



# Phoenix Health Plan

*An Affiliate of Abrazo Health Care*

May 12, 2010

Tom Betlach, Director  
AHCCCS  
801 E. Jefferson, MD 4100  
Phoenix, AZ 85034

Dear Director ~~Betlach~~, *Tom*

Phoenix Health Plan (PHP) is writing to request that AHCCCS Administration consider reviewing and revising the Hospital Outpatient Fee Schedule (OPFS) payment structure related to ADHS licensed Provider Based Clinics (PBC).

PBC licensure has been around for many years and the disparate outpatient clinic reimbursement was designed to compensate hospitals for overhead costs related to clinic operations. Few hospitals used this type of clinic structure/license; however, recent financial pressures throughout our Medicaid system have led to increased re-licensure of freestanding clinics to PBC as a revenue mechanism.

University Physicians Healthcare (UPH) began to increase their use of PBC billing in October 2009, when they moved infusion, dexamethasone scan and ophthalmology clinics to this methodology. These moves marked the beginning of their plan to migrate all of their clinics to PBC at University Physicians Hospital at Kino and/or University Medical Center (UMC).

There is talk of a planned merger of UMC and UPH. Although these plans have not been finalized, UPH has sent out notices announcing the new PBC status as of April 5, 2010 of all of their specialty clinics on the 4th and 5th floors of the UMC facility. This includes Urology, Vascular Surgery, Cardiothoracic Surgery, Neurosurgery, Plastics, Transplant, Trauma Surgery among others. We have been told that all UPH clinics, including all primary care pediatrics will be re-licensed in the near future.

Cobre Valley Community Hospital is already in the process of re-licensing all of their primary and specialty care clinics as PBC. That, by the way, brings in the interesting twist of the Rural Health Clinic subsidy as part of this reimbursement issue. This rural hospital's OPFS peer group modifier is 215% therefore the premium for their PBC services is even greater than UMC.

When these clinics are re-licensed as PBC, the AHCCCS health plans will pay significant premiums for all billings related to clinic services. For UMC with a 114% OPFS peer group modifier this translates to more than a 133% increase in cost as compared to freestanding clinic services. Attached is an analysis of the PBC split billing with UMC. From 10-01-2009 through

Tom Betlach, Director  
May 12, 2010  
Page 2

3-31-2010, PHP paid an additional \$58,799 or a combined total \$102,864 for \$44,064 worth of freestanding E&M and EPSDT services.

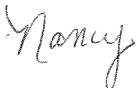
Clinic 5XX Revenue Codes (that include all Primary Care and Specialty E&M and EPSDT service codes) were addressed with the AHCCCS adoption of a facility and non-facility AHCCCS Provider Fee Schedule (AFFS). The facility based AFFS pays a reduced amount for PBC provider services that are split billed between the hospital and provider. The intention of this new policy was to pay for the additional costs to the hospital for a facility-based clinic while reducing the payment to the provider. Taking into consideration the wide variance in hospital peer group modifiers, the reduction to the providers does not produce any real equity for the State or Plans when compared with similar freestanding clinic charges.

With OPFS Peer Group Modifiers that vary from 100% to 215%, the UMC premium example above is illustrative only. Rural Hospitals have no incentive to contract with a Plan that would limit the split billing reimbursement rates. With all small rural hospitals at 192% and Critical Access hospitals at 215%, the entire system has no recourse but to absorb these premiums on a non-contracted basis as the hospitals make a move to increase their revenue stream for Medicaid services.

Additionally, these expanding premium rates are not part of our current AHCCCS Encounter database and therefore not part of the Health Plan Capitation base.

We were told that AHCCCS has OPFS rule open for review and that now is the time to deal with this issue. PHP is hopeful that you can adjust the OPFS rate structure for E&M codes to avert these unplanned increases in overall expenditure to the AHCCCS plans and program as a whole. We would welcome the opportunity to discuss potential solutions at your convenience.

Sincerely,



Nancy Novick  
CEO

cc: Kate Aurelius, Deputy Director, AHCCCS  
Shelli Silver, Assistant Director, DHCM

**ANALYSIS UMC CLINIC SPLIT BILLING FOR PBC  
10-01-2009 -03-31-2010**

510		UNITS	BILLED CHARGES	NET PAID	billed/unit	OPFS/paid/unit Peer group modifier at 114%	AFFS-Non Facility-total FreeStanding Clinic	AFFS-Facility based	total for Provider BasedClinic G+I	premium/unit	extended single billed	extended split billed	%unit premium
	20610	1	\$269.00	\$241.86									
	36600	3	\$247.50	\$61.59									
	38221	2	\$743.95	\$651.58									
	51701	2	\$140.00	\$106.14									
	54150	2	\$222.00	\$0.00									
	57452	1	\$325.00	\$222.19									
	90473	8	\$328.00	\$0.00									
	92567	1	\$51.00	\$0.00									
	96372	4	\$164.00	\$51.16									
	99202	11	\$1,267.00	\$712.60	125.00	69.56	57.31	46.00	115.56	58.25	630.41	1,271.16	101.64%
	99203	37	\$2,676.00	\$2,007.42	115.50	97.85	83.04	61.94	159.79	76.75	3072.48	5,912.23	92.43%
	99204	19	\$1,737.00	\$1,571.31	126.50	120.00	128.41	103.79	223.79	95.38	2439.79	4,252.01	74.28%
	99205	11	\$1,506.00	\$792.77	132.00	154.08	162.21	135.03	289.11	126.90	1784.31	3,180.21	78.23%
	99211	298	\$22,075.50	\$13,769.94	100.00	58.27	16.82	7.87	66.14	49.32	5012.36	19,709.72	293.22%
	99212	192	\$12,644.50	\$11,227.26	105.00	69.56	33.44	20.97	90.53	57.09	6420.48	17,381.76	170.72%
	99213	129	\$9,167.50	\$9,116.33	104.50	97.85	55.54	40.83	138.68	83.14	7164.66	17,889.72	149.69%
	99214	115	\$7,051.00	\$9,180.56	115.50	97.85	83.66	63.20	161.05	77.39	9620.90	18,520.75	92.51%
	99215	70	\$6,626.00	\$7,010.49	130.00	120.87	113.13	89.79	210.66	97.53	7919.10	14,746.20	86.21%
	G0364	1	\$200.00	\$53.07							44,064.49	102,863.76	
<b>510 Total</b>		<b>907</b>	<b>\$67,440.95</b>	<b>\$56,776.27</b>							total premium paid		\$58,799.27
											percent premium on extended utiization		133.44%