

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
San Francisco Regional Office  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6706



**DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS**

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March 23, 2017

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

Dear Mr. Betlach:

We have reviewed the proposed State Plan Amendment (SPA) 16-010-B, which was submitted to the Centers for Medicare & Medicaid Services (CMS) San Francisco Regional Office on December 30, 2016. This SPA updates the rates for outpatient hospital services.

Based on the information provided, we are approving SPA 16-010-B with an effective date of October 1, 2016 as requested. We are enclosing the approved Form CMS-179 and the following Medicaid State Plan pages:

- Attachment 4.19-B, Page 1
- Attachment 4.19-B, Page 1(a)

If you have any additional questions or need further assistance, please contact Brian Zolynas at (415) 744-3601 or [Brian.Zolynas@cms.hhs.gov](mailto:Brian.Zolynas@cms.hhs.gov).



Sincerely,

A handwritten signature in black ink that reads "Henrietta Sam-Louie". The signature is written in a cursive, flowing style.

Henrietta Sam-Louie  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

Enclosure:

cc: Jessica Woodard

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>  <b>FOR: Centers for Medicare and Medicaid Services</b>		1. TRANSMITTAL NUMBER: 16-010-B	2. STATE Arizona
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE October 1, 2016	
5. TYPE OF PLAN MATERIAL ( <i>Check One</i> ):  <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT ( <i>Separate Transmittal for each amendment</i> )			
6. FEDERAL STATUTE/REGULATION CITATION:  42 CFR Part 447		7. FEDERAL BUDGET IMPACT:  FFY 17: \$10,900 FFY 18: \$0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  Att. 4.19-B, page 1 and Att. 4.19-B, page 1(a)		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ):  Same	
10. SUBJECT OF AMENDMENT:  Updates the State Plan to make changes to outpatient hospital rates			
11. GOVERNOR'S REVIEW ( <i>Check One</i> ): <input checked="" type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL:  		16. RETURN TO:  Beth Kohler 801 E. Jefferson, MD#4200 Phoenix, Arizona 85034	
13. TYPED NAME: Beth Kohler			
14. TITLE: Deputy Director			
15. DATE SUBMITTED: December 30, 2016			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED: December 30, 2016		18. DATE APPROVED: March 23, 2017	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: October 1, 2016		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: Henrietta Sam-Louie		22. TITLE: Associate Regional Administrator Division of Medicaid and Children's Health Operations	
23. REMARKS: Pen-and-ink changes to Box 8			

State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES

OTHER TYPES OF CARE

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The following is a description of methods and standards for determining payment rates for specific services when payments are made directly to providers. Fee-for-services payments are made in accordance with the Arizona Health Care Cost Containment System Fee-For-Service Provider Manual and are subject to the limitations set forth in Attachment 3.1-A of the State Plan. State developed fee schedule rates are the same for both governmental and non-governmental providers, unless otherwise noted on the reimbursement pages. AHCCCS rates were set as of October 1, 2016, and are effective for dates of service on or after that date. AHCCCS rates are published on the agency's website at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/> and apply to the following services: Outpatient Hospital; Laboratory; Pharmacy; Hospice; Clinic Services, including Freestanding Ambulatory Surgery Centers and Freestanding Dialysis Centers; Migrant Health Center, Community Health Center and Homeless Health Center Services, Home Health Services, including Durable Medical Equipment, Supplies and Prosthetic Devices; Diagnostic, Screening and Preventive Services; EPSDT Services; Freestanding Birth Centers; Behavioral Health; Family Planning; Physician; Nurse-Midwife; Pediatric and Family Nurse Practitioner; Other Licensed Practitioner; Dental; Vision; Respiratory Care; Transportation; Private Duty Nurse; Other Practitioners; Physical Therapy; Occupational Therapy; Services for individuals with speech, hearing and language disorders; Prosthetic devices; Screening; Preventative; Rehabilitation.

• **Outpatient Hospital Services**

From July 1, 2004 through June 30, 2005, AHCCCS shall reimburse a hospital by applying a hospital-specific outpatient cost-to-charge ratio to covered charges. If the hospital increases its charges for outpatient services filed with the Arizona Department of Health Services by more than 4.7 per cent for dates of service effective on or after July 7, 2004, the hospital-specific cost-to-charge ratio will be reduced by the amount that it exceeds 4.7 per cent. If charges exceed 4.7 per cent, the effective date of the increased charges will be the effective date of the adjusted AHCCCS cost-to-charge ratio.

For dates of service beginning July 1, 2005, AHCCCS shall reimburse hospitals for outpatient acute care hospital services from a prospective fee schedule, by procedure code, established by AHCCCS. Hospitals with similar characteristics (peer groups) such as: rural/CAH designation, bed size, pediatric emphasis, special needs hospitals, public ownership, GME programs or Level I Trauma Centers, may be paid percentage adjustments above the fee schedule amount not to exceed the total payments received under comparable circumstances pursuant to Medicare upper limits. Rural hospitals, defined as hospitals in Arizona, but outside Maricopa and Pima counties, may be paid an adjustment above the fee schedule amount not to exceed the total payments received under comparable circumstances pursuant to Medicare upper limits.

Services that do not have an established fee specified by the AHCCCS' outpatient hospital prospective fee schedule will be paid by multiplying the charges for the service by a statewide outpatient cost-to-charge ratio. For dates of service July 1, 2005 through September 30, 2011, the statewide outpatient cost-to-charge ratio is computed from hospitals' 2002 Medicare Cost Reports.

For dates of service beginning October 1, 2011, the statewide cost-to-charge ratio calculation shall equal either the CMS Medicare Outpatient Urban or the CMS Medicare Outpatient Rural Cost to Charge Ratio for Arizona. The urban cost-to-charge ratio will be used for hospitals located in a county of 500,000 residents or more and for out-of-state hospitals. The rural cost-to-charge ratio will be used for hospitals located in a county of fewer than 500,000 residents.

Hospitals shall not be reimbursed for emergency room treatment, observation hours, or other outpatient hospital services performed on an outpatient basis, if the eligible person is admitted as an inpatient to the same hospital directly from the emergency room, observation or other outpatient department. The emergency room, observation, and other outpatient hospital services provided before the admission are included in the inpatient reimbursement.

Outpatient hospital payments shall be subject to the quick pay discounts and the slow pay penalties described in Attachment 4.19-A.

Rebase

AHCCCS will rebase the outpatient hospital fee schedule every five years.

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TN No. 16-010B

Supersedes

TN No. 15-005B

Approval Date: March 23, 2017

Effective Date: October 1, 2016

State: ARIZONA  
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
OTHER TYPES OF CARE

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Rate Updates

Notwithstanding the methods and rates as otherwise described, for claims with dates of service between April 1, 2011 and September 30, 2011, all payments for outpatient hospital services will be reduced by 5% of the payment that would otherwise have been made under the methodology in effect as of October 1, 2010, as described above.

For claims with dates of service effective from October 1, 2011 to September 30, 2015, all payments for outpatient hospital services will be reduced by 5% under the methodology in effect as of October 1, 2011. For claims with dates of service effective October 1, 2015 to September 30, 2016, all payments for outpatient hospital services will be made using the methodology in effect as of September 30, 2015 resulting in a year to year 0% aggregate impact on Outpatient Hospital Rates. For claims with dates of service effective on or after October 1, 2016, outpatient hospital services will be made according to the AHCCCS fee schedule located on the AHCCCS website at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/>. These fees were updated October 1, 2016 for a 0% aggregate impact.