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State/Territory Name: Arizona

State Plan Amendment (SPA) #: 16-012 B

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6706



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

June 8, 2017

Tom Betlach, Director
Arizona Health Care Cost Containment System
801 East Jefferson Street
Phoenix, AZ 85034

Dear Mr. Betlach:

We have reviewed the proposed State Plan Amendment (SPA) 16-012-B, which was submitted to the Centers for Medicare & Medicaid Services (CMS) San Francisco Regional Office on December 30, 2016. This SPA adds a description of Value Based Purchasing (VBP) differential adjusted payments for outpatient hospitals and integrated clinics.

Based on the information provided, we are approving SPA 16-012-B with an effective date of October 1, 2016 as requested. We are enclosing the approved Form CMS-179 and the following Medicaid State Plan pages:

- Attachment 4.19-B, Page 1(a)
- Supplement 2 to Attachment 4.19-B, Pages 1-2

If you have any additional questions or need further assistance, please contact Brian Zolynas at (415) 744-3601 or Brian.Zolynas@cms.hhs.gov.

Sincerely,

/s/

Henrietta Sam-Louie
Associate Regional Administrator
Division of Medicaid & Children's Health Operations

Enclosure:

cc: Jessica Woodard

State: ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-
OTHER TYPES OF CARE

See Supplement 2 to Attachment 4.19-B for value based purchasing (VBP) differential adjusted payment for outpatient hospital services.

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, 2016, 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, 2016 for a 0% aggregate impact.

State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-
OTHER TYPES OF CARE

The following is a description of methods and standards for determining Value Based Purchasing (VBP) Differential Adjusted Payments for hospitals providing outpatient hospital services and providers registered with AHCCCS as integrated clinics. The purpose of the VBP Differential Adjusted Payment is to distinguish facilities which have committed to supporting designated actions that improve patients' care experience, improve members' health, and reduce cost of care growth. The VBP Differential Adjusted Payment Schedule represents a positive adjustment to the AHCCCS Fee-For-Service rates. These payment adjustments will occur for all dates of service in Contract Year Ending (CYE) 2017 (October 1, 2016 through September 30, 2017) only.

1) Outpatient Hospital Services**A. Applicability**

A hospital providing outpatient hospital services must meet the following criteria to qualify for the VBP Differential Adjusted Payment:

1. Must be an AHCCCS registered Arizona hospital; or a high volume out-of-state hospital as defined at AAC R9-22-712.64(C) with AHCCCS payments exceeding \$5 million in CYE 2014;
2. By June 1, 2016, the hospital must have executed an agreement with and electronically submitted admission, discharge, and transfer information, as well as data from the hospital emergency department, to a qualifying health information exchange organization; and
3. CMS must have approved the hospital's attestation demonstrating meaningful use as described in 42 CFR 495.22 during an electronic health record reporting period in 2015; or, received its fourth year incentive payment prior to 2016; or, for a children's hospital that does not participate in the Medicare electronic health record incentive program, the AHCCCS Administration must have approved the hospital's attestation demonstrating meaningful use as described in 42 CFR 495.22 during an electronic health record reporting period in 2015.

B. Exemptions:

IHS and 638 tribally owned and/or operated facilities, including hospital and nursing facilities are exempt from this initiative based on payments primarily at the federally-mandated all-inclusive rate.

C. Payment Methodology

For outpatient services with dates of service from October 1, 2016 through September 30, 2017, the payment otherwise required for outpatient hospital services provided by qualifying hospitals shall be increased by 0.5%.

State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES-
OTHER TYPES OF CARE

2) Integrated Clinics**A. Applicability**

Providers must meet the following criteria to qualify for the VBP differential adjusted payment as an integrated clinic:

1. Must be registered with AHCCCS as Integrated Clinic and licensed by the Arizona Department of Health Services as an Outpatient Treatment Center that provides both behavioral health services and physical health services.

B. Exemptions:

IHS and 638 tribally owned and/or operated Integrated Clinics are exempt from this initiative at this time based on payments primarily at the federally-mandated all-inclusive rate.

C. Payment Methodology

For the contracting year October 1, 2016 through September 30, 2017, VBP Differential Adjusted Rates will be paid for select physical health services and will provide an increase of 10% over the AHCCCS Fee-For-Service rates for the same services. The physical health services that qualify for the VBP Differential Adjusted Rate are published on the Agency's website:

<https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/rates/ValueBasedPaymentRateDifferentialPublicNoticeForICs04222016Final>