

# Preliminary Federal Fiscal Year 2025 Hospital Assessment Model Update

Prepared for the Arizona Health Care Cost Containment System (AHCCCS)

MARCH 26, 2024 - REVISED



# Agenda

- FFY 2025 Modeling Updates
- Quality Metrics and Scoring
- Updated Preliminary Model Results
- Next Steps and Questions

# FFY 2025 Modeling Updates

# Preliminary FFY 2025 Hospital Assessment Model Updates

Summary of key model changes since the February 15<sup>th</sup> meeting based on AHCCCS direction

1

- Modeled assessments increased to target 5.85% of net patient revenues (below CMS “Hold Harmless” limit of 6.0%), separately for inpatient and outpatient (previously 5.75%)
- Increased modeled HEALTHII base directed payments to **\$2,148 million**, targeting 85% of total HEALTHII payments (previously \$2,079 million)

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- Incorporated hospital-level HEALTHII quality incentive payment modeling, including both legacy pay-for-reporting payments and new proposed pay-for-performance payments
- Increased the size of the HEALTHII quality incentive payment pool to **\$379 million**, targeting 15% of total HEALTHII payments (previously \$367 million)

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- Adjusted Medicaid base payments and modeled HEALTHII base directed payment increase percentage to reflect recent Phoenix Children’s partnerships

- These changes (compared to prior model version) resulted in: (1) Higher modeled HCIF assessment rates and payments due to increase in hold harmless target; and (2) Higher modeled HEALTHII total payments due to inclusion of quality incentive payments in the modeling and higher HEALTHII base directed payments
- Modeled discharges and patient revenues used in the assessment calculations are still preliminary and subject to potential changes based on stakeholder feedback and AHCCCS policy decisions

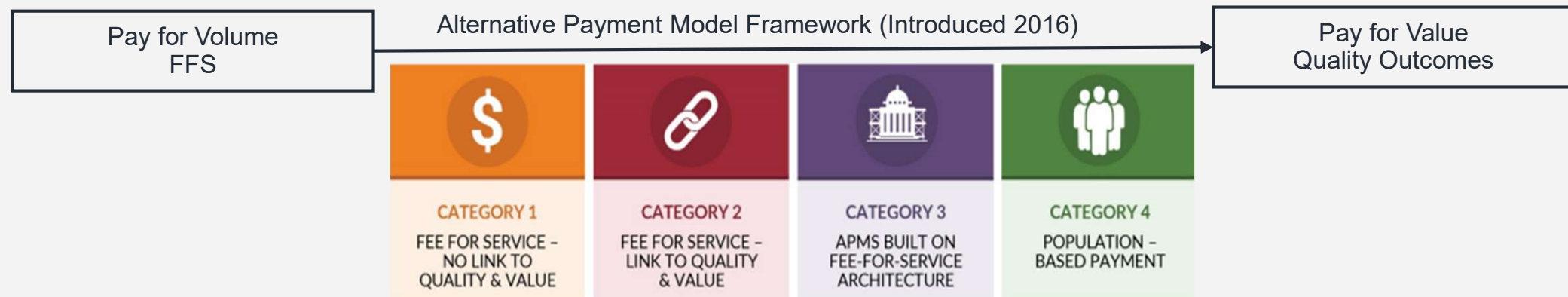
# Quality Metrics and Scoring

# National Landscape

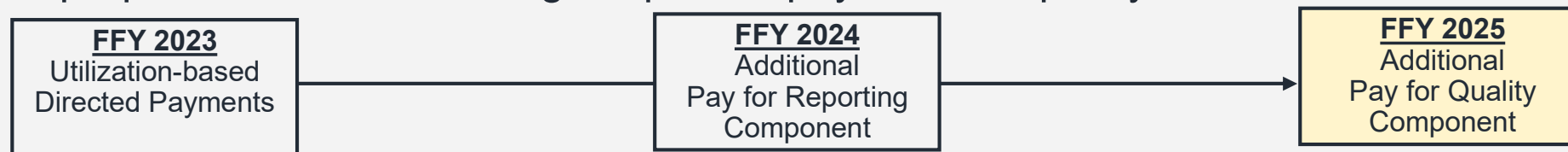
## Directed Payments and Linking Payment to Quality and Value

