



# **ARIZONA**

## **HEALTH CARE COST CONTAINMENT SYSTEM**

### **Hospital Assessment/HEALTHII Workgroup Base FFY 2026 Model**

March 6, 2025

# Hospital Assessment Fund (HAF) Assessment

- Established under Laws 2013, Chapter 10, expanded/restored Medicaid coverage
  - Newly Eligible Adults (NEA) up to 133% FPL
  - Prop 204 Expansion State Adults (ESA) up to 100% FPL
  - Prop 204 TANF Parents up to 100% FPL
- Funds state share of physical health costs of these populations, not otherwise paid for by tobacco funding
- The FFY 2026 model included an estimated \$820M in net coverage payments
  - \$1.44B in coverage payments to hospitals
  - \$629.0M in HAF assessments paid by hospitals (\$529M specific to physical health and \$100M specific to behavioral health services)

# Health Care Investment Fund (HCIF) Assessment

- Laws 2020, Chapter 46 established a second hospital assessment beginning 10/1/2020. The assessment is used to:
  - Make directed payments to hospitals that supplement the base reimbursement for hospital services to AHCCCS recipients
  - Increase base reimbursement rates for the dental and physician fee schedules to rates in effect before Great Recession
    - HCIF for provider rates must be the lesser of \$70.5M or 20% of total assessment
  - Fund non-federal share of the costs for administrative expenses incurred by the administration or its agents.

# Assessment Implementation

- Based on Arizona IP discharges and OP net patient revenues
- Exempts certain types of hospitals or assesses some at lower rates
- HAF payments are due to AHCCCS on the 15th of the second month of each quarter (Feb 15, May 15, Aug 15, Nov 15)
- HCIF payments are due to AHCCCS on the 10th of the second month of each quarter (Feb 10, May 10, Aug 10, Nov 10)
- Per Arizona Revised Statute (A.R.S.), failure to comply may ultimately result in loss of the hospital's AHCCCS provider agreement and ADHS license.
  - Late payments have become more frequent in the last year
  - AHCCCS will begin the termination process for non-compliance

