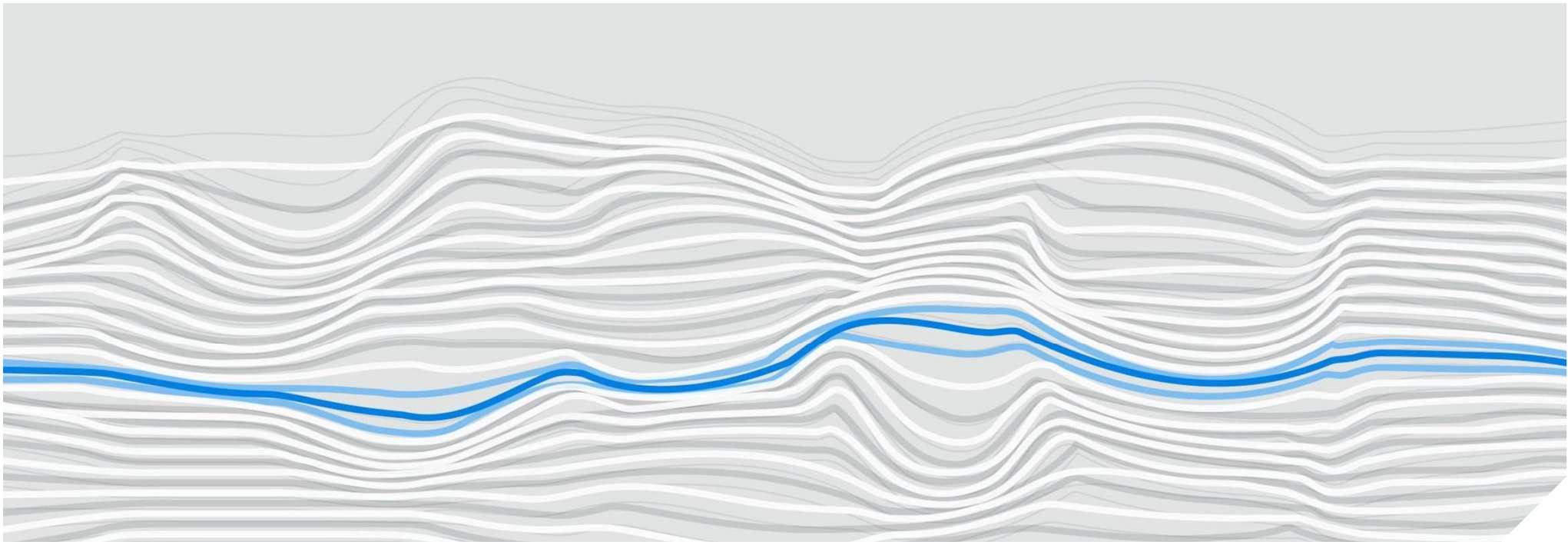


Arizona Health Care Cost Containment System



Proposed FFY 2021 HEALTHII Assessment Model
June 26, 2020



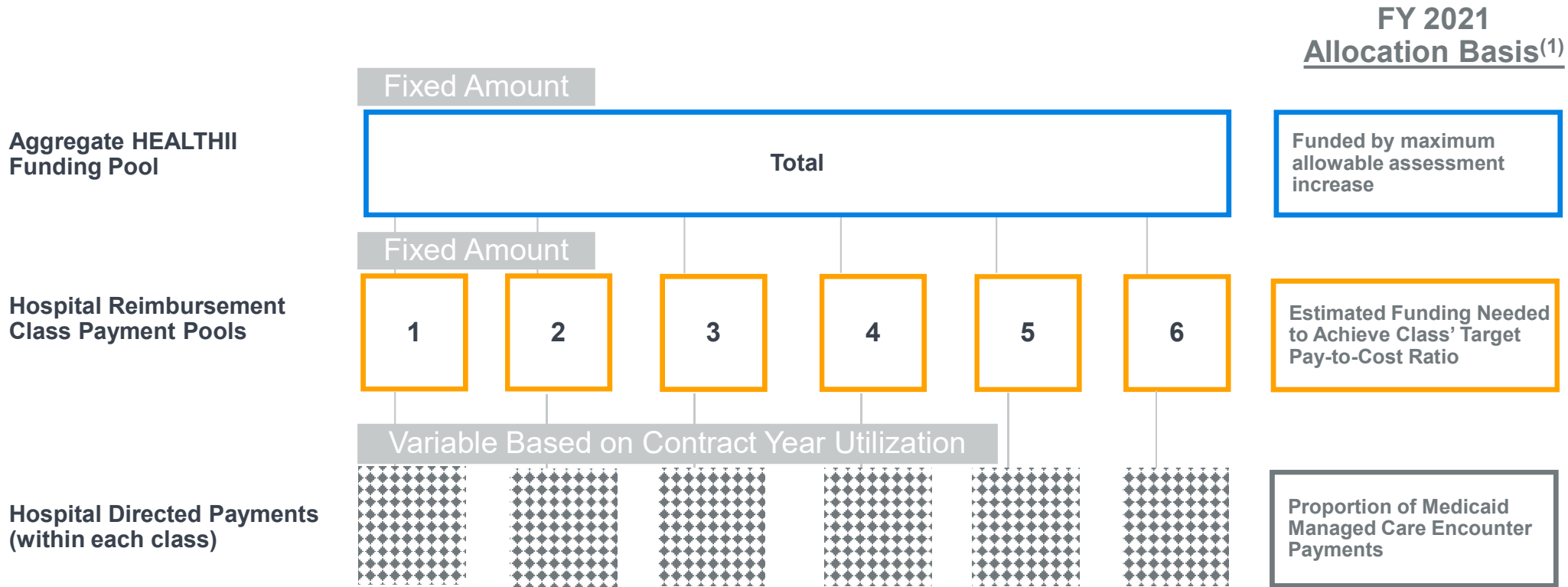
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HEALTHII Payment Methodology

HEALTHII Payment Allocation Overview

AHCCCS Proposed Payment Allocation Flow (not to scale of actual payment pool size)



Note: 1. Allocation basis for fixed payment pools after Year 1 to be determined. Class payment pools for Year 2 and beyond may be based on fixed distribution percentages, as opposed to new pay-to-cost ratio estimates.

AHCCCS Proposed HEALTHII Payment Process

Based on the Access to Professional Services Initiative (APSI) approach approved by CMS

Parameter	Note
Hospital Classes	<ul style="list-style-type: none"> The aggregate HEALTHII payment pool is allocated to six hospital class fixed payment pools Allocation to each class is based on the estimated additional funding needed to achieve the class' target Medicaid managed care pay-to-cost ratios; the class fixed payment pool amounts are based on trended historical experience and will not change based on actual contract period utilization AHCCCS' proposed approach ensures that the full amount of each class' payment pool is distributed each contract year
