



Hospital Assessment/HEALTHII Workgroup

March 8, 2023

Hospital Assessment Fund (HAF) Assessment

- Established under Laws 2013, Chapter 10, expanded/restored Medicaid coverage
 - Prop 204 Expansion State Adults (ESA) up to 100% FPL
 - Prop 204 TANF Parents up to 100% FPL
 - Newly Eligible Adults (NEA) up to 133% FPL
- Funds state share of physical health costs of expanded populations, not otherwise paid for by tobacco funding
- Following implementation, hospital-reported uncompensated care decreased by -52% (\$460M) between FYE 2013 and FYE 2015 ([2016 Report on Uncompensated Hospital Costs and Hospital Profitability](#))

Health Care Investment Fund (HCIF) Assessment

- Laws 2020, Chapter 46 established a second hospital assessment beginning 10/1/2020. The assessment is used to:
 - Make directed payments to hospitals that supplement the base reimbursement level for hospitals services for AHCCCS recipients
 - Increase base reimbursement rates for the dental and physician fee schedules to rates in effect before Great Recession
 - Limits the portion of the assessment that can be used for this purpose to the lesser of \$70.5M or 20% of the total assessment
 - Fund non-federal share of the costs for administrative expenses incurred by the administration or its agents.

Assessment Implementation

- Based on Arizona IP discharges and OP net patient revenues
- Exempts certain types of hospitals or assesses some at lower rates
- HAF payments are due to AHCCCS on the 15th of the second month of each quarter (Feb 15, May 15, Aug 15, Nov 15)
- HCIF payments are due to AHCCCS on the 10th of the second month of each quarter (Feb 10, May 10, Aug 10, Nov 10)
- Late payment of assessments by a single hospital can delay HEALTHII payments to all hospitals
 - Per Arizona Revised Statute (A.R.S.), failure to comply may ultimately result in loss of the hospital's AHCCCS provider agreement and ADHS license.

HEALTHII Payments

- Hospital Enhanced Access Leading To Health Improvements Initiative (HEALTHII) payments are quarterly directed payments to hospitals
- Over \$1.9B in total payments to be made in FFY 2023, reflecting a net benefit of over \$1.4B above HCIF assessments
- 438.6(c) directed payment initiative
 - Payments made directly to MCOs and MCOs make payments to hospitals
 - Must receive annual CMS approval
 - Must include quality metrics to prove furthering agency's quality strategy
- Health Care-Related Taxes & Hold Harmless Arrangement – [CMS Guidance](#)
- HEALTHII is 1 of 5 payment programs nationally that will be included in an upcoming federal GAO review

Public Health Emergency (PHE)

- The Families First Coronavirus Response Act (FFCRA)
 - Temporarily increased the federal medical assistance percentage (FMAP) during the public health emergency (PHE)
 - States are required to implement a Medicaid continuous coverage guarantee
- Arizona's Base FMAP increased 6.2% since January 2020.
 - Did not impact the 90% FMAP for ESA and NEA populations funded by HAF
- Enrollment grew by 637K (34%) from 3/1/20 to 2/1/23, including growth of 299k (55%) in the HAF-funded populations

