



March 6, 2024

Carmen Heredia
Cabinet Executive Officer and Executive Deputy Director
Arizona Health Care Cost Containment System
801 E. Jefferson
Phoenix, AZ 85034

Dear Director Heredia:

Thank you for the opportunity to comment on the proposed Federal Fiscal Year (FFY) 2025 hospital assessment and HEALTHII payment model. The Arizona Hospital and Healthcare Association (AzHHA) appreciates that AHCCCS has workgroups each year, enables transparency and allows hospitals to provide input. With that in mind, AzHHA has several items we would like to bring to your attention for consideration.

Rebasing to 2022 Data

Although we are aware that AHCCCS rebased to 2021 data last year, we respectfully request that AHCCCS once again consider rebasing to obtain data that more accurately reflects the post-pandemic environment. A rebase would also allow AHCCCS to further increase the Health Care Investment Fund (HCIF) assessment and corresponding HEALTHII payments to help with the unprecedented cost pressures that hospitals have faced in recent years. Additionally, a rebase couple with larger HEALTHII payments would help offset the increased uncompensated care resulting from fewer individuals qualifying for AHCCCS.

Postpone Pay-for-Performance Metrics

AzHHA is also once again renewing its request to postpone the pay-for-performance metrics since hospitals were not provided enough notice to make positive impacts between the baseline year and the performance year. The metrics were finalized in April 2022, yet AHCCCS has proposed using October 2021-September 2022 as the performance period. Choosing a performance year that was half over before the quality metrics were chosen does not provide hospitals with sufficient time to make meaningful change. Thus, we respectfully request that AHCCCS implement one more year of pay-for-reporting before moving to pay-for-performance.

Lower Amount Tied to Quality Metrics

As we've expressed previously, AzHHA is concerned that the amount tied to quality metrics is increasing. While we greatly appreciate the increase in HEALTHII payments that occurred last year, the finalized amount of \$329 million was significantly more than the \$50 million that had



last been discussed with the workgroup, and AHCCCS is proposing to further increase this amount to \$367 million. Sometimes, circumstances beyond a hospital's control can impact quality metrics, so this amount is alarming without more detailed collaborative discussions. Moreover, unlike other quality programs, payments tied to the HEALTHII payment quality program are redistributive because hospitals provide the state match. This has significant impacts on market dynamics and could even impact network adequacy.

If AHCCCS insists on basing 15% of HEALTHII payments on quality metrics, we kindly ask AHCCCS to base the amount on net HEALTHII payments.

Long-Term Strategic Plan

Finally, AzHHA once again reiterates the need for an on-going quality group, comprised of quality experts from the healthcare delivery system, which would help develop a long-term strategic plan for all AHCCCS programs that have quality components. This would bring the right people to the table to ensure that quality metrics and the way in which they are collected are meaningful and can positively impact healthcare for AHCCCS recipients. AHCCCS should also consider having additional conversations with experts at the federal level who can add insights on the implementation of CMS quality metrics and lessons learned as they have been moving to pay-for-performance.

Once again, we appreciate the opportunity to submit comments. Please do not hesitate to contact me if you have additional questions.

Sincerely,

Amy Upston
Director of Financial Policy and Reimbursement

cc: Jeff Tegen, Business & Finance Chief Financial Officer
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