

higher percentage of persons residing in a health professional shortage area as defined in 42 Code of Federal Regulations part 5.

Between July 2019 and December 2019, the AHCCCS Administration established a GME workgroup consisting of all Arizona GME hospitals, the Arizona Hospital and Healthcare Association, and the Health System Alliance of Arizona to discuss the two new pools and to come to a consensus on how the funding is prioritized. The hospitals recommended a number of items that would help them to establish new GME programs and prioritize funding based on the needs of Arizonans. These recommendations included the following:

- Once a resident starts a multi-year program, provide continued funding until they complete the program.
- Prioritize funding based on residency type in order to best meet the needs of Arizonans. This includes primary care (internal medicine, family medicine, general pediatrics, obstetrics and gynecology, and geriatrics), behavioral health, general surgery, and any other programs which AHCCCS determines is a high need.
- Create the following tiers for funding priority:
 - Returning residents and fellows.
 - Residents and fellows that are not returning but are in a GME program for primary care, behavioral health, general surgery, and any other programs which AHCCCS determines is high needs.
 - Residents or fellows that are not returning but for which the GME program received funding in the prior year.
 - All other residents and fellows.
- In order to meet the HPSA requirement, create the following subtiers:
 - Hospitals in a county designated by the Health Resource and Services Administration of the U.S. Department of Health & Human Services as a health professional shortage area (HPSA) with an 85-100% primary care shortage.
 - Hospitals in a county designated as a HPSA with an 50-84% primary care shortage.
 - Hospitals in a county designated as a HPSA with an 25-49% primary care shortage.
 - Hospitals in a county designated as a HPSA with an 0-24% primary care shortage.
- Since establishing rural residencies is often more costly than establishing urban residencies, startup costs should be included for rural residencies.
- In order for hospitals to determine how many graduate medical resident slots they will offer in the upcoming academic year, make a preliminary allocation of funds prior to the beginning of the academic year.
- Allow payments only for programs which began on or after July 1, 2020 or expanded the number of slots on or after July 1, 2020 in order to ensure that payments are supplemented and not supplanted.
- For rural hospitals, allocate direct and indirect payments concurrently. For urban hospitals, first allocate all direct payments before indirect payments.

The Centers for Medicare and Medicaid Services (CMS) require the AHCCCS Administration to annually update the amount allocated to each hospital in the State Plan. Before AHCCCS may make GME payments, a State Plan Amendment (SPA) must be submitted and approved by CMS. Before AHCCCS may make GME payments, a State Plan Amendment (SPA) must be submitted and approved by CMS. Technical and conforming changes will also be made.

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 AHCCCS Administration estimates this will result in an allocation of up to \$10 million in the first year and up to \$20 million for the second year. No hospitals will negatively be impacted by this change, and none of the GME hospitals are small businesses. The AHCCCS program is jointly funded by the State and the federal government through the Medicaid program.

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

Name: Nicole Fries
Address: AHCCCS
Office of Administrative Legal Services
701 E. Jefferson, Mail Drop 6200
Phoenix, AZ 85034
Telephone: (602) 417-4232
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Website: 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
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:

TITLE 9. HEALTH SERVICES
CHAPTER 22. ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM ADMINISTRATION
ARTICLE 7. STANDARDS FOR PAYMENTS

