



Hospital Assessment/HEALTHII Workgroup

March 30, 2021

Feedback/Questions Received - General

- The Arizona Hospital and Healthcare Association (AzHHA) appreciates the continued work to increase reimbursement levels.
- The Health System Alliance of Arizona (HSAA) generally supports the proposed FFY 2022 hospital assessment and HEALTHII payment modeling shared in February 2021. We also support support AHCCCS' proposal to rebase the hospital assessment model using FYE 2019 data to mitigate the risk that COVID-19 related utilization changes would adversely impact hospital assessments needed to support the HEALTHII payment program.
- Phoenix Children's Hospital (PCH) supports the preliminary FFY 2022 Hospital Assessment Model that was presented. In particular, we greatly appreciate AHCCCS' recognition of the volatile impact of the COVID-19 pandemic and the proposed use of pre-COVID FYE 2019 data for FFY 2022 and beyond.

Feedback/Questions Received - FMAP

- The Alliance is very concerned that AHCCCS' current plan to disregard the enhanced FMAP savings for affected periods will create additional hospital assessment burdens far in excess of the buffer actually needed. Accordingly, we request that AHCCCS calculate/identify the requested assessment buffer actually needed to address its concerns. (HSAA)
- Is there any way we can figure out a way to continue to pass along to the hospitals, the benefit of the enhanced FMAP rate for the June 2021 quarter and any future quarters, if the FMAP rate were to get extended? One option might be to collect the assessments earlier, or at least a percentage of the assessment, to ensure the necessary funding is available timely to pay for the physician/dental payments. (LifePoint Health)

AHCCCS Response - FMAP

- After reviewing more current expenditure data, and in consideration of your feedback, AHCCCS has determined that it will maintain the current collection amount in QEJun21. This amount reflects the enhanced FMAP.
- Given the continued uncertainty, AHCCCS will continue to evaluate the required collection amount on an ongoing, quarterly basis in order to ensure sufficient funds are available for cash flow.
- While the temporary FMAP increase has provided AHCCCS the limited ability to advance these dollars in the short-term, an ongoing fund balance will be required prospectively.

Feedback/Questions Received - Quality Metrics

- Do we have the ability to revisit the quality metrics before CMS approval? If not, do we have the opportunity to adjust in the out years? (AzHHA)
- AHCCCS indicated it plans to shift more funding to value-based purchasing in the future during the last workgroup. While the Alliance is supportive of efforts to enhance quality of care for enrollees, those efforts should not supplant HEALTHII payments. Rather, AHCCCS should pursue additive quality and value-based purchasing programs through separate federal Medicaid managed care authorities intended for those purposes. (HSAA)

AHCCCS Response - Quality Metrics

- At this time, AHCCCS does not intend to make adjustments this year, but would like to better understand any specific concerns so it can consider how best to address them.
- There will be an opportunity to continue to evaluate the measures in future years, but given that the requirement is intended to demonstrate progress over time, it is important to establish consistent measures that will be regularly reported to CMS.
- The HEALTHII directed payment program is already required to incorporate quality measures as part of its ongoing evaluation by the state. Therefore, AHCCCS intends to incorporate performance payments, based on quality measure results, as part of the HEALTHII directed payment preprint. At this time, AHCCCS intends to model the quality performance HEALTHII pools separately from, and therefore in addition to, the base HEALTHII payment pools. That is, AHCCCS intends for the quality performance payments to supplement, not supplant, the regular HEALTHII payments.

Feedback/Questions Received - Capacity to Increase Payments

- Does AHCCCS have any estimates of the additional aggregate capacity to make hospital payments within all applicable federal limits? (AzHHA)
- If there is additional aggregate capacity to make hospital payments within all applicable federal limits, we would like to ask for the following considerations:
 - Increasing the assessments to equate to the 6% federal cap to maximize the amount of funding returned to hospitals.
 - Instead of using the FMAP rate to reduce assessments, use it to increase the amount of funding available to hospitals. (LifePoint Health)

AHCCCS Response - Capacity to Increase Payments

- AHCCCS does not have any estimates at this time regarding additional aggregate capacity but continues to evaluate payment levels relative to applicable limits.
- In addition to the 6.0% limit on assessment revenue collections, federal regulations also effectively limit the directed payment amounts that may be paid to providers to reasonable and appropriate amounts, since the payments are subject to actuarial soundness requirements.
- The current methodology of establishing HEALTHII payment pool amounts based on percentage of costs potentially limits those payments to 100% of costs. Therefore, AHCCCS is evaluating if an average commercial rate (ACR) methodology can be used to establish HEALTHII payment pool amounts, which may be higher than those based on the cost calculation.

