

STATE OF ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

inflation factor. Accommodation costs were derived by multiplying the covered days on the claim/encounter times the accommodation cost per diems from the cost report.

e. Costed claims/encounters were then assigned to tiers using the logic specified above. For claims assigned to more than one tier, ancillary costs were allocated to the tiers in the same proportion as the accommodation costs.

f. All costs were reduced by an audit adjustment factor equal to four percent since cost reports were not audited.

2) **Inflation Factor:** For rates effective on and after October 1, 1999, AHCCCS shall inflate the operating component of the tiered per diem rates to the mid-point of the prospective rate year, using the DRI inflation factor. For rates effective October 1, 2010, to September 30, 2011, no inflation factor will be applied.

Length of Stay (LOS) Adjustment: For rates effective October 1, 1999 through September 30, 2000, the operating component of the Maternity and Nursery tiers shall be adjusted to reflect changes in LOS as required by the federal mandate that allows women at least 48 hours of inpatient care for a normal vaginal delivery, and at least 96 hours of inpatient care for a cesarean section delivery, effective for dates of service on and after January 1, 1998. There shall be no LOS updates for any tiers for rates effective on or after October 1, 2000.

B. Direct Medical Education Component

Direct medical education includes nursing school education, intern and resident salaries, fringes and program costs and paramedical education.

1) For the service period July 1, 2010 through June 30, 2011, the Administration shall distribute up to \$15,122,881 as described in this paragraph to the following hospitals: Maricopa Medical Center, Phoenix Children's Hospital, and University Medical Center. In addition to the above amount, this pool also includes the payment amounts listed on page 9(g)(i) for other teaching hospitals. For dates of service on and after October 1, 1997 (FFY98), GME payment dollars will be separated from the tiered per diem rates to create an AHCCCS GME pool. For FFY98 and each year thereafter, the value of the GME pool will be based on the total GME payments made for claims and encounters in FFY96, inflated by the DRI inflation factor. On an annual basis GME pool funds will be distributed to each hospital with an approved GME program based on the percentage of the total FFY96 GME pool that each hospital's FFY96 GME payment represented. In

TN No. 11-001A
Supersedes
TN No. 10-010A

Approval Date: JUN - 9 2011 Effective Date: February 12, 2011

STATE OF ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE_

resident positions that are eligible for expansion funding. The per-resident allocation to Program X will be based on the 2 resident positions.

Medicaid utilization for each hospital will be determined using the most recent as-filed Medicare Cost Report on file with the Administration and the Administration's inpatient hospital Fee-For-Service claims and managed care encounter data for the time period corresponding to the MCR for each hospital. The Medicaid utilization percent for each hospital will be calculated as its total Medicaid inpatient days divided by total MCR inpatient days, rounded up to the nearest 5%. Total MCR inpatient days will be taken from Form 2552, Worksheet S-3, Part 1, Lines 12 and 14, Column 6. The Medicaid utilization from the most recent as-filed Medicare cost reporting period is a proxy for the Medicaid utilization for the service period.

The statewide average per-resident cost will be determined using the most recent as-filed MCR on file with the Administration and resident counts reported by hospitals and GME programs. The average will be calculated by totaling all Intern/Resident direct costs for all hospitals reporting such costs on the MCR and dividing by the total number of residents at those hospitals. The direct I/R costs will be taken from Form 2552, Worksheet B, Part 1, Lines 22 & 23, Column 0.

A filled resident position is a GME program position for which a resident is enrolled and receiving a salary. The number of filled resident positions in a program will be derived by hospital and program reporting to the Administration.

A hospital's level of participation is defined by the hospital's share of resident rotations within the program. For example, if residents in Program X spend nine months of the year on rotation at hospital A and three months at hospital B, then hospital A's level of participation in Program X is 75% and hospital B's level of participation is 25%. The program rotation schedules will be derived by program and hospital reporting to the Administration.

For the service period of July 1, 2010, to June 30, 2011, the Administration shall distribute up to \$8,649,143 under this paragraph to the following hospitals: Kingman Regional, Maricopa Medical Center, Phoenix Children's Hospital, University Medical Center, and University Physicians Healthcare Hospital at Kino Campus. In addition to the above amount, this pool also includes the payment amounts listed on page 9(g)(i) for other teaching hospitals. If funds are insufficient to cover all calculated distributions within any priority group described in paragraphs B(3)(a) and (b), the Administration shall adjust the distributions proportionally within that priority group.

- 4) Beginning July 1, 2007 the AHCCCS Administration shall distribute monies appropriated for graduate medical education above the amounts prescribed in paragraphs B(1) and B(3) for the direct costs of graduate medical education programs established or expanded on or after July 1, 2006. These programs must be approved by the Administration.

STATE OF ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE_

The Administration will allocate funds to eligible GME programs based on the number of filled resident positions in each program, weighted by Medicaid utilization, and a statewide average per-resident cost according to the methodology described in paragraph B(3).

For the service period of July 1, 2010, to June 30, 2011, the Administration shall distribute up to \$2,992,014 under this paragraph to the following hospitals: Maricopa Medical Center, Phoenix Children's Hospital, University Medical Center, and University Physicians Healthcare Hospital at Kino Campus. In addition to the above amount, this pool also includes the payment amounts listed on page 9(g)(i) for other teaching hospitals. If funds are insufficient to cover all calculated distributions, the Administration shall adjust the distributions proportionally.

C. New Hospitals

Payments made to new hospitals with GME programs will be calculated using a statewide average where necessary until hospital-specific data can be obtained.

D. Indirect Medical Education Component

Beginning July 1, 2007, the AHCCCS Administration shall distribute monies appropriated for graduate medical education above the amounts prescribed in paragraphs B(1), B(3), and B(4) for a portion of additional indirect medical education costs at hospitals with GME programs with residency positions

STATE OF ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE_

The Medicaid-specific statewide average per-resident-per-month cost will be calculated by totaling the Medicaid IME costs for all hospitals that have such costs, dividing the result by the total number of residents at those hospitals, and dividing that result by 12.

The amount allocated to each program will be distributed to the program's sponsoring hospital or the program's base hospital if the sponsoring institution is not a hospital. The total amount distributed to a hospital for all programs combined shall not exceed the hospital's Medicaid IME costs calculated by the Administration or the median of all such costs if the Administration has not calculated costs for the recipient hospital.

For the service period of July 1, 2010, to June 30, 2011, the Administration shall distribute up to \$1,122,178 under this paragraph to the following hospitals: Kingman Regional Hospital, and University Medical Center. If funds are insufficient to cover all calculated distributions, the Administration shall adjust the distributions proportionally.

TN No. 11-001A

Supersedes

TN No. 10-003

Approval Date JUN - 9 2011 Effective Date February 12, 2011

STATE OF ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE_

E. Medical Education Funding Transfer Authority

Any remaining unallocated authority from paragraphs B(3), B(4) or D, may be redistributed among those pools if necessary to address insufficient funding levels in any of them.

F. Indirect Medical Education – Second Payment Pool

Beginning July 1, 2007, the Administration establishes a second Indirect Medical Education payment pool. Those funds will be used for the purposes of reimbursing hospitals specified by the local, county, or tribal government for indirect program costs other than those reimbursed under paragraph D. Funds available under this subsection shall be distributed in accordance with paragraph D except that reimbursement with such funds includes resident positions or rotations other than those in counties with populations of less than five hundred thousand persons. The total amount distributed to a hospital under paragraphs D and F combined shall not exceed the hospital's Medicaid IME costs calculated by the Administration or the median of all such costs if the Administration has not calculated costs for the recipient hospital.

For the service period of July 1, 2010 to June 30, 2011, the Administration shall distribute up to \$63,091,035 in total funds under this paragraph to the following hospitals: Maricopa Medical Center, Phoenix Children's Hospital, University Medical Center, and University Physicians Healthcare Hospital at Kino Campus. In addition to the above amount, this pool also includes the payment amounts listed on page 9(g)(i) for other teaching hospitals. Any unallocated authority remaining from paragraphs B(3), B(4) or D after any necessary redistribution under paragraph E may be distributed under this paragraph.

All payments for GME and IME provided for in paragraphs B-F are payable annually at the end of the year.