

**Arizona Health Care Cost Containment System
Medicaid Section 1115 Demonstration Amendment Request
Safety Net Care Pool Expansion**

I. Summary

The Arizona Health Care Cost Containment System (AHCCCS) is requesting an amendment to the Section 1115 Research and Demonstration Waiver (the Demonstration) with respect to the Safety Net Care Pool (SNCP) originally approved in 2012.

Building on the successful operation of the SNCP program, in April 2013 CMS approved an expansion of the pool to Phoenix-area hospitals with high uncompensated care burdens. AHCCCS requests similar expansions for hospitals in the Cities of Mesa, Tucson, Casa Grande and Globe to address their high uncompensated care burdens. Because these new city expansions are modeled after the CMS-approved amendment for Phoenix-area hospitals, AHCCCS believes that CMS' review of this proposal can be streamlined and straightforward. The proposal will be funded by the Cities of Mesa, Tucson, Casa Grande and Globe through intergovernmental transfers (IGTs) financed by locally-imposed provider assessments on hospitals within the respective city limits. The assessments have been structured by each individual City and no City is seeking to exempt any hospitals, so no waiver of provider assessment requirements is requested.

II. Amendments to the Safety Net Care Pool

Provider-Assessment Funded SNCP

The State proposes to expand the provider-assessment funded SNCP to hospitals in the Cities of Mesa, Tucson, Casa Grande and Globe also experiencing increased uncompensated care costs, and their affiliated physician professionals. The aggregate amount of SNCP payments to the "Safety Net Hospital Systems" originally identified in the waiver cannot exceed \$332 million per demonstration year, and the aggregate amount of SNCP payments to providers in Phoenix cannot exceed \$385 million per demonstration year. The State proposes to add to the SNCP an additional amount for payments not to exceed: \$97 million per demonstration year that would be directed to the new category of eligible Mesa hospitals; \$135 million per demonstration year that would be directed to the new category of eligible Tucson hospitals; \$16 million per demonstration year that would be directed to the new category of eligible Casa Grande hospitals; and \$3 million per demonstration year that would be directed to the new category of eligible Globe hospitals.

SNCP payments to the hospitals located within these four cities would be subject to all existing SNCP requirements, including the existing CMS-approved claiming protocol contained in Attachment I to the Demonstration Special Terms and Conditions (STCs) and the requirement that

the annual SNCP payment distributed to each provider, in combination with all other AHCCCS payments received, not exceed its uncompensated care costs for providing medical services to Medicaid-eligible and uninsured individuals for the period.

The following eligible providers would be added as Sections F, G, H and I respectively, to Attachment J of the waiver:

City of Mesa:

- Banner Desert Medical Center
- Banner Baywood Medical Center
- Banner Baywood Heart Hospital
- Mountain Vista Medical Center

City of Tucson:

- Tucson Medical Center
- Carondelet St. Mary's Hospital
- Carondelet St. Joseph's Hospital
- The University of Arizona Medical Center - University Campus
- The University of Arizona Medical Center - South Campus

City of Casa Grande:

- Casa Grande Regional Medical Center

City of Globe:

- Cobre Valley Community Hospital

The University of Arizona Medical Center hospitals are also among the category of "Safety Net Hospital Systems" that are eligible for SNCP payments, funded through IGTs from governmental providers or governmental funding partners, under the original SNCP amendment. Payments to these hospitals would be handled as approved by CMS for the Phoenix Children's Hospital, which is eligible for SNCP payments as a "Safety Net Hospital System" and as a Phoenix hospital. Additionally, Cobre Valley Community Hospital is also seeking approval to be considered under the category of "Safety Net Hospital Systems" that are eligible for SNCP payments, funded through IGTs from governmental providers or governmental funding partners, under the original SNCP amendment. Under no circumstances would the University of Arizona Medical Center or Cobre Valley hospitals be paid more than their respective uncompensated cost limits.

Original SNCP Funded through Contributions from Political Subdivisions

Finally, the amendment request seeks to add three rural hospitals to the list of SNCP participating hospitals in Section A of Attachment J. Those hospitals are: Cobre Valley Community Hospital, Benson

Hospital and La Paz Regional Hospital. Their participation is funded through contributions by political subdivisions: City of Globe; San Pedro Valley Hospital District; and La Paz County Hospital District, respectively.

III. City Provider Assessments

To support the Cities of Mesa, Tucson, Casa Grande and Globe in funding the non-federal share of SNCP payments to their eligible hospitals as uncompensated care increases, payments will be funded using revenues from a hospital assessment levied by each City and transferred to AHCCCS. AHCCCS and each of the Cities will enter into an intergovernmental agreement specifying the terms of the transfer and payment.

Each City has structured an assessment to meet the needs of the hospitals located within their jurisdiction. The State will submit each assessment model to the CMS Financial Management Group for review. The City of Mesa assessment will be levied at a uniform rate of \$461.91 per inpatient discharge. The Tucson assessment will be levied at a uniform rate of 0.89 percent of each hospital's gross patient revenues. The City of Casa Grande assessment will be levied at a uniform rate of 3.0 percent of the "inpatient patient revenue". The City of Globe assessment will be levied uniformly at a flat fee of \$1.0 million. There will be no exemptions from provider assessments in any participating city; all hospitals within each jurisdiction will be assessed. Thus, AHCCCS is not requesting a waiver of any provider assessment requirements.

The provider assessments will be implemented upon CMS's approval of this amendment.