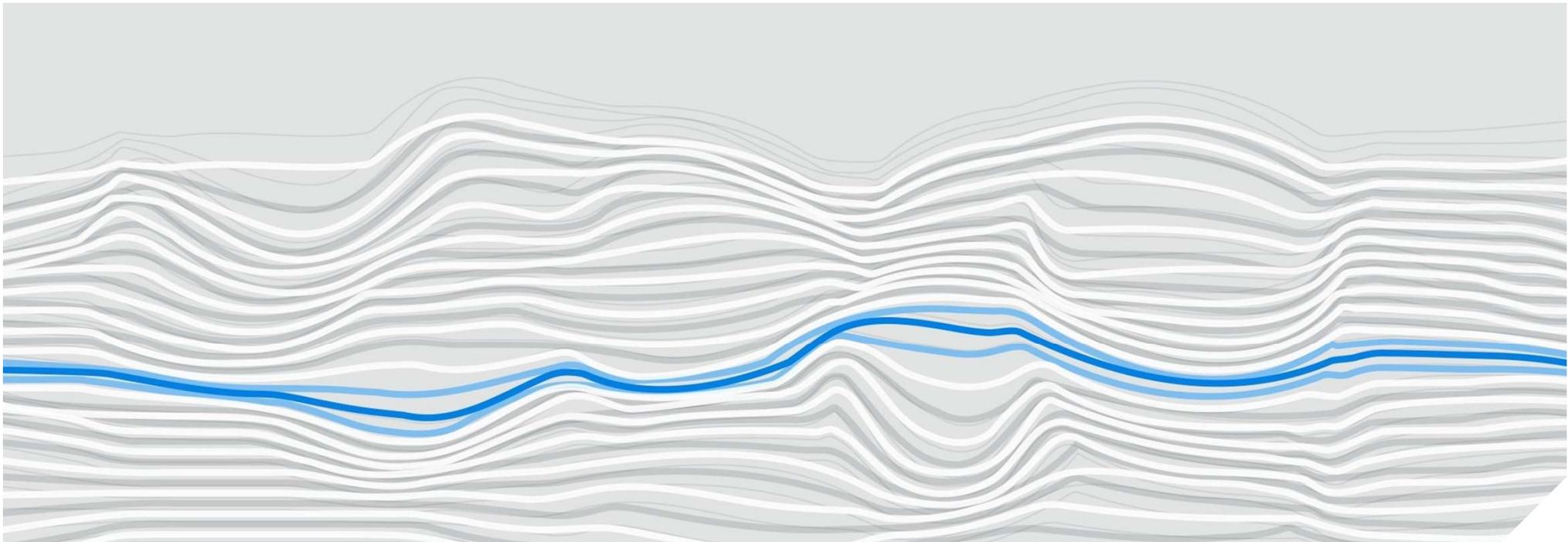


Arizona Health Care Cost Containment System



SFY 2021 Preliminary Baseline Hospital Assessment Model
January 8, 2020



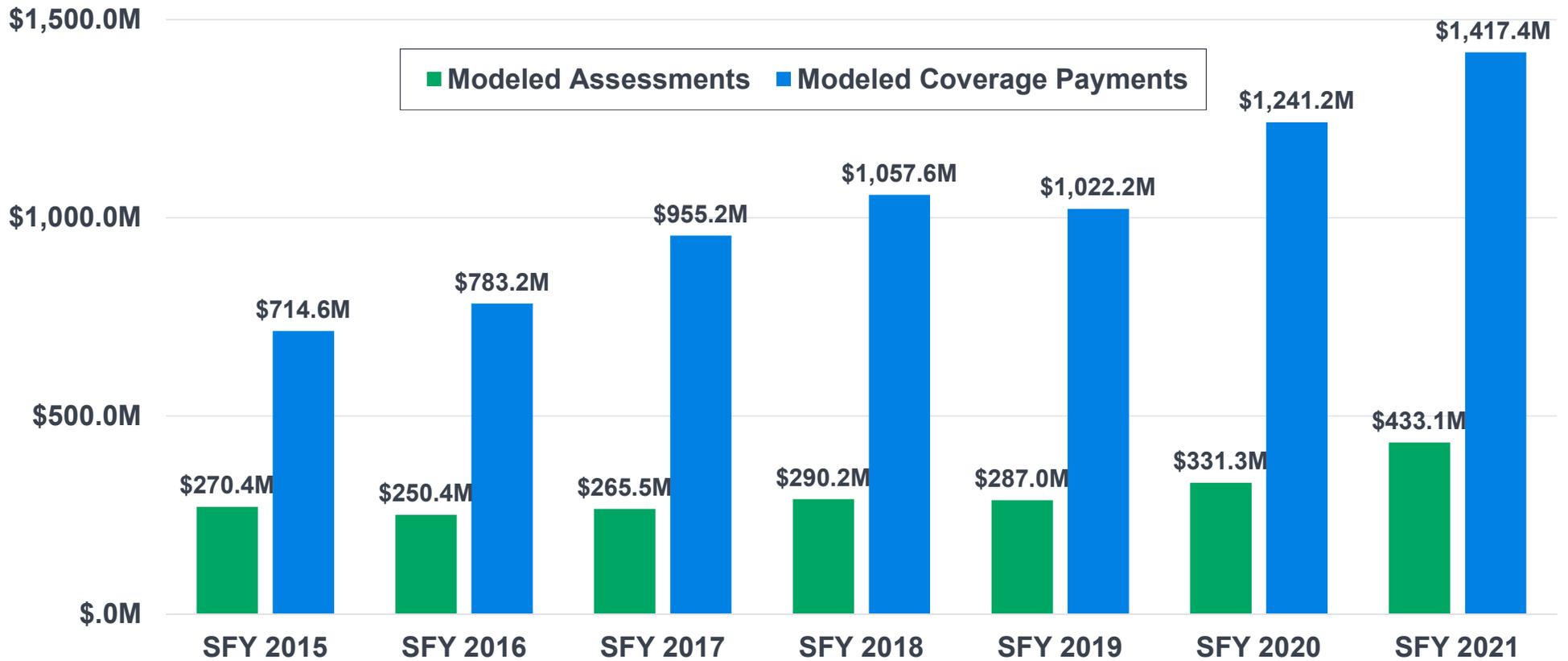
SFY 2021 Preliminary Baseline Assessment Model

Overview

- The SFY 2021 hospital assessment model presented today is a **preliminary baseline version** for discussion purposes only (does not reflect final AHCCCS policy decisions, and is subject to change)
- The preliminary baseline model version uses “rebased” **FYE 2018 discharges** (updated from FYE 2016 discharges used for assessments since SFY 2019) to generate assessments equal to the **\$433 million** state share target determined by AHCCCS
- The preliminary baseline model also includes **updated SFY 2021 projected Medicaid coverage payments of \$1.4B** for affected populations, as determined by AHCCCS

Hospital Assessment Program Totals Over Time

AHCCCS modeled hospital assessments and projected Medicaid coverage payments



Sources: SFY 2015-2020 final AHCCCS hospital assessment models, and SFY 2021 preliminary baseline assessment model

SFY 2021 Assessment Model Rebase

Discharges update

- The FYE 2018 discharges used to calculate SFY 2021 assessments are based on amounts reported by hospitals under the following source hierarchy:

1

FYE 2018 Medicare Cost Reports:

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

2

FYE 2018 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-Reported Data:

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

SFY 2021 Assessment Model Rebase

Model parameters

- The preliminary baseline model maintains the **same parameters as prior years** (with the exception of the state share target and use of FYE 2018 discharges)
 - Allows for an evaluation of the impact of the change in the discharge basis
 - Some providers changed hospital types because they did not meet specified thresholds
- SFY 2021 assessment model parameters currently under consideration by AHCCCS:
 - Hospital group definitions
 - Tiered assessment rate differentials, including different rates across hospital types, and “acute” discharges assessed differently than psychiatric and rehabilitation discharges
 - Acute discharges threshold, where acute discharges above the threshold are assessed at a significantly lower rate
 - Assessment exemptions for select hospital types
 - Potential expansion of assessment to outpatient
- Final model parameters must meet CMS requirements and achieve AHCCCS policy goals