- Nationally, continuing transition from payments for volume (FFS) to payments for quality and value
- MACPAC June 2022 Report to Congress on Medicaid and CHIP, Oversight of Managed Care Directed Payments:

*“Understanding the goals of any payment is an important first step for assessing whether it is meeting its objectives. Although CMS requires states to describe how directed payments advance at least one goal of the state’s managed care quality strategy, the link between directed payments and quality and access goals is often unclear.”*



- AHCCCS proposes to continue the glide path to payment for quality outcomes:



# Quality Score Development

## Summary of Quality Measures Considered in the Quality Incentive Payment Calculations

### Measurement Data

- Data provided by AHCCCS through their quality vendor, HealthTech Solutions
- Quality data is preliminary and subject to change

### Time Period

- Performance period: FFY 2022
- Baseline period: FFY 2021

### Mechanism to Qualify

- For each measure, hospitals qualify for incentive payments based on either reporting **or** performance
- Determined by AHCCCS

### Effort and Value

- Each measure is weighted based on estimated reporting effort (for self-reported measures) and value

*AHCCCS quality data relied upon is still preliminary; modeling will change based on final quality data results, stakeholder review and validation, and final AHCCCS policy decisions*

# Quality Measures Used For Reporting and Performance Incentive Payments

## Summary of Quality Measures Considered in the Quality Incentive Payment Calculations

Quality Measure Indicator	AHCCCS Measure Number	Quality Measure Description	Estimated Reporting Effort	Estimated Reporting Effort Scale	Estimated Measure Value	Estimated Value Scale	Mechanism to Qualify	Data Source
NQF #0431	1	Influenza Vaccination Coverage among Healthcare Personnel	Varies	Varies	Varies	Varies	Reporting	Self-Reported
NQF #0640	3	Hospital Based Inpatient Psychiatric Services (HBIPS)-2 Hours of physical restraint use	Medium	2	Medium	2	Reporting	Self-Reported
NQF #0674	5	Application of Percent of Residents Experiencing One or More Falls with Major Injury (Long Stay)	Low	1	High	3	Reporting	Self-Reported
NQF #1717	6	National Healthcare Safety Network (NHSN) Facility-wide Inpatient Hospital-onset Clostridium difficile Infection (CDI) Outcome Measure	Low	1	Medium	2	Reporting	Self-Reported
Antibiotics	11	Successful Implementation of Antibiotic Stewardship Program	High	3	High	3	Reporting	Self-Reported
NQF #0531	2	Acute Care: Patient Safety Indicators 90 (PSI 90) Measures culture of safety within the hospital. Includes 11 individually measured rates inclusive of surgical safety and wound care	N/A	N/A	High	3	Performance	Claims-Based
NQF #0641	4	HBIPS-3 Hours of seclusion use	Medium	2	Medium	2	Performance	Self-Reported
NQF #1789	7	30-Day Hospital-Wide All-Cause Unplanned Readmission Rate	N/A	N/A	High	3	Performance	Claims-Based
NQF #2393	8	Pediatric All-Condition Readmission Measure	N/A	N/A	High	3	Performance	Claims-Based
NQF #2631	9	Percent of Long-Term Care Hospital (LTCH) Patients with an Admission and Discharge Functional Assessment and a Care Plan That Addresses Function	High	3	Medium	2	Performance	Self-Reported
NQF #3479	10	Discharge to Community-Post Acute Care Measure for Inpatient Rehabilitation Facilities	N/A	N/A	Medium	2	Performance	Claims-Based
NQF #0496	12	OP-18 Median Time from ED Arrival to ED Departure for Discharged ED Patients	Low	1	Medium	2	Performance	Self-Reported



# Quality Measure Weights

## Summary of Proposed Weights for Quality Incentive Payment Measures

Hospital Type	REPORTING MEASURES					PERFORMANCE MEASURES							Total	Reporting Measure Weight	Performance Measure Weight
	NQF #0431	NQF #0640	NQF #0674	NQF #1717	Antibiotics	NQF #0496	NQF #0531	NQF #0641	NQF #1789	NQF #2393	NQF #2631	NQF #3479			
Critical Access Hospitals	25%				50%	25%							100%	75%	25%
Freestanding Children's Hospitals	25%			37.5%						37.5%			100%	63%	37%
Freestanding Rehabilitation Hospitals	25%		50%									25%	100%	75%	25%
General Acute	25%			37.5%			37.5%						100%	63%	37%
Long Term Acute Care Hospitals	25%		33.3%								41.7%		100%	58%	42%
Psychiatric Hospitals	25%	37.5%						37.5%					100%	63%	37%
Short Stay Hospital	25%								75%				100%	25%	75%

- The proposed weights for each measure are based on a high-level qualitative assessment of relative **effort** (for self-reported measures) and **value** (for self-reported and claims-based measures).

*Effort:* The relative resource requirements for hospitals to report the measure.

*Value:* The relative scope of measure with respect to improving patient outcomes and containing cost.

- For each hospital type, **each measure is weighted** based on the measure's combined relative effort and value compared to the other measures for the hospital type.

# Reporting and Performance Payment Pool Allocation

Total Quality Incentive Payment Pool Allocation Into Separate Reporting and Performance Sub-pools

## Step 1: Determine Total Quality Incentive Payment Pool From Assessment and HEALTHII Modeling

- The total HEALTHII quality incentive payment pool is **\$379 million**, based on 15% of the total modeled HEALTHII payments
- Similar to FFY 2024 modeling, all quality incentive payments are “earned” based on provider reporting and performance

## Step 2: Use Measure Weights to Allocate Between Pay-for-Reporting and Pay-for-Performance Sub-pools

- The total quality incentive payment pool of **\$379 million** was split into two separate payment sub-pools:
  - Pay-for-reporting payments
  - Pay-for-performance payments
- Allocation based on HEALTHII base directed payments and relative pay-for-reporting and pay-for-performance measure weights across hospital types

## Step 3: Calculate Pay-for-Reporting and Pay-for-Performance Payment Sub-Pool Amounts

- The modeled **pay-for-reporting** payment sub-pool is **\$238.5M**, based on ~63% of the \$379 million total quality incentive payment pool
- The modeled **pay-for-performance** payment sub-pool is **\$140.5 million**, based on ~37% of the \$379 million total quality incentive payment pool
- Each payment sub-pool is fully distributed in aggregate

# Pay-for-Reporting Payment Calculation

## Overview of Calculation Methodology

### Step 1: Identify Quality Reporting Across Measures for Each Hospital

- Each hospital is considered to meet the reporting requirement if the measure is reported for the performance period

### Step 2: Determine Overall Entity Quality Reporting Score Percentage

- Each reporting hospital's overall pay-for-reporting score is calculated as the sum of measure weights for measures that were reported, divided by the sum of total measure weights
- For hospitals with multiple facilities or units reporting under one HEALTHII model entity, the overall score is calculated as the straight average across all reporting facilities or units

### Step 3: Model HEALTHII Pay-for-Reporting Payments<sup>1</sup>

- Modeled for each hospital via an iterative process using the following formula:  
*(Statewide available pay-for-reporting payment increase percentage) \**  
*(Hospital-specific quality reporting score percentage) \**  
*(Modeled FFY 2025 HEALTHII base directed payments)*
- Modeled statewide available pay-for-reporting payment increase percentage is **11.1167%** (hospital-specific percentages will range from a minimum of 0% to a maximum of 11.1167%)

*Note:1. Modeled increase percentage (11.1167%) is set to achieve AHCCCS' \$238.5 million pay for reporting payment pool target. This percentage would change based on the number of qualifying hospitals and modeled HEALTHII base directed payments.*

# Pay-for-Reporting Payment

## Example Calculation

- Step 2: Determine the Quality Reporting Score Percentage for Each Reporting Facility or Unit

Hospital	Measure 1 Weight	Measure 2 Weight	Measure 1 Fully Reported?	Measure 2 Fully Reported?	Hospital Quality Reporting Score Percentage
	A	B	C	D	$E = [ (A * C) + (B * D) ] / (A + B)$
A	25%	50%	Yes	Yes	100%
B	25%	37.5%	No	Yes	60%

- Step 3: Model HEALTHII Pay-for-Reporting Payments

Hospital	Statewide Available Pay-for-Reporting Payment Increase Percentage	Hospital-Specific Quality Reporting Score Percentage	Modeled HEALTHII Base Directed Payments	Modeled HEALTHII Pay-for-Reporting Payments
	A	B	C	$D = A * B * C$
A	11.1167%	100%	\$1,000,000	\$ 111,167
B	11.1167%	60%	\$ 500,000	\$ 33,350

# Preliminary Modeled Pay-for-Reporting Payments

Combined Inpatient and Outpatient (In Millions)

Hospital Type	Number of Hospitals	Modeled HEALTHII Base Directed Payments	Earned HEALTHII Pay-for-Reporting Payments	Percentage of Total Pay-for-Reporting Payments	Effective Percentage Increase Relative to Base HEALTHII Payments
	A	B	C	D = C / 238.5	E = C / B
Critical Access Hospitals	12	\$ 77.5	\$ 8.6	3.6%	11.1167%
Freestanding Children's Hospitals	1	\$ 85.9	\$ 9.6	4.0%	11.1167%
Freestanding Rehabilitation Hospitals	17	\$ 5.9	\$ 0.6	0.3%	10.9098%
General Acute	48	\$ 1,912.3	\$ 212.6	89.1%	11.1167%
Long Term Acute Care Hospitals	5	\$ 1.8	\$ 0.2	0.1%	11.1167%
Psychiatric Hospitals	22	\$ 61.1	\$ 6.5	2.7%	10.7049%
Short Stay Hospitals	12	\$ 3.3	\$ 0.4	0.2%	11.1133%
<b>Total</b>	<b>117</b>	<b>\$ 2,147.8</b>	<b>\$ 238.5</b>	<b>100%</b>	<b>11.1044%</b>

# Pay-for-Performance Payment Calculation

## Overview of Calculation Methodology

### Step 1: Identify Performance Qualification Across Measures for Each Hospital

- For each measure, hospitals can qualify for performance incentive by either being a top performer in the performance period or maintaining/improving individual performance in the performance period relative to the baseline period
- Hospitals without a basis for measurement on a particular measure earn partial credit for that measure

### Step 2: Determine Each Hospital's Quality Performance Score Percentage

- Each hospital type has one pay-for-performance measure
- Each hospital's overall pay-for-performance score is calculated as the measure credit earned for the applicable pay-for-performance measure
- For hospitals with multiple facilities or units reporting under one HEALTHII model entity, the overall score is calculated as the average score across all facilities or units, weighted on the measure denominator for each facility or unit

### Step 3: Model HEALTHII Pay-for-Performance Payments<sup>1</sup>

- Modeled for each hospital via an iterative process using the following formula:  
*(Statewide available performance payment increase percentage) \* (Hospital-specific performance score percentage) \**  
*(Modeled FFY 2025 HEALTHII base directed payments)*
- Modeled statewide available pay-for-performance payment increase percentage of **14.6497%** (hospital-specific percentages will range from a minimum of 0% to a maximum 14.6497%)

*Note: 1. Modeled increase percentage (14.6497%) is set to achieve AHCCCS' \$140.5 million pay for performance payment pool target. This percentage would change based on the number of qualifying hospitals and modeled HEALTHII base directed payments.*

# Qualification Pathway For Pay-for-Performance Payments

## Overview of Hierarchical Approach

### Top Performers

#### Hospitals with performance period scores in the top 2/3<sup>rd</sup>s percentile

- Hospitals were ranked based on quality measure performance during the performance period (FFY 2022)
- Top 2/3<sup>rd</sup>s percentile of performers<sup>1</sup> (excluding hospitals with no basis for measurement) earn 100% credit

### Improved Performance

#### Hospitals that improved performance period scores relative to baseline

- For each hospital, the performance period score was compared to the baseline period (FFY 2021) score
- Hospitals with greater than 0.5%<sup>1</sup> increase in score relative to baseline earn 100% credit

### Maintained Performance

#### Hospitals that maintained performance period scores relative to baseline

- For each hospital, the performance period score was compared to the baseline period score
- Hospitals within +/- 0.5%<sup>1</sup> of the baseline period score earn 100% credit

### Does Not Qualify

#### Hospitals with lower performance period scores relative to baseline

- For each hospital, the performance period score was compared to the baseline period score
- Hospitals with greater than 0.5%<sup>1</sup> reduction in score relative to baseline earn 0% credit

