Compliance with COP Peer Review

Debbie Johnston
Executive Vice President
CAH QA/Peer Review Compliance

485.641(b)(4) of the CAH Medicare Conditions of Participation (Tag C-0340) requires CAHs to contract with one of three outside organizations to conduct quality assurance activities:

1. Another hospital that is part of the hospital’s network, if the CAH is part of a network;
2. A Quality Improvement Organization (or equivalent entity); or
3. Another qualified entity identified in the State rural health plan.
Rural Health Network Defined
(Added Feb. 21, 2020)

§485.603 Rural Health Network
A rural health network is an organization that meets the following specifications:
(a) It includes—
(1) At least one hospital that the State has designated or plans to designate as a CAH; and
(2) At least one hospital that furnishes acute care services.

(b) The members of the organization have entered into agreements regarding—
(1) Patient referral and transfer;
(2) The development and use of communications systems, including, where feasible, telemetry systems and systems for electronic sharing of patient data; and
(3) The provision of emergency and nonemergency transportation among members.

(c) Each CAH has an agreement with respect to credentialing and quality assurance with at least—
(1) One hospital that is a member of the network when applicable;
(2) One QIO or equivalent entity; or
(3) One other appropriate and qualified entity identified in the State rural health care plan.
Questions

1. How are members meeting this peer review/QA requirement?
2. Is there a need to expand the outside entities that AZ CAHs could use to meet 485.641(b)(4)?
HB 2450

- Two major provisions:
  - Exempts hospital-based OTCs from ADHS licensure, but substantiated complaints is violation against hospital license
  - Eliminates cap on satellite OTCs under hospital SGL
- ADHS interprets bill as retaining licensure for OTCs under SGL
- Implications:
  - Provider based billing
  - Medicare three-day payment window
  - Colocation
  - If not licensed: accreditation, insurance, 3rd party payers...
- Some options:
  - Appoint different governing authority for clinic
  - Amend bill
Data Trends, Potential Policy Options, and Financial Updates

Amy Upston
Director of Financial Policy and Reimbursement
Data Trends and Potential Policy Options
Data Trends – 2021 UARs

11.4% net operating margin reported in 2021 Uniform Accounting Reports (UARs)

- only one CAH had a negative operating margin

<table>
<thead>
<tr>
<th>Hospital Type</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical Access Hospitals</td>
<td>3.3%</td>
<td>5.8%</td>
<td>2.5%</td>
<td>11.4%</td>
</tr>
<tr>
<td>General Acute Hospitals</td>
<td>5.9%</td>
<td>5.3%</td>
<td>7.3%</td>
<td>6.9%</td>
</tr>
<tr>
<td>All Hospitals</td>
<td>6.3%</td>
<td>5.8%</td>
<td>7.5%</td>
<td>7.4%</td>
</tr>
</tbody>
</table>
Data Trends – 2022 Hospital Reported Data

While overall net operating margins for reporting hospitals declined significantly in 2022, net operating margins rebounded for the five reporting CAHs in 2022 Q2.
Trends and CAH Supplemental Payment Pool

- Reporting from additional CAHs would allow AzHHA staff to gain a better understanding of how CAHs are performing in 2022 and whether they align with national trends.
- If it does align with national trends, AzHHA would be able to use that information to advocate for additional policy changes, including a possible increase to the CAH pool.
Potential Policy Options: Physician Retention

• Absent more convincing data that CAHs as a whole are struggling, the Constituency Group may want to consider targeted policies and funding that address the most critical needs of rural hospitals.

• For example, targeting physician retention by way of:
  – Increasing AHCCCS reimbursement for rural physicians
  – Expanding the loan repayment program
  – Developing more robust graduate medical education in rural areas
  – Other workforce programs
Other Potential Policy Options

• Another example is targeting health plan policies that drive up costs, such as
  – requiring health plans to make retroactive payments during the credentialing process
  – establishing a fair hearings process for commercial insurers

• Other ideas?
Financial Updates
CAH Supplemental Payments

• Additional payments made to non-IHS/638 tribal facilities
• $16.5 million annually in supplemental payments beginning in State Fiscal Year 2019, paid out bi-annually
• AHCCCS was able to leverage additional funding due to increased federal matching rate during the Public Health Emergency (PHE)
• Based on currently available information, AzHHA expects the PHE may end in January
  – $10.3 million payment in December 2022
  – $8.2 million each Spring/December thereafter
SAVE Pool Payments

- The SAVE Pool (also known as Rural Hospital Reimbursement Fund) pays out $12.2 million annually to certain rural hospitals
  - IHS/638 tribal facilities are excluded from this payment
- Due to CMS requirements, the supplemental funding will be paid on individual inpatients claims
  - Beginning 1/1/2023, the APR-DRG base rates will increase from $6,103.18 to $7,506.91
- AHCCCS models show that hospitals should receive approximately the same amount; however there will be a delay in payments since a full year’s worth of payments will not be received until after 1/1/2024
Rural Health Office Grant Update

In the upcoming year, AzHHA intends to:

- Continuation of **Quality Improvement Initiative**

- After receiving feedback from hospital CFOs and consultants, **further refine data reporting tool and select 2-3 metrics to target for improvements**

- Provide each CAH with an initial analysis of changes in fee-for-service Medicare and AHCCCS payments if the CAH converts to a rural emergency hospitals
**Health Plan Accountability**

- AzHHA established a Managed Care Committee in May
- Using insights from the Managed Care Committee and other constituency groups, established a Health Plan Accountability Workplan
- AzHHA staff has identified two items which it is considering working with legislators on to make statutory changes:
  - Retroactive payments during the credentialling period if health plans credential a provider
  - Establishing a fair hearing process for commercial insurance
Election Updates

Meghan McCabe
Director of Government Relations
Statewide Races
Arizona Governor

Kari Lake (R)

Katie Hobbs (D)
Primary Election

• Many incumbents lost their primary (both Republicans and Democrats).
  – Reps. Morgan Abraham, Richard Andrade, Rusty Bowers, Judy Burges, César Chávez, John Fillmore, Joel John, Sarah Ligouri, Joanne Osborne, Lorenzo Sierra, and Christian Solorio
  – Sens. Vince Leach, Tyler Pace and Kelly Townsend
What does this mean for next year?

• Significant Republican majorities, but with new and untested legislators

• Already shaping up to be a contentious leadership race in both chambers

• With a new Governor, we can expect:
  – New executive staff/policy team who oversee agency budgets
  – New ADHS Director
  – New AHCCCS Director
  – New DIFI Director