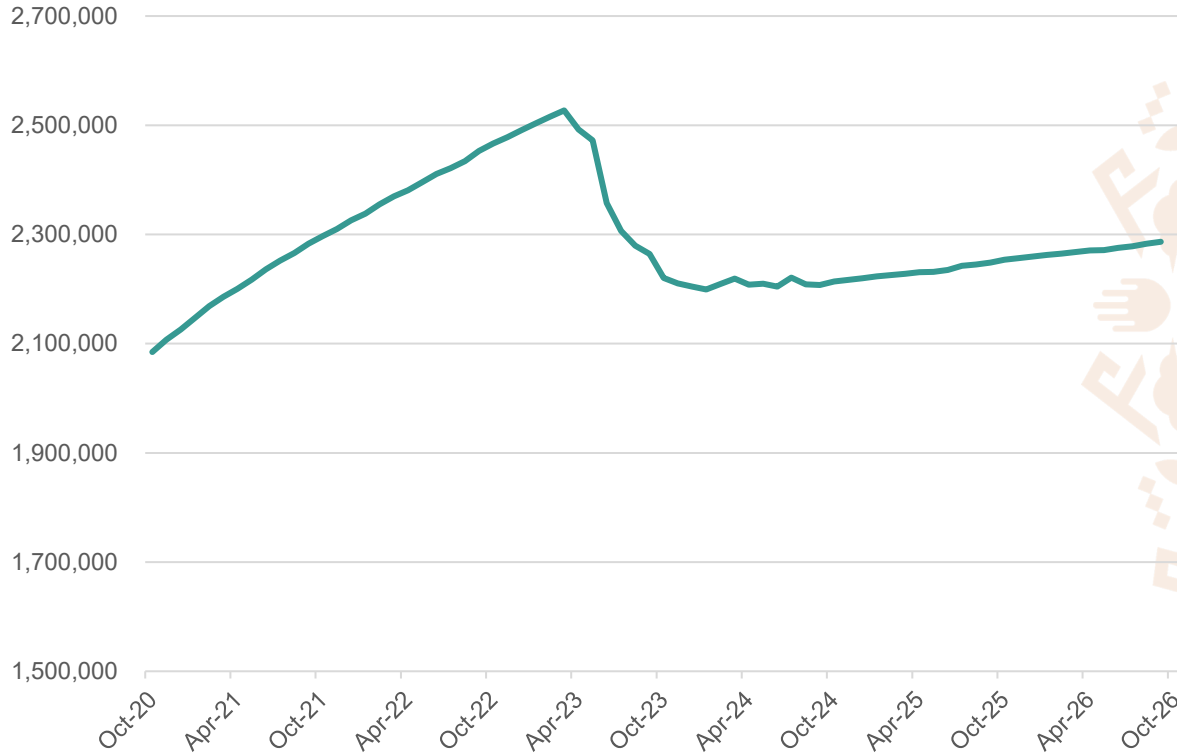
# HEALTHII Payments

- Hospital Enhanced Access Leading To Health Improvements Initiative (HEALTHII) payments are quarterly directed payments to hospitals
- 438.6(c) directed payment initiative
  - Payments made directly to MCOs and MCOs make payments to hospitals
  - Must include quality metrics to advance the agency's quality strategy
  - Must receive annual CMS approval
- CMS requires that Base TXIX + Directed Payment rates don't exceed 100% of ACR

# FFY 25 Assessment/HEALTHII Payments – Current Status

- At this time, AHCCCS continues to negotiate with CMS on most of our directed payment pre-prints for FFY25, including HEALTHII. AHCCCS submitted the CMS-required revisions and responses to the third round of questions to CMS. AHCCCS also had a technical assistance call with CMS on February 24th and now are waiting on their review of the preprint revisions.
  - However, the change in Federal Administration and the one-month communication pause by CMS appears to be delaying the timeliness of that approval. While AHCCCS believes we have made progress with CMS, we do not have a timeline for CMS approval. We will keep you posted.
- The combined Q1 and Q2 FFY 25 HCIF assessment invoice is available on the [AHCCCS website](#) to assist with planning purposes. Please Note: the invoice states a due date of March 31, 2025. Please disregard this date for now.
- After CMS approves the HEALTHII preprint, AHCCCS will notify HCIF assessed hospitals to make the HCIF payments within one week of notification. This will allow AHCCCS to process provider payments to the MCOs in a timely manner once we receive approval of the HEALTHII preprint from CMS.
- Hospital Assessment Fund (HAF) assessments/invoices are not impacted and will be released and due per the dates in the administrative code.