### No Data (Partial Credit)

#### Hospitals that had no basis for measurement in performance period

- Hospitals that did not have a basis for measurement earn 2/3<sup>rd</sup>s credit <sup>1</sup>
- ***However, for self-reported measures, hospitals that were non-responsive earn 0% credit <sup>1</sup>***

(1) Pathway criteria and partial credit percentage selected by AHCCCS

# Qualification Pathway For Pay-for-Performance Payments - continued

## Results of Hierarchical Approach

Hospital Type	Quality Measure	Measure Type	Inverse Measure	Existing Hospitals					New Hospitals					All Hospitals	
				Top Performer (100%)	Improved Performance (100%)	Maintained Performance (100%)	No Data (~66.6%)	Did Not Qualify (0%)	Top Performer (100%)	Improved Performance (100%)	Maintained Performance (100%)	No Data (~66.6%)	Did Not Qualify (0%)	Earned Incentive Payment	No Incentive Payment
Critical Access	NQF #0496	Self-reported	Yes	8	2	0	0	2	0	0	0	0	0	10	2
Freestanding Children's	NQF #2393	Claims-based	Yes	0	1	0	0	0	0	0	0	0	0	1	0
Freestanding Rehabilitation	NQF #3479	Claims-based	No	8	2	0	0	3	0	0	0	3	0	13	3
General Acute	NQF #0531	Claims-based	Yes	36	1	0	0	18	0	0	0	0	0	37	18
Long Term Acute Care	NQF #2631	Self-reported	No	2	0	0	0	3	0	0	0	0	1	2	4
Psychiatric	NQF #0641	Self-reported	Yes	10	0	0	5	11	0	0	0	0	0	15	11
Short Stay	NQF #1789	Claims-based	Yes	4	1	0	6	0	0	0	0	0	0	11	0

- Measure improvement considered whether the metric was an inverse measure (reduction in metric demonstrates improved performance) versus non-inverse (increase in metric demonstrates improved performance)
- New hospitals were those identified as new as part of the assessment and HEALTHII modeling



# Pay-for-Performance Payment

## Example Calculation

- Step 2: Determine the Quality Performance Payment Score Percentage for Each Reporting Facility or Unit

Hospital	Qualification Pathway	Ranked in Top 2/3 <sup>rds</sup> Percentile?	> 0.5% over Baseline Period?	Within +/- 0.5% Baseline Period?	Quality Performance Score Percentage
Hospital A	Top Performer	Yes	N/A	N/A	100%
Hospital B	Improved Performance	No	Yes	N/A	100%
Hospital C	Maintained Performance	No	No	Yes	100%
Hospital D	No Data (Partial Credit)	N/A	N/A	N/A	~66.6%
Hospital E	Does Not Qualify	No	No	No	0%

# Pay-for-Performance Payment - continued

## Example Calculation

- Step 3: Model HEALTHII pay-for-performance quality payments

Hospital	Statewide Available Pay-for-Performance Payment Increase Percentage	Hospital-Specific Quality Performance Score Percentage	Modeled HEALTHII Base Directed Payments	Modeled HEALTHII Pay-for-Performance Payments
	A	B	C	D = A * B * C
Hospital A	14.6497%	100%	\$ 1,000,000	\$ 146,497
Hospital B	14.6497%	100%	\$ 500,000	\$ 73,248
Hospital C	14.6497%	100%	\$ 400,000	\$ 58,598
Hospital D	14.6497%	~66.6%	\$ 100,000	\$ 9,766
Hospital E	14.6497%	0%	\$ 250,000	\$ 0

# Preliminary Modeled Pay-for-Performance Payments

Combined Inpatient and Outpatient (In Millions)

Hospital Type	Number of Hospitals	Modeled HEALTHII Base Directed Payments	Earned HEALTHII Pay-for-Performance Payments	Percentage of Total Pay-for-Performance Payments	Effective Percentage Increase Relative to Base HEALTHII Payments
	A	B	C	D = C / 140.5	E = C / B
Critical Access Hospitals	12	\$ 77.5	\$ 10.3	7.4%	13.3463%
Freestanding Children's Hospitals	1	\$ 85.9	\$ 12.6	9.0%	14.6497%
Freestanding Rehabilitation Hospitals	17	\$ 5.9	\$ 0.7	0.5%	11.7720%
General Acute	48	\$ 1,912.3	\$ 111.5	79.3%	5.8293%
Long Term Acute Care Hospitals	5	\$ 1.8	\$ 0.2	0.1%	9.7724%
Psychiatric Hospitals	22	\$ 61.1	\$ 4.8	3.4%	7.8770%
Short Stay Hospitals	12	\$ 3.3	\$ 0.4	0.3%	13.4871%
<b>Total</b>	<b>117</b>	<b>\$ 2,147.8</b>	<b>\$ 140.5</b>	<b>100%</b>	<b>6.5427%</b>

