



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fourth Legislature
Second Regular Session

House: HHS DP 9-0-0-0

HB 2668: hospitals; unreimbursed costs; assessment; fund

Sponsor: Representative Cobb, LD 5

House Engrossed

Overview

Establishes the Health Care Investment Fund (Fund) and requires the Director of the Arizona Health Care Cost Containment System (AHCCCS) to establish, administer and collect an assessment on hospital revenues for inpatient or outpatient services or both for purposes of the Fund.

History

Established by the Legislature in 1981, [AHCCCS](#) is Arizona's Medicaid program, a federal health care program jointly funded by the federal and state governments for individuals and families who qualify based on income level.

Current law requires AHCCCS on or before October 1, 2014 and annually thereafter, to report the following to the Speaker of the House of Representatives, President of the Senate and the Directors of the Joint Legislative Budget Committee and Governor's Office of Strategic Planning and Budgeting: 1) the amount each hospital contributed for the hospital assessments in the previous fiscal year and 2) the amount of estimated payments each hospital received from the coverage funded by the assessment ([A.R.S. § 36-2903.08](#)).

AHCCCS covered procedures can be viewed in the [AHCCCS Medical Policy Manual](#) (AMPM). AHCCCS covered services can differ based upon enrollment. Additionally, [physician fee schedules](#) are updated annually for dates of service on and after October 1st. Quarterly updates at January 1, April 1, and July 1 may be made to accommodate new codes or rate adjustments.

Provisions

AHCCCS uncompensated care; hospital assessment; reports

1. Directs AHCCCS, by October 1, to submit an annual report on the change in uncompensated hospital costs experienced by hospitals in Arizona and hospital profitability during the previous fiscal year to the Chairpersons of the House of Representatives and Senate Appropriations Committee, in addition to the Speaker of the House of Representatives, President of the Senate and the Directors of the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB). (Sec. 1)
2. Directs AHCCCS, by August 1, to submit an annual report to the Chairpersons of the House of Representatives and Senate Appropriations Committee, in addition to the Speaker of the House of Representatives, President of the Senate and the Directors of JLBC OSPB, on the following:
 - a) The aggregate amount each hospital contributed for the hospital assessments authorized and in the previous fiscal year; and

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
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b) The aggregate amount of estimated payments each hospital received from the coverage and directed payments funded by the assessment. (Sec. 1)

3. Defines *administration, director and base reimbursement level*. (Sec. 2)

Hospital assessment; rules; collection; enforcement

4. States that in addition to the hospital assessment prescribed in statute, beginning October 1, 2020, the Director of AHCCCS (Director) must establish, administer and collect an assessment on hospital revenues, discharges or bed days with respect to the inpatient or outpatient services, or both for the purposes of the Fund. (Sec. 2)

5. Requires the Director to adopt rules regarding the method for determining the assessment, the amount or rate of the assessment and modifications to or exemptions from the assessment. (Sec. 2)

6. Mandates that the assessment is subject to approval by the Centers for Medicare and Medicaid Services (CMS) to ensure the assessment is not established or administered in a manner that causes a reduction in federal financial participation. (Sec. 2)

7. Allows the Director to establish modifications to or exemptions from the assessment. (Sec. 2)

8. Specifies that in determining the modifications or exemptions, the Director may consider such factors as the size of the hospital and the geographic location of the hospital. (Sec. 2)

9. Requires the Director to present any changes to the hospital assessment methodology to JLBC for review. (Sec. 2)

10. Requires AHCCCS to deposit monies collected into the Fund. (Sec. 2)

11. Prohibits a hospital from passing the cost of the assessment on to patients or third-party payors that are liable to pay for care on a patient's behalf. (Sec. 2)

12. Stipulates that as part of its financial statement submissions prescribed by law, a hospital must submit to the Department of Health Services (DHS) an attestation that it has not passed on the cost of the assessment to patients or third-party payors. (Sec. 2)

13. Specifies that if a hospital does not comply with requirements prescribed by the Director, the Director may suspend or revoke the hospital's provider agreement. (Sec. 2)

14. Specifies that if the hospital does not comply within 180 days after the Director of AHCCCS suspends or revoked the hospital's provider agreement, the Director of AHCCCS must notify the Director of DHS to suspend or revoke the hospital's license. (Sec. 2)

Health Care Investment Fund; purposes; approval

15. Establishes the Fund consisting of the following:

- a) Monies deposited in the Fund;
- b) Interest earned; and
- c) Legislative appropriations. (Sec. 2)

16. Requires the Director to administer the Fund and prohibits the Director from using any Fund monies to pay for the base reimbursement level for hospital services. (Sec. 2)

17. Requires the Director to use Fund monies only for the purpose of funding the nonfederal share of the cost for the following:

- a) To make directed payments to hospitals that supplement the base reimbursement level for hospital services;
- b) To increase base reimbursement rates for AHCCCS dental fee schedule and physician fee schedule, not including the physician drug fee schedule, to the extent necessary as determined by AHCCCS to restore these providers' rates to the level in existence before

- FY2009, if these expenses do not exceed the lesser of \$70,500,000 or 20% of the total assessment monies deposited for the fiscal year; and
- c) To pay for the nonfederal share of the costs for administrative expenses incurred by AHCCCS or its agents in performing the activities authorized, if these expenses do not exceed one percent of the total assessment monies deposited for the fiscal year. (Sec. 2)
18. Requires AHCCCS to develop a process to ensure that contractors pass through directed payments to eligible providers in a timely manner and prohibits contractors from reducing contracted rates as a result of directed payments. (Sec. 2)
 19. Outlines that monies in the Fund:
 - a) Are exempt from lapsing;
 - b) Are continuously appropriated;
 - c) Are to be credited against the total hospital assessment to be collected for the subsequent fiscal year, if not expended for the purposes authorized under these provisions within the same fiscal year the monies are deposited in the fund; and
 - d) May not be used to supplant existing and future appropriations to AHCCCS for existing and future programs. (Sec. 2)
 20. Prohibits AHCCCS from using the monies from the Fund until The Centers for Medicare and Medicaid Services (CMS) approves the use of the assessment monies for directed hospital expenditures and federal financial participation eligibility for the directed hospital expenditures. (Sec. 2)
 21. Requires the State Treasurer to invest and divest monies in the Fund as prescribed by law and specifies that monies earned from the investment must be credited to the Fund. (Sec. 2)
 22. Exempts AHCCCS, for purposes related to this act, from the rulemaking requirements for one year after the effective date. (Sec. 3)
 23. Stipulates that the above-mentioned provisions are repealed if CMS notifies AHCCCS that the hospital assessment is no longer eligible for federal financial participation and requires AHCCCS to refund any monies remaining in the Fund to hospitals in proportion to the amounts paid by each hospital. (Sec. 4)
 24. Requires the refund amount to be reduced for any authorized expenditure associated with a period for which the hospital assessment is eligible for federal financial participation. (Sec. 4)
 25. Requires AHCCCS to notify in writing, the Director of Arizona Legislative Council of the notification received by CMS. (Sec. 4)
 26. Makes technical and conforming changes. (Sec. 1)