Financial Management Group

JUN 08 2017

Tom Betlach, Director
Arizona Health Care Cost Containment System
801 E. Jefferson
Phoenix, AZ 85034

RE: Arizona State Plan Amendment 16-012-A

Dear Mr. Betlach:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 16-012-A. This amendment establishes a value based payment (VBP) program for facilities providing inpatient services, effective October 1, 2016.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), 1903(a) and 1925 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. This is to inform you that Medicaid State plan amendment TN 16-012-A is approved effective October 1, 2016. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Blake Holt at (415) 744-3754.

Sincerely,

Kristin Fan
Director

Enclosures
**TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL**

FOR: Centers for Medicare and Medicaid Services

TO: REGIONAL ADMINISTRATOR
CENTER FOR MEDICARE AND MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One):
   - [ ] NEW STATE PLAN
   - [x] AMENDMENT TO BE CONSIDERED AS NEW PLAN
   - [ ] AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
   42 CFR Part 447

7. FEDERAL BUDGET IMPACT:
   - FFY 17: $513,600
   - FFY 18: $0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
   Att. 4.19-A, page 28

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):
   Same

10. SUBJECT OF AMENDMENT:

   Updates the State Plan to include Value Based Purchasing (VBP) differential adjusted payment for hospitals providing inpatient hospital services.

11. GOVERNOR’S REVIEW (Check One):
   - [x] GOVERNOR’S OFFICE REPORTED NO COMMENT
   - [ ] COMMENTS OF GOVERNOR’S OFFICE ENCLOSED
   - [ ] NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
   - [ ] OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

   Beth Kohler
   801 E. Jefferson, MD#4200
   Phoenix, Arizona 85034

16. RETURN TO:

   18. DATE APPROVED: JUN 08 2017

   17. DATE RECEIVED:

   19. EFFECTIVE DATE OF APPROVED MATERIAL: OCT 01 2016

   20. SIGNATURE OF REGIONAL OFFICIAL:

   21. TYPED NAME: Kristin Fan

   22. TITLE: Director, FBCO

   23. REMARKS:
STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Section XI – Inpatient Value Based Purchasing Differential Adjusted Payment

A. Overview:
As of October 1, 2016 through September 30, 2017 (Contract Year Ending (CYE) 2017), AHCCCS-registered Arizona hospitals (other than the hospitals described in section C. below) which meet Agency established value based performance metrics requirements in section B. below will receive a Value Based Purchasing (VBP) Differential Adjusted Payment described in section D. below. The VBP Differential Adjusted Payment Schedule represents a positive adjustment to the AHCCCS Fee-For-Service rates. These payment adjustments will occur for all dates of discharge in CYE 2017 only. The purpose of the VBP Differential Adjusted Payment is to distinguish facilities which have committed to supporting designated actions that improve patients’ care experience, improve members’ health, and reduce cost of care growth.

B. Applicability
To qualify for the Inpatient VBP Differential Adjusted Payment, a hospital providing inpatient hospital services must meet the following criteria:

a. Must be an AHCCCS registered Arizona hospital; or a high volume out-of-state hospital as defined at AAC R9-22-712.64(C) with AHCCCS payments exceeding $5 million in CYE 2014;

b. By June 1, 2016, the hospital must have executed an agreement with and electronically submitted admission, discharge, and transfer information, as well as data from the hospital emergency department, to a qualifying health information exchange organization; and

c. CMS must have approved the hospital’s attestation demonstrating meaningful use as described in 42 CFR 495.22 during an electronic health record reporting period in 2015; or, received its fourth year incentive payment prior to 2016; or, for a children’s hospital that does not participate in the Medicare electronic health record incentive program, the AHCCCS Administration must have approved the hospital’s Medicaid attestation demonstrating meaningful use as described in 42 CFR 495.22 during an electronic health record reporting period in 2015.

C. Exemptions:
IHS and 638 tribally owned and/or operated facilities, including hospital and nursing facilities are exempt from this initiative based on payments primarily at the federally-mandated all-inclusive rate.

D. Payment Methodology
For inpatient services with the date of discharge from October 1, 2016 through September 30, 2017, the Inpatient VBP Differential Adjusted Payment is the sum of the final DRG base payment and the final DRG outlier add-on payment, as described in Section VIII paragraph M, multiplied by 0.5%.

TN No. 16-012-A
Supersedes TN No. N/A
Approval Date: JUN 08 2017
Effective Date: October 1, 2016