# Preliminary Modeled Total Quality Incentive Payments

Combined Pay-for-Reporting and Pay-for-Performance Payments

Hospital Type	Number of Hospitals	Modeled HEALTHII Base Directed Payments	Total Earned HEALTHII Quality Incentive Payments	Percentage of Total Quality Incentive Payments	Effective Percentage Increase Relative to Base HEALTHII Payments
	A	B	C	D = C / 379.0	E = C / B
Critical Access Hospitals	12	\$ 77.5	\$ 18.9	5.0%	24.4630%
Freestanding Children's Hospitals	1	\$ 85.9	\$ 22.1	5.8%	25.7664%
Freestanding Rehabilitation Hospitals	17	\$ 5.9	\$ 1.3	0.4%	22.6818%
General Acute	48	\$ 1,912.3	\$ 324.1	85.5%	16.9460%
Long Term Acute Care Hospitals	5	\$ 1.8	\$ 0.4	0.1%	20.8891%
Psychiatric Hospitals	22	\$ 61.1	\$ 11.4	3.0%	18.5819%
Short Stay Hospitals	12	\$ 3.3	\$ 0.8	0.2%	24.6004%
<b>Total</b>	<b>117</b>	<b>\$ 2,147.8</b>	<b>\$ 379.0</b>	<b>100%</b>	<b>17.6471%</b>

# Updated Preliminary Model Results

# Preliminary FFY 2025 Model Totals Compared To FFY 2024

Preliminary Model Totals (\$ Millions)		FFY 2025 (with Quality Pool Payments)	FFY 2024 (with Quality Pool Payments)
<b>Modeled Assessments</b>			
<b>Hospital Assessment Fund (HAF)</b>			
Modeled baseline HAF assessments	A	\$ 597.1	\$ 641.8
<b>Health Care Investment Fund (HCIF)</b>			
Modeled HCIF assessments for HEALTHII payments (includes administration and quality pool)	B	\$ 560.6	\$ 438.9
Modeled HCIF assessments for physician/dental payments	C	70.5	70.5
Total modeled FFY HCIF assessments	D = B+C	\$ 631.1	\$ 509.4
Applied HCIF surplus balance from prior periods	E	\$ 70.0	\$ 100.0
Total HCIF costs including surplus from prior periods	F = D+E	\$ 701.1	\$ 609.4
<b>Total Modeled FFY Assessments</b>	<b>G = A+D</b>	<b>\$ 1,228.2</b>	<b>\$ 1,151.2</b>
<b>Estimated Coverage Payment Net Revenue Gain (Relates to HAF Assessment)</b>			
Total modeled Coverage Payments	H	\$ 1,446.8	\$ 1,535.2
Less: Total modeled HAF assessments	I	(597.1)	(641.8)
<b>Total Estimated FFY Coverage Payment Net Revenue Gain</b>	<b>J = H+I</b>	<b>\$ 849.7</b>	<b>\$ 893.4</b>
<b>Estimated HEALTHII Net Revenue Gain (Relates to HCIF Assessment)</b>			
Total modeled HEALTHII directed payments (net of premium tax) <sup>(1)</sup>	K	\$ 2,526.8	\$ 2,213.8
Less: Total modeled HCIF assessments	L	(631.1)	(509.4)
<b>Total Estimated FFY HEALTHII Net Revenue Gain</b>	<b>M = K+L</b>	<b>\$ 1,895.7</b>	<b>\$ 1,704.4</b>
<b>Total Estimated FFY Hospital Net Revenue Gain</b>	<b>N = J+M</b>	<b>\$ 2,745.4</b>	<b>\$ 2,597.8</b>

Note: 1. Includes HEALTHII base directed payments and quality incentive payments (FFY 2024 includes pay-for-reporting payments only, while FFY 2025 includes both pay-for-reporting and pay-for-performance payments).

