	FICIAL:
21. TYPED NAME:	22. TITLE:	
22 DEMADIC.		

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

E. DRG Base Rate for Out-of-State Hospitals

The DRG base rate for high volume out-of-state hospitals will be calculated in the same manner as for Arizona hospitals, using the Arizona statewide standardized amount. A high volume out-of-state hospital is a hospital that is located in a county that borders the state of Arizona and had 500 or more AHCCCS-covered inpatient days for the fiscal year beginning October 1, 2010. The DRG base rate for all other out-of-state hospitals is posted on the AHCCCS website that is referenced in paragraph D.

F. Policy Adjustors

Where AHCCCS has determined that an adjustment to the base payment is appropriate to ensure access to quality care, a policy adjustor will be applied to the base payment. Firstly, AHCCCS will apply a provider policy adjustor of 1.055 times the base rate to all claims from hospitals that are high volume Medicaid providers. A high volume Medicaid provider is a hospital that had at least 46,112 AHCCCS-covered inpatient days during the fiscal year beginning October 1, 2010 and had a Medicaid utilization rate greater than 30% as reported in the hospital's Medicare Cost Report for the hospital's cost reporting period ending between January 1, 2011 and December 31, 2011. These calculations include both Fee-For-Service and Managed Care Organization data. Secondly, and in addition to the provider policy adjustor if it applies, Effective January 1, 20176, AHCCCS will apply one of seven service policy adjustors where the claim meets certain conditions. The seven service policy adjustors, the conditions to which they apply, and the adjustment values are described below:

- 1. Normal newborn DRG codes: 1.55
- 2. Neonates DRG codes: 1.10
- 3. Obstetrics DRG codes: 1.55
- 4. Psychiatric DRG codes: 1.65
- 5. Rehabilitation DRG codes: 1.65
- 6. Claims for patients under age 19 assigned DRG codes other than those described in items 1 through 5 above and with severity of illness level 1 or 2: 1.25
- 7. Claims for patients under age 19 assigned DRG codes other than those described in items 1 through 5 above and with severity of illness level 3 or 4: 1.94560

TN No. <u>15-010</u>17-002 Supersedes

Approval Date: Effective Date: October 1 January 1, 20175

TN No. 14-00915-010