

## **Table of Contents**

**State/Territory Name: Arizona**

**State Plan Amendment (SPA) #: AZ-23-0014**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S3-14-28  
Baltimore, Maryland 21244-1850



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**Financial Management Group**

September 5, 2024

Carmen Heredia, Director  
Arizona Health Care Cost Containment System  
801 E. Jefferson  
Phoenix, AZ 85034

RE: Arizona State Plan Amendment Transmittal Number 23-0014

Dear Director Heredia:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Arizona state plan amendment (SPA) to Attachment 4.19-A AZ-23-0014, which was submitted to CMS on September 28, 2023. This plan amendment authorizes state fiscal year 2024 Graduate Medical Education payment pools for new programs or expanded positions that began on or after July 1, 2020.

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2), and 1923 of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of September 30, 2023. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Mark Wong at 415-744-3561 or via email at [mark.wong@cms.hhs.gov](mailto:mark.wong@cms.hhs.gov).

Sincerely,

A handwritten signature in cursive script that reads "Rory Howe".

Rory Howe  
Director

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER <b>23 — 0014</b>	2. STATE <b>AZ</b>
3. PROGRAM IDENTIFICATION: TITLE <b>19</b> OF THE SOCIAL SECURITY ACT	

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

4. PROPOSED EFFECTIVE DATE  
**September 30, 2023**

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

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)  
a. FFY ~~24~~**23** \$ ~~TBD~~ **2,881,156**  
b. FFY: ~~25~~**24** \$ ~~TBD~~ **8,011,342**

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


8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)  
  
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  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL  


12. TYPED NAME  
Alex Demyan

13. TITLE  
Assistant Director

14. DATE SUBMITTED: September 28, 2023

15. RETURN TO  
Alex Demyan  
801 E. Jefferson St., MD #4200  
Phoenix, AZ 85034

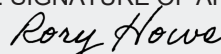
**FOR CMS USE ONLY**

16. DATE RECEIVED  
September 28, 2023

17. DATE APPROVED  
**September 5, 2024**

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL  
September 30, 2023

19. SIGNATURE OF APPROVING OFFICIAL  


20. TYPED NAME OF APPROVING OFFICIAL  
Rory Howe

21. TITLE OF APPROVING OFFICIAL  
Director, Financial Management Group

22. REMARKS  
  
**Pen-and-ink change made to Box 6 by CMS with state concurrence.**

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

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G. For the period of July 1, 2023 to June 30, 2024, the AHCCCS Administration shall distribute \$12,542,134 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) Funds shall be allocated based on the priority of each tier. Distributions for eligible positions in a tier with a lower priority will not receive a distribution until distributions are allocated for the costs of all positions in a higher tier. If funding is insufficient to fully fund a tier, the remainder of funds will be prorated for eligible positions within that tier, based on the amount computed for each hospital that would have been reimbursable for that tier if full funding were available. Distribution is made for each tier, in priority order, before distribution to the next lower tier.

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

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- 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.
- 4) If monies are still remaining after direct funding has been allocated, indirect funding shall be allocated based on the priority of each tier, consistent with (G)(2). 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.
- 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.
- 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, 2023 to June 30, 2024, the AHCCCS Administration shall distribute \$3,450,963 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: