

Uniformity Waiver Test for Arizona Hospital Assessment

Under the authority of section 1903(w)(5)(E) of the Social Security Act (the Act) and 42 CFR 433.68(e) of the Federal regulation, the State of Arizona is requesting waiver of uniformity requirements for an assessment imposed on hospital discharges.

Laws 2013, 1st Special Session, Chapter 10 (adding new section 36-2901.08, Arizona Revised Statutes) provides the Director of the Arizona Health Care Cost Containment System ("AHCCCS") the authority to establish a hospital assessment to cover the state costs (not covered by other funds) associated with restoring coverage required by Proposition 204 (General Election 2000), in which voters increased AHCCCS eligibility for all persons up to 100% of the federal poverty level. The recent legislation also increased eligibility for Medicaid up to 133% of the federal poverty level. The cost for this new population is, initially, funded entirely with federal funds; future state costs will be funded by the assessment. For the first six months of State Fiscal Year 2014, the assessment is expected to generate \$75.4 million.

The assessment will be based on hospital discharges as reported on each hospital's 2011 Medicare Cost Report, will be applied at a rate that varies by type of hospital, and does not apply to all hospitals in Arizona. Discharges were chosen as the basis for the assessment because the Medicare Cost Report provided an easily identifiable reasonable data source and the reported discharges were subjected to an audit process.

The hospital and discharge types exempted from the hospital assessment are as follows:

1. Hospitals owned and operated by the state, the United States, or an Indian tribe.
2. Short Term Specialty Hospitals (designated by the Arizona Department of Health Services (ADHS) as type: hospital, subtype: short-term that have a license number beginning "SH").
3. Psychiatric hospitals (as defined by ADHS license type: hospital, subtype: Psychiatric) with fewer than 2,500 discharges on their 2011 Medicare Cost Report.
4. Freestanding Rehabilitation Providers as defined by ADHS license type: hospital, subtype: Rehabilitation.
5. Rehabilitation Sub-Provider Discharges of Acute Care Hospitals as Reported on the 2011 Medicare Cost Report
6. Freestanding Children's Hospitals (as defined by ADHS license type: hospital, subtype: children's).
7. High Medicare/Out of State Patient Utilization Hospitals (designated by ADHS as type: hospital, subtype: short-term located in a city with a population greater than one million, which on average have at least 15 percent of inpatient days for patients who reside outside of Arizona, and at least 50 percent of inpatient discharges as reported on the 2011 Medicare Cost Report are reimbursed by

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Medicare).

Further, the State proposes to establish differing rates for the following types of hospitals and discharges:

- Acute Care Hospitals (including Urban, Rural, and Critical Access Acute hospitals)
- Large Psychiatric Providers (Freestanding psychiatric hospitals with more than 2,500 discharges in their 2011 Medicare Cost Report)
- Psychiatric Sub-Provider Discharges of Acute Care Hospitals as reported on the 2011 Medicare Cost Report
- Pediatric Intensive General Acute Hospitals (Hospitals for which licensed pediatric, pediatric intensive care, and neonatal beds are 20 percent or more of their total licensed beds)
- Medium Pediatric Intensive General Acute Hospitals (Hospitals for which licensed pediatric, pediatric intensive care, and neonatal beds are 10 percent or more, but less than 20 percent, of their total licensed beds)
- High volume discharges (discharges, excluding psychiatric and rehabilitation sub-provider discharges, greater than 29,000 as reported on the 2011 Medicare Cost Report)

A waiver of uniformity is therefore required.

The attached statistical demonstration has been performed in accordance with 42 CFR 433.68(e)(2) and illustrates that Arizona satisfies the statistical test (B1 / B2) necessary to receive an automatic waiver for the assessment imposed on hospital discharges. The result of the B1/B2 test, required to demonstrate that the hospital assessment meets the uniformity waiver approval standard, is 1.0115392630.

Furthermore, the hospital assessment complies with the hold harmless provisions specified in Section 1903(w)(4) of the Act and 42 CFR 433.68(f). The assessment amount is calculated to be 1.13% of inpatient net patient service revenues of the hospitals subjected to the assessment.