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State/Territory Name: AZ

State Plan Amendment (SPA) #: 24-0020

This file contains the following documents in the order

- listed:
- 1) Approval Letter
 - 2) CMS 179 Form/Summary Form (with 179-like data)
 - 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
230 South Dearborn Street
Chicago, Illinois 60604



Financial Management Group

January 6, 2025

Carmen Heredia, Director
Arizona Health Care Cost Containment System
801 East Jefferson Street
Phoenix, AZ 85034

RE: TN AZ-24-0020

Dear Director Heredia:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Arizona state plan amendment (SPA) to Attachment 4.19-B AZ-24-0020, which was submitted to CMS on November 25, 2024. This plan amendment updates Outpatient Hospital service rates.

We reviewed your SPA submission for compliance with statutory requirements including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2), of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the State, we have approved the amendment with an effective date of October 1, 2024. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Blake Holt at 303-844-6218 or blake.holt@cms.hhs.gov.

Sincerely,

Todd McMillion

Todd McMillion
Director
Division of Reimbursement Review

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER 24 — 0020	2. STATE AZ
3. PROGRAM IDENTIFICATION: TITLE 19 OF THE SOCIAL SECURITY ACT	

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
October 1, 2024

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY: **2025** \$ **0**
b. FFY: **2026** \$ **0**

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B: page 1, page 1(a)

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)


Attachment 4.19-B: page 1, page 1(a)

9. SUBJECT OF AMENDMENT
Updates the state plan Outpatient Hospital rates, effective October 1, 2024.

10. 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:

11. SIGNATURE OF STATE AGENCY OFFICIAL


12. TYPED NAME
Kyle Sawyer

13. TITLE
Assistant Director, Public Policy and Strategic Planning

14. DATE SUBMITTED: November 25, 2024

15. RETURN TO
Kyle Sawyer
801 E. Jefferson St., MD #4200
Phoenix, AZ 85034


FOR CMS USE ONLY

16. DATE RECEIVED
November 25, 2024

17. DATE APPROVED
January 6, 2024

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
October 1, 2024

19. SIGNATURE OF APPROVING OFFICIAL


20. TYPED NAME OF APPROVING OFFICIAL
Todd McMillion

21. TITLE OF APPROVING OFFICIAL
Director, Division of Reimbursement Review

22. REMARKS

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

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 are effective for dates of service on or after October 1, 2024. AHCCCS rates are published on the agency's website at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/> and apply to the following services: 1) Outpatient Hospital; 2) Laboratory; 3) Pharmacy; 4) Hospice; 5) Clinic Services, including Freestanding Ambulatory Surgery Centers and Freestanding Dialysis Centers; 6) Migrant Health Center, Community Health Center and Homeless Health Center Services, Home Health Services, including Durable Medical Equipment, Supplies and Prosthetic Devices; 7) Diagnostic, Screening and Preventive Services; 8) EPSDT Services; 9) Freestanding Birth Centers; 10) Behavioral Health; 11) Family Planning; 12) Physician; 13) Nurse-Midwife; 14) Pediatric and Family Nurse Practitioner; 15) Other Licensed Practitioner; 16) Dental; 17) Vision; 18) Respiratory Care; 19) Transportation; 20) Private Duty Nurse; 21) Other Practitioners; 22) Physical Therapy; 23) Occupational Therapy; 24) Services for individuals with speech, hearing and language disorders; 25) Prosthetic devices; 26) Screening; 27) Preventative; 28) 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.

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

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, 2024, 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 for services on or after October 1, 2024 for a 0% aggregate impact.

Effective for dates of service September 1, 2020 through September 30, 2020, AHCCCS is implementing a 10% rate increase to the FFS fee schedules identified above for in office vaccination codes, and administration codes related to influenza.