

STATE OF ARIZONA  
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
INPATIENT HOSPITAL CARE

1) **Outliers:** Effective with dates of admission on and after October 1, 2007, AHCCCS shall reimburse hospitals for outlier claims by multiplying covered charges by the sum of Medicare's urban or rural statewide average operating cost-to-charge ratio (CCR) and Medicare's statewide average capital CCR, updated annually and phased in as described below. For rates effective on and after October 1, 2007, outlier cost thresholds shall be updated annually by the increase or decrease in the index published by the Global Insight hospital market basket index for prospective hospital reimbursement. For the rate year effective October 1, 2010, to September 30, 2011, AHCCCS will not apply the Global Insight hospital market basket index to adjust the outlier cost thresholds. For inpatient hospital admissions with begin dates of admission on and after October 1, 2011, AHCCCS will increase the outlier cost thresholds by 5% of the thresholds that were effective on September 30, 2011.

For calculations using the Medicare urban or rural CCRs, including outlier determination and threshold calculation, AHCCCS shall phase in the use of the Medicare urban or rural CCRs as follows: For outlier claims with dates of admission on or after October 1, 2007 through September 30, 2008, AHCCCS shall adjust each hospital specific inpatient CCR in effect on September 30, 2007 by subtracting one-third of the difference between the hospital specific inpatient CCR and the sum of Medicare's urban or rural statewide average operating CCR and Medicare's statewide average capital CCR. For outlier claims with dates of admission on or after October 1, 2008 through September 30, 2009, AHCCCS shall adjust each hospital specific inpatient CCR in effect on September 30, 2007 by subtracting two-thirds of the difference between the hospital specific inpatient CCR and the sum of Medicare urban or rural statewide average operating CCR and Medicare's statewide average capital CCR.

For payment of outlier claims with dates of admission on or after October 1, 2007 through September 30, 2008, AHCCCS shall adjust the statewide inpatient hospital CCR in effect on September 30, 2007 by subtracting one-third of the difference between the statewide inpatient hospital CCR and the effective Medicare urban or rural CCR. For payment of outlier claims with dates of admission on or after October 1, 2008 through September 30, 2009, AHCCCS shall adjust the statewide inpatient hospital CCR in effect on September 30, 2007 by subtracting two-thirds of the difference between the statewide inpatient hospital CCR and the effective Medicare urban or rural CCR.

For outlier claims with dates of admission on or after October 1, 2009, the full Medicare urban or rural CCR shall be utilized for all calculations. The three year phase-in does not apply to out of state or new hospitals.

For qualification and payment of outlier claims with begin dates of admission on or after April 1, 2011 through September 30, 2011, the CCR will be equal to 95% of the ratios in effect on October 1, 2010.

For qualification and payment of outlier claims with begin dates of admission on or after October 1, 2011, the CCR will be equal to 90.25% (95% of the previous 95% reduction =  $95\% \times 95\%$ ) of the most recent published Urban or Rural Medicare CCR as of August of each year (e.g., 90.25% of the CCR published as of August 31, 2011 is used for the period of October 1, 2011 to September 30, 2012).

In addition, for qualification and payment of outlier claims with begin dates of admission on or after October 1, 2011 through September 30, 2012, AHCCCS will reduce the CCR for a hospital that filed a charge master with ADHS on or after April 1, 2011 by an additional percentage equal to the total percent increase reported on the charge master.

In addition, for qualification and payment of outlier claims with begin dates of admission on or after October 1, 2012, AHCCCS will reduce the CCR for a hospital that filed a charge master with ADHS on or after June 1 of the prior federal fiscal year, by an additional percentage equal to the total percent increase reported on the charge master.

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