# Enrollment: All Populations

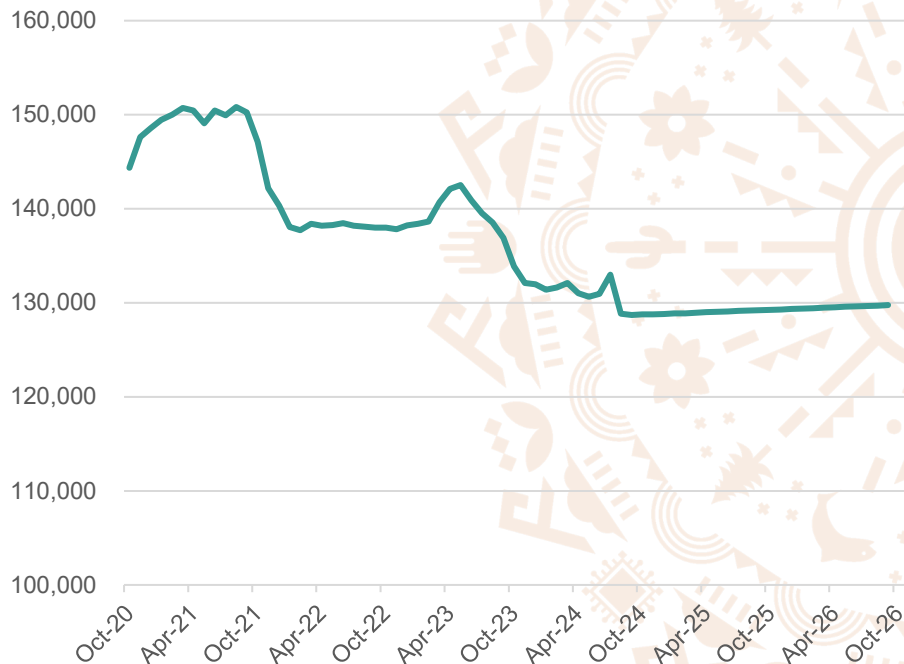


# Enrollment: HAF-Funded Populations

Adult Expansion + Expansion State Adults

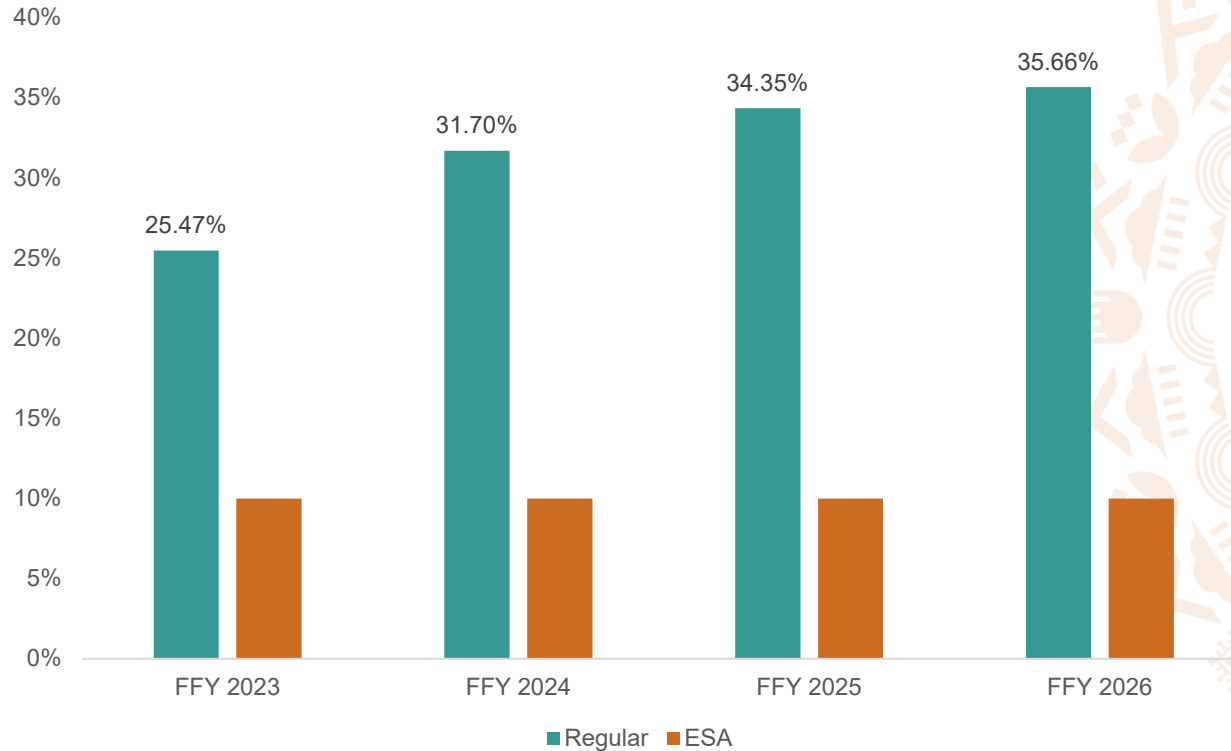


Proposition 204 Parents





# State Medical Assistance Percentage



# HAF Balance and FFY 2026 Assessments

- 153.3 M projected ending balance in FFY 25
- \$153.3 M projected ending balance in FFY 26
  - Above the AHCCCS target of 2 months of expenses
- Currently, there is significant enrollment uncertainty and AHCCCS has taken the cautious approach of not leveraging the existing fund balance in the initial model.

