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Our first care is your health care
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

December 29, 2011

Cheryl Young
Centers for Medicare and Medicaid Services
75 Hawthorne St., 5th Floor
San Francisco, California 94105

Dear Ms. Young:

Enclosed is State Plan Amendment (SPA) 11-018, effective October 1, 2011, a technical SPA to update State Plan pages referencing the AHCCCS fee schedule.

If you have any questions about the enclosed SPA, please contact Theresa Gonzales at (602) 417-4732.

Sincerely,

A handwritten signature in black ink, appearing to read 'Monica Coury', is written over a light gray horizontal line.

Monica Coury
Assistant Director
Office of Intergovernmental Relations

Cc: Jessica Schubel
Mark Wong

State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES

OTHER TYPES OF CARE

The following is a description of methods and standards for determining payment rates for specific services when payments are made directly to providers. Fee-for-services payments are made in accordance with the Arizona Health Care Cost Containment System Fee-For-Service Provider Manual and are subject to the limitations set forth in Attachment 3.1-A of the State Plan. [AHCCCS rates were set as of October 1, 2011, and are effective for dates of service on or after that date. All rates are published on the agency's website at \[www.azahcccs.gov/commercial/ProviderBilling/rates/rates.aspx\]\(http://www.azahcccs.gov/commercial/ProviderBilling/rates/rates.aspx\).](#)

- **Outpatient Hospital Services**

From July 1, 2004 through June 30, 2005, AHCCCS shall reimburse a hospital by applying a hospital-specific outpatient cost-to-charge ratio to covered charges. If the hospital increases its charges for outpatient services filed with the Arizona Department of Health Services by more than 4.7 per cent for dates of service effective on or after July 7, 2004, the hospital-specific cost-to-charge ratio will be reduced by the amount that it exceeds 4.7 per cent. If charges exceed 4.7 per cent, the effective date of the increased charges will be the effective date of the adjusted AHCCCS cost-to-charge ratio.

For dates of service beginning July 1, 2005, AHCCCS shall reimburse hospitals for outpatient acute care hospital services from a prospective fee schedule, by procedure code, established by AHCCCS. Hospitals with similar characteristics (peer groups) such as: rural/CAH designation, bed size, pediatric emphasis, special needs hospitals, public ownership, GME programs or Level I Trauma Centers, may be paid percentage adjustments above the fee schedule amount not to exceed the total payments received under comparable circumstances pursuant to Medicare upper limits. Rural hospitals, defined as hospitals in Arizona, but outside Maricopa and Pima counties, may be paid an adjustment above the fee schedule amount not to exceed the total payments received under comparable circumstances pursuant to Medicare upper limits.

Services that do not have an established fee specified by the AHCCCS' outpatient hospital prospective fee schedule will be paid by multiplying the charges for the service by a statewide outpatient cost-to-charge ratio. For dates of service July 1, 2005 through September 30, 2011, the statewide outpatient cost-to-charge ratio is computed from hospitals' 2002 Medicare Cost Reports.

For dates of service beginning October 1, 2011, the statewide cost-to-charge ratio calculation shall equal either the CMS Medicare Outpatient Urban or the CMS Medicare Outpatient Rural Cost to Charge Ratio for Arizona. The urban cost-to-charge ratio will be used for hospitals located in a county of 500,000 residents or more and for out-of-state hospitals. The rural cost-to-charge ratio will be used for hospitals located in a county of fewer than 500,000 residents.

Hospitals shall not be reimbursed for emergency room treatment, observation hours, or other outpatient hospital services performed on an outpatient basis, if the member is admitted as an inpatient to the same hospital directly from the emergency room, observation or other outpatient department. The emergency room, observation, and other outpatient hospital services provided before the admission are included in the inpatient reimbursement.

Outpatient hospital payments shall be subject to the quick pay discounts and the slow pay penalties described in Attachment 4.19-A.

Rebase

AHCCCS will rebase the outpatient hospital fee schedule every five years.

TN No. 11-010

Supersedes

TN no. 04-003

Approval Date: _____ Effective Date: October 1, 2011

STATE OF ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

B. Out-of-State Hospitals

Out-of-state hospitals providing covered services (excluding organ and transplantation services) to persons eligible for AHCCCS are paid by multiplying covered charges by the most recent state-wide urban cost-to-charge ratio (CCR). The CCR is updated annually by AHCCCS, with an October 1 effective date, using the most current Medicare cost-to-charge ratios published or placed on display by CMS by August 31 of that year.

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Out-of-state hospitals providing covered organ and transplantation services to persons eligible for AHCCCS are paid based upon a fixed price per type of transplant with stop-loss provisions. Reimbursement rates are negotiated using the out of state provider's home state Medicaid reimbursement as a benchmark. At no time will payment exceed the hospital's billed charges.

V. PAYMENT TO FREESTANDING PSYCHIATRIC HOSPITALS

Psychiatric hospitals are paid a statewide per diem fee. [AHCCCS rates are published on the agency's website at www.azahcccs.gov/commercial/ProviderBilling/rates/rates.aspx.](http://www.azahcccs.gov/commercial/ProviderBilling/rates/rates.aspx)

Deleted: Effective for dates of service beginning October 1, 2008, the per diem rate is \$737.21. Effective with dates of service beginning February 1, 2009, these rates are reduced by 5% to \$700.35. ¶
¶ Psychiatric hospitals that function solely as detoxification facilities are paid a statewide per diem fee.

