

## NOTICES OF RULEMAKING DOCKET OPENING

The Administrative Procedure Act (APA) requires the publication of Notices of Rulemaking Docket Opening when an agency opens a rulemaking docket to consider rulemaking. Under the APA effective January 1, 1995, agencies must submit a Notice of Rulemaking Docket Opening before beginning the formal rulemaking process.

### NOTICE OF RULEMAKING DOCKET OPENING ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS) ADMINISTRATION

*Editor's Note: The following Notice of Rulemaking Docket Opening was reviewed per Executive Order 2012-03 as issued by Governor Brewer. (See the text of the executive order on page 690.) The Governor's Office authorized the notice to proceed through the rulemaking process on February 26, 2014.*

[R14-32]

**1. Title and its heading:**  
**Chapter and its heading:**  
**Article and its heading:**

9, Health Services  
22, Arizona Health Care Cost Containment System - Administration  
2, Scope of Services  
7, Standards for Payments

**Section numbers:**

R9-22-204, R9-22-701, R9-22-703, R9-22-705, R9-22-708, R9-22-709, R9-22-712, R9-22-712.01, R9-22-712.09, R9-22-712.40, R9-22-712.45, R9-22-712.60 through R9-22-712.80, R9-22-715, R9-22-718. (As part of this rulemaking, the Administration may add, delete, or modify Sections as necessary.)

**2. The subject matter of the proposed rule:**

Arizona Laws 2013, Chapter 202, § 3, amended A.R.S. § 36-2903.01.G.12 to require the AHCCCS administration to “adopt a diagnosis-related group based hospital reimbursement methodology consistent with title XIX of the social security act for inpatient dates of service on and after October 1, 2014.” The statutory and regulatory provisions of Medicaid (Title XIX of the Social Security Act) provide state’s significant flexibility with respect to hospital reimbursement methodologies; however, the Medicaid Act, at 42 U.S.C. 1396a(a)(30)(A), requires that the State must adopt payment methodologies “as may be necessary to safeguard against unnecessary utilization of such care and services and to assure that payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers so that care and services are available under the plan at least to the extent that such care and services are available to the general population in the geographic area.”

A diagnosis- related group (DRG) based hospital reimbursement methodology pays a fixed amount on a “per discharge basis.” Under this methodology each claim is assigned to a DRG based on the patient’s diagnoses, surgical procedures performed, age, gender, birth weight, and discharge status. The goal of diagnosis related groups is to classify inpatient stays into categories based on similar clinical conditions and on similar levels of hospital resources required for treatment. These categories are identified using Diagnosis Related Group (DRG) codes each of which is assigned a relative weight appropriate for the relative amount of hospital resources expected to be used to treat the patient.

Consistent with the statutory authority in A.R.S. § 36-2903.01.G.12, the methodology provides for “additional reimbursement for extraordinarily high cost cases that exceed a threshold above the standard payment” referred to as “outlier payments.” In addition, the proposed rule includes “a separate payment methodology for specific services or hospitals serving unique populations.” In general, those exempt services will be reimbursed under a per diem methodology.

While there are several DRG classification systems in use in the national health care delivery system, the AHCCCS Administration has chosen the All Patient Refined DRG (APR-DRG) system of codes and relative weights established and maintained by 3M Health Information Systems. Transitioning to the APR-DRG classification system offers several benefits including superior measurement recognition the variation in of inpatient hospital resources required to treat patients, incorporation of patient age into the classification process, facilitation of the measurement of potentially preventable readmissions and complications, enhanced recognition of the resources necessary for high severity patients and of acuity related to specialty hospitals, and reduced occurrences of outlier payments.

In adapting the APR-DRG system to the Arizona health care environment, the Administration, in collaboration with a hospital work group, established several guiding principles, including:

- Cost Effectiveness: whether the methodology aligned with incentives for hospitals to provide cost effective care.
- Access to Care: whether the methodology promotes providing patients with access to quality health care consistent with federal requirements.

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- Equity of Payment: whether the methodology appropriately recognizes the varying intensity of resources and other factors for different types of admissions.
- Predictability: whether the methodology provides predictable payments for both hospitals and the state.
- Transparency: whether the methodology can be replicated by hospitals to ensure accurate payment.
- Quality: whether the methodology rewards high value, quality-driven inpatient hospital services

In addition, the choices reflected in this proposed rule were based other design considerations such as achieving budget neutrality (recognizing that funding is not unlimited the methodology was designed to be budget neutral compared to past aggregate reimbursement for these services) and adaptability (whether the methodology facilitates adapting to changes in utilization and future service models).

**3. A citation to all published notices relating to the proceeding:**

Notice of Proposed Rulemaking: 20 A.A.R. 645, March 14, 2014 (*in this issue*)

**4. The name and address of agency personnel with whom persons may communicate regarding the rule:**

Name: Mariaelena Ugarte  
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Office of Administrative Legal Services  
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**5. The time which the agency will accept written comments and the time and place where oral comments may be made:**

The Administration will accept written comments Monday through Friday, 8 a.m. to 5 p.m., at the address indicated in question #4. Public hearings will be scheduled later to provide a forum for interactive discussion with interested parties. E-mail comments will be accepted.

**6. A timetable for agency decisions or other action on the proceeding, if known:**

See the Notice of Proposed Rulemaking on page 645 in this issue.

**NOTICE OF RULEMAKING DOCKET OPENING**

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS)  
ARIZONA LONG-TERM CARE SYSTEM**

*Editor's Note: The following Notice of Rulemaking Docket Opening was reviewed per Executive Order 2012-03 as issued by Governor Brewer. (See the text of the executive order on page 690.) The Governor's Office authorized the notice to proceed through the rulemaking process on August 16, 2012.*

[R14-33]

**1. Title and its heading:**

9, Health Services

**Chapter and its heading:**

28, Arizona Health Care Cost Containment System - Arizona Long-Term Care System

**Article and its heading:**

7, Standards for Payments

**Section numbers:**

R9-28-702 and R9-28-703 (*As part of this rulemaking, the Administration may add, delete, or modify Sections as necessary.*)

**2. The subject matter of the proposed rule:**

A.R.S. § 36-2999.52 authorizes the Administration to administer a provider assessment on health care items and services provided by nursing facilities and to make supplemental payments to nursing facilities for covered Medicaid expenditures. The Administration is proposing an amendment to rule to revise the process for calculating the nursing facility assessment using Uniform Accounting Report data submitted to the Arizona Department of Health Services and amending the dollar amounts used to calculate the assessment. In addition, the proposed rules update terminology and clarify language in both the assessment and supplemental payment sections so that the methodology is more concise and understandable.

**3. A citation to all published notices relating to the proceeding:**

Notice of Proposed Rulemaking: 20 A.A.R. 671, March 14, 2014 (*in this issue*)

**4. The name and address of agency personnel with whom persons may communicate regarding the rule:**

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The Administration will accept written comments Monday through Friday, 8 a.m. to 5 p.m., at the address indicated in question #4. Public hearings will be scheduled later to provide a forum for interactive discussion with interested parties. E-mail comments will be accepted.

**6. A timetable for agency decisions or other action on the proceeding, if known:**

See the Notice of Proposed Rulemaking on page 671 in this issue.