Hospital Assessment/HEALTHII Workgroup

March 17, 2022
Hospital Assessment Fund (HAF) Assessment

• Implemented in SFY 2014 to fund Prop 204 population and expand Medicaid to 133% for adults
  o Passed in 2000, Prop 204 expanded eligibility to 100% FPL for adults
• Funds state share for Prop 204, which is not paid for by the tobacco settlement and tobacco taxes, excluding behavioral health services
  o Prop 204 TANF Parents
  o Prop 204 Expansion State Adults (ESA) up to 100% FPL
• Funds state share of Newly Eligible Adults (NEA) up to 133% FPL
• Enrollment as of 3/1/2022: 484k ESA + 148k NEA = 632k members (grew by approximately 225k since March 2020)
  o Prop 204 Childless Adult Population frozen during recession
    ■ Declined from 225k to less than 70k
Health Care Investment Fund (HCIF) Assessment

- Laws 2020, Chapter 46 established a second hospital assessment beginning 10/1/2020. The assessment is used to:
  - Make directed payments to hospitals that supplement the base reimbursement level for hospitals services for AHCCCS recipients
  - Increase base reimbursement rates for the dental and physician fee schedules to rates in effect before Great Recession
  - Limits the portion of the assessment that can be used for this purpose to the lesser of $70.5M or 20%
Assessment Implementation

- Based on total inpatient discharges and outpatient net patient revenues
- Excludes certain types of hospitals and assesses others at lower rates
- HAF payments are due to AHCCCS on the 15th of the second month of each quarter (Feb 15, May 15, Aug 15, Nov 15)
- HCIF payments are due to AHCCCS on the 10th of the second month of each quarter (Feb 10, May 10, Aug 10, Nov 10)
HEALTHII Payments

• Hospital Enhanced Access Leading To Health Improvements Initiative (HEALTHII) payments are directed payments made to hospitals on a quarterly basis
• Over $1.3B in total payments to be made in FFY 2022, reflecting a net benefit of $900M
• 438.6(c) initiative
  o Payment amounts associated with AHCCCS MCO payments
  o Payments made directly to MCOs and MCOs make payments to hospitals
  o Must receive annual CMS approval
  o Must include quality metrics
Timely HEALTHII Payments

- It is AHCCCS’ intent that HEALTHII payments are received before the end of each quarter
- AHCCCS will send a quarterly email with contact information for each health plan
- Please contact health plans directly for payment questions
- Hospitals can help facilitate timely payments by making timely assessment payments
  - Late payments by any hospital could result in late HEALTHII payments or pro-rated payments
Enrollment- 2019-2022

Total Enrollment
October 2019-March 2022

NEA & ESA Population
October 2019-March 2022
AHCCCS Enrollment

• Since March 2020, overall enrollment has increased by 26.1% or 490,528 members
  o Expansion State Adults (up to 100%) are up by 45.9% or 152,363 members
  o Newly Eligible Adults (up to 133%) are up by 98.0% or 73,267 members
FFY 2021/FFY 2022 Status

- **FFY 2021**
  - All interim payments have been made. Final Reconciliation will be completed by September 2022.

- **FFY 2022**
  - 2nd interim payment will be made at the end of the month.
  - The 3rd payment will be made by June 2022 and 4th payment by September 2022.
  - FFY 2022 reconciliation will be completed in 2023.
  - Due to HCIF not being exempt from administrative code rulemaking, no FMAP adjustments due to the Public Health Emergency will be made this year.
FFY 2023 Forecasts

• Enrollment has grown by 490K from 3/1/20 to 3/1/22
• The Families First Coronavirus Response Act increased the federal match rate by 6.2 percentage points
  o Increased federal match rate ends the last day of the quarter in which public health emergency (PHE) is in effect
  o States are prohibited from disenrolling individuals from Medicaid during this period
  o AHCCCS anticipates that it will take 9-12 months to disenroll unqualified Medicaid recipients after federal match decreases
  o End of PHE is uncertain, but most recent guidance from federal government suggests it will be in effect at least through June 2022.
**FFY 2023 Updates**

- Preliminary modeling assumes HAF Assessment increases to $587.9M
  - AHCCCS continues to review enrollment growth and may adjust HAF Assessment
- HCIF Assessment has been held flat at $437M
- HEALTHII payments adjusted to include new hospitals
- Estimated HCIF Fund Balance is used to increase HEALTHII payments in FFY 2023
  - Estimated HCIF Fund Balance to increase HEALTHII payments is $59.9M
- Updating model so that payments based on data through 9/30/21
- No change to assessment base data from FFY 2022 model
- A new exempted hospital assessment group (Public Acute Hospitals) was established for FFY 2023
- Assumes the Public Health Emergency will expire and that the regular FMAP will be in effect for FFY 2023
## Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>FFY 2022</th>
<th>FFY 2023</th>
<th>Difference</th>
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<tbody>
<tr>
<td><strong>Hospital Assessment</strong></td>
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<tr>
<td>HAF Assessment</td>
<td>$533.5</td>
<td>$587.9</td>
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<tr>
<td>HCIF Assessment for HEALTHII and Administrative Costs</td>
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<tr>
<td>HCIF Assessment for Practitioner Payments</td>
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<tr>
<td><strong>Total HCIF Assessment</strong></td>
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<tr>
<td><strong>Total Assessment</strong></td>
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<td>Total modeled HEALTHII payments</td>
<td>$1,362.0</td>
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<td>Less HCIF Assessment</td>
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<tr>
<td>Estimated HEALTHII Net Gain</td>
<td>$924.1</td>
<td>$1,149.5</td>
<td>$225.4</td>
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HEALTHII Reconciliation

• AHCCCS is required to perform a reconciliation on HEALTHII payments after the end of the fiscal year.
• HEALTHII payments to hospitals are considered interim payments at the time of payment.
  o To make interim payments, AHCCCS utilizes estimated Medicaid managed care claims to estimate HEALTHII payment amount by hospital.
  o During the reconciliation process, AHCCCS is required to utilize actual claim payment data to determine final HEALTHII payment.
FFY 2021 HEALTHII Reconciliation

- Interim Payments made in December 2020, March 2021, June 2021, & September 2021
- FFY 2021 HEALTHII Program is required to reconcile to actual managed care claim payments with 9 months of runout from the end of the contract period
- FFY 2021 Reconciliation adjustments will be offset with the Interim FFY 2022 HEALTHII payment made in September 2022.
FFY 2021 HEALTHII Reconciliation

- With the utilization period ending September 2021, AHCCCS will be required to use data as of June 2022.
- AHCCCS will calculate a final HEALTHII Payment Increase Percentage for each hospital class based on actual utilization data.
- AHCCCS will calculate the Final HEALTHII payment for each hospital by multiplying the Final HEALTHII payment Increase Percentage with each Hospital’s actual managed care payments.
- Any differences in final vs. interim HEALTHII payments will be settled as part of the reconciliation process.
- AHCCCS is working to pull to data in April to evaluate if there are any concerns and may share some high-level data if appropriate.
Tentative Timeline

• 3/17/22   First workgroup meeting
• 4/6/22    Feedback due
• 4/20/22   Second/Final workgroup meeting
• 5/4/22    Feedback due
• May 2022  Model Finalized
• May 2022  Post Proposed rule
• 7/1/22    438.6(c) preprint due to CMS
• Sept. 2022 Post Final Rule
Thank You