# Preliminary Modeled FFY 2025 Assessment Rates

## Combined HAF and HCIF Assessment Rates

Hospital Assessment Peer Group	Inpatient		Outpatient	
	Percent of Base Assessment	Modeled FFY 2025 Assessment Rate	Percent of Base Assessment	Modeled FFY 2025 Assessment Rate
Rates Applicable to Each Hospital Type:				
Critical Access Hospitals	100%	\$ 1,322.50	25%	2.0725%
Freestanding Children's Hospitals	20%	\$ 264.75	20%	1.6580%
Freestanding Rehabilitation Hospitals	0%	\$ 0.00	0%	0.0000%
High Medicare/Out-of-State Patient Utilization Hospital	0%	\$ 0.00	0%	0.0000%
Large Psychiatric Hospitals	25%	\$ 330.75	25%	2.0725%
LTAC Hospitals	25%	\$ 330.75	25%	2.0725%
Medium Pediatric Intensive General Acute Hospitals	90%	\$ 1,190.25	75%	6.2176%
Non-CAH Rural Acute Hospitals	100%	\$ 1,322.50	60%	4.9740%
Pediatric-Intensive General Acute Hospitals	80%	\$ 1,058.00	65%	5.3885%
Public Acute Hospital	0%	\$ 0.00	0%	0.0000%
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%	\$ 1,322.50	100%	8.2901%
Rates Applicable to All Non-Exempted Hospital Types:				
Rate Applied to Non-Exempted Psychiatric Sub-Provider Units	25%	\$ 330.75	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 <sup>(1)</sup>	10%	\$ 132.50	N/A	N/A

(1) The modeled inpatient assessment unit threshold is 22,800 and there is no modeled outpatient assessment unit threshold. The inpatient threshold is not applicable to discharges for Psychiatric and Rehabilitation sub-providers.

# Preliminary Modeled FFY 2025 HEALTHII Payments

With Quality Incentive Payments (\$ in millions)

HEALTHII Reimbursement Class	Class HEALTHII Payment Increase Percentage	Modeled HEALTHII Base Directed Payment Pool	Modeled HEALTHII Quality Incentive Payment Pool	Modeled HCIF Assessments including Quality Pool Funding	Estimated Net Revenue Gain / (Loss) From Assessments
A	B	C	D	E	F = C + D - E
Freestanding Children's Provider	25.86%	\$ 85.9	\$ 22.1	\$ 6.1	\$ 102.0
Private Urban Acute Hospital	99.39%	\$ 1,534.9	\$ 242.4	\$ 504.9	\$ 1,272.4
Public Acute Hospital	23.87%	\$ 38.4	\$ 4.3	\$ 0.0	\$ 42.7
Rural Hospital	104.07%	\$ 304.8	\$ 68.2	\$ 87.5	\$ 285.5
Rural Reservation-Adjacent Hospitals	138.99%	\$ 111.7	\$ 28.1	\$ 26.2	\$ 113.6
Specialty Hospital	23.87%	\$ 72.0	\$ 13.9	\$ 6.4	\$ 79.5
<b>Total w/ Quality Pool Payments</b>		<b>\$ 2,147.8</b>	<b>\$ 379.0</b>	<b>\$ 631.1</b>	<b>\$ 1,895.7</b>

*Note: For FFY 2025, the non-federal share of AHCCCS' proposed \$379M quality payment pool is included in modeled HCIF assessments and modeled HEALTHII payments. HEALTHII payment subject to provider class level commercial payment benchmark limitations which have not yet been determined.*



# Preliminary Modeled Impact from Total Assessments

Combined Coverage Payments and HEALTHII Payments (\$ in millions)