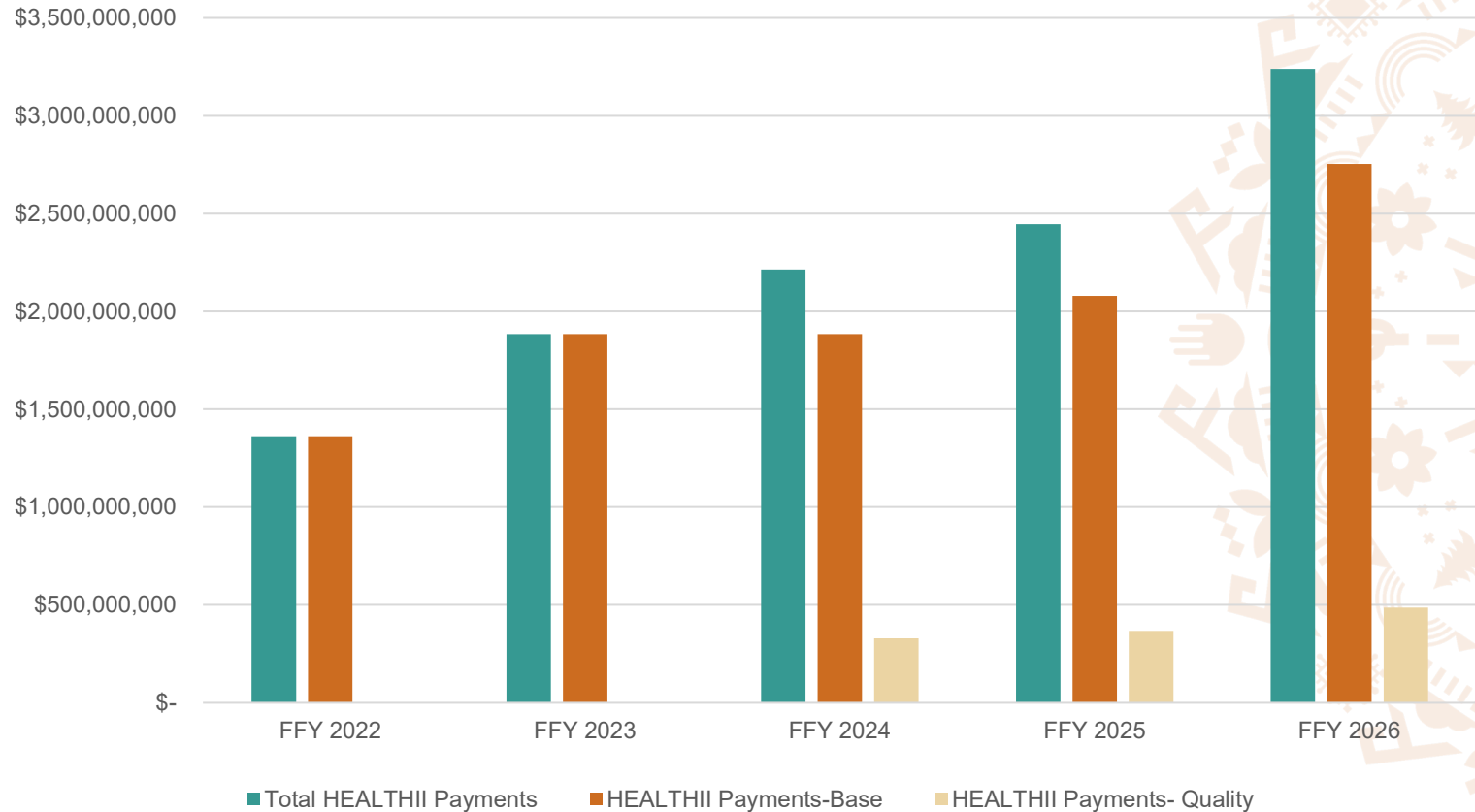
	FFY 2025	FFY 2026
	Curr.	Curr.
Starting Balance	\$161.0	\$153.3
Assessments	\$682.1	\$629.0
Expenditures	\$689.8	\$629.0
Surplus/(Deficit)	\$(7.7)	\$0.0
Ending Balance	\$153.3	\$153.3