Section

R9-22-712.06. Supplemental Graduate Medical Education Fund Allocation

ARTICLE 7. STANDARDS FOR PAYMENTS

R9-22-712.06. Supplemental Graduate Medical Education Fund Allocation

A. Gradual Medical Education (GME) reimbursement as of July 1, 2020.

1. In addition to distributions pursuant to section R9-22-712.05, and subject to the availability of funds and approval by CMS, the Administration shall annually distribute monies appropriated for the GME programs approved by the Administration to hospitals for direct and indirect costs for graduate medical education programs which were established or expanded on or after July 1, 2020. The Administration shall estimate the distributions using information possessed by the Administration as of December 15 of each calendar year. The actual distributions will be made using information possessed by the Administration as of September first of the year in which the new residency or fellowship begins.
2. Eligible Hospitals. A hospital is eligible for distributions under this section if all of the following apply:
 - a. It is a hospital in Arizona that is the sponsoring institution of, or a participating institution in, one or more of the GME programs in Arizona;
 - b. It incurs direct costs for the training of residents in the GME programs, which costs are or will be reported on the hospital's Medicare Cost Report;
 - c. It is not administered by or does not receive its primary funding from an agency of the federal government;
 - d. It is established a new GME program or expanded the number of residents or fellows in an existing GME program on or after July 1, 2020.
3. Eligible positions. For purposes of determining distributions under this section the following resident and fellowship positions qualify to the extent that the training takes place in Arizona at an eligible health care facility:
 - a. Filled resident or fellow positions in approved programs which began on or after July 1, 2020;
 - b. Filled resident or fellow positions in approved programs which began on or after July 1, 2020;
 - c. Eligible positions do not include residents or fellows that receive payments for services under the Access to Professional Services Initiative (APSI) program established in the Contractors' prepaid capitation contracts with the Administration.
4. Annual Reporting
 - a. By December 15 of each year, a GME program shall provide all of the following information for GME programs and positions which are expected to be eligible for funding under this section as of the upcoming academic year (i.e., July 1 to June 30 of each year):
 - i. The program name and number assigned by the accrediting organization if available;
 - ii. The original date of accreditation if available;
 - iii. The names of the sponsoring institution and all participating institutions expected as of the date of reporting;
 - iv. The number of anticipated resident and fellowship positions eligible for funding as of the upcoming academic year'

- v. The number of months or partial months during the upcoming academic year that each resident or fellow is expected to work in each hospital or in a non-hospital setting under agreement between the non-hospital setting and the reporting hospital;
 - vi. The academic year of anticipated resident and fellowship positions;
 - vii. The length of the program;
 - viii. The names and other information requested by AHCCCS to ensure the total GME distributions for each eligible position are not greater than the costs for each eligible position in the Intern and Resident Information System (IRIS) file;
- b. By December 15 of each year, a GME program located in a county with a population of less than five hundred thousand persons shall provide the estimated one-time and ongoing costs for each program which it expects to be eligible for funding.
 - c. By September 1 of each year, a GME program shall provide the actual name of residents and fellows hired in the current academic year and other information requested by AHCCCS to ensure that total GME distributions for the eligible position are not greater than the costs for each eligible position in the IRIS file.
- B. Preliminary allocation of funds for urban hospitals. Annually by January 15, the Administration shall estimate the annual GME distributions under this section using the funds appropriated for hospitals in counties with a population of more than five hundred thousand persons based on the number of residents and fellows in graduate medical education programs in the following manner:**
- 1. Each eligible resident and fellow is placed into one of the following tiers with the following priority:
 - a. Returning residents and fellows. A returning resident or fellow is a resident or fellow whose position received funding under this section for the previous year and who is continuing in the same GME program.
 - b. Residents and fellows that are not a returning resident or fellow but are in a GME program for:
 - i. Family medicine
 - ii. Internal medicine
 - iii. General pediatrics
 - iv. Obstetrics and gynecology
 - v. Psychiatry, including subspecialties
 - vi. General surgery
 - vii. Any other program determined as high needs by the AHCCCS Administration.
 - c. Residents or fellows that are not returning residents or fellows and are not described in subsection (1)(b) but are in a GME program that received funding under this section in a prior year.
 - d. All other residents and fellows.
 - 2. Residents and fellows in each tier are further divided into 4 sub-tiers with the following priority based on the location of the sponsoring or participating hospital:

- a. Hospitals in a county designated by the Health Resource and Services Administration of the U.S. Department of Health & Human Services as a health professional shortage area (HPSA) with an 85-100% primary care shortage.
 - b. Hospitals in a county designated as a HPSA with an 50-84% primary care shortage.
 - c. Hospitals in a county designated as a HPSA with an 25-49% primary care shortage.
 - d. Hospitals in a county designated as a HPSA with an 0-24% primary care shortage.
3. The amount of the distribution for each GME program for direct costs is calculated as the product of:
- a. The number of eligible residents and fellows adjusted for the number of months or partial months worked in each hospital or non-hospital setting under agreement between the non-hospital setting and the reporting hospitals;
 - b. The Arizona Medicaid utilization as determined by R9-22-712.05(B)(4)(c)(i) in the previous calendar year; and,
 - c. The average direct cost per resident determined under R9-22-712.05(b)(4)(d) in the previous calendar year.
4. If monies are still remaining after direct funding has been allocated, indirect funding shall be allocated based on the priority of each tier and sub-tier. The amount of the distribution for each GME program for indirect costs is calculated as the product of:
- a. The number of allocated eligible residents and fellows adjusted for the number of months or partial months worked in each hospital or non-hospital setting under agreement between the non-hospital setting and the reporting hospital;
 - b. The indirect cost per resident per month cost calculated in R9-22-712.05(D)(4)(b)(vi) in the previous calendar year; and
 - c. Twelve months.
 - d. Funds shall be allocated based on the priority of each tier and sub-tier. Distributions for eligible positions in a tier or sub-tier with a lower priority will not receive a distribution until distributions are allocated for the costs of all positions in a higher tier or sub-tier. If funding is insufficient to fully fund a tier or sub-tier, the remainder of funds will be prorated for eligible positions in that tier or sub-tier.
- C. Preliminary allocation of funds for rural hospitals. Annually by January 15, the Administration shall estimate the annual GME distributions under this section using the funds appropriated for rural hospitals based on the number of eligible resident and fellow positions in graduate medical education programs located in a county with a population of less than five hundred thousand persons in the following manner:
- 1. Each resident and fellow will then be placed into one of the following tiers with the following priority:
 - a. Returning residents and fellows. A returning resident or fellow is a resident or fellow whose position received funding under this section for the previous year and who is continuing in the same GME program.
 - b. Residents and fellows that are not a returning resident or fellow but are in a program for:
 - i. Family medicine
 - ii. Internal medicine

- iii. General pediatrics
 - iv. Obstetrics and gynecology
 - v. Psychiatry, including subspecialties
 - vi. General Surgery
 - vii. Any other program determined as high needs by the AHCCCS Administration
 - c. Residents or fellows that are not returning residents or fellows and are not described in subsection (1)(b) but are in a GME program that received funding under this section in a prior year.
 - d. All other residents and fellows.
 - 2. Residents and fellows in each tier are further divided into 4 sub-tiers with the following priority based on the location of the sponsoring or participating hospital:
 - a. Hospitals in a county designated by the Health Resource and Services Administration of the U.S. Department of Health & Human Services as a HPSA with an 85-100% primary care shortage.
 - b. Hospitals in a county designated as a HPSA with a 50-84% primary care shortage.
 - c. Hospitals in a county designated as a HPSA with a 25-49% primary care shortage.
 - d. Hospitals in a county designated as a HPSA with a 0-24% primary care shortage.
 - 3. Funds shall first be allocated for direct and indirect costs based in order of priority of each tier. If not enough funding is available to fully fund a tier or sub-tier, the remainder of funds will be prorated in a tier or sub-tier.
 - 4. The amount of the distribution for each GME program for direct costs is calculated as the product of:
 - a. The number of eligible residents and fellows adjusted for the number of months or partial months worked in each hospital or non-hospital setting under agreement between the non-hospital setting and the reporting hospitals;
 - b. The Arizona Medicaid utilization determined under R9-22-712.05(B)(4)(c)(i); and,
 - c. The average direct cost per resident determined under R9-22-712.05(B)(4)(d) in the previous calendar year.
 - 5. The amount of the distribution for each GME program for indirect costs is calculated as the product of:
 - a. The number of allocated eligible residents and fellows adjusted for the number of months or partial months worked in each hospital or non-hospital setting under agreement between the non-hospital setting and the reporting hospital;
 - b. The indirect cost per resident per month cost calculated in R9-22-712.05(D)(4)(b)(vi) in the previous calendar year; and
 - c. Twelve months.
- D.** Final allocation of funds. Annually no sooner than September 1 following the start of the academic year, the Administration will recalculate the allocation for urban and rural hospitals using the same methodology used to estimate distributions, but using the actual residents and fellows as reported in R9-22-712.06(B)(3)(c).
- F.** Exclusions. To ensure that residents and fellows are not double counted residents/fellows which receive funding through R9-22-712.06 shall not receive funding through R9-22-712.05.