



# Finance & Rates Update

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# Topics

1. CYE 20 EPD COVID-19 Directed Payments
2. CYE 21 Capitation Rate Development
3. CYE 21 ACC Risk Adjustment
4. FFS Rates Eff. 10/01/20
5. HEALTHII – Hospital Directed Payments
6. VBP Engagement

# CYE 20 – EPD Directed Payments

- NF/ALF and HCBS COVID-19 directed payment guidance:  
<https://www.azahcccs.gov/PlansProviders/MedicalCodingResources.html>
- Engaged in CMS review and approval process
- Continue to receive questions from providers that may inform clarifying guidance provided by AHCCCS

# CYE 21 Capitation Rates

- Prioritization of COVID-19 has impacted timelines
- Email on 05/20/20 with revised timeline
  - Capitation rates finalized after 10/01/20
  - Plan to pay CYE 20 rates in Oct/Nov, with retroactive adjustment in Dec 2020 to pay new CYE 21 rates eff. 10/01/20
- AHCCCS continues to evaluate potential adjustments to reinsurance deductibles and risk corridors for CYE 21
- Unable to schedule MCO-specific meetings, but commit to reviewing all information submitted

# CYE 21 Cap Rate Development Timeline

Key Activity	Date
AHCCCS Send Projected Case Management (if applicable) to Contractors	On or before 06/30/20
Contractor Feedback to AHCCCS	(2 weeks after sent)
AHCCCS Send Projected HCBS Mix % (if applicable) to Contractors	On or before 06/30/20
Contractor Feedback to AHCCCS	(2 weeks after sent)
AHCCCS Send Projected Trends to Contractors	On or before 06/30/20
Contractor Feedback to AHCCCS	(2 weeks after sent)
AHCCCS Send Projected Admin to Contractors	On or before 07/31/20
Contractor Feedback to AHCCCS	(2 weeks after sent)
AHCCCS Send Rates to Contractors with Summary of Key Items	On or before 10/16/20
Contractor Feedback to AHCCCS	(1 week after sent)
AHCCCS Submit Actuarial Certifications to CMS and Contractors	On or before 11/13/20

# CYE 21 – General Approach

- Recognize significant uncertainties and multiple compounding factors impacting CYE 21
  - COVID-19 costs of testing and treatment
  - Foregone v. delayed utilization of IP services
  - Potential changes in member acuity due to suspension of enrollment termination and/or enrollment growth
- Do not intend to make discrete assumptions in CYE 21 rates to attempt to predict potential costs and savings
- Will consider if an acuity adjustment may be appropriate
  - Any adjustments will be disclosed in certifications

# CYE 21 – ACC Risk Adjustment

- AHCCCS will be utilizing diagnostic based risk adjustment to assign condition markers to enrollees
- CDPS+Rx **plus** additional markers and AZ specific weights
- Goals of Model:
  - Align payment with relative health of members by plan
  - Accurate and unbiased
  - Simple as possible
  - Reasonable administrative burden
  - Results are budget neutral to program

# Risk Adjustment - Model Design

- Additional risk markers
  - Social Determinants of Health (SDoH)
  - Children's Rehabilitative Services (CRS) designation
  - Prior Period Coverage (PPC)
- SDoH with material prevalence/statistical significance
  - 44 AZ Zip Codes (out of 528)
  - ICD-10 Z-codes
    - Housing Problems
    - Child/Parent Problems
    - Family Problems
    - Criminal Problems



# Risk Adjustment - Implementation

- Risk adjustment to be applied to most risk groups
- No risk adjustment to Duals, Delivery Supplement, Option 1 & 2 Transplants
- Other model considerations:
  - Utilized first 17 diagnoses codes per claim – 25 in future
  - Credibility adjustment – fewer than 500 members in study period
  - Special considerations for Under Age 1 risk group
- AHCCCS will continually monitor changes in acuity and may consider a mid-year update to risk adjustment

# CYE 21 Risk Adjustment - Timeline

- Dec 2019 – Meeting with Contractors and Wakely
- May 2020 – Whitepaper and Risk Scores/Adjustments
- June 2020 – Contractor feedback/questions received
  - Received and responded to 51 total questions
- July 2020 – Answers/Amended Whitepaper
- August 2020 – Meeting with Contractors and Wakely
  - Scheduled for Tuesday, August 11<sup>th</sup>, 11:00am to 11:50am
  - Please send questions by COB on Tuesday, August 4th

