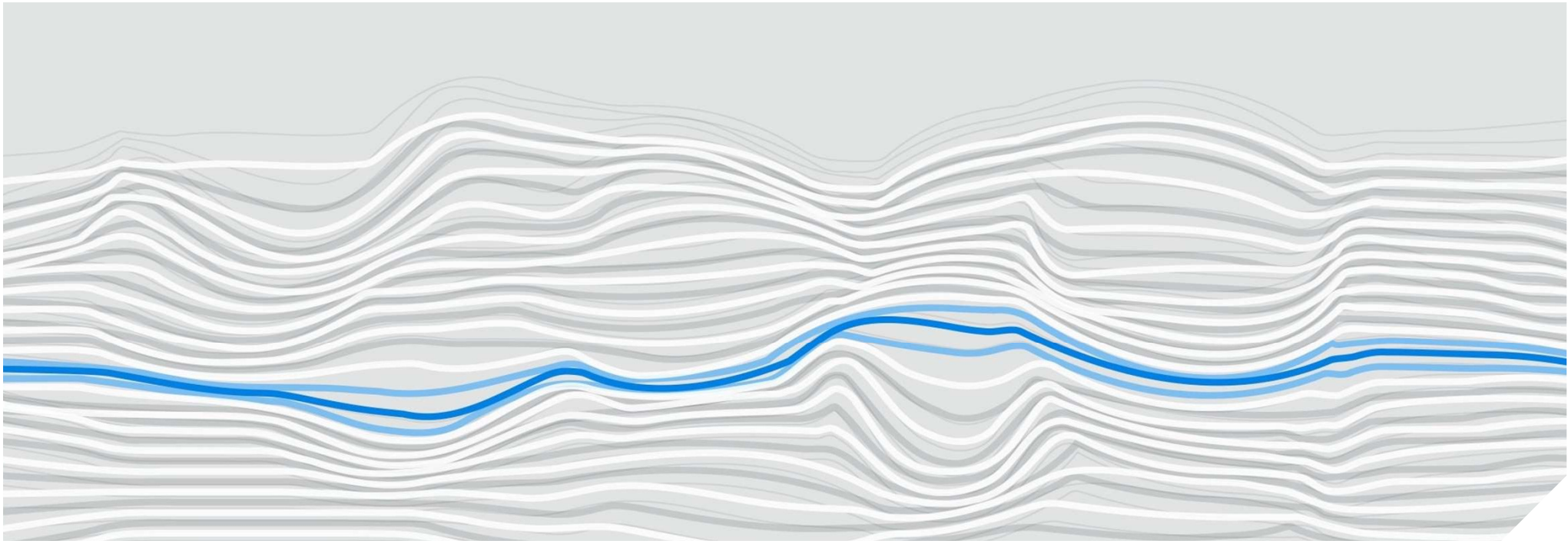


# Arizona Health Care Cost Containment System



Preliminary Updated FFY 2022 Hospital Assessment Model  
March 30, 2021



# Preliminary FFY 2022 Hospital Assessment Model Changes

Summary of key model changes since the February 12<sup>th</sup> Workgroup Meeting <sup>(1)</sup>

1

## Updated Baseline Medicaid payments to CY 2019 (from FFY 2019)

*Based on AHCCCS MMIS data, used for FFY 2022 HEALTHII payment projections*

2

## Updated FYE 2019 discharges and outpatient net revenues for select hospitals

*Based on data submitted by hospitals, used for FFY 2022 assessment modeling*

3

## Updated the target HCIF assessments for physician/dental and for administration

*Based on HB 2668 limits, per AHCCCS direction*

- Changes to model inputs and assessment targets resulted in minor changes to modeled assessments and HEALTHII payments
- *Model results are still preliminary and subject to change based on final AHCCCS policy decisions*

# Preliminary Modeled Assessment Rates

## Combined Baseline HAF and HCIF Assessment Rates

Hospital Assessment Peer Group	Inpatient		Outpatient	
	Percent of Base Assessment	Modeled FFY 2022 Assessment Rate	Percent of Base Assessment	Modeled FFY 2022 Assessment Rate
<b>Rates Applicable to Each Hospital Type:</b>				
Critical Access Hospitals	100%	\$ 945.25	25%	1.9252%
Freestanding Children's Hospitals	20%	\$ 189.25	20%	1.5401%
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%	\$ 236.50	25%	1.9252%
LTAC Hospitals	25%	\$ 236.50	25%	1.9252%
Medium Pediatric Intensive General Acute Hospitals	90%	\$ 850.50	75%	5.7755%
Non-CAH Rural Acute Hospitals	100%	\$ 945.25	60%	4.6204%
Pediatric-Intensive General Acute Hospitals	80%	\$ 756.00	65%	5.0054%
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%	\$ 945.25	100%	7.7005%
<b>Rates Applicable to All Non-Exempted Hospital Types:</b>				
Rate Applied to Non-Exempted Psychiatric Sub-Provider Units	25%	\$ 236.50	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%	\$ 94.75	N/A	N/A

Note: (1) The modeled inpatient assessment unit threshold is 23,000, 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 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 From Assessments <sup>(1)</sup>
A	B	C	D	E = C – D
Freestanding Children's Provider	16.18%	\$ 51.7	\$ 5.5	\$ 46.2
Private Urban Acute Hospital	65.67%	\$ 942.2	\$ 327.1	\$ 615.1
Public Acute Hospital	15.77%	\$ 21.7	\$ 10.6	\$ 11.1
Rural Hospital	68.76%	\$ 184.1	\$ 57.3	\$ 126.8
Rural Reservation-Adjacent Hospitals	91.83%	\$ 67.8	\$ 17.4	\$ 50.4
Specialty Hospital	14.19%	\$ 29.6	\$ 2.6	\$ 27.1
<b>Total</b>		<b>\$ 1,297.1</b>	<b>\$ 420.4</b>	<b>\$ 876.7</b>



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

# Preliminary Modeled Impact from Total Assessments

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

Hospital Assessment Peer Group	Total Modeled FFY 2022 HAF Assessments	Total Modeled FFY 2022 HCIF Assessments	Total Modeled FFY 2022 Coverage Payments	Total Modeled FFY 2022 HEALTHII Payments	Estimated Hospital Net Revenue Gain 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
CAH	\$ 8.7	\$ 6.2	\$ 40.5	\$ 44.8	\$ 70.4	12	0	0
Freestanding Children's Hospitals	\$ 4.2	\$ 5.5	\$ 7.6	\$ 51.7	\$ 49.6	1	0	0
Freestanding Rehabilitation Hospitals	\$ 0.0	\$ 0.0	\$ 12.6	\$ 1.9	\$ 14.5	12	0	0
High Medicare Utilization Hospital	\$ 0.0	\$ 0.0	\$ 0.7	\$ 0.6	\$ 1.3	1	0	0
High Medicare/Out-of-State Patient Utilization Hospital	\$ 0.0	\$ 0.0	\$ 8.0	\$ 0.8	\$ 8.8	1	0	0
Large Psychiatric Hospitals	\$ 8.4	\$ 2.5	\$ 124.1	\$ 21.6	\$ 134.9	10	0	0
LTAC Hospitals	\$ 0.4	\$ 0.1	\$ 7.9	\$ 1.2	\$ 8.6	6	0	0
Medium Pediatric Intensive General Acute Hospitals	\$ 102.8	\$ 80.7	\$ 360.3	\$ 304.5	\$ 481.3	6	0	0
Non-CAH Rural Acute Hospitals	\$ 70.3	\$ 53.8	\$ 173.1	\$ 158.4	\$ 207.4	12	0	0
Pediatric-Intensive General Acute Hospitals	\$ 18.8	\$ 13.5	\$ 74.6	\$ 95.1	\$ 137.4	1	0	0
Short Term Specialty Hospitals	\$ 0.0	\$ 0.0	\$ 8.7	\$ 1.4	\$ 10.1	5	3	0
Small Psychiatric Hospitals and AZ State Hospital	\$ 0.0	\$ 0.0	\$ 17.1	\$ 3.6	\$ 20.7	9	1	0
Urban Acute Hospitals	\$ 320.1	\$ 258.1	\$ 714.9	\$ 611.6	\$ 748.2	25	0	4
Total Border Hospitals	\$ 0.0	\$ 0.0	\$ 31.7	\$ 0.0	\$ 31.7	0	0	0
Total Out of State Hospitals	\$ 0.0	\$ 0.0	\$ 2.2	\$ 0.0	\$ 2.2	0	0	0
<b>Total</b>	<b>\$ 533.6</b>	<b>\$ 420.4</b>	<b>\$ 1,584.1</b>	<b>\$ 1,297.1</b>	<b>\$ 1,927.3</b>	<b>101</b>	<b>4</b>	<b>4</b>



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

# Preliminary Model Feedback

## Model Parameters and Hospital Reported Amounts

- AHCCCS is soliciting any additional feedback from the hospital community on the preliminary FFY 2022 Hospital assessment model parameters for consideration
- Please email comments related to model parameters to AHCCCS at [HospitalAssessmentProject@azahcccs.gov](mailto:HospitalAssessmentProject@azahcccs.gov) by **Friday, April 16, 2021**

# 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 March 30, 2021. 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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*The preliminary model described in this presentation relies on data and information provided by CMS, AHCCCS, Arizona Department of Health Services, and hospitals, which we have accepted without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in this report may likewise be inaccurate or incomplete.*

*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 2022 contract year.***

*This work is not complete. Final results and recommendations may vary significantly 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 March 26, 2021 Milliman report "Preliminary Updated Federal Fiscal Year 2022 Hospital Assessment Model".*



# Thank you

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