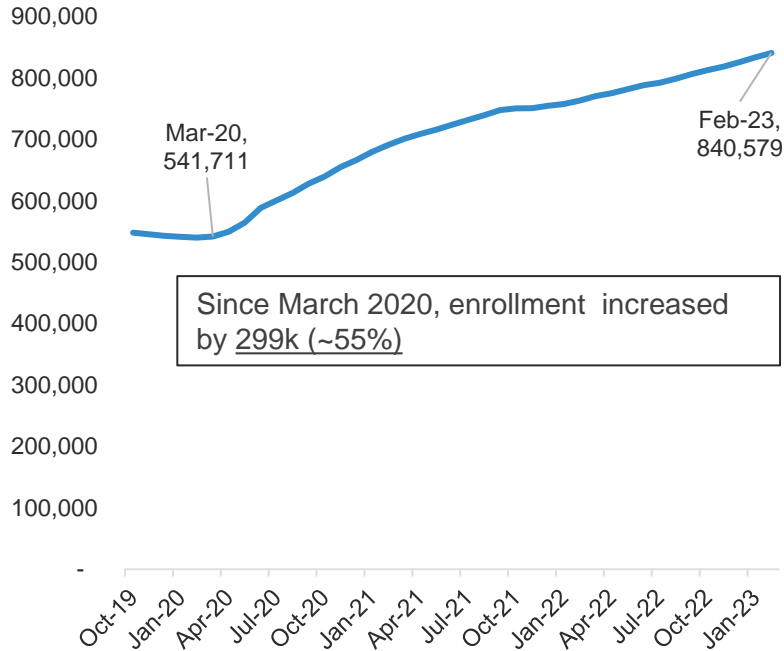
Unwinding the PHE

- Federal PHE declarations will officially end on May 11, 2023
- Consolidated Appropriations Act, 2023 decouples prior FMAP and enrollment requirements from PHE timing
 - Ends the Medicaid continuous coverage guarantee after March 31, 2023
 - Gradually phases down the PHE FMAP enhancement from FFY 23 Q3 - FFY 24 Q1
- AHCCCS Implications
 - Disenrolling ineligible members over 12 months (April 2023 – March 2024)
 - No PHE FMAP enhancement available beginning January 2024
 - Per member acuity/cost of remaining members may increase