Feedback/Questions Received - Methodology

- Is the goal to maintain the previous year's pay-to-cost ratio? (AzHHA)
- The Alliance supports AHCCCS' proposal to retain the same HEALTHII payment methodology for FFY 2022 that the Alliance supported for FFY 2021. (HSAA)

AHCCCS Response - Methodology

- At this time, for FFY 2022, AHCCCS intends to apply the same HEALTHII payment increase percentages for each hospital class as used in the FFY 2021 assessment model.
- There are slight changes in class payment pool sizes due to movement of providers between classes and changes in Medicaid baseline payment data.
- AHCCCS does not intend to update the target pay-to-cost ratio calculation at this time.

Feedback/Questions Received - Reconciliation

- To achieve a more mature claims runout for HEALTHII payment reconciliation, the concern is for significant fluctuation in actual utilization that may put a hospital in a negative situation. How is AHCCCS going to balance that out? How shall hospitals reserve for potential underpayment or overpayment? (AzHHA)

AHCCCS Response - Reconciliation

- CMS generally requires that directed payments like HEALTHII be based on actual utilization incurred during the contract period.
- Given the anticipated impacts to utilization from COVID-19, and potential variances from the estimated payment amounts, AHCCCS is currently evaluating if a prior utilization period could be used to mitigate this variance. This would be subject to specific CMS approval.
- It is correct that even in an ordinary year there will always be a variance between estimated payments and final payments that reflect actual utilization. AHCCCS has already mitigated this impact by establishing a single, final reconciliation to actual utilization, as opposed to a rolling quarterly reconciliation, like those used in other states.

AHCCCS Response - Reconciliation (con't)

- AHCCCS anticipates that any negative adjustments/recoupments associated with the final reconciliation, will be offset against the regular estimated quarterly HEALTHII payment that will be paid in that quarter.
- Each provider will need to determine the most appropriate assumptions to reserve for these potential adjustments, but AHCCCS would generally expect that providers would take a conservative approach in their planning efforts to reserve funds for potential recoupments as a result of the reconciliation.

Feedback/Questions Received - Methodology

The authorizing legislation for the HCIF assessment permits AHCCCS to utilize the lesser of \$70.5 million or 20% of the assessment funds to support practitioner rates. Due to projected increases in utilization, AHCCCS indicated that the percentage increase for practitioners would decrease (although total funding should remain about the same) due to the \$70.5 million cap. The Alliance supports AHCCCS' plans to abide by the authorizing legislation, which was intended to protect hospitals subject to the assessment. (HSAA)

Updated Model

- Minor revisions to the discharges and outpatient net revenues based on new information and data received from several hospitals.
- Updated Medicaid baseline utilization data from FFY 2019 to CY 2019 (1/1/19-12/31/19).
 - Used CY 2019 data to trend to FFY 2022 payments.
- Updated the physician and dental fee schedules target to \$70.5 million to align with current statute.

Financial Summary - Updated

Hospital Assessment	2/12/21	3/30/21	Difference
HAF Assessment	\$533.5	\$533.6	\$0.1
HCIF Assessment for HEALTHII and Administrative Costs	\$347.1	\$349.9	\$2.8
HCIF Assessment for Practitioner Payments	\$75.1	\$70.5	(\$4.6)
Total HCIF Assessment	\$422.1	\$420.4	(\$1.7)
Total Assessment	\$955.7	\$954.0	(\$1.7)
Total modeled HEALTHII payments	\$1,302.2	\$1,297.1	(\$5.1)
Less HCIF Assessment	(\$422.1)	(\$420.4)	(\$1.7)
Estimated HEALTHII Net Gain	\$880.1	\$876.7	(\$3.4)
<i>Eff. Rate Increase</i>	<i>36.0%</i>	<i>35.9%</i>	<i>(0.1)%</i>

Tentative Timeline

- 3/30/21 Second workgroup meeting
- 4/16/21 Feedback due
- 5/14/21 Third workgroup meeting
- By 6/12/21 Model finalized
- 7/1/21 438.6(c) preprint due to CMS
- July 2021 Post proposed rule
- Sept 2021 Post final rule

Questions?