

March 6, 2014

Thomas Betlach  
Director  
Arizona Health Care Cost Containment System  
801 East Jefferson  
Phoenix, Arizona 85304

Re: FY 2015 Statewide Hospital Assessment

Director Betlach,

On behalf of Abrazo Health Care ("Abrazo"), I would like to thank AHCCCS for continuing to seek the input of the Hospital Assessment Workgroup ("Workgroup") on the fiscal year 2015 Statewide Hospital Assessment ("Assessment"). The Workgroup and AHCCCS collaborated in a public and transparent process to design the current year's assessment and we appreciate continuing this process for fiscal year 2015.

On February 27, 2014, AHCCCS staff convened the Workgroup and presented three options for the fiscal year 2015 assessment. Abrazo strongly prefers the first option, which is essentially a continuation of the current year's assessment model, and is singularly the most equitable and fair of the three options. We support the first option because it is our belief that any substantial change in the Assessment needs to wait until hospitals fully understand the coverage benefits provided by Medicaid Restoration and Expansion. The other two options presented would significantly increase our assessment liability. Before any hospital is in a position to consider changing the assessment, we must have sufficient claims data to reliably predict the coverage benefits.

The second option, which adds additional exemptions for hospitals with high Medicare utilization and is suggested by Banner Health, further distorts the assessment. The purported goal of this option is to provide equity between the one facility that is exempted for its high Medicare utilization and other facilities that also have high Medicare utilization but are not exempted from the assessment. We believe that adding exemptions only exacerbates the inequity in the assessment. Also, all of the facilities that would be exempt under this option receive a benefit from the restored and expanded Medicaid coverage. If equity is the goal, then every facility benefiting from coverage provided by Medicaid Restoration and Expansion, including all acute care inpatient hospitals, rehabilitation facilities, large and small psychiatric providers, and short term specialty hospitals, should bear a portion of the assessment costs.

The third option, which excludes all Medicare discharges from the assessment, also lowers the threshold for hospitals to qualify for the discounted per-discharge assessment amount to 15,000 discharges. The effect of this lowered threshold shifts more cost on to hospitals that do not qualify for this benefit, which includes Abrazo's five hospitals. We do not believe we should be arbitrarily penalized for the benefit of larger hospitals. While exempting Medicare discharges might make sense on the surface, it does not make sense at the cost of shifting costs on to smaller hospitals. Every discharge at an acute care hospital should be assessed the same, regardless of the size of the facility.

Abrazo appreciates the opportunity to provide comment on the three options for the fiscal year 2015 Assessment and would like to again state our strong preference for the first option. We have always enjoyed a strong collaborative relationship with AHCCCS and look forward to continuing to work with AHCCCS into the future.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken Howell', with a long horizontal flourish extending to the right.

Ken Howell  
Market CEO  
Abrazo Health Care

CC:

Don Hughes, Policy Advisor, Health and Human Services, Office of the Governor  
Beth Kohler Lazare, Deputy Director, Arizona Health Care Cost Containment System  
Amy Upston, Hospital Finance Administrator, Arizona Health Care Cost Containment System  
Reginald M. Ballantyne III, FACHE, Senior Strategic Advisor, Tenet Healthcare