



ARIZONA

HEALTH CARE COST CONTAINMENT SYSTEM

Hospital Assessment/HEALTHII Workgroup - FFY 2026 Model

April 24, 2025

Feedback/Response

Feedback	Response
Enrollment projections: AHCCCS should update the enrollment estimates used to calculate the Hospital Assessment Fund (HAF) balance and assessment.	AHCCCS has revised the enrollment and HAF expenditure projections for FFY 2025 and FFY 2026 which creates a HAF surplus balance. (See below and next slide.)
HAF Balance: AHCCCS should utilize the HAF surplus balance and modify the HAF assessment to reduce proposed FFY 2026 HAF assessment to create room to increase HCIF assessments to maximize HEALTHII payments.	AHCCCS has reduced the HAF assessment by \$100 Million and increased the HCIF assessment by \$100 Million, which has increased the HEALTHII payments by \$396 Million. If the executive budget to reduce the \$100 Million HCIF arrangement down to \$25 Million comes to fruition, the HCIF assessment amount would increase another \$75 Million to \$175 Million, increasing the HEALTHII payments by a total of \$693 Million.

Projected HAF Balances

HAF Balance		
Revised	FFY 2025	FFY 2026
Starting Balance	\$ 161.0	\$ 259.5
Assessments	\$ 682.1	\$ 529.0
Expenditures	\$ 583.6	\$ 650.3
Surplus/(Deficit)	\$ 98.5	\$ (121.3)
Ending Balance	\$ 259.5	\$ 138.2

- FFY 2026 Assessments reduced by \$100 Million (\$629 Million to \$529 Million)
- Currently, there is significant enrollment uncertainty and AHCCCS requires a slightly larger fund balance to protect against the risk of enrollment changes.

Feedback/Response

Feedback	Response
<p>Quality Incentive Payments: AHCCCS should reallocate unearned HEALTHII quality incentive payments within each HEALTHII reimbursement class if other eligible hospitals are in the class.</p>	<p>AHCCCS is unable to implement this recommendation. This change could cause other hospital classes' calculation of the quality payment to result in select hospitals receiving an extraordinarily large quality payment, well above the HEALTHII base payment. In addition, this will create the addition of multiple classes under each hospital class, which results in very low volume cohorts at the setting/class/program level for the ACR demonstration (with greater risk of exceeding 100% of ACR).</p> <p>This causes unintended consequences and a large administrative burden.</p>

Feedback/Response

Feedback	Response
<p>Enhanced Reporting of population category on Explanation of Benefits/Remittance Advice and Coverage Payment: AHCCCS should require the health plans to identify the population category for enrollees to provide hospitals greater transparency on the financial return from HAF-funding. AHCCCS should provide actual coverage payment data.</p>	<p>AHCCCS does not have the authority to require Health Plans to make this change to their Explanation of Benefits/Remittance Advice. Hospitals can work with their Health Plans directly to request this change.</p> <p>Projected coverage payment amounts are listed in each year's Hospital Assessment Model Report posted on the AHCCCS website. AHCCCS is open to providing actual coverage payment information in the future as part of the FFY 2027 model, depending on the ease of running this information.</p>

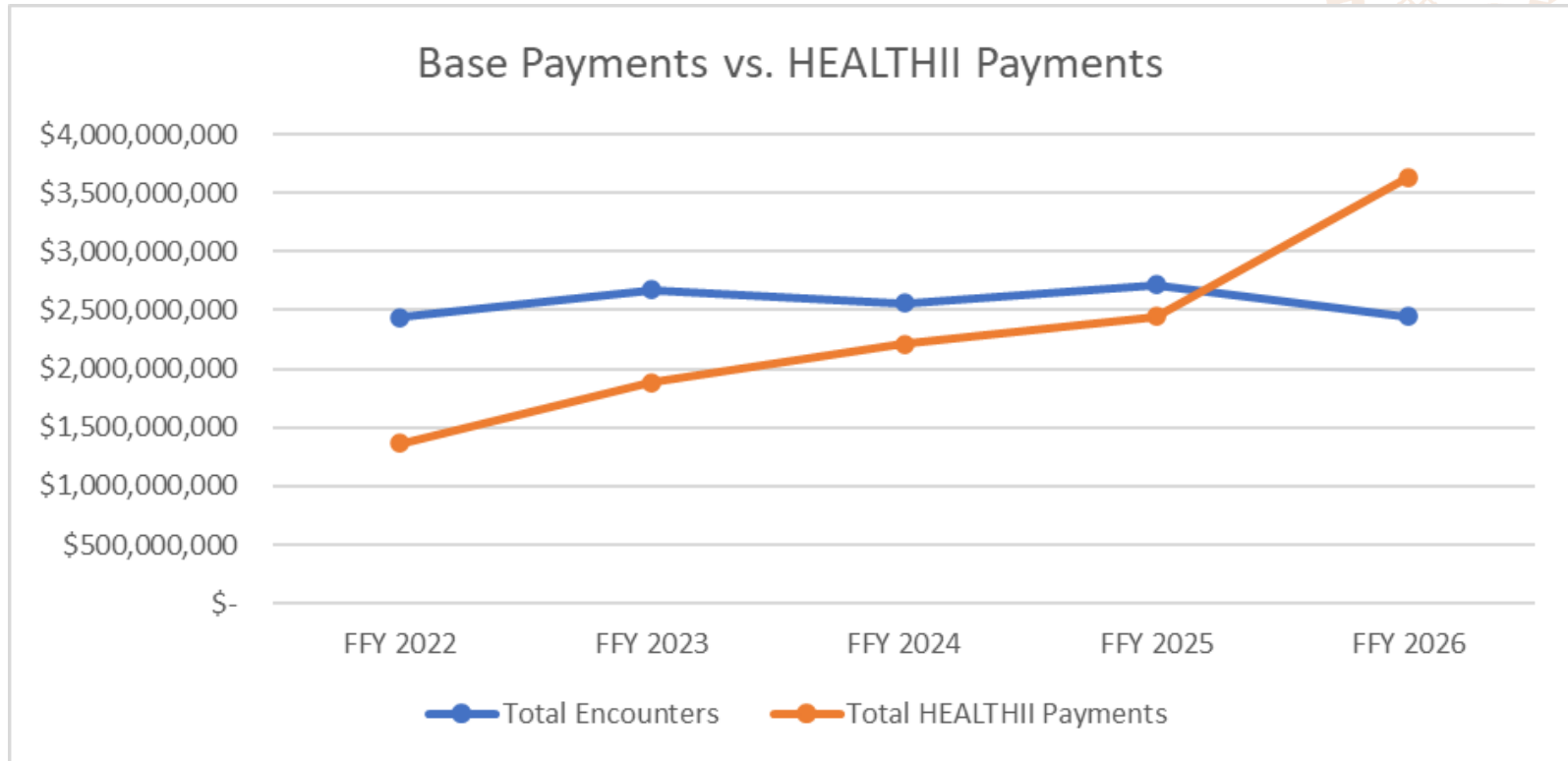
Feedback/Response

Feedback	Response
HEALTHII Model: Concern raised regarding the inability for the freestanding children's hospital to adjust the model for planned growth or reconcile to actual volume.	Feedback is related to the FFY 2027 model and will be discussed in the future.
Quality Measures and pay-for-performance: AHCCCS and hospital systems should resume quality measure discussions prior to any transition to pay-for-performance.	AHCCCS plans to obtain quality measure feedback in the late spring and summer of 2025.

Feedback/Response

Feedback	Response
Transition from lump-sum payments: AHCCCS should collaborate with hospitals on the transition away from separate payment terms for discussion of uncertainty of payments, lawmaker confusion, needed legislative guardrails, and strategies.	AHCCCS will provide an opportunity for Hospital feedback and discussion on this topic late in the calendar year.
HIE Participation: Suggestion that AHCCCS not incorporate HIE participation as a quality component of HEALTHII (Alliance) or allow participation at the most basic form (AzHHA)	The HIE participation requirement does not apply to the FFY 2026 model. Additional information regarding the HIE participation requirement in future years will be provided after the FFY 2026 model is finalized.

Base MCO Encounters vs. HEALTHII Payments



Status Updates

FFY 2025 HEALTHII Q1 and Q2 Payments

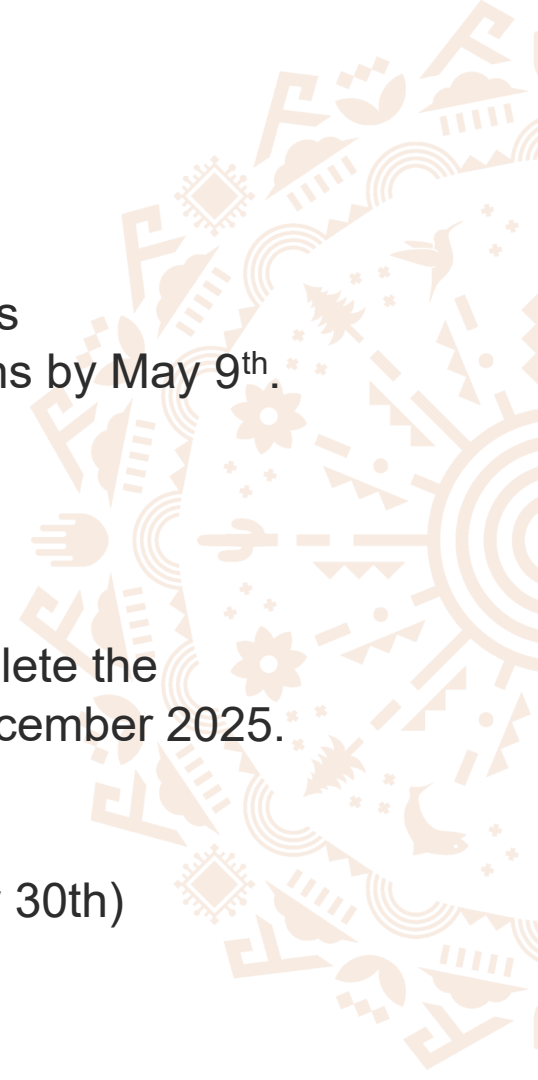
- Quarter 1 payments currently being made by health plans
- Quarter 2 payments estimated to be made by health plans by May 9th.

FFY 2024 HEALTHII Reconciliation

- Preliminary results to be sent mid-May.
- Requests for encounter detail are due by May 19th.
- AHCCCS will pull final encounter data in August to complete the reconciliation. Payments/(Recoupments) targeted for December 2025.

FFY 2025 Q3 Reminders

- Assessment Invoices (HAF due May 15th; HCIF due May 30th)
- HEALTHII payments from MCOs in June/July.



Thank you

