



Banner Health

received  
3-13-14

March 10, 2014

Thomas Betlach  
Director  
AHCCCS  
801 E. Jefferson  
Phoenix, Arizona 85034

Re: FY 2015 Hospital Assessment Model

Dear Tom,

Last fall, we met to discuss Banner Health's concerns with the proposed hospital assessment rule (R9-22-730) for FY 2014. Throughout the assessment stakeholder process, Banner has expressed support for a broad-based, "all-in" model that is both fair and equitable for all providers. Ultimately, the final rule excluded a number of hospitals that benefit from the restoration and expansion of AHCCCS coverage, while several hospitals that do not benefit from the restoration and expansion were included under the assessment. This was, in the opinion of Banner, unfair and you expressed a commitment to continue refining the model through an iterative process to address this inequity.

Last week, AHCCCS presented three proposed assessment models for FY 2015 including: (1) an annualized continuation of the FY 14 assessment; (2) a model excluding high Medicare utilization hospitals from the assessment (which is what we recommended in our comments); and (3) a model excluding all Medicare discharges from the assessment. We are very pleased to see AHCCCS put forth two new assessment models for consideration that address the parity issue we raised.

While we still don't understand the logic behind the exemption for Mayo Health Clinic, model 2 would eliminate the unfair advantage that Mayo has in the current assessment model over other hospitals that serve significantly higher volumes of elderly patients, including Banner Baywood Medical Center, Banner Boswell Medical Center and Banner Del E. Webb Medical Center. Banner Health is in favor of model 2 because it cures the primary inequity of the current model's treatment of high Medicare hospitals. We recognize, however, that practical considerations may make this too large a step because of the number of losing hospitals and magnitude of the losses created by excluding all high Medicare hospitals (a fact which we believe again highlights the inequity of excluding Mayo Health Clinic). Since model 2 would be impractical at the present time, we support model 3 as a useful step in the right direction and vast improvement over the current model. It presents a reasonably fair and equitable approach for all hospitals across the state by completely excluding Medicare discharges from the assessment. While certain exempt hospitals will still have a benefit over others, model 3 appears to be the fairest approach of the models from a broad-based perspective and would result in less distortion in the marketplace.

I want to thank you for continuing an inclusive stakeholder process and considering our recommendations as we continue our journey toward a model that treats all facilities in the marketplace equally.

Thank you for your time.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter S. Fine". The signature is fluid and cursive, with the first name "Peter" and last name "Fine" clearly distinguishable.

Peter S. Fine, FACHE  
President & CEO  
Banner Health

cc: Beth Lazare  
Amy Upston  
Monica Coury  
Jennifer Carusetta