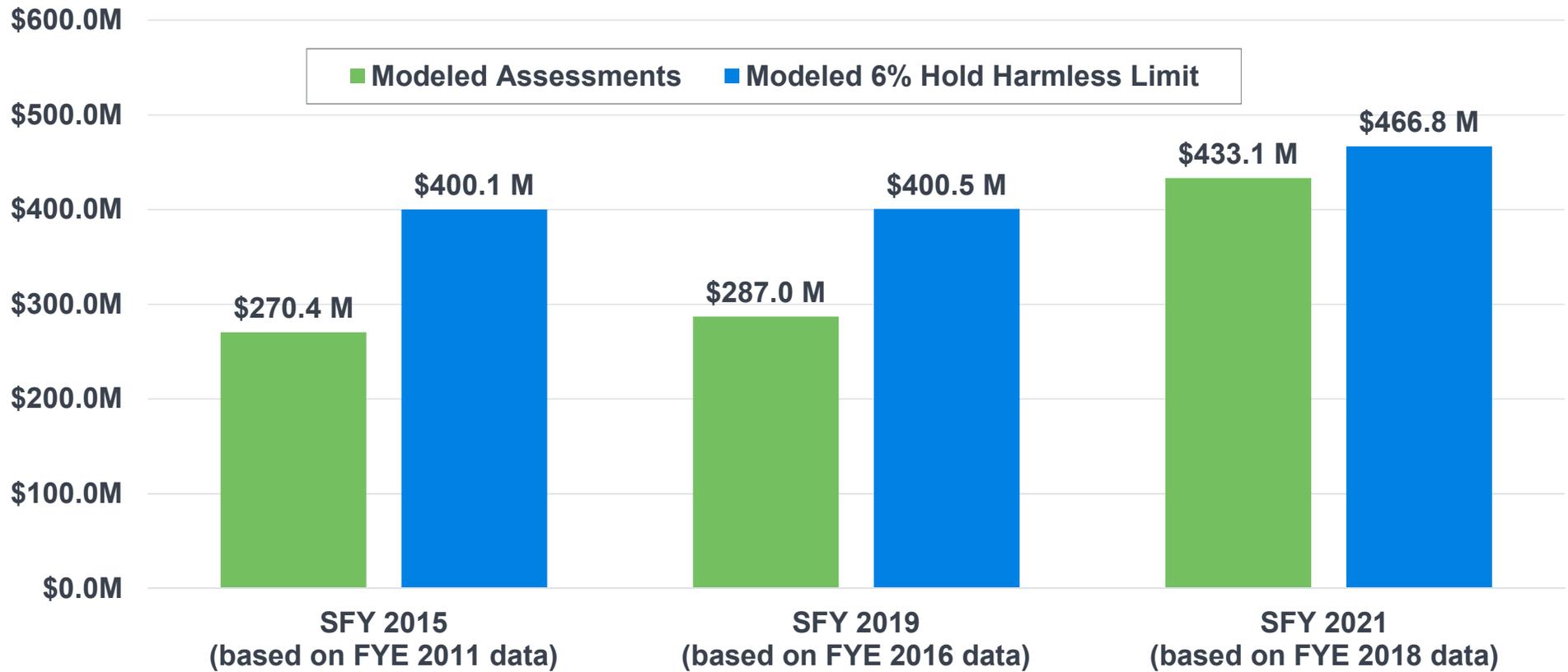
CMS Requirements

Tests demonstrating permissible health care-related assessments

- **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):
 - In the “Hold Harmless” test, assessments must be less than or equal to **6 percent** of the net patient revenue attributable to the assessed permissible class of health care services
 - Under Arizona’s current assessment structure, aggregate inpatient discharge-based assessments must not exceed **6 percent of inpatient net patient revenues**

