

September 27, 2022

Brian Zolynas  
Division of Medicaid and Children's Health Operations  
U.S. Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6707

**RE: Arizona SPA # AZ 22-0011, General Fund GME**

Dear Mr. Zolynas:

Enclosed is State Plan Amendment (SPA) # AZ 22-0011, General Fund Graduate Medical Education (GME). This SPA updates the amounts and methodology of the General Fund GME Program, with an effective date of September 30, 2022.

Tribal Consultation and Public Notice Requirements for this SPA have been fulfilled and the corresponding documentation is provided below:

Tribal Consultation:

<https://www.azahcccs.gov/AmericanIndians/Downloads/Consultations/Meetings/2022/August112022QuarterlyTC.pdf>

Public Notice: [https://www.azahcccs.gov/shared/Downloads/PublicNotices/GME\\_FY\\_23\\_NOPI.pdf](https://www.azahcccs.gov/shared/Downloads/PublicNotices/GME_FY_23_NOPI.pdf)

If there are any questions about the enclosed SPA, please contact Ruben Soliz at [ruben.soliz@azahcccs.gov](mailto:ruben.soliz@azahcccs.gov) or 602-417-4355.

Sincerely,



Dana Flannery  
Assistant Director  
Arizona Health Care Cost Containment System (AHCCCS)

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

**FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER <b>22 - 0011</b>	2. STATE <b>AZ</b>
3. PROGRAM IDENTIFICATION: TITLE <b>XIX</b> OF THE SOCIAL SECURITY ACT	
4. PROPOSED EFFECTIVE DATE <b>September 30, 2022</b>	
6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars) a. FFY <u>22</u> \$ <u>0</u> b. FFY: <u>23</u> \$ <u>0</u>	
8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)  Attachment 4.19-A Page 9h, 9(h)(i)	

TO: CENTER DIRECTOR  
CENTERS FOR MEDICAID & CHIP SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES


5. FEDERAL STATUTE/REGULATION CITATION  
42 CFR Part 447, Subpart C

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT  
  
Attachment 4.19-A  
Page 9h, 9(h)(i)

9. SUBJECT OF AMENDMENT  
Updates the State Plan to detail amounts and methodology related to the General Fund GME Program.

10. GOVERNOR'S REVIEW (Check One)

- GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS  
 SPECIFIED: COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

11. SIGNATURE OF STATE AGENCY OFFICIAL  


12. TYPED NAME  
Dana Flannery

13. TITLE  
Assistant Director

14. DATE SUBMITTED: September 27, 2022

15. RETURN TO  
Dana Flannery  
801 E. Jefferson St., MD # 4200  
Phoenix, AZ 85034

**FOR CMS USE ONLY**

16. DATE RECEIVED      17. DATE APPROVED

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL      19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL      21. TITLE OF APPROVING OFFICIAL

22. REMARKS

STATE OF ARIZONA  
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
INPATIENT HOSPITAL CARE

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G. For the period of July 1, 202~~21~~<sup>24</sup> to June 30, 202~~32~~<sup>35</sup>, the AHCCCS Administration shall distribute \$11,208,900 for hospitals located in counties with populations of five hundred thousand or more residents for new graduate medical education programs that began on or after July 1, 2020 or for positions that were expanded on or after July 1, 2020. These distributions are supplementary to and do not supplant the payments described in paragraphs B, C, D, and F above, with priority of the supplementary monies based on the number of residents and fellows in graduate medical education in the following manner:

- 1) Each eligible resident and fellow is placed into a tier with the following priority order:
  - a) Returning residents and fellows. A returning resident or fellow is a resident or fellow whose position received funding under this section for the previous academic year, and who is continuing in the same GME program.
  - b) Residents and fellows that are not a returning resident or fellow but are in a GME program for:
    - i) Family medicine
    - ii) Internal medicine
    - iii) General pediatrics
    - iv) Obstetrics and gynecology
    - v) Psychiatry, including subspecialties
    - vi) General surgery
  - c) Residents or fellows that are not returning residents or fellows and are not described in subsection (1)(b) but are in a GME program that received funding under this section in a prior year.
  - d) All other residents and fellows.

- ~~2) Residents and fellows in each tier are further divided into 4 sub-tiers with the following priority order based on the location of the participating hospital:
 
  - a) Hospitals in a county designated by the Health Resource and Services Administration of the U.S. Department of Health & Human Services as a health professional shortage area (HPSA) with a greater than 85% primary care shortage.
  - b) Hospitals in a county designated as a HPSA with a greater than 50% to 85% primary care shortage.
  - c) Hospitals in a county designated as a HPSA with a 25-50% primary care shortage.
  - d) Hospitals in a county designated as a HPSA with less than 25% primary care shortage.~~

- ~~3)2) \_\_\_\_\_~~ Funds shall be allocated based on the priority of each tier ~~and sub-tier~~. Distributions for eligible positions in a ~~sub-tier~~ with a lower priority will not receive a distribution until distributions are allocated for the costs of all positions in a higher ~~sub-tier~~. If funding is insufficient to fully fund a ~~sub-tier~~, the remainder of funds will be prorated for eligible positions within that ~~sub-tier~~, based on the amount computed for each hospital that would have been reimbursable for that ~~sub-tier~~ if full funding were available. Distribution is

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made for each ~~sub~~-tier, in priority order, ~~within a tier~~ before distribution to the next lower tier.

~~4~~3) \_\_\_\_\_ The amount of the distribution for each GME program for direct costs is calculated as the product of:

- a) The number of eligible residents and fellows adjusted for the number of months or partial months worked in each hospital or non-hospital setting under agreement between the non-hospital setting and the reporting hospitals; and
- b) The hospital's Arizona Medicaid utilization as determined in paragraph B(3) for the program year using the most recent as-filed Medicare cost report as proxy; and,
- c) The statewide average direct cost per resident determined in paragraph B(3) for the program year using the most recent as-filed Medicare cost reports as proxy.

~~5~~4) \_\_\_\_\_ If monies are still remaining after direct funding has been allocated, indirect funding shall be allocated based on the priority of each tier ~~and sub tier~~, consistent with (G)(3). The amount of the distribution for each GME program for indirect costs is calculated as the product of:

- a) The number of allocated eligible residents and fellows adjusted for the number of months or partial months worked in each hospital or non-hospital setting under agreement between the non-hospital setting and the reporting hospital; and
- b) The Medicaid-specific statewide average indirect cost per resident per month calculated in paragraph D for the program year using the most recent as-filed Medicare cost reports as proxy; and
- c) Twelve months.

~~6~~5) \_\_\_\_\_ To ensure that the program receives accurate funding, residents/fellows which receive funding first in paragraph G may additionally receive funding through paragraphs B, C, D, and F, but total number of residents/fellows funded shall not be greater than 100% of the total FTEs in that program.

~~7~~6) \_\_\_\_\_ Payments are made to participating hospitals based on the FTEs who worked at their hospitals per academic year.

H. For the period of July 1, 202~~2~~1 to June 30, 202~~3~~2, the AHCCCS Administration shall distribute \$2,586,443 for hospitals located in counties of less than five hundred thousand persons for graduate medical education for new programs that began or for positions that were expanded on or after July 1, 2020. These distributions are supplementary to and do not supplant the appropriated amounts prescribed in paragraphs B, C, D, and F and the supplementary distributions are to be made in the following order of priority based on the number of residents and fellows in graduate medical education in the following manner.

- 1) Each resident and fellow will be placed into a tier with the following priority order: