



Arizona Hospital and Healthcare Association

July 22, 2011

Arizona Health Care Cost Containment System
Office of Administrative and Legal Services
701 E. Jefferson, Mail Drop 6200
Phoenix, AZ 85034
Attention: Mariaelena Ugarte

Dear Ms. Ugarte:

On behalf of the Arizona Hospital and Healthcare Association (AzHHA) and our 104 member hospitals, I thank you for the opportunity to comment on the Arizona Health Care Cost Containment System Administration's (AHCCCS) proposed exempt rulemaking regarding inpatient general hospital services, charges, payments and inpatient day annual benefit limits referenced in R9-22-201, R9-22-204 and R9-22-702, R9-22-703, R9-22-705, and R9-22-71.09.

The proposed rule intends to limit coverage of in-state and out-of-state inpatient hospital service to 25 days per benefit year for members age 21 and older. Certain inpatient days are not included in the 25 day per year limit, including transplant contracts, days related to behavioral health services, and certain days related to treatment of burns or burn late effect.

We have concerns about the proposed rules' financial impact to Arizona hospitals, and are strongly opposed to the promulgation of any rule that affects Arizona hospital payments and benefit limits without the opportunity to assess the rule's impact.

In number 7 of the Preamble to the proposed rules, AHCCCS states that no studies were relied upon for the implementation of the rulemaking. According to AHCCCS, claims and encounters for dates of service during the State Fiscal Year (SFY) 2010 were analyzed to determine historical service utilization; however AHCCCS Administration has not provided that analysis to AzHHA, or posted the analysis for public review during the rule comment period. Although AHCCCS estimates that at least 96 percent of utilizing members would remain unaffected if the limitation is implemented, AHCCCS also projects the dollar amount of that effect to be \$64 million to hospitals in 2012, and an additional \$85 million in SFY 2013.

The impact of this limitation, we believe, will be skewed toward large trauma centers and rehabilitation facilities in Arizona that care for our most critically ill patients—those with severe trauma, or complex medical conditions that require inpatient services for extended periods of time, or for repeated periods of time over the course of a year.

In May of 2011, AHCCCS also eliminated the Medical Expense Deduction (MED category for persons with high financial need due to catastrophic illnesses or significant trauma). These eligibility and benefit limitations essentially effect similar populations of our most severely ill citizens who are more likely to receive services in one of Arizona's trauma centers.

We urge AHCCCS to prepare a model showing the estimated impact by hospital. We also recommend that once the model has been developed, AHCCCS should meet with hospital representatives to explain the proposed rule and changes that AHCCCS Administration is contemplating.

In addition, we suggest that AHCCCS remove language proposed in Section R9-22-204 B.2.c that limits payment coverage for the treatment of burn or burn late effect conditions to treatment at a particular type and location facility after the 25 day limit. Treatment of burns and burn late effect should be exempt from the 25-day benefit limit, regardless of the location of the facility where the treatment occurs. Other inpatient days excluded from the 25 day coverage limitation are excluded on the basis of medical condition, not location of service. The proposed rule does not provide needed flexibility for hospitals in Arizona to expand their services to meet community-based needs, or to respond to needs for increased capacity in regional service networks.

Thank you in advance for considering these comments. Please feel free to contact me at (602) 445-4308 if you have any questions.

Sincerely,



James F. Haynes,
Senior Vice President and Chief Financial Officer