

# Preliminary Federal Fiscal Year 2027 Hospital Assessment Model

Prepared for the Arizona Health Care Cost Containment System (AHCCCS)

MARCH 12, 2026



# Agenda

- FFY 2027 Preliminary Assessment Modeling
- FFY 2027 Preliminary HEALTHII Base Directed Payment Modeling
- FFY 2027 Preliminary Quality Incentive Payment Modeling
- Preliminary Modeling Results
- Close/Thank You

# FFY 2027 Preliminary Assessment Modeling

# FFY 2027 Preliminary Assessment Modeling

## Overview

- The FFY 2027 hospital assessment model presented today is a **preliminary version** for discussion purposes only (does not reflect final AHCCCS policy decisions, and is subject to change)
- Preliminary modeled assessments have been “rebased” using hospital fiscal year ending (FYE) 2024 inpatient discharges and outpatient net patient revenues
  - *“Hospital Assessment Fund” (HAF) assessments*: finances the non-federal share of Medicaid coverage (coverage payments for both hospital and non-hospital services) for the Proposition 204 (Childless Adult) and Newly Eligible Adult Expansion populations (Impacted Populations)
  - *“Health Care Investment Fund” (HCIF) assessments*: finances the non-federal share of the HEALTHII payments, payment increases for physician and dental services, and program administration (consistent with HB 2668 requirements)
- The preliminary model and results rely on discharge and revenues data that is subject to change based on review and feedback from hospital representatives and AHCCCS

# FFY 2027 Preliminary Assessment Modeling (Cont'd)

Modeled assessment changes from FFY 2026 model

## Key Changes From FFY 2026 Model

- Total Assessments: **\$1,595.5M** modeled assessments (increase from \$1,517.6M in FFY 2026)
- HAF: **\$618.7M** modeled assessments (increase from \$432.1M in FFY 2026) based on AHCCCS projections for financing non-federal share of Childless Adult and Impacted Populations
- HCIF: **\$976.8M** modeled assessments (decrease from \$1,085.5M in FFY 2026), based on changes in AHCCCS' target total assessments, physician/dental payment portion, and blended federal match rate
- Updated HCIF inpatient and outpatient assessment allocation to **49.9% / 50.1%** (from 52.8% / 47.2% in FFY 2026) to result in AHCCCS' target of 5.999% of net patient revenues, separately for inpatient and outpatient (due to H.R. 1 limitations)

## Same As FFY 2026 Model

- Same hospital assessment types and associated assessment rate differentials (as a percentage of the full "base" assessment rate)
- Same lower assessment rate differential for psychiatric sub-provider discharges
- Same provider type exemptions and exemption for rehabilitation sub-provider discharges
- Same HAF inpatient and outpatient allocation (75% / 25%)
- Same inpatient acute discharge threshold of **22,800** (discharges above which assessed at lower rates)
- Same outpatient net patient revenues threshold of **\$375M** (revenues above which subject to lower assessment rates)

# FFY 2027 Inpatient Assessments

Inpatient discharge basis

**FYE 2024 discharges used to model preliminary FFY 2027 inpatient assessments are based on amounts reported by hospitals under the same source hierarchy used for the FFY 2026 model**

## 1. FYE 2024 Medicare Cost Reports

Worksheet S-3 Part I, column 15, lines 14, 16, and 17 extracted from Health cost reporting information system (HCRIS) database published by CMS or PDF copy

## 2. FYE 2024 Uniform Accounting Reports (UAR)

UAR data published by the Arizona Department of Health Services (used only if HCRIS data is not available)

## 3. Provider Self-Report Data

Most recent available data collected directly from providers (used only if HCRIS/UAR data are not available)

# FFY 2027 Outpatient Assessments

## Outpatient revenues basis

The FYE 2024 outpatient revenues used to calculate FFY 2027 outpatient assessments are based on amounts reported by hospitals under the same source hierarchy used for current assessments:<sup>(1)</sup>

1

### **FYE 2024 Updated Uniform Accounting Reports (New UAR format):**

UAR data published by the Arizona Department of Health Services (used if total net patient revenues reconcile to the audited financial statement); outpatient net patient revenues reported separately by hospitals in UAR and exclude non-facility revenues<sup>(2)</sup>

2

### **FYE 2024 Audited Financial Statements (AFS):**

Audited financial statement data published by the Arizona Department of Health Services (used only if UAR data does not reconcile to the audited financial statements)

3

### **FYE 2024 Medicare Cost Reports:**

Worksheets G-2, columns 1 and 2, line 28 and G-3 column 1, line 3  
(extracted from the HCRIS database published by CMS or PDF copy and use if UAR and AFS data is not available)

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### **Provider Self-Reported Data:**

Most recent available data collected directly from providers  
(used only if UAR, AFS, or HCRIS data are not available)

#### Notes:

1. We relied upon outpatient net patient revenues data reported separately by hospitals in the UAR for approximately 80% of hospitals. For all other hospitals, we allocated total net patient revenues to outpatient based on the proportion of outpatient gross patient revenues to total gross patient revenues.
2. UAR instructions for facility net patient revenues require hospitals to report separately for inpatient and outpatient: gross facility patient revenue plus facility inpatient capitation payments minus facility discounts/contractual adjustments, facility charity care and facility Provision for Bad Debts.

# CMS Assessment Requirements

Tests demonstrating permissible health care-related assessments

No healthcare-related tax waiver is required for FFY 2027 assessments because the structure has not changed from tax waivers previously approved by CMS. We are still performing the applicable CMS statistical tests to demonstrate compliance with CMS requirements.

## **Assessments must be generally redistributive** – 42 CFR § 433.68(e):

- Hospital assessments with tiered rates and rate exemptions must pass the “B1/B2” test to gain a waiver from CMS’ broad-based and uniform requirement
- B1/B2 compares the relationship between each provider’s Medicaid assessable units and the provider’s share of total assessments assuming a) the assessment is broad based and uniform (B1), versus b) the proposed assessment structure (B2)
- B1/B2 ratio must be **greater than 1.0** to pass

## **Assessments must not violate hold harmless provisions** - 42 CFR § 433.68(f):

- Under H.R. 1 limitations, “grandfathered” assessments cannot exceed the hold harmless percentage of taxes “enacted and imposed” as of July 4, 2025 (which for Arizona was 5.999% for both inpatient and outpatient)<sup>(1)</sup>

1. CMS Dear Colleague letter “Section 71115 and 71117 of Working Families Tax Cuts Legislation on Provider Taxes” dated November 14, 2025

**FFY 2027  
Preliminary  
HEALTHII  
Base Directed  
Payment  
Modeling**

# FFY 2027 Preliminary HEALTHII Payment Modeling

Modeled payment changes from FFY 2026 model

## Key Changes From FFY 2026 Model

- Total HEALTHII Payments: **\$3,496.1M** modeled payments (decrease from \$4,023.6M in FFY 2026), based on AHCCCS' target HCIF funds (after accounting for HAF assessments)
  - HEALTHII base directed payments: **\$2,971.7M** modeled payments (decrease from \$3,420.1M in FFY 2026)
  - HEALTHII quality incentive payments: **\$524.4M** modeled payments (decrease from \$603.5M in FFY 2026)
- FFY 2027 HEALTHII directed payments must be based on **prospective** uniform percentage increases (UPIs) and cannot be changed retroactively via a settlement process (per CMS' 2024 Managed Care final rule requirements)

## Same As FFY 2026 Model

- Same Hospital Provider classes and managed care programs included in the FFY 2026 Model
- Same composite UPI differentials across provider classes
- Modeled HEALTHII payments include base directed payments and quality incentive payments, where quality incentive payments represent 15% of total HEALTHII payments

# FFY 2027 Preliminary HEALTHII Base Directed Payment Modeling

Overview of steps used to model payments



## Step 1: Estimate Medicaid Managed Care Baseline Payments

- Summarized by hospital FFY 2025 Medicaid managed care baseline payments and applied completion factors for claims incurred but not paid
- Excluded non-contracted services and removed Differential Adjusted Payment (DAP) increases from baseline payments



## Step 2: Modeled HEALTHII UPIs

- Started with FFY 2026 provider class composite UPIs (separately for inpatient and outpatient), and applied to base payments
- Adjusted UPIs by a factor of **0.92** (relative to FFY 2026) to achieve AHCCCS' target HEALTHII base directed payment pool of **\$2,971.7M** (85% of total HEALTHII payments)<sup>(1)</sup>



## Step 3: Calculated HEALTHII Base Directed Payment Pools

- Summed the estimated HEALTHII base directed payments for the hospitals within each class

*Note: 1. For outpatient services, we applied program-specific UPIs to the Private Urban Acute and Rural Reservation Adjacent Hospital classes to keep payments below preliminary ACR estimates, resulting in provider-class composite factors of 0.92 relative to the FFY 2026 UPIs.*

# FFY 2027 HEALTHII Payment Benchmarking

## Current CMS limits

- Under its Medicaid managed care final rule published May 10, 2024, CMS requires that AHCCCS submit a “total payment rate demonstration” with its § 438.6(c) preprint application that compares Medicaid managed care payments to Average Commercial Rates (ACR)
- Specifically, the demonstration must show that total projected Medicaid managed care payments (including HEALTHII) do not exceed 100% of payments under ACR for each **provider class and managed care program cohort**, separately for inpatient and outpatient
- FFY 2027 ACR payment benchmarking is **in process** and must include all state directed payments applicable to each provider class (not limited to the HEALTHII program)
- Initial analysis is based on FFY 2026 ACR demonstration and will be refined as more information becomes available
- Preliminary modeled directed payment increase percentages may need to be adjusted at the provider class and managed care program level if modeled payments exceed CMS’ ACR limit
- Preliminary payment modeling results may change in the event there are changes to federal regulations impacting assessment and/or state directed payment limits and federal match rates

# 2024 Managed Care Final Rule

“Uniform Increase” definition (applicable beginning July 9, 2024)

“**Uniform increase** means any State directed payment that directs the MCO, PIHP, or PAHP to pay the same amount (the same dollar amount or the same percentage increase) per Medicaid covered service(s) in addition to the rates the MCO, PIHP or PAHP negotiated with the providers included in the specified provider class for the service(s) identified in the State directed payment.”

Source: 42 C.F.R. § 438.6(a)

## Requires application of a *constant increase* within a given provider class

- For a set of services, all providers within a class must have either:
  - The same percentage increase applied to managed care plan base payments, or
  - The same dollar increase per unit of utilization added to managed care plan base payments
- “Uniform methodology” approach is no longer permitted if resulting in different value percentage or dollar increases within class

## For FFY 2027 CMS will require *prospective UPIs*

- Starting with the first rating period beginning on or after July 9, 2026, “A State must complete and submit all required documentation ... before the start date of the State directed payment or the start date of the amendment”, which includes UPIs (42 C.F.R. § 438.6(c)(2)(viii))
- CMS has informed AHCCCS that retroactive UPI adjustments via settlements will no longer be permissible

# **FFY 2027 Preliminary Quality Incentive Payment Modeling**

# FFY 2027 Preliminary Quality Incentive Payment Modeling

Summary of quality measures included in pay-for-reporting payment calculations

Quality Measure Indicator	AHCCCS Measure Number	Quality Measure Description	Estimated Reporting Effort	Estimated Reporting Effort Scale	Estimated Measure Value	Estimated Value Scale	Mechanism to Qualify	Data Source
CBE #0641	4	HBIPS-3 Hours of seclusion use	Medium	2	Medium	2	Reporting	Self-Reported
CBE #0674	5	Application of Percent of Residents Experiencing One or More Falls with Major Injury (Long Stay)	Low	1	High	3	Reporting	Self-Reported
CBE #1717	6	National Healthcare Safety Network (NHSN) Facility-wide Inpatient Hospital-onset Clostridium difficile Infection (CDI) Outcome Measure	Low	1	Medium	2	Reporting	Self-Reported
CBE #0496	12	OP-18 Median Time from ED Arrival to ED Departure for Discharged ED Patients	Low	1	Medium	2	Reporting	Self-Reported

Note: For FFY 2027, the self-reported measures AHCCCS-01, AHCCCS-03, AHCCCS-09, and AHCCCS-11 were discontinued and are not included in the quality measure process.

# Quality Measure Weights

Summary of proposed weights for quality incentive payment measures

Hospital Type	REPORTING MEASURES				Total
	CBE #0674	CBE #1717	CBE #0496	CBE #0641	
Critical Access Hospitals			100%		100%
Freestanding Children's Hospitals		100%			100%
Freestanding Rehabilitation Hospitals	100%				100%
General Acute		100%			100%
Long Term Acute Care Hospitals	100%				100%
Psychiatric Hospitals				100%	100%

*Note: For FFY 2027, each hospital type (excluding short stay hospitals) has one measure requirement accounting for 100% of their respective quality score.*

# Preliminary Modeled Quality Incentive Payments

Combined inpatient and outpatient (in millions), based on Pay-for-Reporting methodology

Hospital Type	Number of Hospitals	Modeled HEALTHII Base Directed Payments	Earned HEALTHII Pay-for-Reporting Payments	Percentage of Total Pay-for-Reporting Incentive Payments	Effective Percentage Increase Relative to Base HEALTHII Payments
	A	B	C	D = C / \$524.4	E = C / B
Critical Access Hospitals	12	\$ 91.9	\$ 16.2	3.1%	17.6546%
Freestanding Children's Hospitals	1	\$ 136.9	\$ 24.2	4.6%	17.6546%
Freestanding Rehabilitation Hospitals	17	\$ 8.0	\$ 1.4	0.3%	17.1936%
General Acute	49	\$ 2,639.5	\$ 466.0	88.9%	17.6546%
Long Term Acute Care Hospitals	5	\$ 3.6	\$ 0.5	0.1%	12.6793%
Psychiatric Hospitals	21	\$ 90.9	\$ 16.0	3.1%	17.6546%
Short Stay Hospitals	11	\$ 1.0	\$ 0.2	0.0%	16.8658%
<b>Total</b>	<b>116</b>	<b>\$ 2,971.7</b>	<b>\$ 524.4</b>	<b>100.0%</b>	<b>17.6471%</b>

Note: Preliminary modeled increase percentage (17.6546%) is set to achieve AHCCCS' \$524.4 million pay for reporting payment pool target. This percentage may change based on the final modeled HEALTHII base directed payments and the CMS approval process.

# Preliminary Model Results

# Preliminary FFY 2027 Model Totals Compared To FFY 2026

Preliminary Model Totals (\$ Millions)	Ref.	FFY 2027	FFY 2026
<b>Modeled Assessments</b>			
<b>Hospital Assessment Fund (HAF)</b>			
Modeled baseline HAF assessments	A	\$ 618.7	\$ 432.1
<b>Health Care Investment Fund (HCIF)</b>			
Modeled HCIF assessments for HEALTHII payments (includes quality pool and managed care premium tax)	B	\$ 896.5	\$ 1,005.1
Modeled HCIF assessments for physician/dental payments	C	70.5	70.5
Program Administration	D	9.8	9.9
Total modeled FFY HCIF assessments	E = B+C+D	\$ 976.8	\$ 1,085.5
Applied HCIF surplus balance from prior periods	F	0.0	0.0
Total HCIF costs including surplus from prior periods	G = E+F	\$ 976.8	\$ 1,085.5
<b>Total Modeled FFY Assessments</b>	<b>H = A+E</b>	<b>\$ 1,595.5</b>	<b>\$ 1,517.6</b>
<b>Estimated Coverage Payment Net Revenue Gain (Relates to HAF Assessment)</b>			
Total modeled Coverage Payments	I	\$ 1,173.2	\$ 1,232.8
Less: Total modeled HAF assessments	J	(618.7)	(432.1)
<b>Total Estimated FFY Coverage Payment Net Revenue Gain</b>	<b>K = I+J</b>	<b>\$ 554.5</b>	<b>\$ 800.7</b>
<b>Estimated HEALTHII Net Revenue Gain (Relates to HCIF Assessment)</b>			
Total modeled HEALTHII directed payments (net of premium tax) <sup>(1)</sup>	L	\$ 3,496.1	\$ 4,023.6
Less: Total modeled HCIF assessments	M	(976.8)	(1,085.5)
<b>Total Estimated FFY HEALTHII Net Revenue Gain</b>	<b>N = L+M</b>	<b>\$ 2,519.4</b>	<b>\$ 2,938.1</b>
<b>Total Estimated FFY Hospital Net Revenue Gain</b>	<b>O = K+N</b>	<b>\$ 3,073.8</b>	<b>\$ 3,738.8</b>

Note: 1. Total modeled FFY 2027 HEALTHII payments net of the 2% Medicaid Managed Care premium tax are calculated as follows: [(HCIF assessments for HEALTHII payments) / (1 - Blended FMAP)] \* 98%, where blended FMAP = 74.87%

# Preliminary Modeled FFY 2027 Assessment Rates

Combined HAF and HCIF assessment rates

Hospital Assessment Peer Group	Inpatient		Outpatient	
	Percentage of Base Assessment	Modeled FFY 2027 Assessment Rate	Percentage of Base Assessment	Modeled FFY 2027 Assessment Rate
Rates Applicable to Each Hospital Type:				
Critical Access Hospitals	100%	\$ 1,771.25	25%	2.5148%
Freestanding Children's Hospitals	20%	\$ 354.50	20%	2.0119%
Freestanding Rehabilitation Hospitals	0%	\$ 0.00	0%	0.0000%
High Medicare/Out-of-State Patient Utilization Hospital	0%	\$ 0.00	0%	0.0000%
Large Psychiatric Hospitals	25%	\$ 443.00	25%	2.5148%
LTAC Hospitals	25%	\$ 443.00	25%	2.5148%
Medium Pediatric Intensive General Acute Hospitals	90%	\$ 1,594.50	75%	7.5443%
Non-CAH Rural Acute Hospitals	100%	\$ 1,771.25	60%	6.0355%
Pediatric-Intensive General Acute Hospitals	80%	\$ 1,417.25	65%	6.5385%
Public Acute Hospital	0%	\$ 0.00	0%	0.0000%
Short Term Specialty Hospitals	0%	\$ 0.00	0%	0.0000%
Small Psychiatric Hospitals and AZ State Hospital	0%	\$ 0.00	0%	0.0000%
Urban Acute Hospitals	100%	\$ 1,771.25	100%	10.0592%
Rates Applicable to All Non-Exempted Hospital Types:				
Rate Applied to Non-Exempted Psychiatric Sub-Provider Units	25%	\$ 443.00	N/A	N/A
Rate Applied to Non-Exempted Rehabilitation Sub-Provider Units	0%	\$ 0.00	N/A	N/A
Rate Applied to Units Above Threshold <sup>(1)</sup>	10%	\$ 177.25	10% of group rate	0.2012%-1.0059%

(1) The modeled inpatient assessment unit threshold is 22,800 and the modeled outpatient assessment unit threshold is \$375M. The inpatient threshold is not applicable to discharges for Psychiatric and Rehabilitation sub-providers.

# Preliminary Modeled FFY 2027 HEALTHII Payments

With quality incentive payments (\$ in millions)

HEALTHII Reimbursement Class	Modeled HEALTHII Base Directed Payment Pool	Modeled HEALTHII Quality Incentive Payment Pool	Total Modeled HEALTHII Payments	Modeled HCIF Assessments	Estimated Net Revenue Gain From Assessments
	A	B	C	D	E = C - D
Freestanding Children's Provider	\$ 136.9	\$ 24.2	\$ 161.1	\$ 8.6	\$ 152.5
Private Urban Acute Hospital	\$ 2,160.1	\$ 381.4	\$ 2,541.5	\$ 774.6	\$ 1,766.9
Public Acute Hospital	\$ 52.4	\$ 9.2	\$ 61.6	\$ 0.0	\$ 61.6
Rural Hospital	\$ 384.0	\$ 67.8	\$ 451.8	\$ 138.3	\$ 313.5
Rural Reservation-Adjacent Hospitals	\$ 134.8	\$ 23.8	\$ 158.7	\$ 42.5	\$ 116.2
Specialty Hospital (inpatient only)	\$ 103.4	\$ 18.0	\$ 121.4	\$ 12.8	\$ 108.6
<b>Total</b>	<b>\$ 2,971.7</b>	<b>\$ 524.4</b>	<b>\$ 3,496.1</b>	<b>\$ 976.8</b>	<b>\$ 2,519.4</b>

*Note: AHCCCS' proposed FFY 2027 \$524.4M quality payment pool is included in modeled HCIF assessments and modeled HEALTHII payments. HEALTHII payment subject to provider class and managed care program level average commercial payment benchmark limitations which have not yet been finalized.*

# Preliminary Modeled FFY 2027 Impact from Total Assessments

Combined coverage payments and HEALTHII payments, inpatient and outpatient (\$ in millions)

Hospital Assessment Peer Group	Total Modeled FFY 2027 HAF Assessments	Total Modeled FFY 2027 HCIF Assessments	Total Modeled FFY 2027 Coverage Payments	Total Modeled FFY 2027 HEALTHII Payments	Estimated Hospital Net Revenue Gain from Total Assessments <sup>(1)</sup>	Number of Hospitals with Estimated Gain	Number of Hospitals with Estimated \$0 Gain	Number of Hospitals with Estimated Loss
Critical Access Hospitals	\$ 9.1	\$ 15.2	\$ 32.0	\$ 108.1	\$ 115.8	12	0	0
Freestanding Children's Hospitals	\$ 4.4	\$ 8.6	\$ 5.0	\$ 161.1	\$ 153.1	1	0	0
Freestanding Rehabilitation Hospitals	\$ 0.0	\$ 0.0	\$ 12.8	\$ 9.3	\$ 22.2	16	1	0
High Medicare/Out-of-State Patient Utilization Hospital	\$ 0.0	\$ 0.0	\$ 10.3	\$ 7.1	\$ 17.4	1	0	0
Large Psychiatric Hospitals	\$ 11.3	\$ 12.4	\$ 99.3	\$ 88.2	\$ 163.7	12	0	0
LTAC Hospitals	\$ 0.4	\$ 0.4	\$ 3.6	\$ 4.1	\$ 6.9	5	0	0
Medium Pediatric Intensive General Acute Hospitals	\$ 111.4	\$ 178.7	\$ 195.0	\$ 830.6	\$ 735.6	5	0	0
Non-CAH Rural Acute Hospitals	\$ 85.0	\$ 133.4	\$ 120.7	\$ 352.0	\$ 254.2	12	0	0
Pediatric-Intensive General Acute Hospitals	\$ 20.8	\$ 30.4	\$ 47.8	\$ 221.3	\$ 218.0	1	0	0
Public Acute Hospital	\$ 0.0	\$ 0.0	\$ 83.2	\$ 61.6	\$ 144.9	1	0	0
Short Term Specialty Hospitals	\$ 0.0	\$ 0.0	\$ 15.6	\$ 1.1	\$ 16.7	9	2	0
Small Psychiatric Hospitals and AZ State Hospital	\$ 0.0	\$ 0.0	\$ 25.1	\$ 18.8	\$ 43.9	8	1	0
Urban Acute Hospitals	\$ 376.3	\$ 597.8	\$ 499.5	\$ 1,632.9	\$ 1,158.2	26	0	3
Border Hospitals	\$ 0.0	\$ 0.0	\$ 21.9	\$ 0.0	\$ 21.9	0	0	0
Out of State Hospitals	\$ 0.0	\$ 0.0	\$ 1.4	\$ 0.0	\$ 1.4	0	0	0
<b>Total</b>	<b>\$ 618.7</b>	<b>\$ 976.8</b>	<b>\$ 1,173.2</b>	<b>\$ 3,496.1</b>	<b>\$ 3,073.8</b>	<b>109</b>	<b>4</b>	<b>3</b>

(1) Does not include costs incurred by hospitals for performing Medicaid services.

# Preliminary Model Feedback

## Model Parameters and Hospital Reported Amounts

- AHCCCS is soliciting feedback from the hospital community on the preliminary FFY 2027 HEALTHII assessment model parameters for consideration
  - Please email comments related to model parameters and inputs to AHCCCS at [HospitalAssessmentProject@azahcccs.gov](mailto:HospitalAssessmentProject@azahcccs.gov) by **Friday, April 3, 2026**
- Please review and validate your hospital's FYE 2024 discharges and revenues amounts shown in the Milliman report "*Preliminary Federal Fiscal Year 2027 Hospital Assessment Model*" Appendix A
- Please contact AHCCCS if there are any issues or questions

# Limitations

This presentation has been prepared for the internal business use of the Arizona Health Care Cost Containment System (AHCCCS) for discussion at an Arizona Medicaid hospital stakeholder work group meeting facilitated by AHCCCS on March 12, 2026. Milliman is not advocating for, recommending, or endorsing any particular payment policy, methodology, or amount. All decisions regarding FFY 2027 Arizona hospital assessment and HEALTHII payment modeling are the responsibility of AHCCCS and may be subject to approval by CMS.

We understand AHCCCS will share this presentation with Arizona Medicaid hospital stakeholders. This presentation must not be distributed to other third parties without the prior consent of Milliman. To the extent that the information contained in this presentation is provided to any approved third parties, the presentation should be distributed in its entirety. Any user of the data must possess a certain level of expertise in health care modeling that will allow appropriate use of the data presented.

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Milliman has developed certain models to estimate the values included in this presentation. The intent of the models was to project FFY 2027 hospital assessments and to estimate FFY 2027 Medicaid payments. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant standards of practice.

The preliminary model described in this presentation relies on data and information provided by CMS, AHCCCS, Arizona Department of Health Services, and hospitals, which we have accepted without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in this presentation may likewise be inaccurate or incomplete.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience. **Modeled hospital specific HEALTHII payments are estimates subject to change based on final AHCCCS policy decisions, the CMS approval process, and actual contracted MCO utilization during the 2027 contract year. Changes in federal regulations may significantly impact the Medicaid payment and assessment limits reflected in these preliminary analyses.**

This work is not complete. Final results may vary significantly from this presentation based on additional findings and information gathering.



# Thank you

Ben Mori  
Principal and Senior Healthcare Consultant  
+1 206 613 8204  
[Ben.Mori@Milliman.com](mailto:Ben.Mori@Milliman.com)