

March 16, 2023

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 # 23-0001, APR-DRG Rate Update

Dear Mr. Wong:

Enclosed is State Plan Amendment (SPA) # 23-0001, APR DRG Rate Update. This SPA updates the APR-DRG rates, effective January 1, 2023.

Tribal Consultation on this SPA occurred on February 9, 2023. The Tribal Consultation presentation is available on the following webpage:

<https://www.azahcccs.gov/AmericanIndians/Downloads/Consultations/Meetings/2023/02092023-QuarterlyTribalConsultationSlides.pdf>

Public Notice for this SPA was posted on the following webpages:

https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/rates/Final_Public_Notice_Rate_Changes_20230101_APR_DRG.pdf.

If there are any questions about the enclosed SPA, please contact Ruben Soliz at ruben.soliz@azahcccs.gov or 602-417-4355.

Sincerely,



Alex Demyan
Interim Assistant Director
Arizona Health Care Cost Containment System (AHCCCS)

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER 23 — 0001	2. STATE AZ
3. PROGRAM IDENTIFICATION: TITLE 19 OF THE SOCIAL SECURITY ACT	

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
January 1, 2023

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447 Subpart C

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY **23** \$ **2,338,100**
b. FFY: **24** \$ **2,150,700**

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-A, page 19

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

Attachment 4.19-A, page 19

9. SUBJECT OF AMENDMENT
APR-DRG Rates

10. 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

OTHER, AS SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL


15. RETURN TO
Alex Demyan
801 E. Jefferson St., MD #4200
Phoenix, AZ 85034

12. TYPED NAME
Alex Demyan

13. TITLE
Interim Assistant Director

14. DATE SUBMITTED:
March 16, 2023

FOR CMS USE ONLY

16. DATE RECEIVED

17. DATE APPROVED

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

21. TITLE OF APPROVING OFFICIAL

22. REMARKS

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

C. DRG Relative Weights

The APR-DRG methodology classifies inpatient stays into categories based on similar clinical conditions and similar levels of hospital resources required for treatment. The categories are identified using diagnosis-related group codes, each of which is assigned a relative weight appropriate to the relative amount of hospital resources expected to be used to treat the patient. Each claim is assigned to a DRG based on the patient's diagnoses, surgical procedures performed, age, gender, birth weight, and discharge status. An APR-DRG payment is determined by multiplying the DRG base rate by the DRG relative weight and any applicable policy adjusters. The DRG relative weights are posted on the AHCCCS website as of October 1, 2022 at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/APRDRGrates.html>.

D. DRG Base Rate for Arizona Hospitals

The DRG base rate for each hospital other than those described in paragraphs 1 and 2 below is a statewide standardized amount adjusted by applying the hospital's wage index to the hospital's labor-related share. The hospital wage index and labor-related share are those published by Medicare on September 18, 2020 for the Medicare inpatient prospective payment system for the fiscal year October 1, 2020 through September 30, 2021, and will not be subject to annual updates. For the following described hospitals, the DRG base rate will be calculated in the same manner except that an alternative standardized amount will be used in place of the statewide standardized amount:

1. Hospitals that are licensed by the state of Arizona Department of Health Services as short-term hospitals, indicated by a license number beginning with the letters "SH." These hospitals typically practice in a limited, specialized field.
2. Hospitals that are located in a city with a population greater than one million, which on average have at least 15% of inpatient days for patients who reside outside of Arizona and at least 50% of discharges reimbursed by Medicare as reported on the hospital's Medicare Cost Report for the hospital's cost reporting period ending between January 1, 2011 and December 31, 2011.

The following described hospitals will have a DRG base rate calculated in the same manner as above except that an alternative standardized amount will be used in place of the statewide standardized amount unique to each category below starting January 1, 2023:

3. Hospitals that have one hundred or fewer inpatient beds, that is located in a county with a population of less than five hundred thousand persons and has greater than twenty percent of Medicaid inpatient reimbursement with a primary diagnosis of behavioral health in the prior federal fiscal year as of April 30th.
4. Hospitals with two separate Arizona Department of Health Services (ADHS) acute care hospital licenses, with one hospital that has one hundred or fewer beds, that is located in a county with a population of less than five hundred thousand persons and has one single AHCCCS registration for both ADHS licenses.
5. Unless in a qualifying group above, Hospitals that have one hundred or fewer inpatient beds, and that are located in a county with a population of less than five hundred thousand persons; or a hospital that is licensed as a critical access hospital.

The statewide standardized amount, the alternative standardized amount, and the DRG base rates for all hospitals are posted on the AHCCCS website as of October 1, 2022 at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/APRDRGrates.html>.