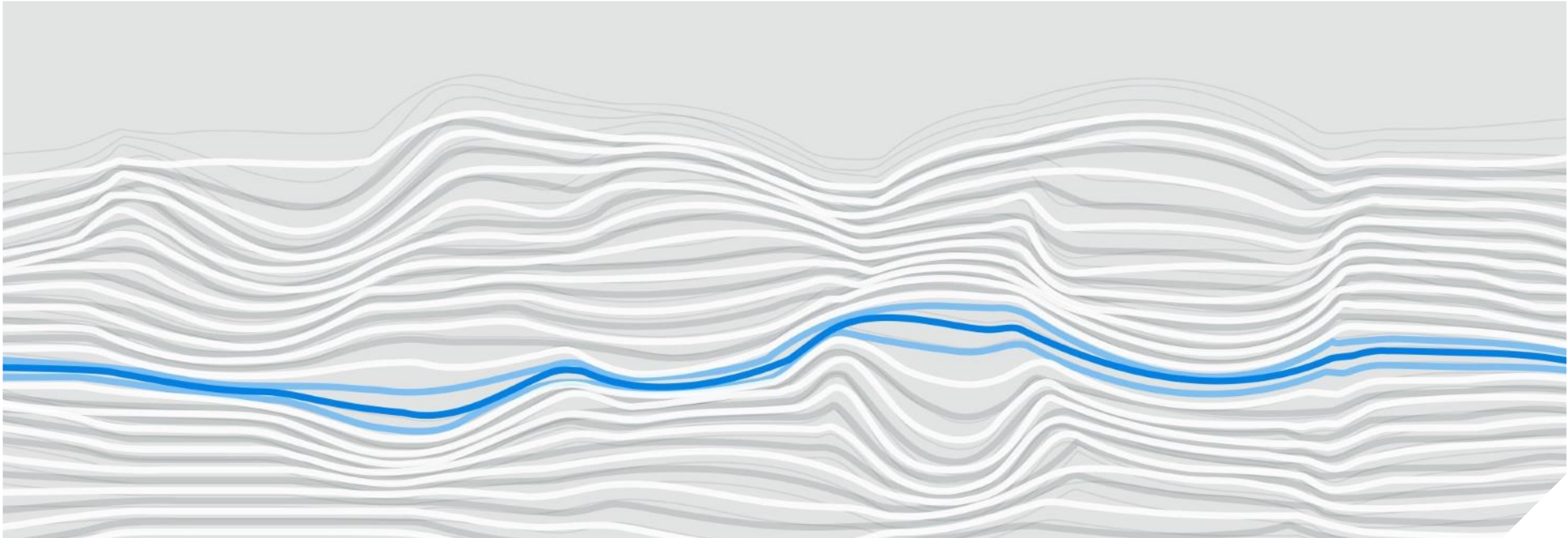


Arizona Health Care Cost Containment System



Proposed FFY 2022 Hospital Assessment Model
May 26, 2021



Proposed FFY 2022 Hospital Assessment Model Changes

Summary of key model changes since the March 30th Meeting ⁽¹⁾ based on AHCCCS direction

1

Applied 5% multiplicative increase to each class' FFY 2021 HEALTHII payment increase percentage
Required net increases to HCIF inpatient and outpatient assessment rates

2

Updated the assessment hospital type for one hospital
In isolation, slightly reduced the HCIF outpatient assessment rate

3

Updated the hospital system for one hospital
Resulted in a display change only

- *Model results shown in this presentation represent AHCCCS' proposed approach for the upcoming rule-making process and the CMS directed payment "Preprint" application*

Proposed Model Totals

Combined Inpatient and Outpatient

FFY 2022 Model Totals	Total Amount (\$ Millions)
Modeled Assessments	
<i>Hospital Assessment Fund (HAF)</i>	
Modeled baseline HAF assessments	\$ 533.6
<i>Health Care Investment Fund (HCIF)</i>	
Modeled HCIF assessments for HEALTHII payments (includes administration)	\$ 367.3
Modeled HCIF assessments for physician/dental payments	\$ 70.5
Total modeled FFY 2022 HCIF assessments	\$ 437.8
Total Modeled FFY 2022 Assessments	\$ 971.5
Estimated HEALTHII Net Revenue Gain	
Total modeled HEALTHII directed payments (net of premium tax)	\$ 1,362.0
Less: Total modeled HCIF assessments	(\$ 437.8)
Total Estimated FFY 2022 HEALTHII Net Revenue Gain	\$ 924.1
Estimated Coverage Payment Net Revenue Gain	
Total modeled Coverage Payments	\$ 1,584.1
Less: Total modeled HAF assessments	(\$ 533.6)
Total Estimated FFY 2022 Coverage Payment Net Revenue Gain	\$ 1,050.5
Total Estimated FFY 2022 Hospital Net Revenue Gain	\$ 1,974.7

Proposed Model Assessment Rates

Combined Baseline HAF and HCIF Assessment Rates

Hospital Assessment Peer Group	Inpatient		Outpatient	
	Percent of Base Assessment	Modeled FFY 2022 Assessment Rate	Percent of Base Assessment	Modeled FFY 2022 Assessment Rate
Rates Applicable to Each Hospital Type:				
Critical Access Hospitals	100%	\$ 953.25	25%	1.9759%
Freestanding Children's Hospitals	20%	\$ 190.75	20%	1.5808%
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%	\$ 238.50	25%	1.9759%
LTAC Hospitals	25%	\$ 238.50	25%	1.9759%
Medium Pediatric Intensive General Acute Hospitals	90%	\$ 857.75	75%	5.9278%
Non-CAH Rural Acute Hospitals	100%	\$ 953.25	60%	4.7423%
Pediatric-Intensive General Acute Hospitals	80%	\$ 762.75	65%	5.1375%
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%	\$ 953.25	100%	7.9039%
Rates Applicable to All Non-Exempted Hospital Types:				
Rate Applied to Non-Exempted Psychiatric Sub-Provider Units	25%	\$ 238.50	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%	\$ 95.50	N/A	N/A

Note: (1) The modeled inpatient assessment unit threshold is 23,000, 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.

