DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850

Financial Management Group

December 3, 2021

Jami Snyder, Director
Arizona Health Care Cost Containment System
801 E. Jefferson
Phoenix, AZ 85034

RE: Arizona SPA 19-0010

Dear Ms. Snyder:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 19-0010. This amendment, effective September 30, 2019, provides new Graduate Medical Education payment pools for new programs or expanded positions that began on or after July 1, 2019.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. This is to inform you that Medicaid State plan amendment TN 19-0010 is approved effective September 30, 2019. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please contact Mark Wong at (415) 744-3561 or mark.wong@cms.hhs.gov.

Sincerely,

Francis T. McCullough

For
Rory Howe
Director

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER
1 9 — 0 1 0

2. STATE
Arizona

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE & MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
~~July 1, 2019~~ September 30, 2019

5. TYPE OF PLAN MATERIAL *(Check One)*

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☑ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447

7. FEDERAL BUDGET IMPACT
a. FFY ~~2020~~ 2019 $ ~~TBD~~ 771,300
b. FFY ~~2021~~ 2020 $ ~~TBD~~ 2,457,700

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-A
~~Page 9(g)(iii)~~ Pages
9(h), 9(h)(i), 9(h)(ii), 9(h)(iii), and 9(h)(iv)

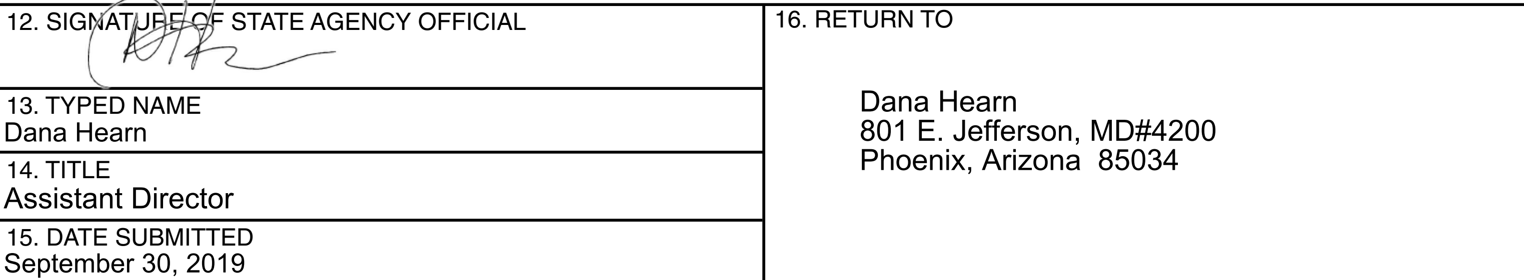
9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
~~N/A~~ Page 9(h)

10. SUBJECT OF AMENDMENT

Updates the State Plan to detail amounts and methodology related to the GME program General Fund dollars approved by the Arizona State Legislature.

11. 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



12. SIGNATURE OF STATE AGENCY OFFICIAL

13. TYPED NAME
Dana Hearn

14. TITLE
Assistant Director

15. DATE SUBMITTED
September 30, 2019

16. RETURN TO

Dana Hearn
801 E. Jefferson, MD#4200
Phoenix, Arizona 85034

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED
September 30, 2019

18. DATE APPROVED
December 3, 2021

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL
September 30, 2019

20. SIGNATURE OF REGIONAL OFFICIAL
Francis T. McCullough For

21. TYPED NAME
Rory Howe

22. TITLE
Director, Financial Management Group

23. REMARKS

Pen-and-ink changes made to Boxes 4, 7, 8 and 9 by CMS with state concurrence.

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G. For the period of July 1, 2019 to June 30, 2020, the AHCCCS Administration shall distribute $4,419,300 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, 2019 or for positions that were expanded on or after July 1, 2019 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) Residents and fellows in each tier are further divided into 4 sub-tiers with the following priority order based on the location of the participating hospital:
   a) Hospitals in a county designated by the Health Resource and Services Administration of the U.S. Department of Health & Human Services as a health professional shortage area (HPSA) with a greater than 85% primary care shortage.
   b) Hospitals in a county designated as a HPSA with a greater than 50% to 85% primary care shortage.
   c) Hospitals in a county designated as a HPSA with a 25-50% primary care shortage.
   d) Hospitals in a county designated as a HPSA with less than 25% primary care shortage.