Interim Payments	<ul style="list-style-type: none"> Each hospital will have a quarterly interim payment based on modeled HEALTHII payments (based on trended historical claims experience) divided by four
Payment Reconciliation	<ul style="list-style-type: none"> Approximately nine months after the end of the contract period, interim payments will be reconciled based on actual contract period utilization Class final HEALTHII payment increase percentage = Class HEALTHII payment pool / Class FFY 2021 managed care encounter paid amounts (with DAP removed) Final hospital HEALTHII payment = Class final HEALTHII payment increase percentage * FFY 2021 managed care encounter paid amounts (with DAP removed)
Reconciliation Adjustment	<ul style="list-style-type: none"> Hospital payment reconciliation adjustment = Final HEALTHII payment – Interim HEALTHII payment AHCCCS will direct hospital payment reconciliation adjustments as either increases to or offsets against the next contract year's Quarter 4 HEALTHII payments

AHCCCS Proposed HEALTHII Payment Process (Cont'd)

Quarterly Payment Schedule

FFY 2021 Quarterly HEALTHII Payments

Quarter 1 Year 1	Interim Payment for Year 1, Quarter 1 (10/1/2020 – 12/31/2020)
Quarter 2 Year 1	Interim Payment for Year 1, Quarter 2 (1/1/2021 – 3/30/2021)
Quarter 3 Year 1	Interim Payment for Year 1, Quarter 3 (4/1/2021 – 6/30/2021)
Quarter 4 Year 1	Interim Payment for Year 1, Quarter 4 (7/1/2021 – 9/30/2021)

