



Arizona Hospital and Healthcare Association

June 17, 2011

Arizona Health Care Cost Containment System
Office of Administrative and Legal Services
701 E. Jefferson, Mail Drop 6200
Phoenix, AZ 85034
Attention: Mariaelena Ugarte

Dear Ms. Ugarte:

On behalf of the Arizona Hospital and Healthcare Association (AzHHA) and our 104 member hospitals, I thank you for the opportunity to comment on the Arizona Health Care Cost Containment System Administration's (AHCCCS) proposed exempt rulemaking regarding inpatient hospital outlier claims, referenced in R9-22-712 and R9-22-712.01.

We have concerns about the proposed rules' financial impact to hospitals, and are strongly opposed to the promulgation of any rule that affects hospital payments without sufficient opportunity to assess the rule's impact.

First, the language in the proposed rule explicitly contradicts your assertion in a June 2 e-mail that the outlier changes are designed to keep total outlier expenditures flat.

According to section 6 of the proposal:

"... the agency proposes to increase the thresholds used to qualify claims by 5%".

Although we anticipate that a threshold increase could have the impact of reducing overall payments by more than 5%, we cannot determine the impact by hospital without data provided by AHCCCS. In addition, it is unlikely that this change would impact all hospitals equally.

"... and to reduce the cost-to-charge ratios used to qualify and pay outliers by 5%..."

From this language, it appears that the total outlier payments will decrease by 5%. If hospitals have the ability to separately identify outlier payments they could model this impact, and we believe that many do. It sounds like the intent of this rule is to reduce payments by 5%, not to keep payments flat, as your previous correspondence suggests.

Mariaelena Ugarte

June 20, 2011

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According to section 9 of the proposal:

“... If, as intended, the proposed rule making results in a 5% reduction in outlier payments...” Again, it sounds like the outlier changes are designed to reduce payments, not keep them flat. Since two changes are proposed the impact could be far greater than 5%, but without a complete model we cannot tell.

We urge AHCCCS to prepare a model showing the estimated impact by hospital. We also recommend that once the model has been developed, AHCCCS should meet with hospital representatives to explain the proposal and any other future outlier changes that AHCCCS Administration is contemplating.

Thank you in advance for considering these comments. Please feel free to contact me at (602) 445-4308 if you have any questions.

Sincerely,

James F. Haynes,
Senior Vice President and Chief Financial Officer