# HCIF Assessment Balance

	Est FFY 2025	Est FFY 2026
Starting Balance	\$103.3	\$18.3
Assessments	\$509.4	\$741.0
Expenditures	\$594.4	\$741.0
Surplus/(Deficit)	\$(85.0)	\$0.0
Ending Balance	\$18.3	\$18.3

- Estimated ending balances of \$18.3M in FFY 25 and \$18.3M in FFY 26
- Balance growth prior to FFY 24 can be attributed to unanticipated extensions of the PHE FMAP
- As planned and anticipated, AHCCCS has no available HCIF fund balance at the end of FFY 2025 to leverage in FFY 2026 model.

# HEALTHII Payments



# FFY 26 or FFY 27 Model Changes or Requirements

- Health Information Exchange (HIE) Participation with Contexture to be eligible for the quality component payment pool
- Potential removal of Comprehensive Health Plan (CHP) encounters from the utilization and ACR calculation to reduce administrative burden and streamline federal approvals.
- Potential Federal Changes due to federal rules
  - Transition of HEALTHII payment from a current separate payment term and quarterly lump sum payments with reconciliation to incorporation into MCO capitation rates with new payment structure.
- Potential Changes due to Federal Budget Adjustments
  - Unknown at this time but AHCCCS is monitoring the situation and will continue to provide updates as new developments are released from the federal government.

# FFY 2024 HEALTHII Reconciliation Process

- Interim FFY 2024 HEALTHII payments were calculated using projected Medicaid managed care claims.
- Final payments will be calculated within 12 months from the contract period ending, using actual contracted managed care claims
  - A final HEALTHII Payment Increase Percentage will be calculated for each hospital
  - Final HEALTHII payments will be calculated by multiplying the Final HEALTHII Payment Increase Percentage by each Hospital's actual contracted managed care payments
- Any differences in final vs. interim HEALTHII payments will be settled as part of the reconciliation process.

# FFY 2024 HEALTHII Reconciliation Process Timeline

February 2025	AHCCCS provides hospitals a list of MCO reported contracts
April 2025	AHCCCS provides preliminary FFY 2024 reconciliation summary
May 2025	<p>AHCCCS provides hospitals preliminary FFY 24 encounter data, on request</p> <ul style="list-style-type: none"><li>• <b>Hospitals must request the detail file no later than the end of April.</b></li><li>• Hospitals work with MCOs to submit any missing encounters</li><li>• Shared data will include claim header level fields (provider, member, plan, service dates, \$ reimbursement).</li></ul>
Early August 2025	MCOs will need to finish FFY 24 encounter submissions
Late August 2025	AHCCCS pulls final FFY 24 encounter data
Late Sept. 2025	AHCCCS communicates final FFY 24 reconciliation results to hospitals
Oct./Nov. 2025	AHCCCS gives hospitals files of payment/(recoupment) by MCO
Late December 2025	MCOs pay/(recoup) FFY 24 reconciliation amounts

# Tentative Timeline – FFY 26 Model

- March 6<sup>th</sup>, 2025 1st Workgroup meeting
- March 27<sup>th</sup>, 2025 Feedback due
- April 2025 2nd Workgroup meeting
- May 2025 Model finalized; post proposed rule
- July 1, 2025 438.6(c) preprint due to CMS
- September 2025 Post final rule
- Please email comments related to the model to AHCCCS at [HospitalAssessmentProject@azahcccs.gov](mailto:HospitalAssessmentProject@azahcccs.gov) by March 27<sup>th</sup>.



# Thank you