FFY 2022 Quarterly HEALTHII Payments

Quarter 1 Year 2	Interim Payment for Year 2, Quarter 1 (10/1/2021 – 12/31/2021)
Quarter 2 Year 2	Interim Payment for Year 2, Quarter 2 (1/1/2022 – 3/30/2022)
Quarter 3 Year 2	Interim Payment for Year 2, Quarter 3 (4/1/2022 – 6/30/2022)
Quarter 4 Year 2	Interim Payment for Year 2, Quarter 4 (7/1/2022 – 9/30/2022) with adjustment for HEALTHII Year 1 reconciliation

Proposed Model Results

Model Updates from Prior Stakeholder Meeting

AHCCCS' Proposed HEALTHII Assessment Model per June 25, 2020 Milliman Report

- The HEALTHII assessment model reflects AHCCCS' proposed model parameters for its upcoming State Directed Payment Preprint application to CMS, and includes the following key updates since the prior stakeholder meeting on June 12, 2020:

1

Increased modeled assessment rates for the freestanding children's hospital type, from 5% of the full assessment rate to 20% (since the aggregate target assessments did not change, this was offset by lower modeled assessment rates for other hospital types)

2

Updated target pay-to-cost ratio for the freestanding children's class from 75% to 83% (which resulted in an increased payment pool for this class)

3

Updated the assumed effective federal match rate from 76.17% to 77.10%, based on AHCCCS' estimates (which resulted in an increased aggregate HEALTHII payment pool to **\$1.276B**)

4

Updated the rural reservation adjacent hospital class list (moved one hospital from the rural class) and the rural hospital class list (moved one hospital from the private urban class)

Modeled Assessment Rates

Combined Baseline HAF and HCIF Assessment Rates

Hospital Assessment Type	Inpatient		Outpatient	
	Percent of Base Assessment	Modeled FFY 2021 Assessment Rate	Percent of Base Assessment	Modeled FFY 2021 Assessment Rate
Rates Applicable to Each Hospital Type:				
Critical Access Hospitals	100%	\$ 927.75	25%	1.8596%
Freestanding Children's Hospitals	20%	\$ 185.75	20%	1.4877%
Freestanding Rehabilitation Hospitals	0%	\$ 0.00	0%	0.0000%
High Medicare Utilization Hospital	0%	\$ 0.00	0%	0.0000%
High Medicare/Out-of-State Patient Utilization Hospital	0%	\$ 0.00	0%	0.0000%
Large Psychiatric Hospitals	25%	\$ 232.25	25%	1.8596%
LTAC Hospitals	25%	\$ 232.25	25%	1.8596%
Medium Pediatric Intensive General Acute Hospitals	90%	\$ 835.25	75%	5.5787%
Non-CAH Rural Acute Hospitals	100%	\$ 927.75	60%	4.4629%
Pediatric-Intensive General Acute Hospitals	80%	\$ 742.50	65%	4.8348%
Short Term Specialty Hospitals	0%	\$ 0.00	0%	0.0000%
Small Psychiatric Hospitals and AZ State Hospital	0%	\$ 0.00	0%	0.0000%
Urban Acute Hospitals	100%	\$ 927.75	100%	7.4382%
Rates Applicable to All Non-Exempted Hospital Types:				
Rate Applied to Non-Exempted Psychiatric Sub-Provider Units	25%	\$ 232.25	N/A	N/A
Rate Applied to Non-Exempted Rehabilitation Sub-Provider Units	0%	\$ 0.00	N/A	N/A
Rate Applied to Units Above Threshold ⁽¹⁾	10%	\$ 93.00	N/A	N/A



Note: (1) The modeled inpatient assessment unit threshold is 24,000, and there is no modeled outpatient assessment unit threshold. The inpatient threshold is not applicable to inpatient discharges for Psychiatric Sub-Providers, Rehabilitation Sub-Providers.

Modeled Impact From New Assessments

Baseline HAF Assessment Increase Plus HCIF Assessment (Inpatient and Outpatient Combined)

Hospital Reimbursement Class	Modeled Class Target Pay-to-Cost Ratio	Class HEALTHII Payment Pool Allocation	Modeled HEALTHII Class Fixed Payment Pool	Modeled New Assessments (Baseline HAF Increase and HCIF)	Estimated Net Gain / (Loss) From New Assessments
A	B	C	D	E	F = D – E
Freestanding Children's Provider	83%	3.9%	\$ 49,460,228	\$ 8,829,516	\$ 40,630,712
Private Urban Acute Hospital	89%	73.4%	\$ 936,190,314	\$ 373,002,167	\$ 563,188,147
Public Acute Hospital	70%	1.5%	\$ 19,421,876	\$ 12,355,560	\$ 7,066,316
Rural Hospital	100%	13.8%	\$ 175,481,282	\$ 58,187,975	\$ 117,293,307
Rural Reservation-Adjacent Hospitals	100%	5.3%	\$ 68,044,769	\$ 20,724,188	\$ 47,320,581
Specialty Hospital	89%	2.1%	\$ 26,934,231	\$ 3,781,137	\$ 23,153,094
Total	N/A	100.0%	\$ 1,275,532,699	\$ 476,880,542	\$ 798,652,157

Modeled Impact from Total Assessments

Full Baseline HAF Assessment Plus HCIF Assessment (Inpatient and Outpatient Combined)

Hospital Type	Total Modeled Hospital Assessments	Modeled Coverage Payments and HEALTHII Payments	Total 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 New Hospitals Without Data
Critical Access Hospital (CAH)	\$ 11,543,389	\$ 75,603,452	\$ 64,060,064	11	0	0	0
Freestanding Children's Hospitals	\$ 8,829,516	\$ 56,870,548	\$ 48,041,032	1	0	0	0
Freestanding Rehabilitation Hospitals	\$ 0	\$ 14,461,640	\$ 14,461,640	11	0	0	0
High Medicare Utilization Hospital	\$ 0	\$ 1,064,870	\$ 1,064,870	1	0	0	0
High Medicare/Out-of-State Patient Utilization Hospital	\$ 0	\$ 7,967,690	\$ 7,967,690	1	0	0	0
Large Psychiatric Hospitals	\$ 10,201,077	\$ 147,334,340	\$ 137,133,263	10	0	0	0
LTAC Hospitals	\$ 487,725	\$ 9,548,932	\$ 9,061,207	6	0	0	0
Medium Pediatric Intensive General Acute Hospitals	\$ 141,841,793	\$ 493,209,598	\$ 351,367,805	5	0	0	0
Non-CAH Rural Acute Hospitals	\$ 112,045,908	\$ 335,282,915	\$ 223,237,007	12	0	0	0
Pediatric-Intensive General Acute Hospitals	\$ 62,155,378	\$ 348,583,672	\$ 286,428,294	2	0	0	0
Short Term Specialty Hospitals	\$ 0	\$ 10,149,284	\$ 10,149,284	5	1	0	0
Small Psychiatric Hospitals and AZ State Hospital	\$ 0	\$ 17,119,108	\$ 17,119,108	6	1	0	1
Urban Acute Hospitals	\$ 562,868,979	\$ 1,400,009,646	\$ 837,140,667	24	0	2	1
Total Border Hospitals	\$ 0	\$ 31,802,642	\$ 31,802,642	0	0	0	0
Total Out of State Hospitals	\$ 0	\$ 2,487,214	\$ 2,487,214	0	0	0	0
Total	\$ 909,973,765	\$ 2,951,495,551	\$ 2,041,521,786	95	2	2	2

Next Steps

- Assist with finalizing the State Directed Payment “Preprint” application for CMS submission
- Assist with HEALTHII payment summaries for AHCCCS’ capitation rate development purposes
- Assist with hospital stakeholder discussions on HEALTHII program quality measurements
- Assist with CMS questions on HEALTHII program Year 1

Limitations

The services provided for this project were performed under the signed Consulting Services Agreement between Milliman and Knowledge Services (KS) dated May 20, 2020.

The information contained in this presentation has been prepared for the Arizona Health Care Cost Containment System (AHCCCS). We understand this presentation will be shared with AHCCCS' hospital stakeholder work group. These results may not be distributed to any other party without the prior consent of Milliman. 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.

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In performing this analysis, we relied on data and other information provided by CMS and AHCCCS, 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.

The final HEALTHII program may vary from this presentation based on the CMS approval process.

This presentation is for discussion purposes only. They should not be relied upon without benefit of the discussion that accompanied them, or without review of the accompanying June 25, 2020 Milliman report "Proposed Federal Fiscal Year 2021 HEALTHII Assessment Model".



Thank you

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