

Hospital Assessment Workgroup – SFY 2021

March 20, 2020

SFY 2021 Assessment

- Federal rules create safe harbor from hold-harmless test if collections are 6.0% or less of net patient revenues
 - \$400M based on 2016 inpatient data
 - \$477M based on 2018 inpatient data
 - \$874M based on 2018 IP and OP data
- In order to remain within the 6.0% threshold, AHCCCS currently intends to:
 - Rebase the IP component using 2018 data
 - Establish an OP component using 2018 data
- Directed payments are not within current scope of this workgroup, but would have assessment implications

Rebase Guiding Principles

- Continue to calculate the assessment based on hospital discharges as reported on Medicare Cost Reports.
- Develop the quantitative details of the assessment through a thoughtful and transparent process that involves robust stakeholder participation and engagement.
 - Feedback may be provided at workgroup meetings or by submitting comments to HospitalAssessmentProject@azahcccs.gov.

Feedback Received - Enrollment

- AHCCCS is projecting significant population growth over the next 5 years despite the strong economy. Would like clarification on how these projections were calculated.
- All population forecasts are based on the AHCCCS budget proposal developed by the Division of Business and Finance and assume 2.0% growth in SFY 22 and forward, which is in line with overall population growth forecasts.
 - <https://www.azahcccs.gov/Resources/GovernmentalOversight/proposals.html>

Feedback Received – Capitation

- AHCCCS has also projected significant increases in cap rates over the next 5 years. Would find additional information on the data used to calculate these projections
- Capitation rate growth is assumed to be 4.0% in CYE 21 and forward.
 - Expansion State Adults up to 100% has averaged 6.2%.
 - Newly Eligible Adults up to 133% has averaged 6.6%.

Historical Capitation Rate Growth

	Average PMPM			
	ESA		NEA	
	PMPM	Y/Y Growth	PMPM	Y/Y Growth
FFY 14	\$ 450.95		\$ 292.90	
FFY 15	\$ 479.18	6.3%	\$ 305.96	4.5%
FFY 16	\$ 513.01	7.1%	\$ 367.02	20.0%
FFY 17	\$ 525.01	2.3%	\$ 387.10	5.5%
FFY 18	\$ 565.87	7.8%	\$ 344.28	-11.1%
FFY 19	\$ 618.54	9.3%	\$ 403.31	17.1%
FFY 20	\$ 647.22	4.6%	\$ 428.93	6.4%
Yr % Since '14		6.2%		6.6%
Yr % Since '16		6.0%		4.0%

1. Amounts are w/o APSI

CMS Office of the Actuary Forecast

Year	2021	2022	2023	2024	2025	2026	2027
Forecast	4.0%	5.0%	5.0%	5.0%	5.3%	6.0%	5.0%

- National Health Expenditures (NHE) projected average growth rate for Medicaid is an average of 5.0% for 2021-2027.
- <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected>

Feedback Received – Approach

- Requests that AHCCCS continue in its commitment to maintain an assessment methodology that protects coverage for the Medicaid Restoration and Expansion populations
- While also ensuring that the assessment is levied in a manner that is equitable, transparent and that does not negatively impact hospital systems in our urban and rural communities.

Feedback Received – Approach

- The assessment rate for urban, rural non-CAHs, and CAHs is currently uniform yet the challenges faced by these provider types is distinctly different.
- Requests adjustment to the unit threshold cap (currently 23,400) and the lower rates for pediatric-intensive and medium pediatric intensive hospitals which inadvertently results in cost shifting to other providers. The large increase in the assessment is widening the gap in the per discharge assessments by provider type.

Assessment Model Assumptions

- The IP / OP model presented today reflects the existing assessment structure, including thresholds, exemptions, and variable assessment rates.
- Key parameters for both the IP and OP models (such as rate differentials and exemptions) were determined to generally result in modeled fiscal impacts consistent with an IP-only assessment scenario.
- AHCCCS will evaluate options to address the relative/variable impacts by category of provider.

Additional Considerations

- Directed payment program proposal
- CMS Notice of Proposed Rulemaking (NPRM) for Medicaid Fiscal Accountability Regulation (MFAR)
 - Potential impacts to CMS approval of assessment
 - Current exemptions and variable rates may be scrutinized
 - For SFY 21 planning purposes, no immediate impacts anticipated, unless/until MFAR is implemented.
 - https://www.azahcccs.gov/shared/Downloads/News/2019/AHCCCSMFARSummary_200117.pdf
 - https://www.azahcccs.gov/shared/Downloads/News/2020/AHCCCS_MFAR_Response_01312020.pdf

Tentative Timeline

- Nov-Dec 2019 Analysis
- 1/8/20 First workgroup meeting
- Jan/Feb 2020 Analysis based on feedback
- 3/20/20 Second workgroup meeting
- 3/31/20 Assessment model feedback
- 4/23/20 Third workgroup
- 5/8/20 Model finalized
- May 2020 Post proposed rule
- June/July 2020 Post final rule
- 7/15/20 Invoices available for 8/15/20 payment
- 8/15/20 First SFY 21 payment due

Questions?