

October 11, 2022

Brian Zolynas
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 # 22-0022 Outpatient Hospital Rates

Dear Mr. Zolynas:

Enclosed is State Plan Amendment (SPA) # 22-0022 Outpatient Hospital Rates. This SPA updates the state plan [TYPE OF RATE] rates, with an effective date of October 1, 2022.

Tribal Consultation and Public Notice Requirements for this SPA have been fulfilled and the corresponding documentation is provided below:

Tribal Consultation (August 11, 2022):

<https://www.azahcccs.gov/AmericanIndians/Downloads/Consultations/Meetings/2022/August112022QuarterlyTC.pdf>

Public Notice:

https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/rates/Final_Public_Notice_Rate_Changes_20221001.pdf

The Fiscal Impact of this SPA has been calculated as:

- FFY 2023: \$317
- FFY 2024: \$280

The state has projected the federal fiscal impact for FFY 2023 and FFY 2024 using the actual expenditure data from FFY 2021 and incorporating rate changes that occurred in FFY 2022. Using the estimated FFY 2022 expenditures, the state applied the rate changes for FFY 2023 to estimate the fiscal impact for FFY 2024. The FMAP used in FFY 2023 75.76%. The FFY 2024 estimate was assumed to be the same as FFY 2023; however, the FMAP for FFY 2024 was 66.92%.

If there are any questions about the enclosed SPA, please contact Ruben Soliz at 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 & MEDICAID SERVICES

| | |
|--|-----------------------|
| 1. TRANSMITTAL NUMBER 22 - 0022 | 2. STATE AZ |
| 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT | |
| 4. PROPOSED EFFECTIVE DATE October 1, 2022 | |
| 6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars) a. FFY <u>23</u> \$ <u>317</u> b. FFY: <u>24</u> \$ <u>280</u> | |
| 8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4.19-B Pg. 1, 1(a) | |

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B
Pg. 1, 1(a)

9. SUBJECT OF AMENDMENT
Updates the state plan Outpatient Hospital rates, effective October 1, 2022.

10. GOVERNOR'S REVIEW (Check One)

- GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS
 SPECIFIED: COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

11. SIGNATURE OF STATE AGENCY OFFICIAL



12. TYPED NAME
Dana Flannery

13. TITLE
Assistant Director

14. DATE SUBMITTED: October 11, 2022

15. RETURN TO
Dana Flannery
801 E. Jefferson St., MD # 4200
Phoenix, AZ 85034

FOR CMS USE ONLY

| | |
|-------------------|-------------------|
| 16. DATE RECEIVED | 17. DATE APPROVED |
|-------------------|-------------------|

PLAN APPROVED - ONE COPY ATTACHED

| | |
|---|-------------------------------------|
| 18. EFFECTIVE DATE OF APPROVED MATERIAL | 19. SIGNATURE OF APPROVING OFFICIAL |
| 20. TYPED NAME OF APPROVING OFFICIAL | 21. TITLE OF APPROVING OFFICIAL |

22. REMARKS

State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

The following is a description of methods and standards for determining payment rates for specific services when payments are made directly to providers. Fee-for-services payments are made in accordance with the Arizona Health Care Cost Containment System Fee-For-Service Provider Manual and are subject to the limitations set forth in Attachment 3.1-A of the State Plan. State developed fee schedule rates are the same for both governmental and non-governmental providers, unless otherwise noted on the reimbursement pages. AHCCCS rates are effective for dates of service on or after October 1, 2022. AHCCCS rates are published on the agency's website at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/> and apply to the following services: 1) Outpatient Hospital; 2) Laboratory; 3) Pharmacy; 4) Hospice; 5) Clinic Services, including Freestanding Ambulatory Surgery Centers and Freestanding Dialysis Centers; 6) Migrant Health Center, Community Health Center and Homeless Health Center Services, Home Health Services, including Durable Medical Equipment, Supplies and Prosthetic Devices; 7) Diagnostic, Screening and Preventive Services; 8) EPSDT Services; 9) Freestanding Birth Centers; 10) Behavioral Health; 11) Family Planning; 12) Physician; 13) Nurse-Midwife; 14) Pediatric and Family Nurse Practitioner; 15) Other Licensed Practitioner; 16) Dental; 17) Vision; 18) Respiratory Care; 19) Transportation; 20) Private Duty Nurse; 21) Other Practitioners; 22) Physical Therapy; 23) Occupational Therapy; 24) Services for individuals with speech, hearing and language disorders; 25) Prosthetic devices; 26) Screening; 27) Preventative; 28) Rehabilitation.

