

Policy Objectives

The AzHHA Board of Directors has approved a policy framework consisting of five broad policy objectives. These objectives, which are listed below, anchor policy priorities supported and pursued by AzHHA.

- **Financial Security and Access to Care**

Advance fiscal and budgetary policies that provide financial stability for the most vulnerable hospitals and healthcare systems and that facilitate the ability of AzHHA members to transition to the future and positively redesign healthcare.

- **Better Care**

Advance patient-centered policies that result in improved quality of care and patient satisfaction.

- **Better Health**

Advance policies that will effectively improve the health of populations.

- **Improved Value**

Advance sensible policies that reward value and create a more efficient healthcare system.

- **Innovation and Transformative Healthcare**

Advance policies that will support AzHHA member hospitals and health systems to thrive in emerging healthcare markets and successfully respond to transformative and disruptive healthcare technologies.

Tier One Priorities

Stabilizing Hospital Finances

Hospitals have never wavered from their commitment to providing lifesaving care and essential public health services. But the unprecedented pressures of COVID-19 have placed tremendous strain on hospital staff and resources. During the initial wave of infections, hospitals were forced to cancel all non-emergent procedures, sending finances into a tailspin. While some federal action provided temporary relief, to stabilize hospital finances, pressures on the supply chain, labor market, and record high inflation have persisted into 2023 resulting in a dire impact on hospital finances.

Payments from public payers and commercial payers alike must account for the extraordinary strain on hospital and health system expenses in this post-COVID world. Without this recognition, patients' access to quality care is jeopardized. AzHHA will continue to support policies that secure financial stability for hospitals and health systems so that they provide optimal care to their communities.

Strengthening the Healthcare Workforce

A high-quality healthcare delivery system depends on access to well-trained medical professionals, including physicians, nurses and allied health professionals. Arizona continues to experience a shortage in these professions, which has been exacerbated by the strain of the COVID-19 pandemic. AzHHA supports efforts to train and recruit additional physicians, nurses and allied health professionals. This includes strategies to expand the number of nurses trained at Arizona colleges and universities, including support for clinical rotations, as well as support for programs to improve the retention of nurses practicing in acute care settings.

AzHHA also supports efforts to leverage state funding for primary care loan repayment and graduate medical education, with a particular emphasis on the greatest clinical and geographic areas of need, as well as improved AHCCCS rates for physicians practicing in rural and other medically underserved areas. We also support policies that leverage the skills of advanced practice nurses, emergency medical service providers and physician assistants who can be a valuable resource in providing timely, affordable healthcare across the continuum.

Addressing Unfair and Abusive Health Plan Practices

Certain health plan practices threaten patient access to care and drive excessive administrative costs and burden in the healthcare system. While these concerns pre-date COVID-19, the public health emergency highlighted the need for action to protect both patients and providers.

2024 PUBLIC POLICY PRIORITIES

AzHHA strongly supports efforts by policymakers to increase oversight of health plans and implement a comprehensive simplification agenda, beginning with streamlining prior authorization requirements and processes, monitoring and addressing abusive payment delays and denials and curtailing inappropriate patient steering, including white bagging and brown bagging.

AHCCCS Reimbursement and HEALTHII Payments

AzHHA supports an AHCCCS payment system that both incentivizes quality and reflects the cost of caring for Medicaid beneficiaries. After more than a decade of rates cuts and freezes, in 2020, the Arizona Legislature approved and the AHCCCS Administration implemented, the first significant payment increase for hospitals. Funded from a hospital assessment, the Health Enhancement Access Leading to Health Improvement Initiative (HEALTHII) increases hospital payments by an average of 28.6% utilizing the “directed payment” federal program. AzHHA strongly supports this initiative with the caveat that the financing mechanism and payment model must be evaluated annually to ensure benefits are accruing to all hospitals, and adequate guardrails are in place to ensure health plans pass through payments as intended by the Legislature. We also monitor any quality metrics AHCCCS includes in the program to ensure they adequately reflect the performance of all hospitals.

Medicare Cuts that Threaten Access to Care

Medicare payments should reflect the cost of caring for Medicare beneficiaries, including the higher costs of 24/7 access to care in a hospital setting and expensive drug therapies. AzHHA opposes cuts to hospital payments for the purpose of offsetting other federal program costs, as well as poorly designed approaches to achieving Medicare savings through arbitrary and unreasonable provider cuts. Instead, we support the development of a more rational long-term Medicare payment methodology that rewards quality and promotes better health outcomes.

Medicaid Coverage and the Provider Assessment

To improve access to health insurance for low-income Arizonans and reduce hospital uncompensated care, AzHHA supported the implementation of a hospital assessment in 2013, which allowed the state to lift the Prop. 204 enrollments freeze and further expand Medicaid coverage. Our continued support for the assessment is anchored by the following principles:

- No Losers. The amount of the assessment collected from any hospital/health system must be accompanied by an increase in funding from newly covered patients (Prop. 204 restoration or expansion populations) in an amount at least equal to the assessment paid by the hospital/health system.
- Healthcare Use Only. The assessment must not be used as a direct or indirect funding source for other state programs.
- Hospital Benefit. The Arizona Supreme Court finding that these payments are an

“assessment” and not a “tax” was in large part based on a finding that hospitals benefited from the payment. Such a benefit must continue, as explicitly acknowledged by the hospital field through AzHHA.

- Medicaid Use Only. In evaluating the impact of the assessment on Medicaid payments and cost coverage, the cost of the assessment should be fully allocated to the Medicaid program.
- Methodology and Transparency. Changes to the assessment methodology by AHCCCS, including any increases resulting from the addition of new services or rate adjustments, must be transparent and fully vetted with the hospital community and AzHHA.
- Long-Term Funding Principle. AzHHA’s support for the hospital assessment was based on political expediency and a state health crisis. Long-term state funding for the Medicaid program, including adults, should be based on broad funding sources and, if a provider assessment is used, the inclusion of other providers in it.

Promoting Transparency in Medicaid Payments

When the Arizona Legislature replaced the per diem inpatient methodology with a DRG methodology, they authorized the AHCCCS Administration to develop the new payment system. This approach replaced the previous framework by which the Legislature prescribed the payment methodology and formula in statute, and over which elected officials had oversight. The current formula, including base rates, relative weights, and provider-specific and service policy adjusters, is set through the rulemaking process. In 2017, the AHCCCS Administration proposed removing all numeric values from the rule and instead publishing the base rate and weights on the agency’s website annually.

AzHHA is concerned that a shift away from the legislative and rulemaking processes could make rate-setting opaquer. Transparency is particularly important for the APR-DRG system because the methodology is required to be budget-neutral, and a significant portion of funding comes from the hospital assessment. The rationale for policy adjusters and corresponding weights, which should be based on the Medicaid principles of enhancing access to care and improving quality and efficiency, should also be well-articulated. AzHHA supports efforts to improve transparency in the APR-DRG rate-setting process.

Stabilizing the Insurance Marketplace

The individual marketplace will continue to face an exodus of insurers and increased premiums if the federal government fails to fund stabilization programs, such as Cost Sharing Reduction (CSRs) or if it takes other actions that negatively impact the actuarial soundness of marketplace plans. This includes the expansion of short-term and association health plans without building inadequate consumer protections. AzHHA opposes policies that will destabilize the marketplace, and we strongly support congressional appropriations for CSRs as an initial move for shoring up the individual marketplace. In addition, federal policymakers should consider reinstituting a

reinsurance program, refining the risk-adjustment program, and/or streamlining and expediting the review of Sect. 1332 Waivers to further stabilize the individual marketplace over the longer term.

Addressing Drug Overdoses and Deaths

Drug overdoses are a great concern in Arizona. Opioid-related deaths in Arizona increased 74% between 2012 and 2016. During this same period, heroin deaths tripled. As a result of this crisis, Gov. Ducey declared a State of Emergency on June 5, 2017. AzHHA firmly agrees that opioid and other drug misuse is a nationwide epidemic that must be addressed collaboratively by public health, the healthcare industry, law enforcement and other stakeholders. AzHHA supports evidence-based best practices for reducing drug addiction and related deaths—including safe prescribing practices, utilization of the Prescription Drug Monitoring Program database, and expanded access to medication-assisted treatment and naloxone.

A Principled Approach to Medicaid VBP

An adequately structured and funded value-based purchasing (VBP) program could positively transform Arizona’s Medicaid delivery system and bring better health and quality of life to all AHCCCS members, including those served by the acute care, long-term care and American Indian Health programs. AzHHA supports the following principles as a foundation for Medicaid VBP in Arizona:

- A Medicaid VBP program should unify the hospital field, healthcare practitioners and other stakeholders to be catalysts for improving healthcare quality throughout Arizona.
- A Medicaid VBP program and metrics should be constructed so that all hospitals have an opportunity to earn an incentive payment or differential adjustment, regardless of the hospital subtype. A Medicaid VBP program should recognize the differences between rural and urban delivery systems.
- The program should be constructed in a way that minimizes administrative burden for providers.
- The program should foster transparency and a greater understanding of quality and value.

Ensuring Access to Cost-Effective Drug Therapies

The escalating price of prescription drugs and high volume of drug shortages threatens the safety of patients and the affordability of healthcare in Arizona and across the nation. A February 2022 analysis by the Kaiser Family Foundation finds that half of all drugs covered by Medicare had price increases between 2019 and 2020 above the rate of inflation. According to a research letter in the [Journal of the American Medical Association](#), the launch prices of new brand-name drugs increased by nearly 11% every

year from 2008 through 2021. And AzHHA members report their drug costs have increased by 13% in 2022 relative to last year.

In addition to high costs, hospitals and health systems continue to face severe shortages in life-saving drugs, which result in delayed care, risk of adverse reactions and additional healthcare costs. Limited inventories of critical medications place a tremendous strain on the daily operations in hospitals across Arizona. Moreover, shortages force healthcare providers to spend time and resources locating medications rather than focusing on direct patient care.

AzHHA appreciates the strides Congress has made to bring down the costs of drugs in the Medicare program through the Inflation Reduction Act of 2022, but more must be done. To protect the supply chain, the Food and Drug Administration should provide greater oversight of the quality management processes of drug manufacturers, and the Drug Supply Chain Security Act should be amended to require greater transparency of manufacturers around API sources and manufacturing locations. Elected officials and policymakers must also protect the integrity of the 340B drug savings program, which allows certain safety net hospitals to purchase outpatient drugs at a discounted price. And the relationship between health plans, their pharmacy benefit managers (PBM) and drug manufacturers must be scrutinized to ensure consumers are protected against unfair and deceptive PBM business practices.

Improving Mental Health

Accessing mental health services is a challenge for many Arizonans. Much of the state is designated as a professional shortage area for mental healthcare. Workforce shortages exist in the areas of psychiatry, counseling, therapy, and social services. Even the opening of new inpatient beds—which has been concentrated in Maricopa County—has not resolved these access-to-care challenges. Inadequate funding, workforce shortages, inappropriate health plan practices and a fragmented delivery system have had severe consequences—for patients, healthcare providers and the community. Untreated or insufficiently treated depression, substance use disorders and serious mental illnesses impact the ability of patients to work, attend school, maintain physical health and foster interpersonal relationships. Patients who decompensate are sometimes “boarded” in an emergency department for days until appropriate inpatient or outpatient services become available. In addition, patients awaiting authorization for medically necessary outpatient services can be held for days in a behavioral health hospital, further “bottlenecking” the system. As a state, Arizona must and can do better. AzHHA supports public policies that will:

- strengthen the behavioral health workforce, including better access to telepsychiatry;
- reduce regulatory barriers to care, including eliminating the IMD exclusion;
- improve timely access to involuntary evaluation and treatment;
- enhance access to crisis stabilization services;

- address the increasing acuity of patients with appropriate reimbursement methodologies;
- ease the administrative burden surrounding health plan utilization management decisions, including appropriate peer to peer review timelines; and
- improve access to social supports for patients experiencing mental and behavioral health diagnoses.

Advancing End-of-Life Care

Patients with serious illness frequently have priorities beyond living longer. Such priorities include symptom and pain management, maintaining a sense of control, and strengthening relationships with loved ones. AzHHA supports the development and implementation of policies, programs, protocols and payment systems that enhance end-of-life care by communicating and honoring personal preferences. Of priority is the statewide adoption of standardized advance care planning tools that provide opportunities for the seriously ill, elderly and/or frail to specify wishes pertaining to care delivery based on existing health conditions. AzHHA also supports the expansion of palliative care and hospice programs, as well as enhanced coordination of care transitions that are rooted in honest discussions around patient prognosis, expectations and goals. End-of-life conversations are essential to the delivery of patient-centered and value-based care, as well as to increasing patient and family satisfaction in the healthcare setting.

Workforce Collaboration and Resiliency

A resilient healthcare system requires close collaboration that has direct and open communication among healthcare workers, managers and administrators. AzHHA supports a public policy environment that fosters such collaboration. We strongly oppose any efforts that are intended to interfere with this direct collaboration and communication, including but not limited to the use of the initiative process.

Expanding Access to Care through Telehealth and New Care Models

Telehealth and telemedicine have become an integral part of the healthcare delivery system, particularly during COVID-19. During the pandemic, other care models also came online, such as “hospital at home.” These platforms have expanded patient access to routine and specialty services and improved patient satisfaction and outcomes. In addition, there is great promise for new efficiencies.

However, several legal, regulatory and reimbursement barriers present obstacles to more comprehensive utilization of expanded care models and platforms, including telemedicine and “hospital-at-home.” AzHHA supports the elimination of these barriers—including but not limited to permanently lifting Medicare coverage restrictions and providing adequate reimbursement, establishing parity in commercial coverage and payment for all medical services that are safe to provide through these

new technologies; and improving AHCCCS reimbursement to originating telehealth sites to address providers' technical component costs.

Investing in Rural Trauma Care

Traumatic injury is a significant health concern in the United States. In the last decade, trauma deaths increased by 22.8% nationwide. The situation in Arizona is even more critical, where the state ranks 34th in age-adjusted injury mortality compared to other states. There is also a geographical disparity within the state. The trauma rate in the rural regions of western and northern Arizona is 1.5 times greater than in the Phoenix metropolitan area. Moreover, the median injury-to-ED time for the most serious injuries is 86 minutes in rural locations compared to 43 minutes in urban locations.

Despite these disparities, 93% of the \$20 million in state trauma funds are allocated to 14 Level I trauma centers in urban areas. The Level I trauma center in Flagstaff receives the remaining funds. No funds are available to support the development of a robust trauma system in rural Arizona, which is reliant primarily on Level III and IV centers. AzHHA believes the state must do more to address this inequity and invest in rural trauma care. We support direct supplemental payments or adjustments in DRG payments to all rural trauma centers to improve outcomes for all Arizonans.

Enhancing Consumer Protections in the Marketplace

AzHHA supports a regulatory framework that ensures consumers have access to high-quality, affordable health insurance, especially to qualified health plans on the federally facilitated Marketplace. This includes accessing essential health benefits, essential community providers, and adequate provider networks as intended by the *Affordable Care Act*. Any regulatory changes that could weaken consumer protections or escalate consumer out-of-pocket costs, such as loosening medical loss ratio standards should be scrutinized.

Public Health Emergencies & Infection Control

Hospitals never wavered from their commitment to providing lifesaving care during the COVID-19 pandemic. And this commitment will continue. However, it is imperative during public health emergencies that hospitals and health systems have the tools necessary to protect their staff and patients. This includes the flexibility to implement infection control policies that are clinically sound, based on best practices and that meet the needs of the hospital's and health system's community as determined by hospital policy.

AzHHA opposes policies that obstruct the autonomy of hospitals and health systems to implement mask mandates, vaccination programs and other infection control strategies that are rooted in evidence-based medicine and necessary to protect staff and patients.

Tier Two Priorities

Investing in Children's Health

AzHHA strongly supports Arizona's version of the federal Children's Health Insurance Program (CHIP), KidsCare. While Medicaid expansion and the Federally facilitated Marketplace have provided new avenues for children's health insurance coverage, these programs do not currently match the coverage availability and affordability provided by KidsCare. AzHHA applauds Congress for reauthorizing the program in 2018, including temporarily extending the enhanced match rate. We urge Arizona lawmakers to continue Arizona's investment in the program.

Access to Care; "The Public Option"

AzHHA has long supported improved access to health insurance, including more equitable and affordable coverage. Unfortunately, adding a "public option" to the Marketplace – an option that is based on Medicare rates – would have the unintended consequence of jeopardizing that which it is intended to ensure: universal access to healthcare. Quite simply, if providers are not adequately reimbursed for their services, access to care will be significantly compromised and innovation stifled. A recent [American Hospital Association analysis](#) found that, in 2019, U.S. hospitals caring for Medicare patients received payment of only 87 cents for every dollar spent and Medicare underpaid hospitals by a total of almost \$57 billion that year.

Instead, we support enhancing private coverage provided through the *Affordable Care Act*, including expanding federal subsidies for qualified health plans sold on the Exchange, fixing the "family glitch," strengthening cost-sharing and reinsurance mechanisms, reversing the expansion of "skinny plans" and continued expansion of Medicaid in non-expansion states.

Protecting and Restoring the Intent of Medicaid DSH

Congress established the Disproportionate Share Hospital (DSH) program in 1981 to improve the financial stability of hospitals that experience high levels of uncompensated and under-compensated care because of treating uninsured and low-income patients. The Medicaid DSH program is a federal-state partnership, with the federal government allotting DSH amounts to states based on a statutory formula. States, in turn, have some flexibility in determining how funds are distributed to hospitals, although they must include funding for specific classes of hospitals. The DSH program is complex and has been criticized for lacking adequate reporting systems and financial controls. Because the federal government does not require states to report information on payments that flow back to the state via certified public expenditures (CPEs) or intergovernmental transfers (IGTs), states have been able to redirect DSH payments away from safety net hospitals to fund other state operations. This practice has existed in Arizona for several years but intensified with the FY 2016 budget. Under

this budget, AHCCCS estimated \$74 million of DSH funds would be transferred to the state general fund because of CPEs with Maricopa Integrated Health System, now Valleywise. Valleywise would retain a mere \$4.2 million. Private hospitals would be eligible to share \$16.5 million if they could secure a local match. AzHHA strongly supports the continuation of federal support for Medicaid DSH payments, and furthermore believes that DSH funds should be used as intended by Congress – to improve the financial security of safety net hospitals. As such, we oppose practices that divert these funds elsewhere and support policies that tighten federal reporting requirements to encourage more transparency surrounding CPEs and IGTs.

Accessing Care Across the Continuum

Many patients receiving care at an inpatient hospital require specialized follow-up care at a post-acute care facility to restore medical and functional capacity. Such restoration can enable the patient to return to the community and prevents further medical deterioration. Post-acute care settings include, for example, long-term care hospitals and inpatient rehabilitation facilities. AzHHA supports policies that enable patients to fully access this whole continuum of care, including the establishment of clear, consistent, and transparent admission criteria that are based on sound clinical guidelines. We further support policies that enhance coordination between general acute-care hospitals and post-acute providers, which can improve the overall quality of care and reduce total health spending.

