

Janice K. Brewer, Governor
Thomas J. Betlach, Director

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Our first care is your health care
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

March 18, 2013

Mark Wong
Centers for Medicare & Medicaid Services
Division of Medicaid & Children's Health Operations
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

Dear Mr. Wong:

Enclosed is Arizona State Plan Amendment (SPA) #13-002, effective October 1, 2012, which makes a technical correction to include the changes approved in SPA #11-017A to Attachment 4.19-A, page 8 in the State Plan. These updates were inadvertently not included when SPA #12-006A was approved.

If you have any questions about the enclosed SPA, please contact Theresa Gonzales at (602) 417-4732.

Sincerely,

A handwritten signature in black ink, appearing to read 'Monica Coury', is written over a light gray horizontal line.

Monica Coury
Assistant Director
Office of Intergovernmental Relations

Cc: Jessica Schubel
Cheryl Young

STATE OF ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

inflation factor. Accommodation costs were derived by multiplying the covered days on the claim/encounter times the accommodation cost per diems from the cost report.

e. Costed claims/encounters were then assigned to tiers using the logic specified above. For claims assigned to more than one tier, ancillary costs were allocated to the tiers in the same proportion as the accommodation costs.

f. All costs were reduced by an audit adjustment factor equal to four percent since cost reports were not audited.

2) **Inflation Factor:** For rates effective on and after October 1, 1999, AHCCCS shall inflate the operating component of the tiered per diem rates to the mid-point of the prospective rate year, using the DRI inflation factor. For rates effective October 1, 2010, no inflation factor will be applied.

Length of Stay (LOS) Adjustment: For rates effective October 1, 1999 through September 30, 2000, the operating component of the Maternity and Nursery tiers shall be adjusted to reflect changes in LOS as required by the federal mandate that allows women at least 48 hours of inpatient care for a normal vaginal delivery, and at least 96 hours of inpatient care for a cesarean section delivery, effective for dates of service on and after January 1, 1998. There shall be no LOS updates for any tiers for rates effective on or after October 1, 2000.

B. Direct Medical Education Component

Direct medical education includes nursing school education, intern and resident salaries, fringes and program costs and paramedical education.

1) For the service period July 1, 201~~10~~¹⁹ through June 30, 201~~24~~²³, the Administration shall distribute up to \$~~15,122,881~~^{18,613,351} as described in this paragraph to the following hospitals: [Banner Good Samaritan](#), Maricopa Medical Center, Phoenix Children's Hospital, [Scottsdale Healthcare Osborn](#), [Scottsdale Healthcare Shea](#), [Tucson Medical Center](#) and University Medical Center. In addition to the above amount, this pool also includes the payment amounts listed on page 9(g)(i) for other teaching hospitals. For dates of service on and after October 1, 1997 (FFY98), GME payment dollars will be separated from the tiered per diem rates to create an AHCCCS GME pool. For FFY98 and each year thereafter, the value of the GME pool will be based on the total GME payments made for claims and encounters in FFY96, inflated by the DRI inflation factor. On an annual basis GME pool funds will be distributed to each hospital with an approved GME program based on the percentage of the total FFY96 GME pool that each hospital's FFY96 GME payment represented. In

TN No. [12-006A13-002](#)

Supersedes

Approval Date: _____

Effective Date: October 1, 2012

TN No. [11-017A12-006A](#)