◆ Outpatient Hospital Services

From July 1, 2004 through June 30, 2005, AHCCCS shall reimburse a hospital by applying a hospital-specific outpatient cost-to-charge ratio to covered charges. If the hospital increases its charges for outpatient services filed with the Arizona Department of Health Services by more than 4.7 per cent for dates of service effective on or after July 7, 2004, the hospital-specific cost-to-charge ratio will be reduced by the amount that it exceeds 4.7 per cent. If charges exceed 4.7 per cent, the effective date of the increased charges will be the effective date of the adjusted AHCCCS cost-to-charge ratio.

For dates of service beginning July 1, 2005, AHCCCS shall reimburse hospitals for outpatient acute care hospital services from a prospective fee schedule, by procedure code, established by AHCCCS. Hospitals with similar characteristics (peer groups) such as: rural/CAH designation, bed size, pediatric emphasis, special needs hospitals, public ownership, GME programs or Level I Trauma Centers, may be paid percentage adjustments above the fee schedule amount not to exceed the total payments received under comparable circumstances pursuant to Medicare upper limits. Rural hospitals, defined as hospitals in Arizona, but outside Maricopa and Pima counties, may be paid an adjustment above the fee schedule amount not to exceed the total payments received under comparable circumstances pursuant to Medicare upper limits.

Services that do not have an established fee specified by the AHCCCS' outpatient hospital prospective fee schedule will be paid by multiplying the charges for the service by a statewide outpatient cost-to-charge ratio. For dates of service July 1, 2005 through September 30, 2011, the statewide outpatient cost-to-charge ratio is computed from hospitals' 2002 Medicare Cost Reports.

For dates of service beginning October 1, 2011, the statewide cost-to-charge ratio calculation shall equal either the CMS Medicare Outpatient Urban or the CMS Medicare Outpatient Rural Cost to Charge Ratio for Arizona. The urban cost-to-charge ratio will be used for hospitals located in a county of 500,000 residents or more and for out-of-state hospitals. The rural cost-to-charge ratio will be used for hospitals located in a county of fewer than 500,000 residents.

Hospitals shall not be reimbursed for emergency room treatment, observation hours, or other outpatient hospital services performed on an outpatient basis, if the eligible person is admitted as an inpatient to the same hospital directly from the emergency room, observation or other outpatient department. The emergency room, observation, and other outpatient hospital services provided before the admission are included in the inpatient reimbursement.

Outpatient hospital payments shall be subject to the quick pay discounts and the slow pay penalties described in Attachment 4.19-A.

Rebase

AHCCCS will rebase the outpatient hospital fee schedule every five years.

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TN No. ~~21-019-22-0022~~

Supersedes TN No. ~~20-025~~ 21-019

Approved: _____

Effective: October 1, 2022

State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

Rate Updates

Notwithstanding the methods and rates as otherwise described, for claims with dates of service between April 1, 2011 and September 30, 2011, all payments for outpatient hospital services will be reduced by 5% of the payment that would otherwise have been made under the methodology in effect as of October 1, 2010, as described above.

For claims with dates of service effective from October 1, 2011 to September 30, 2015, all payments for outpatient hospital services will be reduced by 5% under the methodology in effect as of October 1, 2011. For claims with dates of service effective October 1, 2015 to September 30, 2016, all payments for outpatient hospital services will be made using the methodology in effect as of September 30, 2015 resulting in a year to year 0% aggregate impact on Outpatient Hospital Rates. For claims with dates of service effective on or after October 1, 2022⁺, outpatient hospital services will be made according to the AHCCCS fee schedule located on the AHCCCS website at <https://www.azahcccs.gov/PlansProviders/RatesAndBilling/FFS/>. These fees were updated October 1, 2022⁺ for a 0% aggregate impact.

Effective for dates of service September 1, 2020 through September 30, 2020, AHCCCS is implementing a 10% rate increase to the FFS fee schedules identified above for in office vaccination codes, and administration codes related to influenza.

TN No. ~~21-019-22~~-0022

Supersedes TN No. ~~20-025~~ 21-019

Approved: _____

Effective: October 1, 2022⁺