Hospital Assessment Peer Group	Total Modeled FFY 2025 HAF Assessments	Total Modeled FFY 2025 HCIF Assessments	Total Modeled FFY 2025 Coverage Payments	Total Modeled FFY 2025 HEALTHII Payments (incl. Quality)	Estimated Hospital Net Revenue Gain / (Loss) from Total Assessments <sup>(1)</sup>	Number of Hospitals with Estimated Gain	Number of Hospitals with Estimated \$0 Gain	Number of Hospitals with Estimated Loss
CAH	\$ 9.8	\$ 9.9	\$ 39.6	\$ 96.4	\$ 116.3	12	0	0
Freestanding Children's Hospitals	\$ 4.2	\$ 6.1	\$ 7.7	\$ 108.1	\$ 105.4	1	0	0
Freestanding Rehabilitation Hospitals	\$ 0.0	\$ 0.0	\$ 18.3	\$ 7.2	\$ 25.5	14	2	0
High Medicare/Out-of-State Patient Utilization Hospital	\$ 0.0	\$ 0.0	\$ 13.7	\$ 4.9	\$ 18.5	1	0	0
Large Psychiatric Hospitals	\$ 11.0	\$ 6.1	\$ 113.3	\$ 63.1	\$ 159.3	12	0	0
LTAC Hospitals	\$ 0.5	\$ 0.3	\$ 6.7	\$ 2.1	\$ 8.1	5	0	0
Medium Pediatric Intensive General Acute Hospitals	\$ 103.1	\$ 112.3	\$ 234.8	\$ 581.4	\$ 600.9	5	0	0
Non-CAH Rural Acute Hospitals	\$ 81.8	\$ 80.5	\$ 136.0	\$ 296.5	\$ 270.2	12	0	0
Pediatric-Intensive General Acute Hospitals	\$ 21.3	\$ 21.0	\$ 56.5	\$ 153.4	\$ 167.7	1	0	0
Public Acute Hospital	\$ 0.0	\$ 0.0	\$ 110.0	\$ 42.7	\$ 152.7	1	0	0
Short Term Specialty Hospitals	\$ 0.0	\$ 0.0	\$ 10.5	\$ 4.1	\$ 14.6	9	3	0
Small Psychiatric Hospitals and AZ State Hospital	\$ 0.0	\$ 0.0	\$ 16.3	\$ 9.4	\$ 25.7	10	0	0
Urban Acute Hospitals	\$ 365.5	\$ 395.0	\$ 651.2	\$ 1,157.5	\$ 1,048.3	28	0	1
Total Border Hospitals	\$ 0.0	\$ 0.0	\$ 28.6	\$ 0.0	\$ 28.6	0	0	0
Total Out of State Hospitals	\$ 0.0	\$ 0.0	\$ 3.6	\$ 0.0	\$ 3.6	0	0	0
<b>Total</b>	<b>\$ 597.1</b>	<b>\$ 631.1</b>	<b>\$ 1,446.8</b>	<b>\$ 2,526.8</b>	<b>\$ 2,745.4</b>	<b>111</b>	<b>5</b>	<b>1</b>

(1) Does not include costs incurred by hospitals for performing Medicaid services.

# Next Steps

# Preliminary Model Feedback

## Model Parameters and Hospital Reported Amounts

- AHCCCS is soliciting feedback from the hospital community on the preliminary FFY 2025 HEALTHII assessment model parameters for consideration
  - Please email comments related to model parameters and inputs to AHCCCS at [HospitalAssessmentProject@azahcccs.gov](mailto:HospitalAssessmentProject@azahcccs.gov) by **April 16, 2024**
- Please review and validate your hospital's FYE 2021 discharges and revenues amounts shown in the Milliman report "*Preliminary Federal Fiscal Year 2025 Hospital Assessment Model*" Appendix A dated March 28, 2024.
- Please contact AHCCCS if there are any issues or questions

## Next Modeling Steps

- Collect stakeholder feedback for consideration
- Update other preliminary assessment model inputs and model parameters as needed and based on direction from AHCCCS
- AHCCCS quality data relied upon is still preliminary; as such quality incentive payment modeling will change based on final quality data results, stakeholder review and validation, and final AHCCCS policy decisions
- Share updated results with hospital stakeholder group

# Limitations

This presentation has been prepared for the internal business use of the Arizona Health Care Cost Containment System (AHCCCS) in preparation for an Arizona Medicaid hospital stakeholder work group meeting on March 26, 2024, and is not complete with the oral commentary accompanying this presentation. This presentation version includes a minor update to presentation shared at this work group meeting to reflect a change in the modeled quality incentive payment factors to account for the reclassification of the hospital type for a single hospital.

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The preliminary model described in this presentation relies on data and information provided by CMS, AHCCCS, Arizona Department of Health Services, HealthTech Solutions, 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.

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 2025 contract year and final quality data to be provided by AHCCCS.**



# Thank you

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