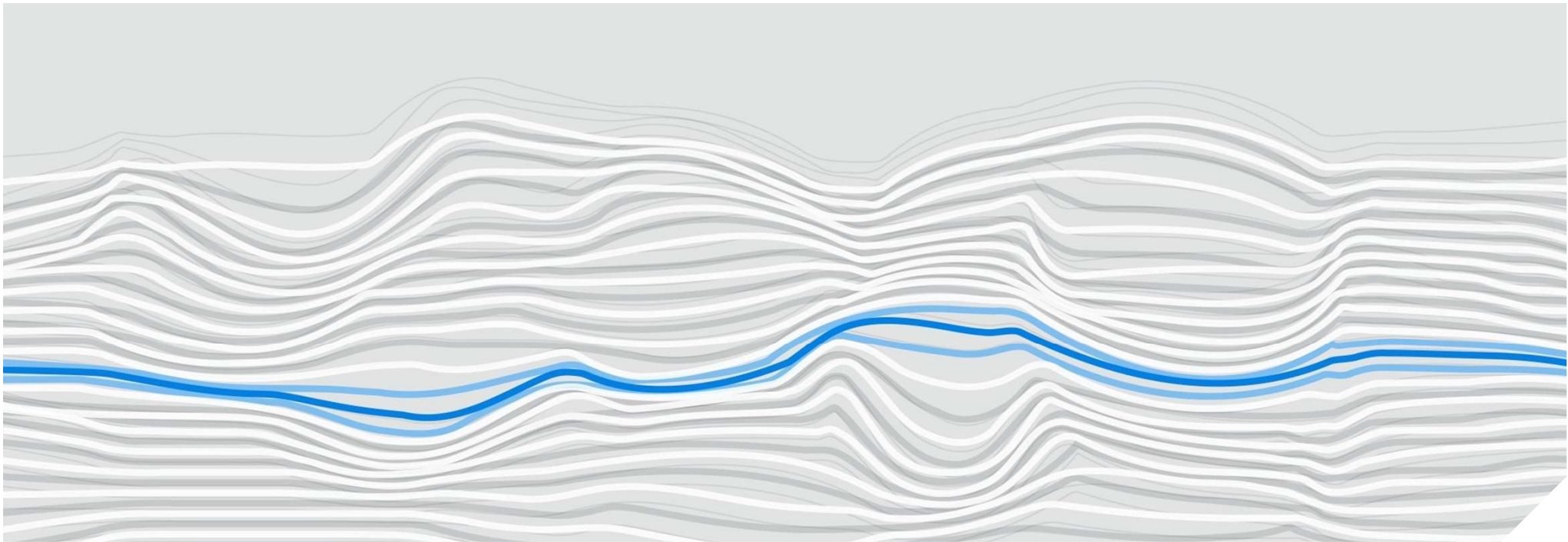


Arizona Health Care Cost Containment System



SFY 2021 Updated Hospital Assessment Model
April 23, 2020



SFY 2021 Updated Hospital Assessment Model

Overview

- The SFY 2021 updated hospital assessment model presented today **reflects AHCCCS' proposed version** prior to developing its proposed rule changes
- The updated model represents the “**base**” **assessment** for Medicaid coverage for Impacted Populations that will be effective for the period **July 1, 2020 – September 30, 2020**
 - **Model does not include** estimated increases of assessments and payments related to the Directed Payments legislation under HB 2668 (“hospitals; unreimbursed costs; assessment; fund”)
- The updated model continues to have an aggregate \$433M total SFY 2021 hospital assessment target (per AHCCCS projections), with a 75% / 25% split between inpatient (\$325M) and outpatient (\$108M)

SFY 2021 Updated Assessment Model (Cont'd)

Model Changes

- The updated hospital assessment model includes the following key changes since the March 20th meeting:
 - Minor updates to hospital discharges and revenues inputs based on provider feedback, resulting in lower aggregate urban acute hospital discharges
 - Slight increase in modeled inpatient assessment rates to account for lower discharges (for example, \$1.75 inpatient rate increase for general acute urban and rural hospitals and CAHs)
 - Slight increase in modeled outpatient assessment rates to account revenues updates (for example, 0.0002% outpatient rate increase for general acute urban hospitals)
- Other model parameters remain the same as the March 20th version
 - Inpatient assessment based on FYE 2018 inpatient discharges, with 24,000 unit threshold for lower rates
 - Outpatient assessment based on FYE 2018 outpatient net patient revenues, with \$300M unit threshold for lower rates
 - **Refer to the April 21, 2020 report for more details on the model parameters**

SFY 2021 Updated Assessment Model Exhibits

Exhibit Types

- Updated model exhibits include the following types of summaries:

A

Assessment Rate Summaries: Modeled assessment rates and assessable units, by hospital type

B

Net Impact Summaries: Modeled assessments, coverage payments, and net impact, by hospital type, hospital system, and hospital

C

Assessment Rebasing Impact Summaries: Comparison of SFY 2020 inpatient assessments, modeled SFY 2021 inpatient-only assessments, and modeled SFY 2021 inpatient and outpatient assessments combined, by hospital type and hospital

D

Model Inputs Summary: Hospital reported FYE 2018 discharges and revenues used as model inputs

- Summaries include inpatient and outpatient combined, inpatient-only, and outpatient-only (results should be considered in the context of the combined inpatient and outpatient impact)

Exhibit Type A: Updated Modeled Assessment Rates

Hospital Type	Modeled Inpatient Assessment			Modeled Outpatient Assessment			Combined Inpatient and Outpatient
	Percent of Base Assessment	Modeled SFY 2021 Assessment Rate	Total Modeled Generated Assessments	Percent of Base Assessment	Modeled SFY 2021 Assessment Rate	Total Modeled Generated Assessments	Total Modeled Generated Assessments
Rates Applicable to Each Hospital Type:							
Critical Access Hospitals	100%	\$ 612.75	\$ 4,585,208	25%	0.5033%	\$ 1,245,268	\$ 5,830,477
Freestanding Children's Hospitals	0%	\$ 0.00	\$ 0	0%	0%	\$ 0	\$ 0
Freestanding Rehabilitation Hospitals	0%	\$ 0.00	\$ 0	0%	0%	\$ 0	\$ 0
High Medicare Utilization Hospital	0%	\$ 0.00	\$ 0	0%	0%	\$ 0	\$ 0
High Medicare/Out-of-State Patient Utilization Hospital	0%	\$ 0.00	\$ 0	0%	0%	\$ 0	\$ 0
Large Psychiatric Hospitals	25%	\$ 153.25	\$ 6,484,774	25%	0.5033%	\$ 101,065	\$ 6,585,839
LTAC Hospitals	25%	\$ 153.25	\$ 321,825	25%	0.5033%	\$ 0	\$ 321,825
Medium Pediatric Intensive General Acute Hospitals	90%	\$ 551.50	\$ 50,720,904	75%	1.5098%	\$ 16,845,688	\$ 67,566,591
Non-CAH Rural Acute Hospitals	100%	\$ 612.75	\$ 41,632,073	60%	1.2078%	\$ 13,157,833	\$ 54,789,907
Pediatric-Intensive General Acute Hospitals	80%	\$ 490.25	\$ 22,037,228	65%	1.3085%	\$ 7,441,266	\$ 29,478,494
Short Term Specialty Hospitals	0%	\$ 0.00	\$ 0	0%	0%	\$ 0	\$ 0
Small Psychiatric Hospitals and AZ State Hospital	0%	\$ 0.00	\$ 0	0%	0%	\$ 0	\$ 0
Urban Acute Hospitals	100%	\$ 612.75	\$ 194,143,097	100%	2.0131%	\$ 68,912,177	\$ 263,055,274
Rates Applicable to All Non-Exempted Hospital Types:							
Rate Applied to Non-Exempted Psychiatric Sub-Provider Units	25%	\$ 153.25	\$ 2,298,444	N/A	N/A	N/A	\$ 2,298,444
Rate Applied to Non-Exempted Rehabilitation Sub-Provider Units	0%	\$ 0.00	\$ 0	N/A	N/A	N/A	\$ 0
Rate Applied to Units Above Threshold ⁽¹⁾	10%	\$ 61.50	\$ 2,869,713	10%	0.2013%	\$ 296,659	\$ 3,166,372
Total	N/A	N/A	\$ 325,093,265	N/A	N/A	\$ 107,999,957	\$ 433,093,223



Note: (1) The modeled inpatient assessment unit threshold is 24,000 and the modeled outpatient assessment unit threshold is \$300 million, not applicable to inpatient discharges for Psychiatric Sub-Providers, Rehabilitation Sub-Providers.

Exhibit Type B: Updated Modeled Impact (IP & OP)

