

# Compliance with COP Peer Review

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# 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)?

# OTC Licensing

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# 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, 3<sup>rd</sup> 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  
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# Data Trends and Potential Policy Options



# Data Trends – 2021 UARs

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

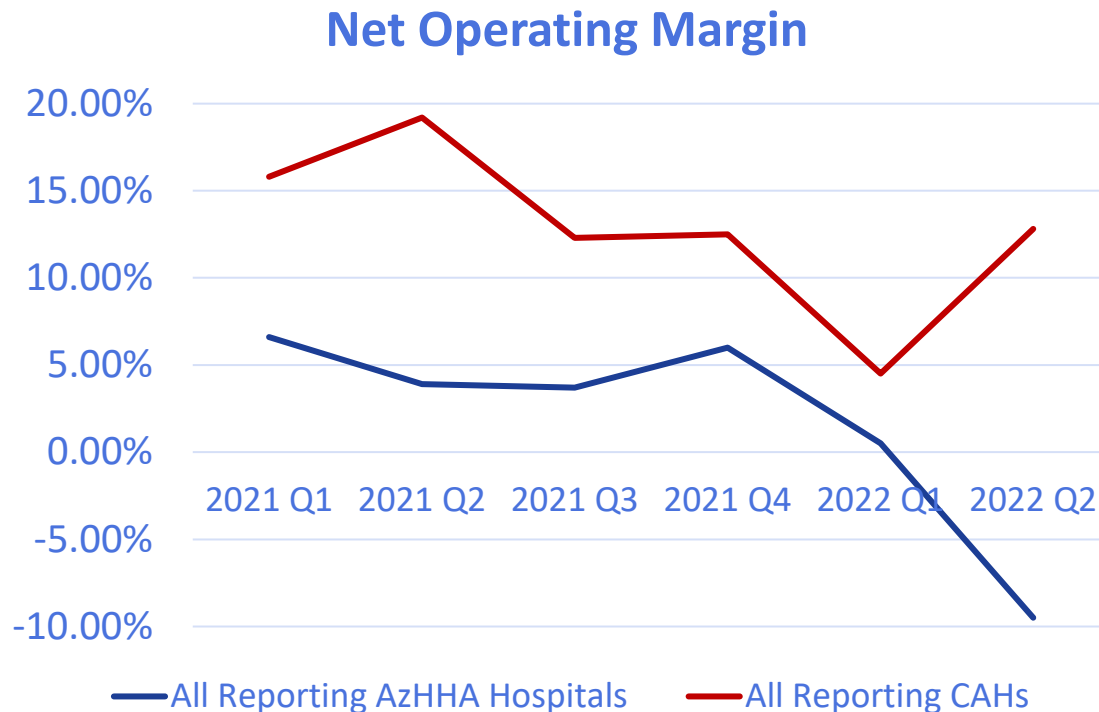
- only one CAH had a negative operating margin

## Net Operating Margin by Hospital Type

Hospital Type	2018	2019	2020	2021
Critical Access Hospitals	3.3%	5.8%	2.5%	11.4%
General Acute Hospitals	5.9%	5.3%	7.3%	6.9%
All Hospitals	6.3%	5.8%	7.5%	7.4%

# 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 credentialing 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