SFY 2019 HOSPITAL ASSESSMENT MODEL

AHCCCS
Arizona Health Care Cost Containment System

SEPTEMBER 15, 2017
Initial Assessment Model Inputs

- Since 2014 implementation, AHCCCS’ hospital assessment model has used hospital FYE 2011 discharges as the assessment basis.
- Initial draft SFY 2019 assessment model contains the following updates to key model inputs and targets:

<table>
<thead>
<tr>
<th>Model Input / Target</th>
<th>SFY 2018 Model</th>
<th>SFY 2019 Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed Discharge Basis</td>
<td>FYE 2011</td>
<td>FYE 2016</td>
</tr>
<tr>
<td>Total Required Assessment</td>
<td>$290M</td>
<td>$305M</td>
</tr>
</tbody>
</table>

- Preliminary SFY 2019 assessment rates have been modeled to achieve new $305M target assessment when applied to hospital FYE 2016 discharges, while passing CMS-required B1/B2 and Hold Harmless tests.
Initial Assessment Model Methodology

- Initial SFY 2019 assessment model methodology is purposely consistent with models from prior years
  - Allows for an evaluation of the impact of the change in the assessment discharge basis
- Initial SFY 2019 model parameters consistent with prior model versions:
  - Provider classification criteria
  - “Acute” discharges assessed differently than psychiatric and rehabilitation sub-provider discharges
  - Use of acute discharge threshold, where acute discharges above the threshold are assessed at a significantly lower rate, in order to pass CMS’ B1/B2 test
  - Lower assessment rates for select provider classifications, based on percentages of the urban acute assessment rate
  - Assessment exemptions for select provider classifications
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Initial Assessment Model Discharge Basis

• Initial SFY 2019 assessment model uses hospital FYE 2016 discharges as the assessment basis (most currently available fiscal year for all providers)
• FYE 2016 total all-payer discharges are based on the following data sources (consistent with the prior assessed FYE 2011 discharges):
    • Worksheet S-3 Part I, column 15, lines 14, 16 and 17
  - If an MCR with at least a 12 month reporting period is unavailable, discharges are based on total admissions reported in the FYE 2016 Uniform Accounting Report (UAR)
    • Data for 4 providers is based on the UAR
  - If MCR or UAR data are unavailable, discharges are based on self-reported data by the providers
    • Data for 5 providers is based on self-reported data
• For hospitals with a FYE 2016 cost reporting period not equal to 12 months, model discharges were pro-rated to 12 months
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Initial Draft Model Results

- *Initial draft model is for discussion purposes only, does not reflect final AHCCCS policy decisions, and is subject to change*
- AHCCCS is soliciting feedback from the provider community on the model parameters for consideration
- Model FYE 2016 discharges are included for review
  - If there is an issue in the reported discharges in the FYE 2016 Medicare cost report, AHCCCS requires the hospital to re-submit its cost report and provide a copy to AHCCCS by **October 13, 2017** in order to change the hospital’s assessed discharges
  - Note discharges for providers without a 12-month cost reporting period have been pro-rated