

December 12, 2017

Mark Wong
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 #17-015, Inpatient Differential Adjusted Payments

Dear Mr. Wong:

Enclosed is State Plan Amendment (SPA) #17-015, Inpatient Differential Adjusted Payments, which revises the State Plan to create implement differential adjusted payments for inpatient providers, effective October 1, 2017.

If you have any questions about the enclosed SPA, please contact Kyle Sawyer at (602) 417-4211.

Sincerely,



Elizabeth Lorenz
Assistant Director
Arizona Health Care Cost Containment System (AHCCCS)

cc: Jessica Woodard, CMS
Brian Zolynas, CMS

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

Section XI – Inpatient ~~Value Based Purchasing~~ Differential Adjusted Payment

A. Overview:

As of October 1, 2017 through September 30, 2018 (Contract Year Ending (CYE) 2018), AHCCCS-registered Arizona hospitals and other inpatient facilities (other than the ~~hospitals-facilities~~ described in section C. below) which meet Agency established value based performance metrics requirements in section B. below will receive a ~~Value Based Purchasing (VBP)~~ Differential Adjusted Payment described in section D. below. The ~~VBP~~-Differential Adjusted Payment Schedule represents a positive adjustment to the AHCCCS Fee-For-Service rates. These payment adjustments will occur for all dates of discharge in CYE 2018 only. The purpose of the ~~VBP~~-Differential Adjusted Payment is to distinguish facilities which have committed to supporting designated actions that improve patients' care experience, improve members' health, and reduce cost of care growth.

B. Applicability

To qualify for the Inpatient ~~VBP~~-Differential Adjusted Payment, a hospital providing inpatient hospital services must meet one of the following criteria:

- a. Hospitals receiving APR-DRG reimbursement must have executed an agreement with a qualifying health information exchange organization prior to May 15, 2017 and electronically submit laboratory, radiology, transcription, and medication information, plus admission, discharge, and transfer information (including data from the hospital emergency department) to a qualifying health information exchange organization
- b. Other hospitals and inpatient facilities must have executed an agreement with and electronically submitted admission, discharge, and transfer information, as well as data from the facility's emergency department if appropriate, to a qualifying health information exchange organization. Facilities must have an executed agreement and initiate activity with the state's HIE by May 15, 2017 to meet this October 1, 2017 deadline. Additionally, the Network will conduct a readiness assessment of all interested facilities and will determine, based on the results of the assessment, whether or not the facility is approved to proceed with connectivity and meeting the program deadlines.
- a. ~~Must be an AHCCCS registered Arizona hospital; or a high volume out of state hospital as defined at AACR9-22-712.64(C) with AHCCCS payments exceeding \$5 million in CYE 2014;~~
- b. ~~By June 1, 2016, the hospital must have executed an agreement with and electronically submitted admission, discharge, and transfer information, as well as data from the hospital emergency department, to a qualifying health information exchange organization; and~~
- c. ~~CMS must have approved the hospital's attestation demonstrating meaningful use as described in 42 CFR 495.22 during an electronic health record reporting period in 2015; or, received its fourth year incentive payment prior to 2016; or, for a children's hospital that does not participate in the Medicare electronic health record incentive program, the AHCCCS Administration must have approved the hospital's Medicaid attestation demonstrating meaningful use as described in 42 CFR 495.22 during an electronic health record reporting period in 2015.~~

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TN No. 16-012-A17-015

Supersedes _____ Approval Date: _____

Effective Date: October 1, 2017

TN No. ~~NA16-012-A~~

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C. Exemptions:

IHS and 638 tribally owned and/or operated facilities, including hospital and nursing facilities are exempt from this initiative based on payments primarily at the federally-mandated all-inclusive rate.

D. Payment Methodology

For ~~hospitals and inpatients facilities meeting the above qualifications, all payments for inpatient and outpatient services will be increased by 0.5% inpatient services with the date of discharge from October 1, 2016 through September 30, 2017, the Inpatient VBP Differential Adjusted Payment is the sum of the final DRG base payment and the final DRG outlier add on payment, as described in Section VIII paragraph M, multiplied by 0.5%.~~

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