Dear Administrator Brooks-LaSure:

Thank you for the opportunity to provide input on the Fiscal Year 2023 Hospital Outpatient Prospective Payment Systems (“OPPS”) and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs Proposed Rule (July 26, 2022) (referred to herein as the “Proposed Rule”).

The Arizona Hospital and Healthcare Association (AzHHA) is Arizona’s largest statewide trade association for hospitals, health systems, and affiliated healthcare organizations. We represent short-term acute care, behavioral health, post-acute care, and critical access hospitals, as well as their affiliated clinics and staff. AzHHA is also contracted with the state of Arizona, the federal government, and private foundations to administer programs to improve quality of care, patient safety, and emergency preparedness. AzHHA and its over 80 members are united with the common goal of improving healthcare delivery in Arizona. Our comments to the Proposed Rule are made in light of this goal.

Payment Update

While we appreciate a rate increase, we are very concerned that the proposed market basket update of 3.1% is woefully inadequate and does not capture the unprecedented inflationary environment hospitals and health systems are experiencing. In Arizona, hospitals are required to submit an annual Uniform Accounting Report to the Arizona Department of Health Services. Based on information reported in hospital fiscal year 2021, hospitals report a 15% increase for salaries and wages to one year prior and a 109% increase for total contracted registered nurse hours. This large increase in number of hours does not take into account the large increase in the cost for contractual labor. AzHHA recently began collecting quarterly data on a number of items. Of our 19 hospitals which submitted data, their data shows a 188% increase in payments for contract labor from the first quarter of calendar year 2022 to one year prior and a 263% increase in payments in the second quarter of 2022 from one year prior.
Therefore, we urge CMS to take action to increase the market basket in the final rule to better account for these extraordinary circumstances in order to ensure that beneficiaries continue to have access to quality outpatient care. We also are concerned about the proposed reduction for productivity, and ask CMS to elaborate in the final rule on the specific productivity gains that are the basis for the proposed 0.4 productivity offset. Such a cut does not align with hospital and health systems’ public health emergency (PHE) experiences related to actual losses in productivity during the COVID-19 pandemic.

**Reimbursements to 340B Hospitals**

In restoring the payments for hospitals affected by these cuts, we urge that no hospital should be penalized for the agency’s implementation of the prior policy, including through attempts at achieving retrospective budget neutrality. The end of the prior policy and repayment of funds without any retrospective claw backs will help ensure that both 340B and non-340B hospitals can continue to care for the patients and communities they serve.

Thank you for the opportunity to provide comment on this rulemaking. Please feel free to contact me with any questions.

Sincerely,

Amy Upston

Director or Financial Policy and Reimbursement, AzHHA