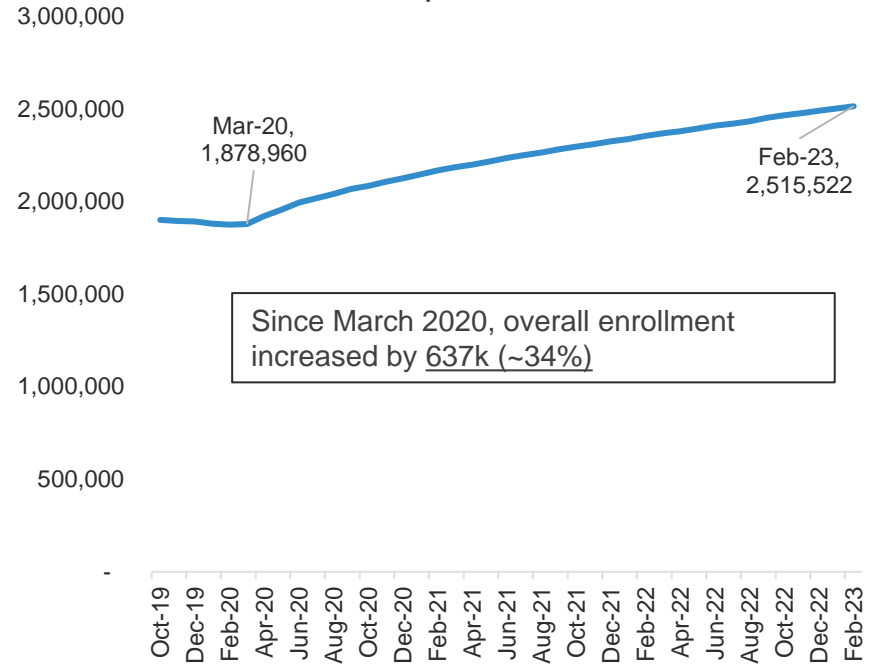
PHE Enrollment

FFY 20 – FFY 23 Actuals

HAF Population



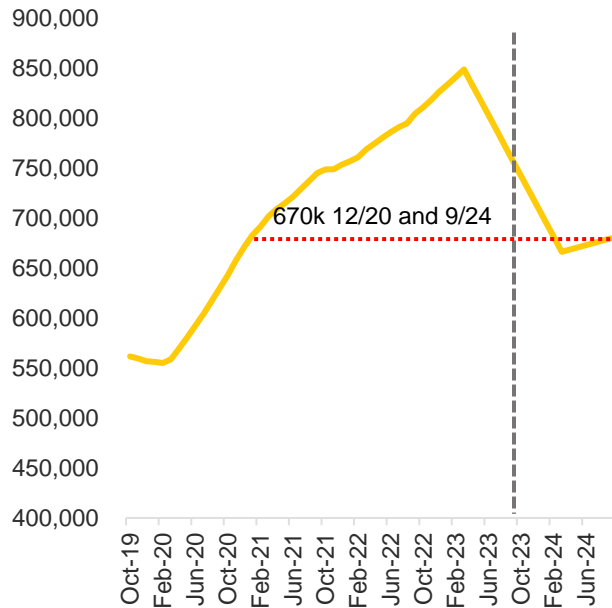
All Populations



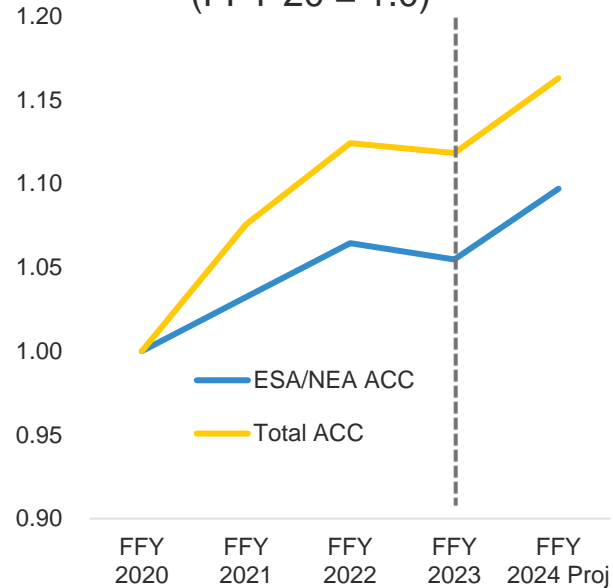
HAF Funding Formula Trends

FFY 20 – Projected FFY 24

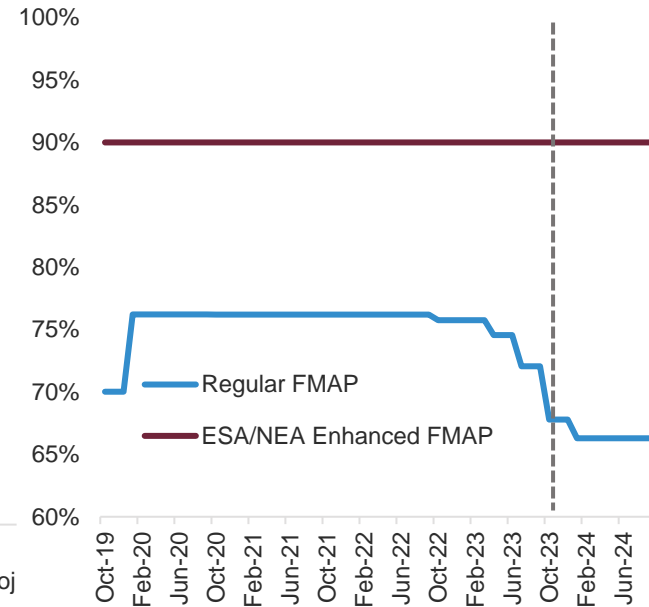
HAF Population



Cap Rate Index (FFY 20 = 1.0)



Federal Match



HAF Balance and FFY 2024 Assessments

- \$125.4M projected ending balance in '23
 - Slightly above the AHCCCS target of 2 months of expenses.
 - \$(42.4)M deficit in '23, primarily from higher than anticipated enrollment.
- \$54.3M projected increase in '24 HAF assessment
 - FFY 23 HAF collection under forecasted
 - Funding formula changes (enrollment, FMAP, cap rate)

	FFY 2023	FFY 2024
Starting Balance	\$167.8	\$125.4
Assessments	\$587.5	\$641.8
Expenditures	\$629.9	\$641.8
Surplus/(Deficit)	\$(42.4)	\$0
Ending Balance	\$125.4	\$125.4

