

Hospital Assessment Workgroup – SFY 2021

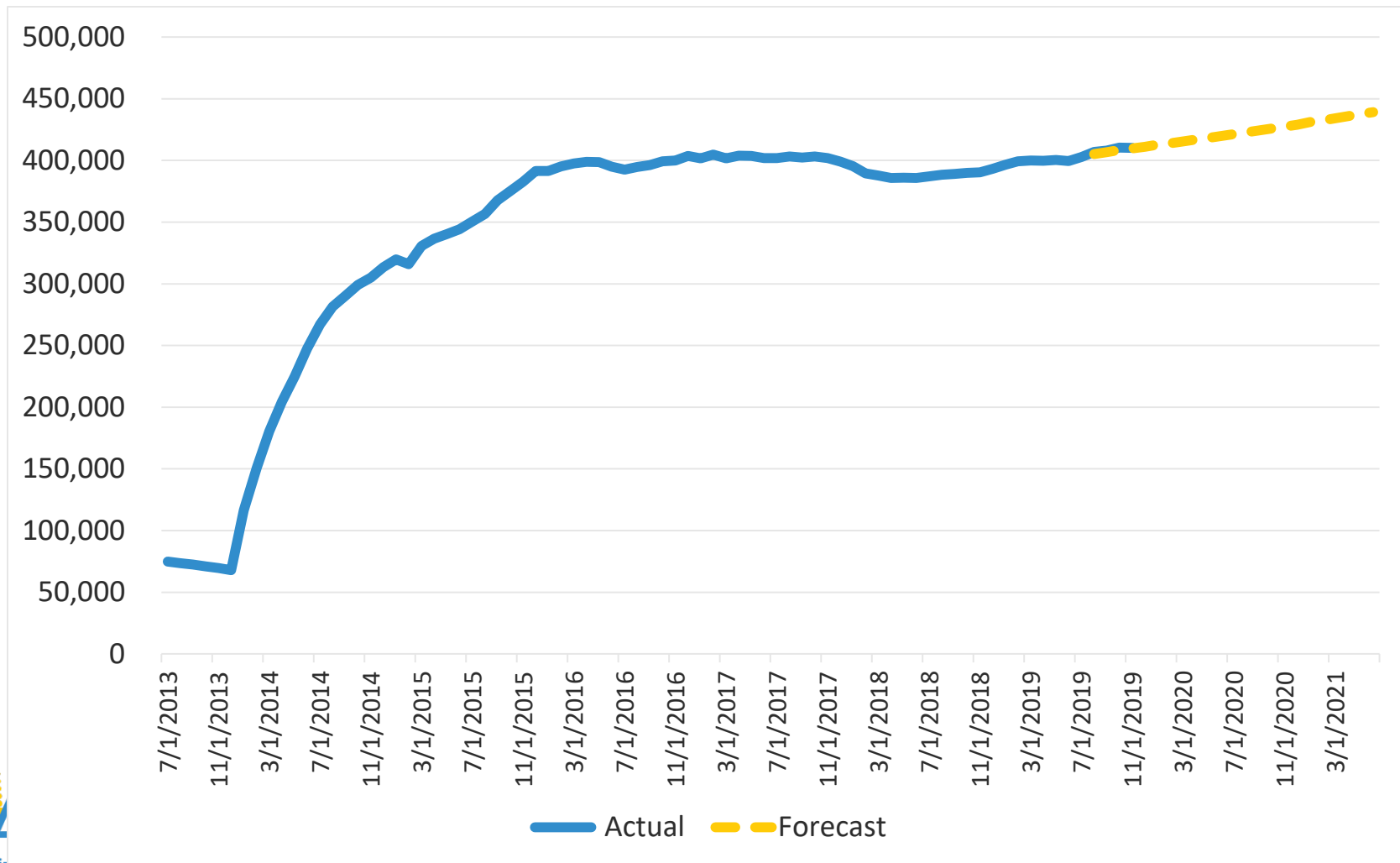
January 8, 2020



Hospital Assessment Background

- Implemented in SFY 2014 to fund Prop 204 population and expand Medicaid to 133% for childless adults
- Funds state share for Prop 204, which is not paid for by the tobacco settlement and tobacco taxes, excluding behavioral health services.
 - Prop 204 TANF Parents
 - Prop 204 Expansion State Adults (ESA) up to 100% FPL
- Funds state share of Newly Eligible Adults (NEA) up to 133% FPL (excl. BH)
- Current Enrollment: 330k ESA + 75k NEA = 405k members
 - Prop 204 Childless Adult Population frozen during recession
 - Declined from 225k to less than 70k

