

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 again beginning October 1, 2021. A.R.S § 36-2905.02 provides two available options to enhance rural hospital reimbursement with existing appropriated monies. AHCCCS has the authority to implement a supplemental payment methodology or may adjust rates established pursuant to section A.R.S § 36-2903.01, subsection G. AHCCCS is proposing to create a unique base payment amount for rural hospitals that current qualify for payments under A.R.S § 36-2905.02. Due to Centers for Medicare & Medicaid Services (CMS) restrictions, this additional base payment amount will ensure AHCCCS has the flexibility to continue to provide funding to rural hospitals. AHCCCS has updated the language to ensure that the transition from the current payment methodology to the APR-DRG payment methodology has minimal impact to the existing allocation of funds.

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 current supplemental payments made to rural hospitals may continue as part of the DRG payment methodology. With this change, 12.1 million dollars will continue to be provided to critical hospitals in non-urban settings.

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

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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., October 3, 2022.

Date: October 3, 2022
Time: 2:00 p.m.
Location: <https://meet.google.com/qmb-gjyg-zty>
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

R9-22-712.63. DRG Base Payments Not Based on the Statewide Standardized Amount

ARTICLE 7. STANDARDS FOR PAYMENTS

R9-22-712.63. DRG Base Payments Not Based on the Statewide Standardized Amount

- A. Notwithstanding Section R9-22-712.62, a select specialty hospital standardized amount shall be used in place of the statewide standardized amount in subsection R9-22-712.62(B) to calculate the DRG base rate for the following hospitals:
1. Hospitals located in a city with a population greater than one million, which on average have at least 15 percent of inpatient days for patients who reside outside of Arizona, and at least 50 percent of discharges as reported on the 2011 Medicare Cost Report are reimbursed by Medicare.
 2. Hospitals designated as type: hospital, subtype: short term that has a license number beginning "SH" in the Provider & Facility Database for Arizona Medical Facilities posted by the ADHS Division of Licensing Services on its website for March of each year.
- B. The select specialty hospital standardized amount is included in the AHCCCS capped fee schedule available on the agency's website.
- C. Notwithstanding Section R9-22-712.62, a rural hospital standardized amount shall be used in place of the statewide standardized amount in subsection R9-22-712.62(B) to calculate the DRG base rate for the following hospitals:
1. A health care institution that is licensed as an acute care hospital, that has one hundred or fewer beds, and that is located in a county with a population of less than five hundred thousand persons; or
 2. A health care institution that is licensed as a critical access hospital.
- D. The rural hospital standardized amount is included in the AHCCCS capped fee schedule available on the agency's website.
- E. Notwithstanding Section R9-22-712.62 and R9-22-712.63(B), a hospital standardized amount shall be used in place of the statewide standardized amount in subsection R9-22-712.62(B) or R9-22-712.63(B) to calculate the DRG base rate for a health care institution that is licensed as an acute care hospital, that has one hundred or fewer beds, that is located in a county with a population of less than five hundred thousand persons and has greater than twenty percent of Medicaid inpatient reimbursement with a primary diagnosis of behavioral health in the prior federal fiscal year as of April 30th.
- F. The hospital standardized amount is included in the AHCCCS capped fee schedule available on the agency's website.

- G. Notwithstanding Section R9-22-712.62 and R9-22-712.63(B), a hospital standardized amount shall be used in place of the statewide standardized amount in subsection R9-22-712.62(B) or R9-22-712.63(B) to calculate the DRG base rate for a health care institution with two separate ADHS acute care hospital licenses, with one facility that has one hundred or fewer beds, that is located in a county with a population of less than five hundred thousand persons and has one single AHCCCS registration for both licenses.
- H. The hospital standardized amount is included in the AHCCCS capped fee schedule available on the agency's website.