

**NOTICE OF PROPOSED RULEMAKING**  
**TITLE 9. HEALTH SERVICES**  
**CHAPTER 22. ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION**

**PREAMBLE**

**1. Article, Part, or Section Affected (as applicable)**

R9-22-712.62

**Rulemaking Action:**

Amend

**2. Citations to the agency's statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):**

Authorizing statute: A.R.S. § 36-2903.01(A)

Implementing statute: A.R.S. § 36-2903.01(G)(12)

**3. Citations to all related notices published in the Register as specified in R1-1-409(A) that pertain to the record of the proposed rule:**

Notice of Rulemaking Docket Opening: [to be filled in by SOS editor]

**4. The agency's contact person who can answer questions about the rulemaking:**

Name: Nicole Fries

Address: AHCCCS

Office of Administrative Legal Services

701 E. Jefferson, Mail Drop 6200

Phoenix, AZ 85034

Telephone: (602) 417-4232

Fax: (602) 253-9115

E-mail: AHCCCSRules@azahcccs.gov

Web site: www.azahcccs.gov

**5. An agency's justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:**

All Patient Refined Diagnosis Related Groups (APR-DRG) payment methodology is the primary reimbursement method for AHCCCS hospital inpatient care services. AHCCCS transitioned to the APR-DRG payment methodology beginning October 1, 2014 from the previous tiered per diem rates. AHCCCS updated the model starting January 1, 2018 and this is the second requested update to the model beginning October 1, 2021. As a result of the model update, AHCCCS is requesting to amend the current rule to make a minor adjustment to the model related to wage indices and labor share. The change to the wage indices and labor share ensures hospital DRG base rates reflect current wage costs for each hospital. Without the amendment to the rule, the proposed DRG model

cannot be implemented and will continue to use wage indices from 2016.

**6. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:**

A study was not referenced or relied upon when revising these regulations.

**7. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:**

Not applicable.

**8. The preliminary summary of the economic, small business, and consumer impact:**

The Administration anticipates that the DRG rulemaking will ensure that hospital inpatient payments to hospitals paid under the DRG methodology better align with updated labor share and wage indices for their specific geographical area beginning contract year October 1, 2021 through September 30, 2022. The update ensures that AHCCCS payment methodologies continue to adjust as factors change over time to support economic growth within Arizona.

**9. The agency's contact person who can answer questions about the economic, small business and consumer impact statement:**

Name: Nicole Fries  
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701 E. Jefferson, Mail Drop 6200  
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Website: [www.azahcccs.gov](http://www.azahcccs.gov)

**10. The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:**

Proposed rule language will be available on the AHCCCS website. Please send comments to the above address by the close of the comment period, 5:00 p.m., August 9, 2021.

Date: August 9, 2021  
Time: 2:00 p.m.  
Location: [meet.google.com/fbq-rtii-umb](https://meet.google.com/fbq-rtii-umb)  
Nature: Public Hearing

**11. All agencies shall list other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:**

No other matters have been prescribed.

**a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:**

Not applicable

**b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:**

Not applicable

**c. Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:**

No analysis was submitted.

**12. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:**

None

**13. The full text of the rules follows:**

**ARTICLE 7. STANDARDS FOR PAYMENTS**

**Section**

R9-22-712.62. DRG Base Payment

## ARTICLE 7. STANDARDS FOR PAYMENTS

### R9-22-712.62. DRG Base Payment

- A. The initial DRG base payment is the product of the DRG base rate, the DRG relative weight for the post-HCAC DRG code assigned to the claim, and any applicable provider and service policy adjusters.
- B. The DRG base rate for each hospital is the statewide standardized amount of which the hospital's labor-related share of that amount is adjusted by the hospital's wage index. The hospital's labor share is determined based on the labor share for the Medicare inpatient prospective payment system published in Volume 85 of the Federal Register at page 59060 and 59061 published September 18, 2020~~Volume 81 of the Federal Register at page 57312 published August 22, 2016~~. The hospital's wage index is determined based on the wage index tables reference in Volume 85 of the Federal Register at page 59059 published September 18, 2020~~Volume 81 of the Federal Register at page 57311 published August 22, 2016~~. The statewide standardized amount is included in the AHCCCS capped fee schedule available on the agency's website.
- C. Claims shall be assigned both a DRG code derived from all diagnosis and surgical procedure codes included on the claim (the "pre-HCAC" DRG code) and a DRG code derived excluding diagnosis and surgical procedure codes associated with the health care acquired conditions that were not present on admission or any other provider-preventable conditions (the "post-HCAC" DRG code). The DRG code with the lower relative weight shall be used to process claims using the DRG methodology.