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State/Territory Name: AZ

State Plan Amendment (SPA) #: 21-0009

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850



Financial Management Group

August 16, 2022

Jami Snyder, Director
Arizona Health Care Cost Containment System
801 E. Jefferson
Phoenix, AZ 85034

RE: Arizona SPA 21-0009

Dear Ms. Snyder:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 21-0009. This amendment, effective September 30, 2021, provides state fiscal year 2022 Graduate Medical Education payment pools for new programs or expanded positions that began on or after July 1, 2020.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. This is to inform you that Medicaid State plan amendment TN 21-0009 is approved effective September 30, 2021. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please contact Mark Wong at (415) 744-3561 or mark.wong@cms.hhs.gov.

Sincerely,



Rory Howe
Director

Enclosures

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

G. For the period of July 1, 2021 to June 30, 2022, the AHCCCS Administration shall distribute \$11,208,900 for hospitals located in counties with populations of five hundred thousand or more residents for new graduate medical education programs that began on or after July 1, 2020 or for positions that were expanded on or after July 1, 2020. These distributions are supplementary to and do not supplant the payments described in paragraphs B, C, D, and F above, with priority of the supplementary monies based on the number of residents and fellows in graduate medical education in the following manner:

- 1) Each eligible resident and fellow is placed into a tier with the following priority order:
 - a) Returning residents and fellows. A returning resident or fellow is a resident or fellow whose position received funding under this section for the previous academic year, and who is continuing in the same GME program.
 - b) Residents and fellows that are not a returning resident or fellow but are in a GME program for:
 - i) Family medicine
 - ii) Internal medicine
 - iii) General pediatrics
 - iv) Obstetrics and gynecology
 - v) Psychiatry, including subspecialties
 - vi) General surgery
 - c) Residents or fellows that are not returning residents or fellows and are not described in subsection (1)(b) but are in a GME program that received funding under this section in a prior year.
 - d) All other residents and fellows.
- 2) Residents and fellows in each tier are further divided into 4 sub-tiers with the following priority order based on the location of the participating hospital:
 - a) Hospitals in a county designated by the Health Resource and Services Administration of the U.S. Department of Health & Human Services as a health professional shortage area (HPSA) with a greater than 85% primary care shortage.
 - b) Hospitals in a county designated as a HPSA with a greater than 50% to 85% primary care shortage.
 - c) Hospitals in a county designated as a HPSA with a 25-50% primary care shortage.
 - d) Hospitals in a county designated as a HPSA with less than 25% primary care shortage.
- 3) Funds shall be allocated based on the priority of each tier and sub-tier. Distributions for eligible positions in a sub-tier with a lower priority will not receive a distribution until distributions are allocated for the costs of all positions in a higher sub-tier. If funding is insufficient to fully fund a sub-tier, the remainder of funds will be prorated for eligible positions within that sub-tier, based on the amount computed for each hospital that would have been reimbursable for that sub-tier if full funding were available. Distribution is

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made for each sub-tier, in priority order, within a tier before distribution to the next lower tier.

- 4) The amount of the distribution for each GME program for direct costs is calculated as the product of:
 - a) The number of eligible residents and fellows adjusted for the number of months or partial months worked in each hospital or non-hospital setting under agreement between the non-hospital setting and the reporting hospitals; and
 - b) The hospital's Arizona Medicaid utilization as determined in paragraph B(3) for the program year using the most recent as-filed Medicare cost report as proxy; and,
 - c) The statewide average direct cost per resident determined in paragraph B(3) for the program year using the most recent as-filed Medicare cost reports as proxy.
- 5) If monies are still remaining after direct funding has been allocated, indirect funding shall be allocated based on the priority of each tier and sub-tier, consistent with (G)(3). The amount of the distribution for each GME program for indirect costs is calculated as the product of:
 - a) The number of allocated eligible residents and fellows adjusted for the number of months or partial months worked in each hospital or non-hospital setting under agreement between the non-hospital setting and the reporting hospital; and
 - b) The Medicaid-specific statewide average indirect cost per resident per month calculated in paragraph D for the program year using the most recent as-filed Medicare cost reports as proxy; and
 - c) Twelve months.
- 6) To ensure that the program receives accurate funding, residents/fellows which receive funding first in paragraph G may additionally receive funding through paragraphs B, C, D, and F, but total number of residents/fellows funded shall not be greater than 100% of the total FTEs in that program.
- 7) Payments are made to participating hospitals based on the FTEs who worked at their hospitals per academic year.

H. For the period of July 1, 2021 to June 30, 2022, the AHCCCS Administration shall distribute \$2,586,443 for hospitals located in counties of less than five hundred thousand persons for graduate medical education for new programs that began or for positions that were expanded on or after July 1, 2020. These distributions are supplementary to and do not supplant the appropriated amounts prescribed in paragraphs B, C, D, and F and the supplementary distributions are to be made in the following order of priority based on the number of residents and fellows in graduate medical education in the following manner.

- 1) Each resident and fellow will be placed into a tier with the following priority order: