



Hospital Assessment/HEALTHII Workgroup Base FFY 2025 Model

February 15, 2024

Hospital Assessment Fund (HAF) Assessment

- Established under Laws 2013, Chapter 10, expanded/restored Medicaid coverage
 - Newly Eligible Adults (NEA) up to 133% FPL
 - Prop 204 Expansion State Adults (ESA) up to 100% FPL
 - Prop 204 TANF Parents up to 100% FPL
- Funds state share of physical health costs of these populations, not otherwise paid for by tobacco funding
- The FFY 2025 model included an estimated \$849M in net coverage payments
 - \$1.45B in coverage payments to hospitals
 - \$597.1M in HAF assessments paid by hospitals

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 for hospital services to AHCCCS recipients
 - Increase base reimbursement rates for the dental and physician fee schedules to rates in effect before Great Recession
 - HCIF for provider rates must be the lesser of \$70.5M or 20% of total assessment
 - Fund non-federal share of the costs for administrative expenses incurred by the administration or its agents.

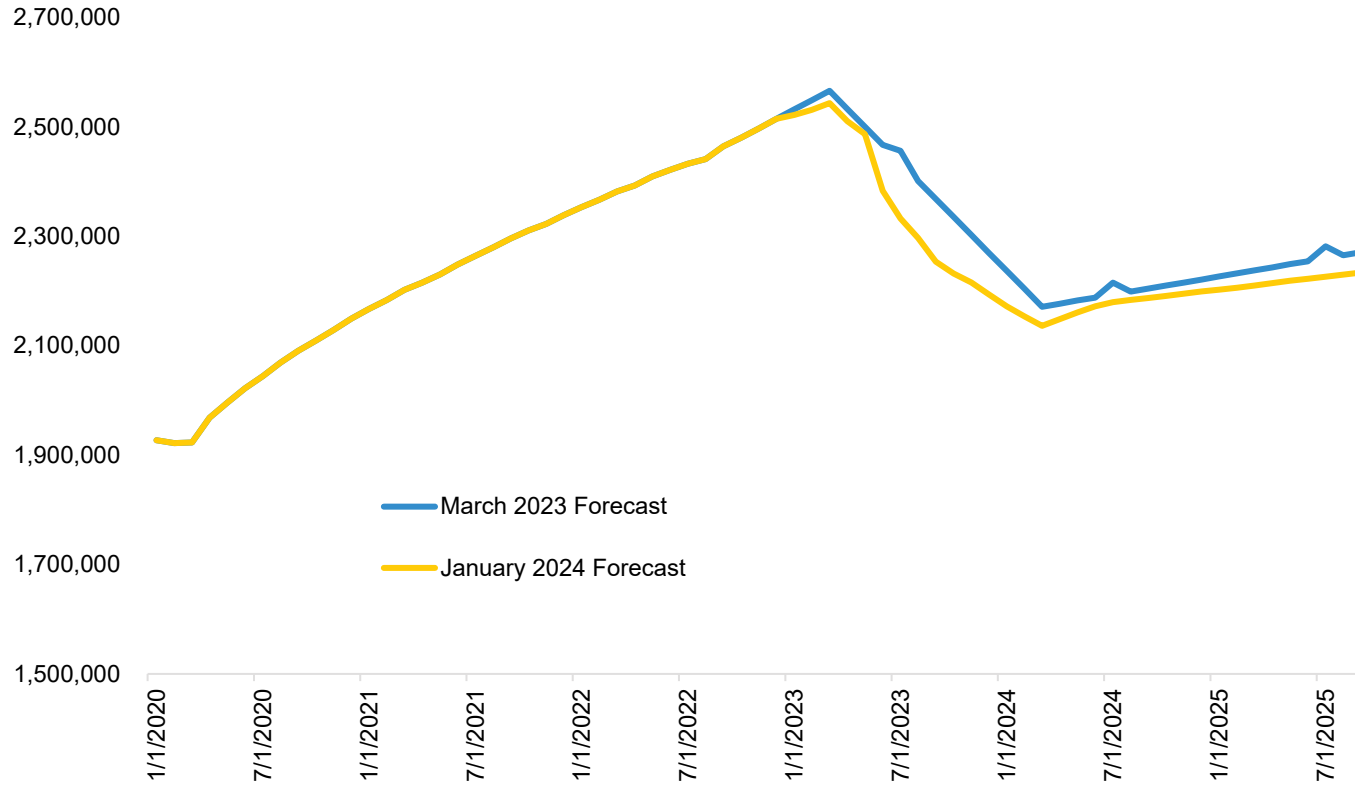
Assessment Implementation

- Based on Arizona IP discharges and OP net patient revenues
- Exempts certain types of hospitals or assesses some 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)
- Per Arizona Revised Statute (A.R.S.), failure to comply may ultimately result in loss of the hospital's AHCCCS provider agreement and ADHS license.
 - Late payments have become more frequent in the last year
 - AHCCCS will begin the termination process for non-compliance

HEALTHII Payments

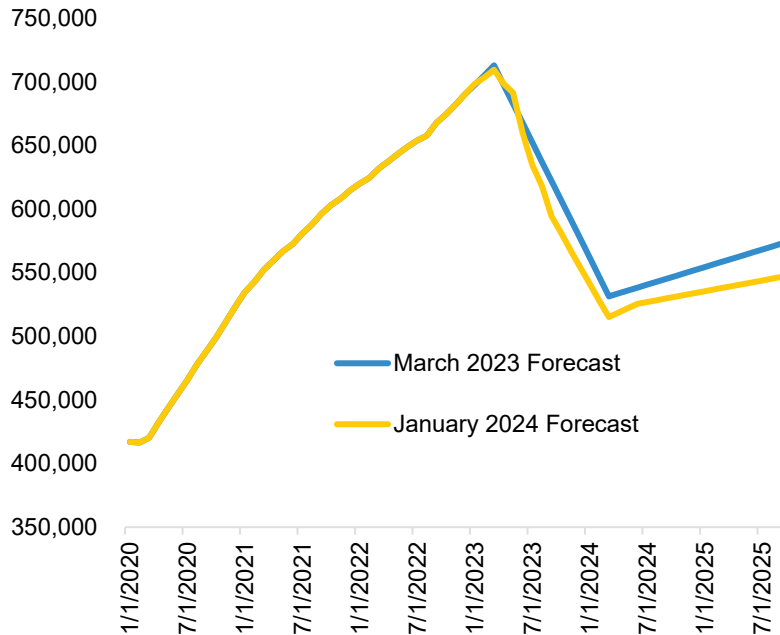
- Hospital Enhanced Access Leading To Health Improvements Initiative (HEALTHII) payments are quarterly directed payments to hospitals
- 438.6(c) directed payment initiative
 - Payments made directly to MCOs and MCOs make payments to hospitals
 - Must include quality metrics to advance the agency's quality strategy
 - Must receive annual CMS approval
- CMS requires that Base TXIX + Directed Payment rates don't exceed 100% of ACR

Enrollment: All Populations

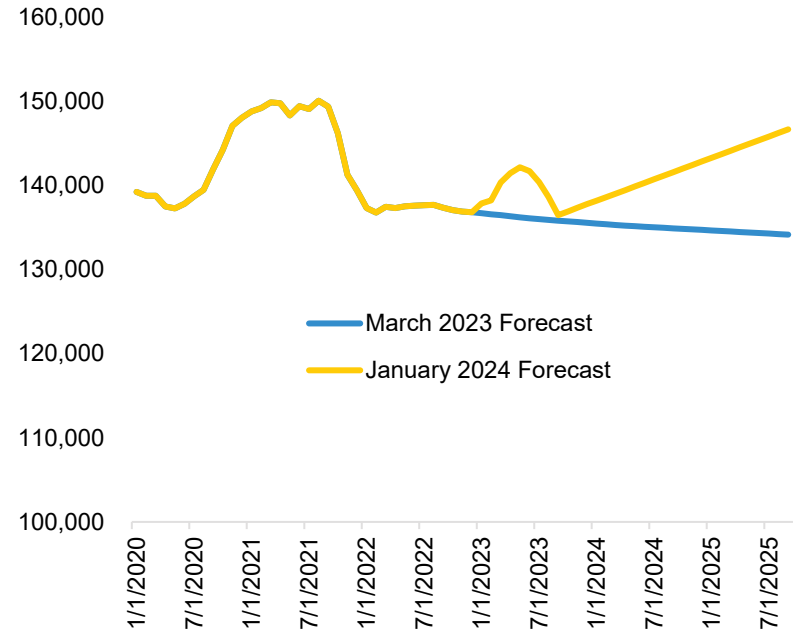


Enrollment: HAF-Funded Populations

Adult Expansion and Expansion State Adults

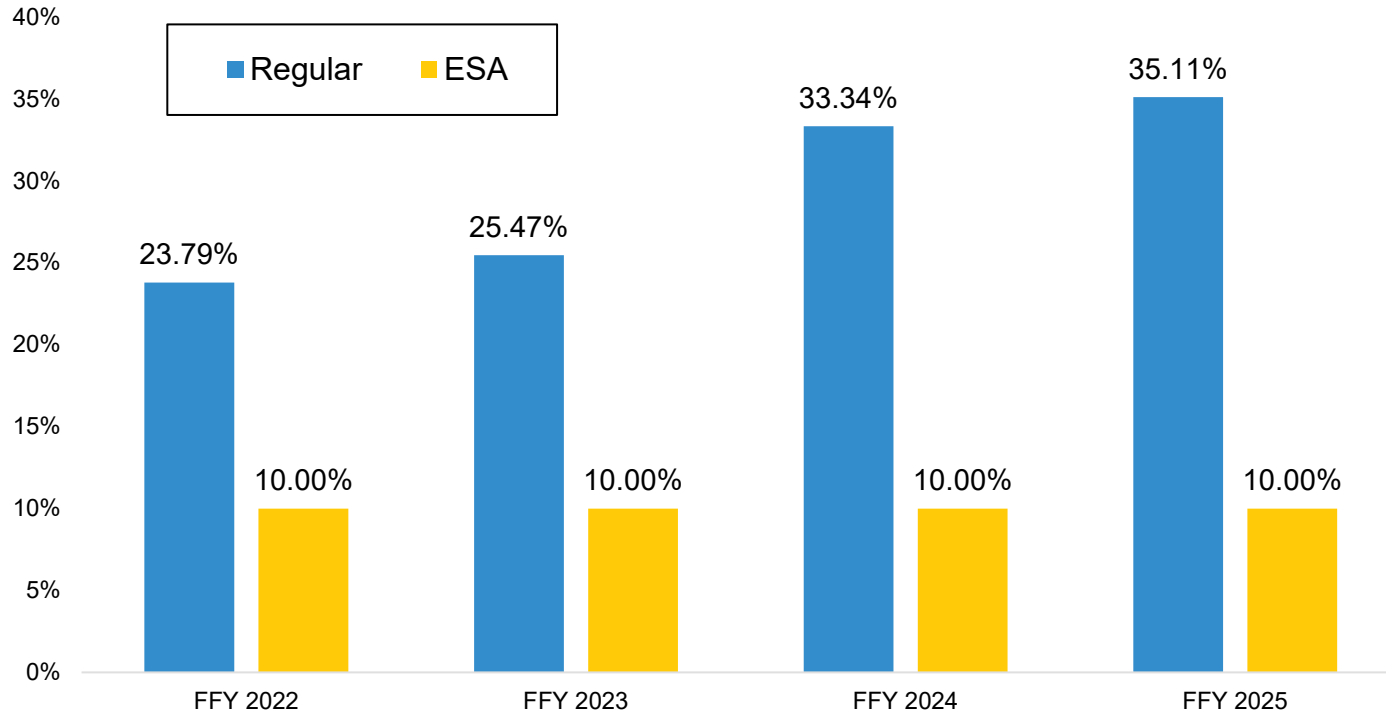


Proposition 204 Parents



* Population counts exclude temporary Emergency Services coverage

State Medical Assistance Percentage

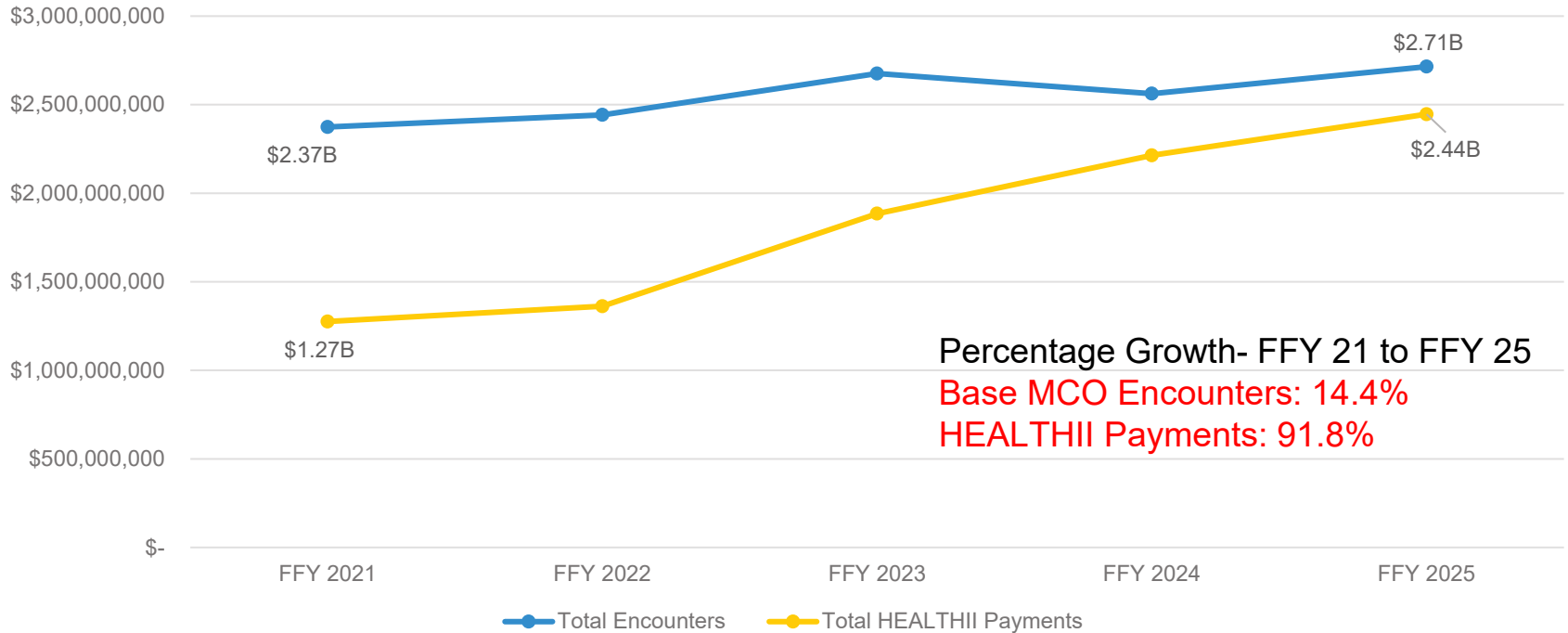


HAF Balance and FFY 2025 Assessments

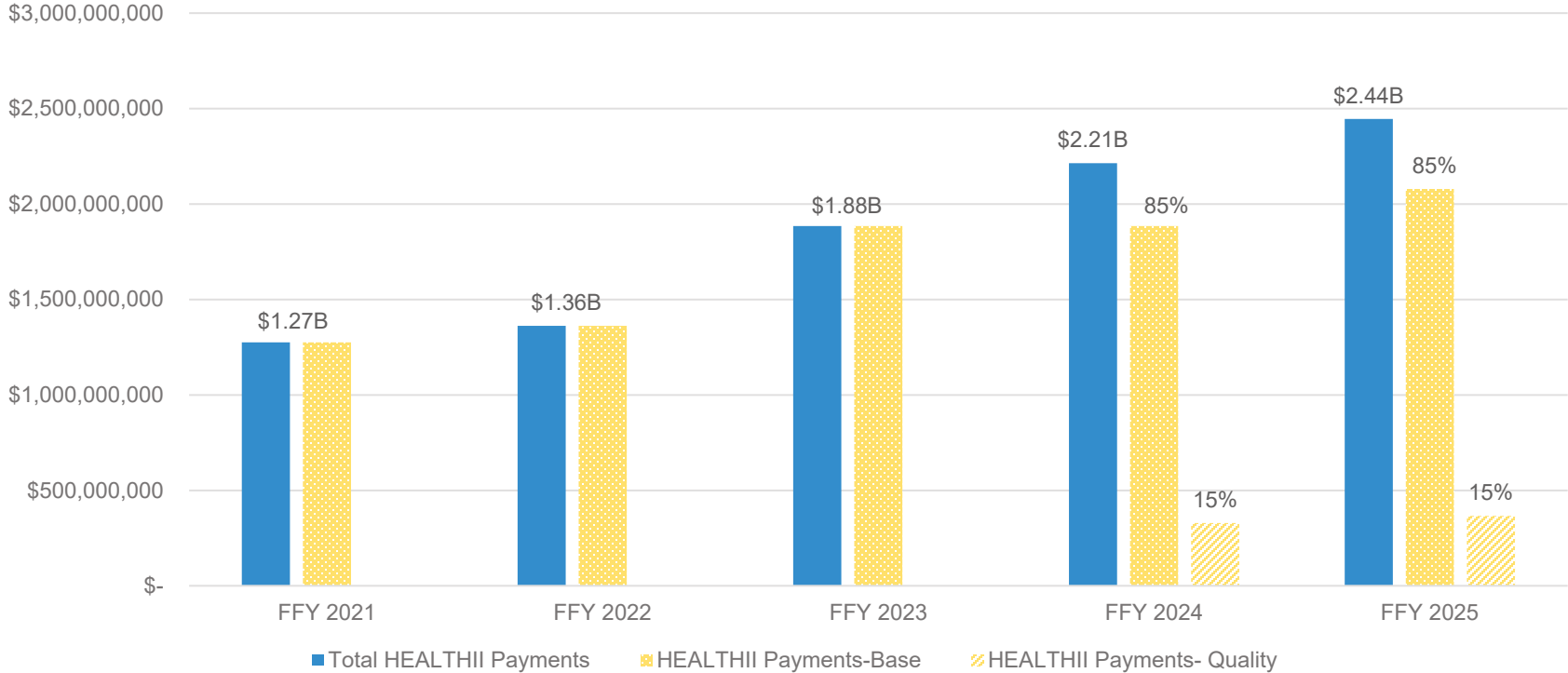
- \$161.0 M projected ending balance in FFY 24
 - \$35.6M surplus in '24, from a larger than projected disenrollment of HAF-funded expansion adults.
- \$161.0 M projected ending balance in FFY 25
 - Slightly above the AHCCCS target of 2 months of expenses
- \$(44.7) M projected decrease in assessments, to \$597.1M in FFY 25
 - Annualization of post-PHE disenrollment

	FFY 2024	FFY 2024	FFY 2025
	Orig.	Curr.	Curr.
Starting Balance	\$125.4	\$125.4	\$161.0
Assessments	\$641.8	\$641.8	\$597.1
Expenditures	\$641.8	\$606.2	\$597.1
Surplus/(Deficit)	\$0	\$35.6	\$0
Ending Balance	\$125.4	\$161.0	\$161.0

Base MCO Encounters vs. HEALTHII Payments



HEALTHII Payments



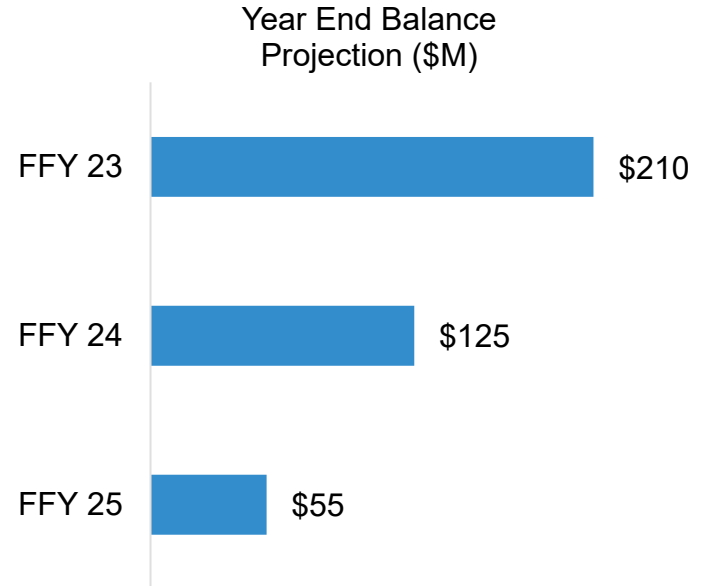
HCIF Assessment Balance

	Est FFY 2023	Est FFY 2024
Starting Balance	\$174.3	\$210.6
Assessments	\$449.4	\$509.4
Expenditures	\$413.1	\$595.1
Surplus/(Deficit)	\$36.3	\$(85.4)
Ending Balance	\$210.6	\$125.2

- Estimated ending balances of \$210.6M in FFY 23 and \$125.2M in FFY 24
- Balance growth prior to FFY 24 can be attributed to unanticipated extensions of the PHE FMAP
- The FFY 24 balance decrease is consistent with the planned spenddown

Spending Down the HCIF Balance

- AHCCCS targets a ~\$40M HCIF balance.
 - 2 months of physician/dental rate increase, plus
 - 1 percentage point forecast error of the average HEALTHII FMAP
- Achieve target balance by the end of FFY 25
 - Spend down \$100M in FFY 24, to ~\$125M
 - Spend down \$70M in FFY 25, to ~\$55M



HEALTHII Payment Status

- **FFY 2022:** Reconciliation completed February 2024
- **FFY 2023:** All interim payments made. Reconciliation will be completed December 2024
- **FFY 2024:**
 - 1st interim payments were delayed to January/February 2024, to address hospital, health plan, and agency cash flow concerns.
 - 2nd interim payment will be made at the end of March.
 - The 3rd payment will be made by June 2024 and 4th payment by Sept 2024.
 - FFY 2024 reconciliation will be completed in December 2025.

FFY 2023 HEALTHII Reconciliation Process

- Interim FFY 2023 HEALTHII payments were calculated using projected Medicaid managed care claims.
- Final payments will be calculated within 12 months from the contract period ending, using actual contracted managed care claims
 - A final HEALTHII Payment Increase Percentage will be calculated for each hospital
 - Final HEALTHII payments will be calculated by multiplying the Final HEALTHII Payment Increase Percentage by each Hospital's actual contracted managed care payments
- Any differences in final vs. interim HEALTHII payments will be settled as part of the reconciliation process.
- AHCCCS will consider adjusting its methodology for allocating the reconciliation across health plans for FFY 2023, to avoid a repeat of the FFY 2022 delays

FFY 2023 HEALTHII Reconciliation Process Timeline

February 2024	AHCCCS provides hospitals a list of MCO reported contracts
April 2024	AHCCCS provides preliminary FFY 2023 reconciliation summary
May 2024	AHCCCS provides hospitals preliminary FFY 23 encounter data, on request <ul style="list-style-type: none">• Hospitals must request the detail file no later than the end of April.• Hospitals work with MCOs to submit any missing encounters• Shared data will include claim header level fields (provider, member, plan, service dates, \$ reimbursement).
Early August 2024	MCOs will need to finish FFY 23 encounter submissions
Late August 2024	AHCCCS pulls final FFY 23 encounter data
Late Sept. 2024	AHCCCS communicates final FFY 23 reconciliation results to hospitals
Oct./Nov. 2024	AHCCCS gives hospitals files of payment/(recoupment) by MCO
Late December 2024	MCOs pay/(recoup) FFY 23 reconciliation amounts

Tentative Timeline – FFY 25 Model

- February 15th, 2024 1st workgroup meeting
- March 6th, 2024 Feedback due
- Early March 2024 Preliminary Measure Rates from HealthTech
- March 19th, 2024 Second workgroup (base + quality model)
- April 10th, 2024 Feedback due
- April 2024 Third workgroup, if needed
- May 2024 Model finalized; post proposed rule
- July 1, 2024 438.6(c) preprint due to CMS
- September 2024 Post final rule

Please email comments related to the model to AHCCCS at HospitalAssessmentProject@azahcccs.gov by **March 6th**.



Thank You