Growing HCIF Balance

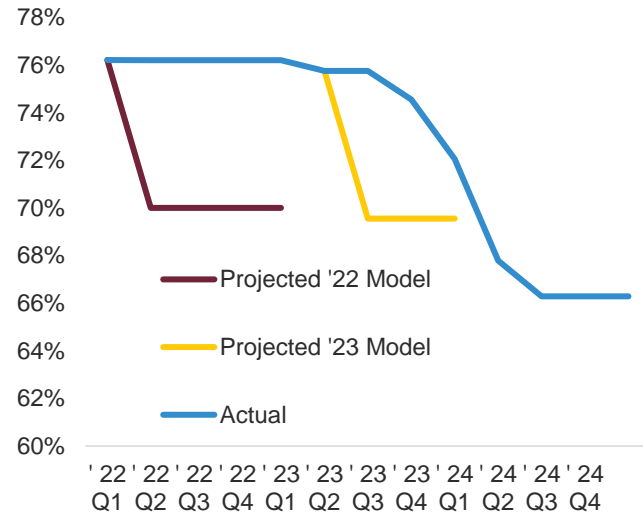
Balance

- Estimated to end '22 at \$175M and '23 at \$206M

	Est FFY 2022	Est FFY 2023
Starting Balance	\$30.6	\$174.8
Assessments	\$437.8	\$449.4
Expenditures	\$293.6	\$418.1
Surplus/(Deficit)	\$144.2	\$31.3
Ending Balance	\$174.8	\$206.0

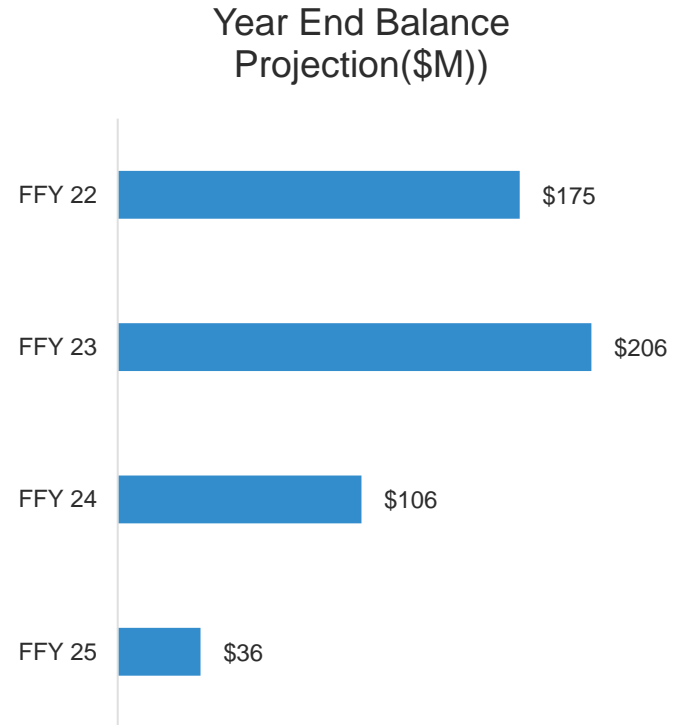
PHE FMAP

- Balance growth can be attributed to unanticipated extensions



Proposal to Reduce HCIF Balance

- AHCCCS proposes targeting a ~\$40M HCIF balance. Roughly equals:
 - 2 months of physician/dental rate increase, plus
 - 1 percentage point forecast error of the average HEALTHII FMAP
- Achieve target balance by the end of FFY 25
 - Spend down \$100M in FFY 24, to ~\$106M
 - Spend down \$70M in FFY 25, to ~\$36M



Preliminary FFY 24 HEALTHII Model

- Payment increases tied to Quality Measures
 - FFY 24: Up to \$20M for Pay for Reporting
 - FFY 25: Pay for Performance Allocation
 - Workgroup #2 will focus on the \$20M Quality Payment Distribution
- Maintain Base FFY 24 HEALTHII payments at FFY 23 levels (\$1.88B)
- Use \$100M of HCIF balance to achieve targeted payment levels
- No proposed changes to exemptions

Financial Summary

	FFY 2023 *	FFY 2024 **	Difference
HAF Assessment	\$ 587.5	\$ 641.8	\$ 54.3
HCIF Assessment for HEALTHII and Administrative Costs	\$ 388.4	\$ 363.6	\$ (24.8)
HCIF Assessment for Practitioner Payments	\$ 61.0	\$ 70.5	\$ 9.5
Total HCIF Assessment	\$ 449.4	\$ 434.1	\$ (15.3)
Total Assessments	\$ 1,036.9	\$ 1,075.8	\$ 39.0
Total modeled HEALTHII payments	\$ 1,882.3	\$ 1,884.5	\$ 2.2
Less HCIF Assessment	\$ (449.4)	\$ (434.1)	\$ 15.3
Estimated HEALTHII Net Gain	\$ 1,432.9	\$ 1,450.5	\$ 17.6

*Due to several hospital closures, FFY 23 amounts are slightly less than in the [FFY 2023 Assessment Model Report](#).