# FFS Rates Eff. 10/01/20

- Final DAP Notice amended 7/15/20 here:  
[https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/rates/DAP\\_Final\\_Notice\\_Revised\\_CYE2021.pdf](https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/rates/DAP_Final_Notice_Revised_CYE2021.pdf)
- Preliminary Rates Notice posted 7/15/20 here:  
[https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/rates/NOPI\\_Rate\\_Changes\\_20201001.pdf](https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/rates/NOPI_Rate_Changes_20201001.pdf)
  - Consistent with past years, Contractors are generally required to increase base rates by the % increase to FFS rates, eff. 10/01/20

# Change to Reimbursement

- Eff. 10/01/20, AHCCCS align reimbursement of hospital outpatient off-campus services with Medicare
- PO and PN modifiers will be reimbursed at the Physician Fee Schedule or Ambulatory Surgical Center rates instead of the OPFS
- Corresponding adjustment to capitation rates
- More detailed billing guidance forthcoming

# Key Provider Rate Increases

- BH OP Targeted Rate increases – MCO & FFS schedules
  - H0018 – Behavioral Health; Short Term Residential (+3.0%)
  - H0038 – Peer Support (+25.3%)
  - H0025 – BH Prevention Education (+25.6%)
  - S5109 – Therapeutic Foster Care (+3.0%)
- Legislative Action – Health Care Investment Fund (HCIF)
  - Restores previous rate reductions implemented in 2009
  - Dental Fee Schedule – Across the Board +14.3%
  - Physician Fee Schedule – Aggregate +15.3%
    - Increase % varies by code
  - Durable Medical Equipment Fee Schedule – Aggregate +20.2%

# Laws 2020, Ch. 46 (HB 2668)

- New hospital assessment to fund hospital directed payments and practitioner rate increases via Health Care Investment Fund (HCIF)  
<https://www.azleg.gov/legtext/54leg/2R/laws/0046.pdf>
- Physician and Dental rate increases
  - "TO INCREASE BASE REIMBURSEMENT RATES FOR SERVICES REIMBURSED UNDER THE ADMINISTRATION'S DENTAL FEE SCHEDULE AND PHYSICIAN FEE SCHEDULE, NOT INCLUDING THE PHYSICIAN DRUG FEE SCHEDULE, TO THE EXTENT NECESSARY AS DETERMINED BY THE ADMINISTRATION TO RESTORE THESE PROVIDERS' RATES TO THE RATE LEVELS IN EXISTENCE BEFORE FISCAL YEAR 2008-2009, IF THESE EXPENSES DO NOT EXCEED THE LESSER OF \$70,500,000 OR TWENTY PERCENT OF THE TOTAL ASSESSMENT MONIES DEPOSITED PURSUANT TO SECTION 36-2999.72 FOR THE FISCAL YEAR."

# HEALTHII Directed Payments

- Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII)
- New 438.6(c) Directed Payment funded by HCIF
  - \$1.2B payment pool for IP/OP services; Net Gain \$798M
  - Rate increase of 53.2%; net eff. rate increase of 33.3%
  - Requires prior approval by CMS
- Lump sum payments outside of base capitation rates
- Contractors shall not supplant contracted hospital reimbursement rates with payments made under the HEALTHII directed payment program

# HEALTHII Payments by Category

	Targeted Pay-to-Cost	Proportion of Total Payments	Modeled Payment Increase	Net Eff Rate Increase	Net Gain
Total IP/OP Combined	89.0%	100%	53.2%	33.3%	\$798M
Rural Hospitals	100%	13.8%	68.8%	46.0%	\$117M
Rural Reservation - Adjacent	100%	5.3%	91.8%	63.9%	\$47M
Freestanding Children's	83%	3.9%	16.2%	13.3%	\$41M
Specialty	89%	2.1%	14.2%	12.2%	\$23M
Private Urban Acute	89%	73.4%	64.6%	38.9%	\$563M
Public Acute	70%	1.5%	15.8%	5.7%	\$7M



# VBP – Timeline of Key Activities

- AHCCCS Memo Sent – 05/21/20
  - Background & Issues Identified
  - Specific Questions for Feedback
  - MCO Feedback Received – 06/04/20
- Stakeholder Meeting – 06/05/20
  - Discussed MCO Feedback
- Performance Based Payments (PBP) Meeting – 06/19/20
- TI Sustainability/Attribution Modeling Meeting – 07/01/20
- Stakeholder Meeting – Scheduling for 07/31/20
  - Discuss preliminary AHCCCS decisions

Questions?