VI. APPEALS PROCEDURES

Facilities may appeal rates within the limits of Arizona statute through the AHCCCS grievance and appeals process. Facilities may also informally request a rate review.

Deleted: Effective for dates of service beginning October 1, 2008, the per diem rate is \$380.95. Effective with dates of service beginning February 1, 2009, these rates are reduced by 5% to \$361.90.

TN No. [11-018](#)

Supersedes

Approval Date: _____

Effective Date: [October 1, 2011](#)

TN No. [08-005A](#)

Field Code Changed

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State: ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

Out-of-State Hospitals

Out-of-state hospitals will be paid for covered outpatient services by applying the outpatient hospital fee schedule and methodology.

Specialty Rates

• **Laboratory Services**

AHCCCS will not exceed the reimbursement amounts authorized for clinical laboratory services under Medicare as set forth in 42 CFR 447.362. AHCCCS' rates are published on the agency's website at www.azahcccs.gov/commercial/ProviderBilling/rates/rates.aspx.

• **Pharmacy Services**

Reimbursement is subject to the limitations set forth in 42 CFR 447.331 through 447.332.

• **EPSDT Services Not Otherwise Covered in the State Plan**

AHCCCS reimburses for chiropractor services and personal care services using a capped fee schedule. Personal care services are described in Attachment 3.1-A Limitations, page 2(a). Payment is the lesser of the provider's charge for the service or the capped fee amount established by AHCCCS. AHCCCS' rates are published on the agency's website at <http://www.azahcccs.gov/commercial/ProviderBilling/rates/rates.aspx>.

• **Hospice**

AHCCCS reimburses for the hospice benefit, including routine home care, continuous home care, inpatient respite care and general inpatient care. The Medicaid hospice payment base rates are the current Medicare annual hospice rates, adjusted: 1) by the Medicare published hospice wage index for the geographic locale in which the hospice services are provided; and 2) to disregard cost offsets attributable to coinsurance specified by Medicare for the same rate period. These rates are authorized by section 18 14(i)(c)(ii) of the Social Security Act, which also provides for annual increases in payment rates for hospice care services.

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¶ AHCCCS' rates were set as of October 1, 2011 and are effective for services on or after that date. All rates are published on the agency's website at <http://www.ahcccs.state.az.us/RatesCodes/Default.aspx>. ¶
¶ There is no annual update for rates effective October 1, 2011. Rebased rates effective October 1, 2011 are available at <http://www.ahcccs.state.az.us/RatesCodes/Default.aspx>. ¶

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TN No. [11-018](#)

Supercedes

Approval Date:

Effective Date: October 1, 2011

TN No. [11-010](#)

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State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

• **Care and Services in Religious Non-Medical Health Care Institutions (RNHCI)**

Inpatient care and services are considered to be furnished by a RNHCI in its capacity as a hospital. Payment for such inpatient services may be no more than the Medicare cost reimbursement under the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982. Extended care services are services furnished by a RNHCI in its capacity as a skilled nursing facility. Payment for such extended care services shall be made in accordance with the AHCCCS fee-for-service payment rates specified in Attachment 4.19-D of the State Plan.

When AHCCCS reimburses for the following public and private provider services, payment is the lesser of the provider's charge or the capped fee amount established by AHCCCS. The current Arizona Medicaid Fee Schedule is located at www.azahcccs.gov/commercial/ProviderBilling/rates/rates.aspx.

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For both private and public providers, AHCCCS reimburses the following services as described in Attachment 3.1-A Limitations, using this methodology:

- **Clinic Services, including Freestanding Ambulatory Surgery Centers and Freestanding Dialysis Centers**
- **Freestanding Birth Centers**
- **Rural Health Clinic Services**
- **Migrant Health Center, Community Health Center and Homeless Health Center Services**
- **Home Health Services, including Durable Medical Equipment, Supplies and Prosthetic Devices**
- **Behavioral Health Services**
- **Family Planning Services**
- **Physician Services**
- **Nurse-Midwife services**
- **Pediatric and Family Nurse Practitioner Services**

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Supersedes

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Effective Date October 1, 2011

TN No. 11-013

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State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

• **Other Licensed Practitioner Services**

- OLP-Pharmacist: AHCCCS-registered pharmacies will be reimbursed for seasonal flu and pneumococcal vaccines and anaphylaxis agents administered by licensed pharmacists within the scope of their practice. AHCCCS will provide an administration fee for pharmacies administering the vaccine. The administration fee can be found on the AHCCCS website at www.azahcccs.gov/commercial/ProviderBilling/rates/rates.aspx

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• **Dental Services**

- **Vision Services** (including eye examinations, eyeglasses and contact lenses)

• **Diagnostic, Screening and Preventive Services**

• **Respiratory Care Services**

• **Transportation Services**

• **Private Duty Nurse Services**

• **Services of Nurses in RNHCI**

• **Other practitioner's services**

• **Physical therapy**

• **Occupational therapy**

• **Services for individuals with speech, hearing and language disorders**

• **Prosthetic devices**

• **Screening services**

• **Preventative services**

• **Rehabilitation services**

• **EPSDT services**

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Supersedes

Approval Date _____

Effective Date October 1, 2011

TN No. 10-013

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