** FFY 2024 column includes \$4.7M in HCIF assessment associated with quality pay for reporting, but does not include the \$20M payment increase in the modeled HEALTHII payments.

HEALTHII Payment Status

- **FFY 2021:** All interim payment made. Reconciliation completed December 2022.
- **FFY 2022:** All interim payments made. Reconciliation to be completed December 2023.
- **FFY 2023**
 - 2nd interim payment will be made at the end of March.
 - The 3rd payment will be made by June 2023 and 4th payment by September 2023.
 - FFY 2023 reconciliation will be completed in 2024.

FFY 2022 HEALTHII Reconciliation Process

- Interim FFY 2022 HEALTHII payments were calculated using projected Medicaid managed care claims. Payments made December 2021, March 2022, June 2022, and September 2022
- Final payments will be calculated within 12 months from the contract period ending, using actual contracted managed care claims
 - Tentatively, AHCCCS will use FFY 2022 data that is in the system in late August 2023
 - A final HEALTHII Payment Increase Percentage will be calculated for each hospital
 - Final HEALTHII payments will be calculated by multiplying the Final HEALTHII Payment Increase Percentage by each Hospital's actual managed care payments
- Any differences in final vs. interim HEALTHII payments will be settled as part of the reconciliation process

FFY 2022 HEALTHII Reconciliation Example

Interim Payment			
	<u>Proj. Encounters</u>		
	<u>(\$M)</u>	<u>Payment %</u>	<u>Payment (\$M)</u>
Hospital 1	25	10.0%	\$ 2.5
Hospital 2	15	10.0%	\$ 1.5
Total - Class A	40	10.0%	\$ 4.0

Final Payment			
	<u>Actual Encounters</u>		
	<u>(\$M)</u>	<u>Payment %</u>	<u>Payment (\$M)</u>
Hospital 1	25	8.9%	\$ 2.2
Hospital 2	20	8.9%	\$ 1.8
Total - Class A	45	8.9%	\$ 4.0

Reconciliation Payment	
	<u>Payment (\$M)</u>
Hospital 1	\$ (0.3)
Hospital 2	\$ 0.3
Total - Class A	\$ -

FFY 2022 HEALTHII Reconciliation Process Timeline

February 27, 2023

AHCCCS provides hospitals a list of MCO reported contracts

- Hospital feedback due by March 7, 2023

Late April 2023

AHCCCS provides preliminary FFY 2022 reconciliation summary

Early May 2023

AHCCCS provides hospitals preliminary FFY 22 encounter data, on request

- **Hospitals must request the detail file no later than the end of April.**
- Hospitals work with MCOs to submit any missing encounters
- Shared data likely to include claim header level fields (provider, member, plan, service dates, \$ reimbursement).

Early August 2023

MCOs will need to finish FFY 22 encounter submissions

Late August 2023

AHCCCS pulls final FFY 22 encounter data

Late Sept. 2023

AHCCCS communicates final FFY 22 reconciliation results to hospitals

Oct./Nov. 2023

AHCCCS gives hospitals files of payment/(recoupment) by MCO

Late December 2023

MCOs pay/(recoup) FFY 22 reconciliation amounts

Tentative Timeline – FFY 24 Model

- 3/8/23 First workgroup meeting
- 3/16/23 Feedback due
- 4/5/23 Second workgroup meeting (not yet scheduled)
- 4/13/23 Feedback due
- 4/26/23 Third/Final workgroup meeting (not yet scheduled)
- 5/4/23 Feedback due
- May 2023 Model Finalized; Post Proposed Rule
- 7/1/23 438.6(c) preprint due to CMS
- Sept. 2023 Post Final Rule

Please email comments related to the model to AHCCCS at

HospitalAssessmentProject@azahcccs.gov by **Thursday, March 16, 2023.**



Thank You