

## Outlier 2011 Rulemaking Public Comments

<u>Numb:</u>	<u>Date/ Commentor:</u>	<u>Comment:</u>	<u>Response:</u>
1.	06/17/11 James Haynes AZHHA	<p>We have concerns about the proposed rules' financial impact to hospitals, and are strongly opposed to the promulgation of any rule that affects hospital payments without sufficient opportunity to assess the rule's impact. First, the language in the proposed rule explicitly contradicts your assertion in a June 2 email that the outlier changes are designed to keep total outlier expenditures flat.</p> <p>According to section 6 of the proposal:  <b><i>"... the agency proposes to increase the thresholds used to qualify claims by 5%"</i></b></p> <p>Although we anticipate that a threshold increase could have the impact of reducing overall payments by more than 5%, we cannot determine the impact by hospital without data provided by AHCCCS. In addition, it is unlikely that this change would impact all hospitals equally.</p> <p><b><i>"... and to reduce the cost-to-charge ratios used to qualify and pay outliers by 5%..."</i></b></p> <p>From this language, it appears that the total outlier payments will decrease by 5%. If hospitals have the ability to separately identify outlier payments they could model this impact, and we believe that many do. It sounds like the intent of this rule is to reduce payments by 5%, not to keep payments flat, as your previous correspondence suggests.</p> <p>According to section 9 of the proposal:  <b><i>"... If, as intended, the proposed rule making results in a</i></b></p>	<p>The Arizona Legislature struck the statutory language that explicitly authorized outlier payments; however, the Legislature also provided AHCCCS with the authority to establish reimbursement methodologies "notwithstanding any other law." AHCCCS is exercising the latter authority to maintain a modified outlier reimbursement methodology albeit a methodology that is likely to reduce aggregate payments for outliers in CYE 2012.</p> <p>It is AHCCCS' intent, through this modified methodology, to eliminate the historically steep growth trend and reduce the outlier payments. The proposed rule attempts to implement this by (1) reducing CCR's by 5 percent in accordance with legislatively authorized provider rate reduction, (2) increasing cost thresholds by 5 percent in an effort to address past increases in charge masters, and (3) reducing CCR's by a percentage equal to a hospital's increase to its charge master to offset any future increases in hospital charges.</p> <p>A five percent reduction in CCRs would, in isolation, have the effect of reducing aggregate outlier payments by five percent assuming hospitals do not increase their charge masters. However, hospitals have historically made changes to their charge masters and are expected to do so in the future. As the degree of increases to charge masters are unregulated and solely within the discretion of the hospitals, those changes cannot be predicted or modeled. As such, the financial estimates in the preamble are based on the assumption that</p>

	<p>5% reduction in outlier payments...” Again, it sounds like the outlier changes are designed to reduce payments, not keep them flat. Since two changes are proposed the impact could be far greater than 5%, but without a complete model we cannot tell. We urge AHCCCS to prepare a model showing the estimated impact by hospital. We also recommend that once the model has been developed, AHCCCS should meet with hospital representatives to explain the proposal and any other future outlier changes that AHCCCS Administration is contemplating.</p>	<p>charge masters stay constant.</p> <p>The June 2, 2011 email was intended to address the aspect of the proposed rule that decreased CCRs when charge masters are increased. If hospitals do not increase their charge masters, all other things being equal, hospitals in aggregate would not see a change to outlier reimbursement as the result of this one change to the rule.</p> <p>A spreadsheet including the CYE 2009 outlier payments to individual hospitals will be forthcoming. Please note that encounter data does not indicate when a claim is paid at outlier, thus AHCCCS estimated those claims that have been paid at outlier. Therefore this data may not exactly match hospitals’ records. Hospitals can compare this data to their own records and complete their own modeling.</p> <p>AHCCCS will soon begin work to end outlier payments and include payment for extraordinary expenses in the tiered per diem rates, with an effective date of October 1, 2012. We plan to have stakeholder involvement in these efforts. When we begin this project, AzHHA will be notified along with other stakeholders.</p>
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