Hold Harmless Test Results Over Time

Modeled Assessments and 6% Hold Harmless Limit (Based on Inpatient Net Patient Revenues)



CMS Medicaid Fiscal Accountability Regulation

Proposed Rule

- CMS released a proposed rule on November 18, 2019 referred to as the “Medicaid Fiscal Accountability Regulation” (MFAR)
 - The proposed rule’s public comment period is currently open and is scheduled to conclude on **February 1, 2020**
- CMS proposed hospital assessment waiver requirements under MFAR:
 - Would require states to seek re-approval of broad-based and uniform waiver after 3 years
 - Would implement new “net effect” standard for demonstrating the assessment is “redistributive in nature” (in addition to passing the B1/B2 test)
 - Would target assessment exemptions for hospital groups based on having little or no Medicaid activity
 - Would preserve states’ ability to assess at lower or \$0 rates for provider types “based on genuine commonalities that meet legitimate policy objectives”
 - CMS elected not to specify “acceptable commonalities”
 - Would target private arrangements amongst hospitals that redistribute supplemental payments to effectively hold providers harmless

Assessment Model Summaries

Preliminary exhibits for discussion

- The SFY 2021 preliminary baseline hospital assessment model exhibits includes the following draft summaries for discussion purposes:
 - Summary: Preliminary modeled assessment rates by hospital type, and aggregate model results
 - Estimated Fiscal Impact by Hospital Type: Preliminary modeled assessments, projected Medicaid coverage payments, and estimated net impact
 - Estimated Fiscal Impact by Hospital System: Preliminary modeled assessments, projected Medicaid coverage payments, and estimated net impact, with masked system IDs
 - Estimated Fiscal Impact by Hospital: SFY 2020 vs. SFY 2021 preliminary modeled assessments, projected Medicaid coverage payments, and estimated net impact, with masked hospital IDs
 - Assessment Rebase Impact: Comparison of FYE 2016 vs. FYE 2018 total discharges, and SFY 2020 assessments, illustrative SFY 2021 assessments under FYE 2016 discharges, and modeled SFY 2021 assessments under FYE 2018 discharges, with masked hospital IDs
 - FYE18 Discharges and Revenues - by Provider: hospital reported FYE 2018 hospital discharges, gross patient revenues, and net patient revenues amounts that are relied upon in the SFY 2021 assessment model, with masked hospital IDs
- AHCCCS will be providing masked hospital IDs to each hospital system

Assessment Model Feedback

Model Parameters and Hospital Reported Amounts

- AHCCCS is soliciting feedback from the hospital community on the preliminary baseline model parameters for consideration
 - Please email comments related to model parameters to AHCCCS at HospitalAssessmentProject@azahcccs.gov by **Friday, February 14, 2020**
- Please review the FYE 2018 discharges and revenues amounts in the exhibits for your hospital(s) and contact AHCCCS if there are any issues or questions
 - If there is an issue in the reported discharges in the FYE 2018 Medicare cost report, AHCCCS requires the hospital to re-submit its cost report and provide a copy to AHCCCS in order to change the hospital's assessed discharges
 - Please email comments related to **model discharges and revenues amounts**, including notice of planned FYE 2018 Medicare cost report changes, to AHCCCS at HospitalAssessmentProject@azahcccs.gov by **Friday, February 7, 2020**

Limitations

The services provided for this project were performed under the signed Consulting Services Agreement between Milliman and Knowledge Services (KS) dated November 4, 2019.

The information contained in this correspondence has been prepared for KS. We understand that this information will be shared with the Arizona Health Care Cost Containment System (AHCCCS), related agencies, providers, and their advisors. To the extent that the information contained in this correspondence is provided to any approved third parties, the correspondence 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.

In performing this analysis, we relied on data and other information provided by CMS, AHCCCS, and Arizona Department of Health Services, and accepted it without audit. To the extent that the data provided is not accurate, the results of this analysis may need to be modified to reflect revised information.

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

These slides are for discussion purposes only. They should not be relied upon without benefit of the discussion that accompanied them.



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