

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



Center for Medicaid and CHIP Services

NOV 18 2011

Tom Betlach, Director
Arizona Health Care Cost Containment System
801 E. Jefferson
Phoenix, AZ 85034

RE: Arizona SPA 11-011


Dear Mr. Betlach:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 11-011. This amendment reduces hospital inpatient outlier reimbursement for services from October 1, 2011 to September 30, 2012.


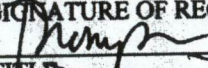
We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. This is to inform you that Medicaid State plan amendment 11-011 is approved effective October 1, 2011. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Mark Wong at (415) 744-3561.

Sincerely,


Cindy Mann
Director, CMCS

Enclosures

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|--|--|---|---------------------|
| TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: Centers for Medicare and Medicaid Services | | 1. TRANSMITTAL NUMBER: 11-011 | 2. STATE Arizona |
| | | 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) | |
| TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES | | 4. PROPOSED EFFECTIVE DATE October 1, 2011 | |
| 5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment) | | | |
| 6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447, Subpart C | | 7. FEDERAL BUDGET IMPACT: \$ (6,593,400) \$(1,087,900) | |
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, page 6 | | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A, page 6 N/A | |
| 10. SUBJECT OF AMENDMENT: Implements changes to the methodology for qualifying and paying claims for inpatient hospital services with extraordinary operating costs per day. | | | |
| 11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL | | | |
| 12. SIGNATURE OF STATE AGENCY OFFICIAL:  | | 16. RETURN TO: Monica Coury 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034 | |
| 13. TYPED NAME: Monica Coury | | | |
| 14. TITLE: Assistant Director | | | |
| 15. DATE SUBMITTED: June 24, 2011 | | | |
| FOR REGIONAL OFFICE USE ONLY | | | |
| 17. DATE RECEIVED: | | 18. DATE APPROVED: NOV 18 2011 | |
| PLAN APPROVED - ONE COPY ATTACHED | | | |
| 19. EFFECTIVE DATE OF APPROVED MATERIAL: OCT - 1 2011 | | 20. SIGNATURE OF REGIONAL OFFICIAL:  | |
| 21. TYPED NAME: Penny Thompson | | 22. TITLE: Deputy Director, CMCS | |
| 23. REMARKS: Pen-and-ink change made to Boxes 7 and 9 by Regional Office with State concurrence. | | | |

STATE OF ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

1) **Outliers:** Effective with dates of service on and after October 1, 2007, AHCCCS shall reimburse hospitals for outlier claims by multiplying covered charges by the sum of Medicare's urban or rural statewide average operating cost-to-charge ratio (CCR) and Medicare's statewide average capital CCR, updated annually and phased in as described below. For rates effective on and after October 1, 2007, outlier cost thresholds shall be updated annually by the increase or decrease in the index published by the Global Insight hospital market basket index for prospective hospital reimbursement. For the rate year effective October 1, 2010, to September 30, 2011, AHCCCS will not apply the Global Insight hospital market basket index to adjust the outlier cost thresholds. For the rate year effective October 1, 2011, to September 30, 2012, AHCCCS will increase the outlier cost thresholds by 5% of the thresholds that were effective on September 30, 2011.

For calculations using the Medicare urban or rural CCRs, including outlier determination and threshold calculation, AHCCCS shall phase in the use of the Medicare urban or rural CCRs as follows: For outlier claims with dates of service on or after October 1, 2007 through September 30, 2008, AHCCCS shall adjust each hospital specific inpatient CCR in effect on September 30, 2007 by subtracting one-third of the difference between the hospital specific inpatient CCR and the sum of Medicare's urban or rural statewide average operating CCR and Medicare's statewide average capital CCR. For outlier claims with dates of service on or after October 1, 2008 through September 30, 2009, AHCCCS shall adjust each hospital specific inpatient CCR in effect on September 30, 2007 by subtracting two-thirds of the difference between the hospital specific inpatient CCR and the sum of Medicare urban or rural statewide average operating CCR and Medicare's statewide average capital CCR.

For payment of outlier claims with dates of service on or after October 1, 2007 through September 30, 2008, AHCCCS shall adjust the statewide inpatient hospital CCR in effect on September 30, 2007 by subtracting one-third of the difference between the statewide inpatient hospital CCR and the effective Medicare urban or rural CCR. For payment of outlier claims with dates of service on or after October 1, 2008 through September 30, 2009, AHCCCS shall adjust the statewide inpatient hospital CCR in effect on September 30, 2007 by subtracting two-thirds of the difference between the statewide inpatient hospital CCR and the effective Medicare urban or rural CCR.

For outlier claims with dates of service on or after October 1, 2009, the full Medicare urban or rural CCR shall be utilized for all calculations. The three year phase-in does not apply to out of state or new hospitals.

For qualification and payment of outlier claims with begin dates of admission on or after April 1, 2011 through September 30, 2011, the CCR will be equal to 95% of the ratios in effect on October 1, 2010.

For qualification and payment of outlier claims with begin dates of admission on or after October 1, 2011 through September 30, 2012, the CCR will be equal to 90.25% (95% of the previous 95% reduction = $95\% \times 95\%$) of the most recent published Urban or Rural Medicare CCR as of August 31, 2011.

In addition, for qualification and payment of outlier claims with begin dates of admission on or after October 1, 2011 through September 30, 2012, AHCCCS will reduce the CCR for a hospital that filed a charge master with ADHS on or after April 1, 2011 by an additional percentage equal to the total percent increase reported on the charge master.

TN No. 11-011

Supersedes

TN No. 10-010A

Approval Date: NOV 18 2011 Effective Date: October 1, 2011