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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
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resident positions that are eligible for expansion funding. The per-resident allocation to Program X will be based on the 2 resident positions.

Medicaid utilization for each hospital will be determined using the most recent as-filed Medicare Cost Report on file with the Administration and the Administration's inpatient hospital Fee-For-Service claims and managed care encounter data for the time period corresponding to the MCR for each hospital. The Medicaid utilization percent for each hospital will be calculated as its total Medicaid inpatient days divided by total MCR inpatient days, rounded up to the nearest 5%. Total MCR inpatient days will be taken from Form 2552, Worksheet S-3, Part 1, Lines 12 and 14, Column 6. The Medicaid utilization from the most recent as-filed Medicare cost reporting period is a proxy for the Medicaid utilization for the service period.

The statewide average per-resident cost will be determined using the most recent as-filed MCR on file with the Administration and resident counts reported by hospitals and GME programs. The average will be calculated by totaling all Intern/Resident direct costs for all hospitals reporting such costs on the MCR and dividing by the total number of residents at those hospitals. The direct I/R costs will be taken from Form 2552, Worksheet B, Part 1, Lines 22 & 23, Column 0.

A filled resident position is a GME program position for which a resident is enrolled and receiving a salary. The number of filled resident positions in a program will be derived by hospital and program reporting to the Administration.

A hospital's level of participation is defined by the hospital's share of resident rotations within the program. For example, if residents in Program X spend nine months of the year on rotation at hospital A and three months at hospital B, then hospital A's level of participation in Program X is 75% and hospital B's level of participation is 25%. The program rotation schedules will be derived by program and hospital reporting to the Administration.

For the service period of July 1, 2009, to June 30, 2010, the Administration shall distribute up to \$12,179,100 under this paragraph. If funds are insufficient to cover all calculated distributions within any priority group described in paragraphs B(3)(a) and (b), the Administration shall adjust the distributions proportionally within that priority group.

- 4) Beginning July 1, 2007 the AHCCCS Administration shall distribute monies appropriated for graduate medical education above the amounts prescribed in paragraphs B(1) and B(3) for the direct costs of graduate medical education programs established or expanded on or after July 1, 2006. These programs must be approved by the Administration.

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The Administration will allocate funds to eligible GME programs based on the number of filled resident positions in each program, weighted by Medicaid utilization, and a statewide average per-resident cost according to the methodology described in paragraph B(3).

For the service period of July 1, 2009, to June 30, 2010, the Administration shall distribute up to \$3,000,000 under this paragraph. If funds are insufficient to cover all calculated distributions, the Administration shall adjust the distributions proportionally.

C. New Hospitals

Payments made to new hospitals with GME programs will be calculated using a statewide average where necessary until hospital-specific data can be obtained.

D. Indirect Medical Education Component

Beginning July 1, 2007, the AHCCCS Administration shall distribute monies appropriated for graduate medical education above the amounts prescribed in paragraphs B(1), B(3), and B(4) for a portion of additional indirect medical education costs at hospitals with GME programs with residency positions

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that include rotations in any county other than Maricopa or Pima whose population was less than five hundred thousand persons at the time the residency rotation was added to the academic year rotation schedule. These programs must be approved by the Administration.

The Administration will allocate funds for indirect costs to eligible GME programs based on the number of filled resident positions in each program that include rotations in qualifying counties, the number of months that a program's residents rotate to facilities in those counties, and a Medicaid-specific statewide average per-resident-per-month cost. The program allocation will be calculated as follows:

Program Allocation = (Total filled resident positions that include rotations in qualifying counties) x
(Number of months per academic year that each resident will spend on such rotations) x
(Medicaid-specific statewide average per-resident-per-month cost).

A filled resident position is a GME program position for which a resident is enrolled and receiving a salary. The number of filled resident positions in a program and the number of months that program residents rotate to facilities in qualifying counties will be derived by hospital and program reporting to the Administration.

The Medicaid-specific statewide average per-resident-per-month cost will be determined using the most recent as-filed Medicare cost reports on file with the Administration, and will be based on a calculated Medicaid IME cost for all hospitals that calculate a Medicare IME payment on the Medicare cost report and the total number of residents at those hospitals. A hospital's Medicaid IME costs will be calculated as follows:

Medicaid IME costs = (Calculated Medicare IME payment) x [(Medicaid utilization percent) /
(Medicare utilization percent)]

The calculated Medicare IME payment for each hospital will be taken from Form 2552, Worksheet E, Part A, Line 3.24, Column "Hospital". The Medicaid utilization percent for each hospital will be determined using the method and data sources described by paragraph B(3), except that the ratio will not be rounded up to the nearest 5%. The Medicare utilization percent for each hospital will be calculated as its total Medicare inpatient days divided by its total inpatient days. The total Medicare inpatient days will be taken from Form 2552, Worksheet S-3, Part 1, Line 12, Column 4. The total inpatient days will be taken from Form 2552, Worksheet S-3, Part 1, Line 12, Column 6. The Medicaid and Medicare utilization from the most recent as-filed Medicare cost reporting period is a proxy for the Medicaid and Medicare utilization for the service period.

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The Medicaid-specific statewide average per-resident-per-month cost will be calculated by totaling the Medicaid IME costs for all hospitals that have such costs, dividing the result by the total number of residents at those hospitals, and dividing that result by 12.

The amount allocated to each program will be distributed to the program's sponsoring hospital or the program's base hospital if the sponsoring institution is not a hospital. The total amount distributed to a hospital for all programs combined shall not exceed the hospital's Medicaid IME costs calculated by the Administration or the median of all such costs if the Administration has not calculated costs for the recipient hospital.

For the service period of July 1, 2009, to June 30, 2010, the Administration shall distribute up to \$2,500,000 under this paragraph. If funds are insufficient to cover all calculated distributions, the Administration shall adjust the distributions proportionally.

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E. Medical Education Funding Transfer Authority

Any remaining unallocated authority from paragraphs B(3), B(4) or D, may be redistributed among those pools if necessary to address insufficient funding levels in any of them.

F. Indirect Medical Education – Second Payment Pool

Beginning July 1, 2007, the Administration establishes a second Indirect Medical Education payment pool. Those funds will be used for the purposes of reimbursing hospitals specified by the local, county, or tribal government for indirect program costs other than those reimbursed under paragraph D. Funds available under this subsection shall be distributed in accordance with paragraph D except that reimbursement with such funds includes resident positions or rotations other than those in counties with populations of less than five hundred thousand persons. The total amount distributed to a hospital under paragraphs D and F combined shall not exceed the hospital's Medicaid IME costs calculated by the Administration or the median of all such costs if the Administration has not calculated costs for the recipient hospital.

For the service period of July 1, 2009 to June 30, 2010, the Administration shall distribute up to \$42,000,000 in total funds under this paragraph. Of this amount, up to \$21,000,000 will be distributed to Maricopa Medical Center, the only public teaching hospital in Maricopa County and up to \$21,000,000 million to hospitals designated by Pima County (specifically, University Medical Center and University Physicians Healthcare Hospital at Kino Campus). Any unallocated authority remaining from paragraphs B(3), B(4) or D after any necessary redistribution under paragraph E may be distributed under this paragraph.

All payments for GME and IME provided for in paragraphs B-F are payable annually at the end of the year