

Final Community Health Center (CHC) OBGYN Reimbursement Methodology (Effective 5/1/2024)

Senate Bill 1720 (General Appropriation Act; 2023-2024)

- The Arizona Health Care Cost Containment System administration shall allocate the amount appropriated for the on-call obstetrics and gynecological services line item to maintain service availability in low-volume obstetric delivery areas and rural communities.
- The administration shall distribute up to \$2,500,000 each year to qualifying community health centers for the unreimbursed cost necessary to maintain the availability of on-call obstetrics and gynecological services in low-volume obstetric delivery areas and rural communities.
- The administration may use up to 5% percent of the monies appropriated in this line item for the administrative costs to implement the program.
- The appropriated amount for the on-call obstetrics and gynecological services line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, 24 relating to lapsing of appropriations, until June 30, 2026.

Allocation

- Year 1 (Calendar Year 2023 data)- \$2,500,000.00
 - \$2,450,000 to the CHC's & \$50,000 to AHCCCS for Administrative Costs
- Year 2 (Calendar Year 2024 data)- \$2,500,000
- Year 3 (Calendar Year 2025 data)- \$2,500,000

Payment Allocation Methodology

- All FQHCs/RHCs located in counties with a population less than 500,000 persons are eligible for the CHC OBGYN funding.
- The primary criteria being used to determine tiers is the Arizona Department of Health Services (ADHS) hospital birth data.
 - AHCCCS will use the most recent calendar year birth data at the time of payment calculation to determine FQHC/RHC qualifying tiers.
 - Hospital Assignment to the FQHC/RHC will be confirmed by AHCCCS when reporting template is submitted by the FQHC/RHC. The hospital used for determination of the tier shall represent the hospital that had the largest portion of the FQHC/RHC on-call hours for the reporting period.
- Tier 1: FQHC/RHC assigned hospital has 750 or less births in the reporting year.
 - A factor of 1.0 will be used in the payment calculation.
- Tier 2: FQHC/RHC assigned hospital has greater than 750 births in the reporting year.
 - A factor of 1.0 will be used in the payment calculation.
- CHCs will report unreimbursed costs as well as all received revenue for the associated on-call services per the reporting template provided by AHCCCS.
- **Methodology #1- Tier 1 CHCs are not fully funded**
 - The Total Payment Factor % = Hospital Tier % as described in the above section.
 - Maximum Unreimbursed Costs of On-Call OBGYN = Total Payment Factor % * Unreimbursed Costs of On-Call OBGYN.
 - Final OBGYN Payment = Maximum Unreimbursed Costs of On-Call OBGYN * (Total OBGYN Payment Allocation / Total Maximum Unreimbursed Costs of On-Call OBGYN).
 - The table below depicts the implementation of methodology #1.

| <u>Community Health Center</u> | <u>FQHC/RHC Tier</u> | <u>FQHC/RHC Tier Factor</u> | <u>Prelim. Unreimbursed Costs of On Call OBGYN</u> | <u>Maximum Unreimbursed Costs of On-Call OBGYN</u> | <u>Final OBGYN Payment</u> |
|--------------------------------|----------------------|-----------------------------|--|--|----------------------------|
| CHC #1 | 1 | 100% | \$3,000,000.00 | \$3,000,000.00 | \$2,027,027.03 |
| CHC #2 | 2 | 50% | \$400,000.00 | \$200,000.00 | \$135,135.14 |
| CHC #3 | 1 | 100% | \$300,000.00 | \$300,000.00 | \$202,702.70 |
| CHC #4 | 1 | 100% | \$200,000.00 | \$200,000.00 | \$135,135.14 |
| | | | \$3,900,000.00 | \$3,700,000.00 | \$2,500,000.00 |

- **Methodology #2- Tier 1 CHCs are fully funded**

- The calculation is implemented in the same manner as previously described in Methodology #1.
- No CHC can receive more than their reported unreimbursed costs of On-Call OBGYN services.
 - As a result, if methodology #1 produces payments in excess of the reported unreimbursed costs, AHCCCS will limit payment to the reported unreimbursed costs for Tier 1.
- Given the Tier 1 CHCs are fully reimbursed for their unreimbursed costs, any excess funding not allocated will be allocated to Tier 2 CHCs if there are additional unreimbursed costs reported. This may result in payment that is higher than what would have otherwise been allowed under Methodology #1.
- The table below depicts the implementation of methodology #2.

| <u>Community Health Center</u> | <u>FQHC/RHC Tier</u> | <u>FQHC/RHC Tier Factor</u> | <u>Prelim. Unreimbursed Costs of On Call OBGYN</u> | <u>Maximum Unreimbursed Costs of On-Call OBGYN</u> | <u>Preliminary OBGYN Payment</u> | <u>Final OBGYN Payment</u> |
|--------------------------------|----------------------|-----------------------------|--|--|----------------------------------|----------------------------|
| CHC #1 | 1 | 100% | \$2,050,000.00 | \$2,050,000.00 | \$2,123,721.87 | \$2,050,000.00 |
| CHC #2 | 2 | 50% | \$230,000.00 | \$115,000.00 | \$119,135.62 | \$195,000.00 |
| CHC #3 | 1 | 100% | \$125,000.00 | \$125,000.00 | \$129,495.24 | \$125,000.00 |
| CHC #4 | 1 | 100% | \$130,000.00 | \$130,000.00 | \$134,675.05 | \$130,000.00 |
| | | | \$2,535,000.00 | \$2,413,216.19 | \$2,500,000.00 | \$2,500,000.00 |