Hospital Type	Total Inpatient and Outpatient Hospital Assessment ¹	Total Inpatient and Outpatient Projected Hospital Coverage Payments	Total Inpatient and Outpatient Estimated Net Gain/Loss	Number of Hospitals with Estimated Gain	Number of Hospitals with Estimated \$0 Gain	Number of Hospitals with Estimated Loss	Number of Hospitals With Impact to be Determined
Critical Access Hospitals	\$ 5,830,477	\$ 30,992,538	\$ 25,162,062	11	0	0	0
Freestanding Children's Hospitals	\$ 0	\$ 6,000,176	\$ 6,000,176	1	0	0	0
Freestanding Rehabilitation Hospitals	\$ 0	\$ 10,150,670	\$ 10,150,670	11	0	0	0
High Medicare Utilization Hospital	\$ 0	\$ 1,020,768	\$ 1,020,768	1	0	0	0
High Medicare/Out-of-State Patient Utilization Hospital	\$ 0	\$ 7,265,185	\$ 7,265,185	1	0	0	0
Large Psychiatric Hospitals	\$ 6,585,839	\$ 102,976,996	\$ 96,391,157	10	0	0	0
LTAC Hospitals	\$ 321,825	\$ 6,478,493	\$ 6,156,668	6	0	0	0
Medium Pediatric Intensive General Acute Hospitals	\$ 69,402,781	\$ 246,218,878	\$ 176,816,097	5	0	0	0
Non-CAH Rural Acute Hospitals	\$ 55,049,052	\$ 152,736,142	\$ 97,687,089	12	0	0	0
Pediatric-Intensive General Acute Hospitals	\$ 30,293,984	\$ 137,884,671	\$ 107,590,687	2	0	0	0
Short Term Specialty Hospitals	\$ 0	\$ 7,963,784	\$ 7,963,784	5	3	0	0
Small Psychiatric Hospitals and AZ State Hospital	\$ 0	\$ 9,528,530	\$ 9,528,530	6	1	0	1
Urban Acute Hospitals	\$ 265,609,264	\$ 668,360,221	\$ 402,750,957	25	0	1	1
Total Border Hospitals	\$ 0	\$ 27,271,275	\$ 27,271,275	0	0	0	0
Total Out of State Hospitals	\$ 0	\$ 2,522,970	\$ 2,522,970	0	0	0	0
Total	\$ 433,093,223	\$ 1,417,371,297	\$ 984,278,074	96	4	1	2

Exhibit Type C: Assessment Rebase Impact

Hospital Type	Final SFY 2020 Assessment - \$331M Inpatient Only	Impact of Illustrative Modeled SFY 2021 Assessment - \$433M Inpatient Only	Illustrative Modeled SFY 2021 Assessment - \$433M Inpatient Only	Impact of Modeled SFY 2021 Assessment - \$433M Inpatient and Outpatient	Modeled SFY 2021 Assessment - \$433M Inpatient and Outpatient
Critical Access Hospitals	\$ 5,304,230	\$ 803,769	\$ 6,107,999	\$ (277,522)	\$ 5,830,477
Freestanding Children's Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Freestanding Rehabilitation Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
High Medicare Utilization Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
High Medicare/Out-of-State Patient Utilization Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Large Psychiatric Hospitals	\$ 4,166,144	\$ 4,476,695	\$ 8,642,839	\$ (2,057,000)	\$ 6,585,839
LTAC Hospitals	\$ 396,738	\$ 32,187	\$ 428,925	\$ (107,100)	\$ 321,825
Medium Pediatric Intensive General Acute Hospitals	\$ 55,382,210	\$ 14,636,337	\$ 70,018,547	\$ (615,765)	\$ 69,402,781
Non-CAH Rural Acute Hospitals	\$ 42,930,654	\$ 12,873,207	\$ 55,803,861	\$ (754,808)	\$ 55,049,052
Pediatric-Intensive General Acute Hospitals	\$ 24,371,150	\$ 6,062,833	\$ 30,433,983	\$ (139,999)	\$ 30,293,984
Short Term Specialty Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Small Psychiatric Hospitals and AZ State Hospital	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Urban Acute Hospitals	\$ 198,791,061	\$ 62,836,042	\$ 261,627,103	\$ 3,982,161	\$ 265,609,264
Total Border Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Out of State Hospitals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 331,342,187	\$ 101,721,069	\$ 433,063,256	\$ 29,967	\$ 433,093,223

Next Steps

- AHCCCS will publish proposed rule changes for “base” assessment rates for Impacted Populations effective **July 1, 2020** by mid-May
- Milliman will be working with AHCCCS on modeling additional assessments and directed payment increases under HB 2668 to be effective **October 1, 2020**
 - Directed payment modeling will be layered on top of the base assessment
 - New directed payment assessment parameters under consideration by AHCCCS will not be limited to the same parameters as the current base assessment
 - Impacts of the base and directed payment assessments will be considered both separately and in combination
 - Stakeholder engagement and sharing of model summaries will continue

Limitations

The services provided for this project were performed under the signed Consulting Services Agreement between Milliman and Knowledge Services (KS) dated November 4, 2019.

The information contained in this correspondence has been prepared for the Arizona Health Care Cost Containment System (AHCCCS). We understand this information will be shared to hospitals and their representatives. To the extent that the information contained in this correspondence is provided to any approved third parties, the correspondence should be distributed in its entirety. Any user of the data must possess a certain level of expertise in health care modeling that will allow appropriate use of the data presented.

Milliman makes no representations or warranties regarding the contents of this correspondence to third parties. Likewise, third parties are instructed that they are to place no reliance upon this correspondence prepared for AHCCCS by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.

In performing this analysis, we relied on data and other information provided by CMS, AHCCCS, the Arizona Department of Health Services, and providers, and accepted it without audit. To the extent that the data provided is not accurate, the results of this analysis may need to be modified to reflect revised information.

Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

This work is not complete. Final results may vary from this updated model based on final AHCCCS policy decisions.

This presentation is for discussion purposes only. They should not be relied upon without benefit of the discussion that accompanied them, as well as the Model Report dated April 21, 2020.



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