November 10, 2021

Mark Wong  
Division of Medicaid and Children’s Health Operations  
U.S. Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6707

RE: Arizona SPA # 21-017, LTC and Rehab Rates

Dear Mr. Wong:

Enclosed is State Plan Amendment (SPA) #21-017, LTC and Rehab Rates Update. This SPA updates the State Plan long-term care and rehabilitation rates, effective October 1, 2021.

Tribal Consultation on this SPA occurred on August 12, 2021. The Tribal Consultation presentation is available at:
- [https://www.azahcccs.gov/AmericanIndians/TribalConsultation/](https://www.azahcccs.gov/AmericanIndians/TribalConsultation/)

Public Notice for this rate update was posted on the following webpages:
- [https://www.azahcccs.gov/AHCCCS/PublicNotices/](https://www.azahcccs.gov/AHCCCS/PublicNotices/)

If there are any questions about the enclosed SPA, please contact Ruben Soliz at [ruben.soliz@azahcccs.gov](mailto:ruben.soliz@azahcccs.gov) or 602-417-4355.

Sincerely,

Dana Flannery  
Assistant Director  
Arizona Health Care Cost Containment System (AHCCCS)
**TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL**

**FOR:** Centers for Medicare and Medicaid Services

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

1. TRANSMITTAL NUMBER: 21-017
2. STATE: Arizona

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE: October 1, 2021

5. TYPE OF PLAN MATERIAL (Check One):

- [ ] NEW STATE PLAN
- [ ] AMENDMENT TO BE CONSIDERED AS NEW PLAN
- [X] 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 2022: $1,386
   - FFY 2023: $1,329

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
   Attachment 4.19-A, pg. 27

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):
   Attachment 4.19-A, pg. 27

10. SUBJECT OF AMENDMENT:
    Updates the State Plan long-term care and rehabilitation rates, effective October 1, 2021.

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:

   [Signature]

13. TYPED NAME: Dana Flannery
14. TITLE: Assistant Director

15. DATE SUBMITTED: November 10, 2021

16. RETURN TO:

   Dana Flannery
   801 E, Jefferson, MD#4200
   Phoenix, AZ 85034

17. DATE RECEIVED:
18. DATE APPROVED:

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
22. TITLE:

23. REMARKS:
IX. PAYMENT TO LONG-TERM ACUTE CARE HOSPITALS
Effective October 1, 2015, long-term acute care hospitals are paid a per diem rate which will be an intensive care unit (ICU) rate, a surgery rate, or a routine rate. A hospital is eligible to receive an ICU rate or a surgery rate if the hospital is licensed by the Arizona Department of Health Services to provide ICU or surgical services.

The ICU rate applies to inpatient days associated on the claim with revenue codes in the ranges 200-204, 207-212, and 219. The surgery rate applies to inpatient days associated on the claim with revenue codes 360-369 in combination with valid procedure codes that are not on the AHCCCS excluded surgery procedures list. The routine rate applies to all other inpatient days.

An outlier is a hospital claim on which the covered charges exceed the outlier threshold, which will be an ICU threshold, a surgery threshold, or a routine threshold. The outlier thresholds for long-term acute care hospitals are the thresholds that were in effect for those hospitals on September 30, 2014. Outliers shall be reimbursed by multiplying covered charges by the outlier cost-to-charge ratio. The outlier ratios will be the Final Statewide Average Total Cost-to-Charge Ratios for LTCHs in the data file published by CMS as part of the Medicare Long-Term Care Hospital Prospective Payment System for the prior fiscal year. The urban cost-to-charge ratio applies to hospitals located in Maricopa County or Pima County, and to out-of-state hospitals. The rural cost-to-charge ratio applies to all other hospitals.

AHCCCS rates were set as of October 1, 2021, and are effective for dates of admission on and after that date. AHCCCS rates and outlier thresholds for payments to long-term acute care hospitals are published on the agency’s website at https://azahcccs.gov/PlansProviders/RatesAndBilling/FFS/LTACrehab.html

X. PAYMENT TO REHABILITATION HOSPITALS
Effective October 1, 2015, rehabilitation hospitals are paid a statewide per diem rate.

An outlier is a hospital claim on which the covered charges exceed the outlier threshold. The outlier threshold for rehabilitation hospitals is the threshold that was in effect for those hospitals on September 30, 2014. Outliers shall be reimbursed by multiplying covered charges by the outlier cost-to-charge ratio. The outlier cost-to-charge ratios will be the Final Statewide Average Total Cost-to-Charge Ratios for LTCHs in the data file published by CMS as part of the Medicare Long-Term Care Hospital Prospective Payment System for the prior fiscal year. The urban cost-to-charge ratio applies to hospitals located in Maricopa County or Pima County, and to out-of-state hospitals. The rural cost-to-charge ratio applies to all other hospitals.

AHCCCS rates were set as of October 1, 2021, and are effective for dates of admission on and after that date. AHCCCS rates and outlier thresholds for payments to rehabilitation hospitals are published on the agency’s website at https://azahcccs.gov/PlansProviders/RatesAndBilling/FFS/LTACrehab.html