3) Funds shall be allocated based on the priority of each tier and sub-tier. Distributions for eligible positions in a sub-tier with a lower priority will not receive a distribution until distributions are allocated for the costs of all positions in a higher sub-tier. If funding is insufficient to fully fund a sub-tier, the remainder of funds will be prorated for eligible positions within that sub-tier, based on the amount computed for each hospital that would have been reimbursable for that sub-tier if full funding were available. Distribution is

made for each sub-tier, in priority order, within a tier before distribution to the next lower tier.

4) 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.

5) If monies are still remaining after direct funding has been allocated, indirect funding shall be allocated based on the priority of each tier and sub-tier, consistent with (G)(3). 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.

6) 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.

7) 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, 2019 to June 30, 2020, the AHCCCS Administration shall distribute $0 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, 2019. 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:

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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 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 Family Medicine, Internal Medicine, General Pediatrics, Obstetrics and Gynecology, Psychiatry including Subspecialties, and 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) Residents and fellows in the tiers described in 1(a) through 1(d) are further divided into 4 sub-tiers with the following priority order based on the location of the participating hospital:
   a) Hospitals in a county designated by the Health Resource and Services Administration of the U.S. Department of Health & Human Services as a HPSA with a greater than 85% primary care shortage
   b) Hospitals in a county designated as a HPSA with a greater than 50% to 85% primary care shortage.
   c) Hospitals in a county designated as a HPSA with a 25-50% primary care shortage.
   d) Hospitals in a county designated as a HPSA with a less than 25% primary care shortage.

3) Funds shall be allocated based on the priority of each tier and sub-tier. Distributions for eligible positions in a sub-tier with a lower priority will not receive a distribution until distributions are allocated for the costs of all positions in a higher sub-tier. If funding is insufficient to fully fund a sub-tier, the remainder of funds will be pro-rated for eligible positions within that sub-tier, based on the amount computed for each hospital that would have been reimbursable for that sub-tier if full funding were available. Distribution is made for each sub-tier, in priority order, within a tier before distribution to the next lower tier.
   a) Distributions for eligible positions in a sub-tier with a lower priority will not receive a distribution until distributions are allocated for the direct and indirect costs of all positions in a higher sub-tier.
   b) Distributions are made for each sub-tier, in priority order, within a tier before distribution to the next lower tier.

4) For the specific purpose of the direct GME costs in this paragraph (H), each hospital will separately report actual direct costs per resident per academic year for the qualifying new programs and positions, following the same principles in the MCRs associated with existing graduate medical education programs. The recognized costs

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will only be for the participating hospital's FTEs in the new programs and positions qualifying under paragraph (H). Such costs will be further apportioned to Medicaid using the actual Medicaid utilization ratio (Medicaid inpatient days divided by total inpatient days) for the program year. AHCCCS may adjust the reported costs to be consistent with applicable Medicare cost principles.

5) 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;
   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.

6) To ensure that the program receives accurate funding, residents/fellows who receive funding first in paragraph H 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.

7) Payments are made to participating hospitals based on the FTEs who worked at their hospitals per academic year.

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I. Capital Component

Hospitals shall receive payment to compensate for capital costs associated with treating AHCCCS members. The capital component is a blend of hospital-specific and statewide costs, as defined below.

1) Calculation of Capital Costs: Capital costs for each hospital are identified through a claim costing process using accommodation cost per diems and cost-to-charge ratios in a manner similar to that described for operating costs. Costs identified using ratios and per diems which include only operating are subtracted from costs identified using ratios and per diems which include capital as well as operating. The result is capital cost per claim which is summed across claims for each hospital and divided by covered days. The statewide average is calculated based on capital costs across all claims divided by covered days across claims.

2) Blend Capital reimbursement represents a blend of statewide and individual hospital costs. For rates effective on and after October 1, 1999, the capital component shall be frozen at the 40% hospital-specific/60% statewide blend in effect on January 1, 1999.

PROSPECTIVE RATE YEAR	HOSPITAL SPECIFIC	STATEWIDE
1 (3/1/93-9/30/94)	90%	10%
2 (10/1/94-9/30/95)	80%	20%
3 (10/1/95-9/30/96)	70%	30%
4 (10/1/96-9/30/97)	60%	40%