Proposed Model HEALTHII Payment Impact

Combined Inpatient and Outpatient (In Millions)

HEALTHII Reimbursement Class	Class HEALTHII Payment Increase Percentage	Modeled HEALTHII Class Fixed Payment Pool	Modeled HCIF Assessments	Estimated Net Revenue Gain From Assessments ⁽¹⁾
A	B	C	D	E = C – D
Freestanding Children's Provider	16.99%	\$ 54.3	\$ 5.7	\$ 48.6
Private Urban Acute Hospital	68.95%	\$ 989.3	\$ 339.9	\$ 649.4
Public Acute Hospital	16.56%	\$ 22.8	\$ 11.0	\$ 11.8
Rural Hospital	72.20%	\$ 193.3	\$ 59.5	\$ 133.7
Rural Reservation-Adjacent Hospitals	96.42%	\$ 71.2	\$ 19.0	\$ 52.2
Specialty Hospital	14.90%	\$ 31.1	\$ 2.7	\$ 28.4
Total		\$ 1,362.0	\$ 437.8	\$ 924.1

Proposed Model Impact from Total Assessments

Combined Coverage Payments and HEALTHII Payments (Inpatient and Outpatient in Millions)

Hospital Assessment Peer Group	Total Modeled FFY 2022 HAF Assessments	Total Modeled FFY 2022 HCIF Assessments	Total Modeled FFY 2022 Coverage Payments	Total Modeled FFY 2022 HEALTHII Payments	Estimated Hospital Net Revenue Gain from Total Assessments ⁽¹⁾	Number of Hospitals with Estimated Gain	Number of Hospitals with Estimated \$0 Gain	Number of Hospitals with Estimated Loss
CAH	\$ 7.1	\$ 5.4	\$ 36.9	\$ 40.9	\$ 65.2	11	0	0
Freestanding Children's Hospitals	\$ 4.2	\$ 5.7	\$ 7.6	\$ 54.3	\$ 52.0	1	0	0
Freestanding Rehabilitation Hospitals	\$ 0.0	\$ 0.0	\$ 12.6	\$ 2.0	\$ 14.6	12	0	0
High Medicare Utilization Hospital	\$ 0.0	\$ 0.0	\$ 0.7	\$ 0.6	\$ 1.3	1	0	0
High Medicare/Out-of-State Patient Utilization Hospital	\$ 0.0	\$ 0.0	\$ 8.0	\$ 0.9	\$ 8.9	1	0	0
Large Psychiatric Hospitals	\$ 8.4	\$ 2.6	\$ 124.1	\$ 22.7	\$ 135.9	10	0	0
LTAC Hospitals	\$ 0.4	\$ 0.1	\$ 7.9	\$ 1.3	\$ 8.6	6	0	0
Medium Pediatric Intensive General Acute Hospitals	\$ 102.7	\$ 83.9	\$ 360.3	\$ 319.7	\$ 493.4	6	0	0
Non-CAH Rural Acute Hospitals	\$ 72.2	\$ 57.8	\$ 176.7	\$ 172.5	\$ 219.2	13	0	0
Pediatric-Intensive General Acute Hospitals	\$ 18.8	\$ 14.1	\$ 74.6	\$ 99.9	\$ 141.7	1	0	0
Short Term Specialty Hospitals	\$ 0.0	\$ 0.0	\$ 8.7	\$ 1.4	\$ 10.2	5	3	0
Small Psychiatric Hospitals and AZ State Hospital	\$ 0.0	\$ 0.0	\$ 17.1	\$ 3.8	\$ 20.9	9	1	0
Urban Acute Hospitals	\$ 319.9	\$ 268.2	\$ 714.9	\$ 642.2	\$ 768.9	25	0	4
Total Border Hospitals	\$ 0.0	\$ 0.0	\$ 31.7	\$ 0.0	\$ 31.7	0	0	0
Total Out of State Hospitals	\$ 0.0	\$ 0.0	\$ 2.2	\$ 0.0	\$ 2.2	0	0	0
Total	\$ 533.6	\$ 437.8	\$ 1,584.1	\$ 1,362.0	\$ 1,974.7	101	4	4

Limitations

The services provided for this project were performed under the signed Consulting Services Agreement between Milliman and Knowledge Services (KS) dated December 21, 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 on May 26, 2021. 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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The proposed model described in this presentation relies on data and information provided by CMS, AHCCCS, Arizona Department of Health Services, and hospitals, which we have accepted without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in this report may likewise be inaccurate or incomplete. The results presented do not reflect the upcoming All Patients Refined (APR) Diagnosis Related Groups (DRG) grouper changes.

*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. **Modeled hospital specific HEALTHII payments are estimates subject to change based on actual contracted MCO utilization during the 2022 contract year.***

This work is not complete. Final results and recommendations may vary from this draft document based on additional findings and information gathering.

This presentation is for discussion purposes only, and should not be relied upon without benefit of the discussion that accompanied it or without review of the accompanying May 24, 2021 Milliman report "Proposed Federal Fiscal Year 2022 Hospital Assessment Model".



Thank you

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