



August 5, 2010

Tom Betlach, Director  
Arizona Health Care Cost Containment System  
801 East Jefferson  
Phoenix, AZ 85034

Dear Director Betlach,

Thank you for the opportunity to comment on the Arizona Healthcare Care Cost Containment System (AHCCCS) rebase of the Outpatient Fee Schedule. The rebase and unprecedented fiscal crisis facing the State of Arizona give AHCCCS the opportunity to address the peer group modifiers that are no longer necessary and add to the rising AHCCCS costs for the State. Specifically, the 113 percent adjustment for a freestanding children's hospital that has at least 110 pediatric beds (A.A.C. R9-22-712.35) is outdated and exorbitant.

AHCCCS has historically served as a model for the efficient and effective use of resources in the delivery of health care to those in need. The rebase of the Outpatient Fee Schedule should reward efficiency and quality rather than carve out special reimbursement for a single hospital. The availability of pediatric services has grown throughout Arizona since the fee schedule was first established in 2004. Many of the services that were only offered at a freestanding children's hospital are now offered at community hospitals throughout the Valley, including Scottsdale Healthcare. To ensure access to care for all AHCCCS patients at any hospital, rates should be equitable and manageable. For the State to pay more than double the amount for an outpatient service at one single hospital than it would at any of the other dozens of hospitals that offer outpatient pediatric services is unjust and unnecessary.

We understand that freestanding children's hospitals argue they cannot cost shift to adult populations like other hospitals, but all hospitals whether they serve a large number of AHCCCS patients or Medicare patients, enjoy a similar government payer mix of 50%+. All hospitals are paid well below cost by these same government programs and are forced to make it up elsewhere. A comparison of profit margins in recent years amongst leading Valley hospitals undermines any claim that the ability of a free standing children's hospital to cost shift is limited.

Mr. Betlach, your agency has done an incredible job in the last four years of managing significant budget cuts while still providing core services to an ever increasing number of Arizonans. The recently passed federal health care reform bill is going to further stretch the ability of AHCCCS to maintain an effective provider network while reducing costs. As AHCCCS rebases its outpatient fee schedule, I strongly urge the AHCCCS Administration to establish a fee schedule that is equitable to all pediatric providers and rewards quality and efficiency. No longer can the State afford special carve outs at the expense of all tax payers especially when the free market is prepared to handle the pediatric needs of our community.

Sincerely,

Tom Sadvary  
President & CEO  
Scottsdale Healthcare

cc: Shelli Silver  
Beth Kohler Lazare