Advancing Care in Rural Arizona

Nearly one-quarter of Arizona's residents live in rural areas and depend on their community hospital as an important, and sometimes only, source of medical care. Many of these hospitals face a unique set of challenges because of their remote location; small size, scarce workforce, constrained financial resources with limited access to capital and a higher percentage of elderly and low-income patients.

AzHHA is committed to ensuring these facilities have the resources they need to provide high-quality care for the patients they serve while fostering an appropriate climate for transitioning to new payment and care delivery models. This includes protecting and enhancing payments to Arizona's critical access hospitals, reauthorizing existing rural payment programs, such as the low volume adjustment and Outpatient Prospective Payment System hold harmless payments, and ensuring federal and state programs account for the unique circumstances in rural communities.

Easing Regulatory Burdens that Impact Access to Care

Arizonans deserve timely and affordable access to medical and other healthcare services. Administratively burdensome state and federal regulatory barriers that delay access to care and/or add unnecessary costs to the delivery of care without enhancing patient safety should be avoided. This includes inefficient licensing requirements and protracted time frames for state approval of professional and institutional licenses. Instead, AzHHA supports a regulatory environment that is responsive to the demands of

a dynamic industry while promoting safe patient care. Adequate agency funding and/or sensible privatization options should be part of this equation.

Outpatient Data Reporting

As the healthcare delivery system increasingly shifts to the outpatient setting, it is important that public policymakers, providers and other stakeholders have access to data reflective of that setting. Currently, the Arizona Department of Health Services is required to collect hospital discharge records for inpatient admissions and emergency department visits. As such, the “discharge database” is becoming less meaningful and reflective of the actual delivery system. For policymakers and others to have a better understanding of Arizona’s healthcare system, which will drive quality improvement and efficiency, AzHHA supports a more robust data reporting process—one that extends to outpatient services and other licensed facilities providing those services, which could include an all-payor claims database.

Advancing Price Transparency

AzHHA recognizes that a new healthcare marketplace is evolving and making it work will require a dramatically improved approach to providing consumers and patients with meaningful and transparent price information. Although existing reporting mandates relating to “price transparency” may be well-intentioned, they fall short of providing the timely and accurate information that will truly enable a consumer-driven marketplace to flourish. In addition, the new federal requirement that hospitals’ post-contractual, privately negotiated rates will lead to more confusion among consumers, accelerate anticompetitive behavior among insurers and inhibit innovations in value-based care delivery. As such, AzHHA strongly opposes this disclosure. Instead, we believe the focus of any “price transparency” initiative should be on helping consumers estimate their out-of-pocket costs.

Tier Three Priorities

Engaging the Electorate

Local and national debates about health policy should be informed by an engaged and active electorate. The voices of all eligible voters should be heard and respected, and policies that make it more difficult for eligible voters to engage in elections should be avoided. Voting restrictions that disenfranchise groups who disproportionately suffer from health disparities are particularly problematic, as there is a clear link between many disparities and upstream policymaking. As such, AzHHA supports election-related policies that nurture rather than restrict voting rights.

Promoting Education: A Pathway to Better Health

Children and young adults who succeed in school and college are more apt to live healthier lives. Recent studies show there is a significant relationship between educational achievement and health status, including risk factors and disabilities. As such, policies that promote educational attainment, including adequate K-12 and post-secondary funding, are smart strategies for reducing the prevalence of chronic diseases in later years. Such policies put children and young adults on a path for better health and prosperity by increasing their employment opportunities, which will give them better access to safe housing, transportation, good nutrition and healthcare. Currently, United Health Foundation ranks Arizona 44th in education-based health status disparities. To achieve a healthier Arizona, AzHHA supports policies that promote education, including adequate funding for K-12, community colleges and universities.