Adult Expansion (Prop 204 ESA & NEA) Enrollment



Hospital Assessment (A.R.S. 36-2901.08)

- A. The director shall establish, administer and collect an assessment on hospital revenues, discharges or bed days...
- B. The director shall adopt rules regarding the method for determining the assessment, the amount or rate of the assessment, and modifications or exemptions from the assessment. The assessment is subject to approval by the federal government to ensure that the assessment is not established or administered in a manner that causes a reduction in federal financial participation.
- C. The director may establish modifications or exemptions to the assessment. In determining the modifications or exemptions, the director may consider factors including the size of the hospital, the specialty services available to patients and the geographic location of the hospital.
- D. Before implementing the assessment, and thereafter if the methodology is modified, the director shall present the methodology to the joint legislative budget committee for review.

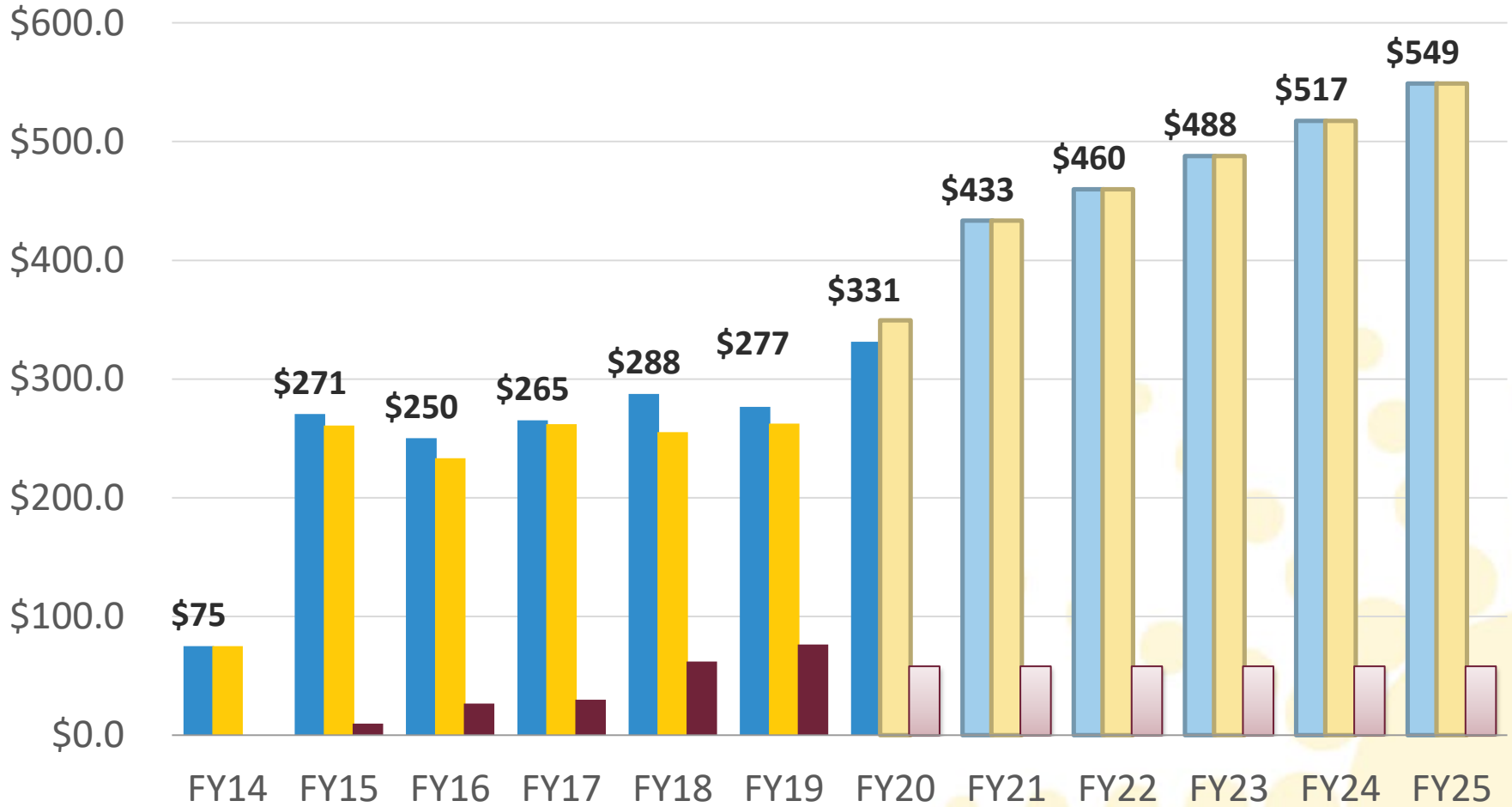
Implementation to Date

- Based on Inpatient Discharges
- Rebased for SFY 2019 using 2016 data
- Collections amount determined based on budget forecasts

