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*Our first care is your health care*  
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

Date November 14, 2013

Subject: AHCCCS Implementation of APR-DRG Methodology Effective October 1, 2014

Dear AHCCCS Stakeholder:

In 1993, AHCCCS began reimbursing hospital inpatient claims using a tiered per diem methodology and fee schedule as required by Arizona law. AHCCCS hospital rates were rebased in 1998 and, since that time, the fee schedule has been inflated annually (except as otherwise authorized) by using a nationally recognized hospital market basket inflation factor such as DRI.

To further AHCCCS' goals of enhancing quality of member care and promoting efficient delivery of services, in October 2014 AHCCCS intends to transition from the twenty year old tiered per diem inpatient reimbursement system to an APR-DRG payment system. Payments under the APR-DRG methodology will be consistent with efficiency, economy, and quality of care. Our extensive research indicates that an APR-DRG payment system will offer many opportunities to improve member safety and health outcomes as well as improve program efficiency—in contrast to the tiered per diem methodology which promotes a quantity-based delivery model. The new APR-DRG payment methodology will underscore the Agency's multiple quality of care initiatives as well as its emphasis on improving patient care. Moreover, the APR-DRG payment methodology will enhance AHCCCS' ability to implement performance review and cost-saving measures.

AHCCCS has contracted with Navigant Consulting to provide assistance in analyzing the impact of acquiring and implementing the new payment system.

There are a number of ways you can stay informed about this project:

- In 2012, AHCCCS established a workgroup of hospital representatives to assist in this endeavor. Information about the process, updates to meetings, members of the workgroup, and payment models can be found on our website:  
<http://www.azahcccs.gov/commercial/ProviderBilling/DRGBasedPayments.aspx>
- AzHHA is collaborating with AHCCCS to help educate hospitals about decisions regarding the procurement of the APR-DRG software. Look for upcoming notices from AzHHA regarding opportunities to learn more. AzHHA has also agreed to provide information to hospitals that are not members of the Association; interested hospitals should contact Jim Haynes at AzHHA (jhaynes@azhha.org).
- You can keep up with new announcements regarding the APR-DRG transition by subscribing to the AHCCCS List Serve at <http://listserv.azahcccs.gov/cgi-bin/wa.exe?A0=APRDRG-L>. Select "join" on the right side of the page.
- Questions and comments can be e-mailed to: [FFSRates@azahcccs.gov](mailto:FFSRates@azahcccs.gov)

We look forward to the transition to the APR-DRG system and the many opportunities that it will afford providers, members, and the AHCCCS program.