Budget Forecast Factors

- ESA & NEA Populations
 - Effective FMAP Rate
 - Enrollment Trends
 - Capitation Rate Growth
- Prop 204 Funding Need
 - Tobacco Funds are relatively fixed
 - Over time, assessment funds higher % of TANF

SFY Assessment Amounts (\$ in millions)



Assessment Forecast (\$ in millions)

Hospital Assessment	SFY18	SFY19	SFY20	SFY21	SFY22	SFY23	SFY24	SFY25
Beginning Balance	\$29.9	\$62.1	\$76.5	\$58.4	\$58.4	\$58.4	\$58.4	\$58.4
Revenue/Collections	\$287.5	\$276.7	\$331.3	\$433.4	\$459.8	\$487.8	\$517.4	\$548.9
Expenditures	\$255.2	\$262.4	\$349.4	\$433.4	\$459.8	\$487.8	\$517.4	\$548.9
Ending Balance	\$62.1	\$76.5	\$58.4	\$58.4	\$58.4	\$58.4	\$58.4	\$58.4
<i>Change to Collections</i>		<i>(\$10.8)</i>	<i>\$54.6</i>	<i>\$102.1</i>	<i>\$26.4</i>	<i>\$28.0</i>	<i>\$29.7</i>	<i>\$31.5</i>

- SFY 22-25 assumes 2.0% enrollment growth and 4.0% capitation growth
- Assessment funds are due in middle of quarter, creating cash flow issue
- Therefore, carry-forward balance is required to pay 2 months of capitation

SFY 2019 to 2021 Increase

Assessment	Expenditure	Inc./Dec.)	Collections	Inc./Dec.)
FY 19 Actual	\$262.4	-	\$276.7	-
FY 20 Est.	\$349.4	\$87.0	\$331.3	\$54.6
FY 21 Est.	\$433.4	\$84.0	\$433.4	\$102.1
Total Chg.		\$171.1		\$156.7

Financial Driver	Impact
FMAP Phase-Down	\$71.4
ESA/NEA Cap & Enroll	\$45.3
Prop 204 TANF	\$40.0
Total	\$156.7

- FMAP 93% to 90% effective 1/1/20
- Capitation Growth ~4.0%
- Enrollment Growth ~5.0%
- Prop 204 TANF Hospital Assessment
 - FY19 76%; FY 20 78%; FY 21 82%

SFY 2021 Assessment

- Federal rules create safe harbor from hold-harmless test if collections are 6.0% or less of net patient revenues
 - \$400M based on 2016 inpatient data
 - \$466M based on 2018 inpatient data
 - \$855M based on 2018 IP and OP data
- In order to remain within the 6.0% threshold, AHCCCS currently intends to:
 - Rebase the IP component using 2018 data
 - Establish an OP component using 2018 data
- Directed payments are not within current scope of this workgroup, but would have assessment implications

Rebase Guiding Principles

- Continue to calculate the assessment based on hospital discharges as reported on Medicare Cost Reports
- Develop the quantitative details of the assessment through a thoughtful and transparent process that involves robust stakeholder participation and engagement
 - Feedback may be provided at workgroup meetings or by submitting comments to HospitalAssessmentProject@azahcccs.gov

Additional Considerations

- Options for outpatient component of the assessment
- Directed payment program proposal
- CMS Notice of Proposed Rulemaking (NPRM) for Medicaid Fiscal Accountability Regulation (MFAR)
 - Potential impacts to CMS approval of assessment

Tentative Timeline

- Nov-Dec 2019 Analysis
- 1/8/20 First workgroup meeting
- Jan/Feb 2020 Analysis based on feedback
- 3/2/20 Second workgroup meeting
- March 2020 Analysis/address workgroup feedback
- TBD Third workgroup
- 5/1/20 Model finalized
- May 2020 Post proposed rule
- June/July 2020 Post final rule
- 7/15/20 Invoices available for 8/15/20 payment
- 8/15/20 First SFY 21 payment due

Questions?

