



December 30, 2015

Thomas J. Betlach, Director
AHCCCS
801 E. Jefferson St., MD 4100
Phoenix, AZ 85034

RE: Value Based Purchasing Differential Adjusted Payments

Dear Director Betlach:

On behalf of the Arizona Hospital and Healthcare Association (AzHHA) thank you for the opportunity to offer comments on the AHCCCS Administration's Value Based Purchasing (VBP) Differential Adjusted Payment proposal. AzHHA is a statewide association of 71 hospitals, affiliated healthcare systems, and other healthcare organizations across Arizona. Our members are committed to working collectively to improve the quality of healthcare and the health of all Arizonans. We believe the Medicaid program can be a powerful agent for advancing these goals and the movement toward value based purchasing an effective strategy in this regard.

Two years ago our Regional Councils and Public Policy Committee began the process of identifying a set of principles to anchor our position on Medicaid VBP, including related metrics. We turned to these principles in evaluating the AHCCCS Administration's draft proposal for CYE 2017. The preliminary principles identified by our members are:

- 1. The program and metrics should be constructed so that all hospitals have an opportunity to earn an incentive payment or differential adjustment, regardless of the hospital subtype.** This could entail establishing a statewide metric, which if met by hospitals in the aggregate, would trigger a statewide incentive payment or rate adjustment, or it could entail establishing different types of metrics for different subtypes of hospitals, which each hospital would be required to meet to qualify for an incentive payment or adjustment.

- 2. The program should be constructed in a way that minimizes administrative burden for providers.** Metrics should align to the greatest extent possible with existing pay for performance programs in an effort to streamline administrative burden and mitigate costs.
- 3. The program should foster transparency and a greater understanding of quality and value.** The implementation of a VBP program is an opportunity for policymakers, the public and providers to gain a better understanding of the quality of care provided to Medicaid recipients and their related health outcomes. Metric development should be done in a collaborative forum to build consensus around the most appropriate measurements of value. Providers should have an opportunity to validate data, and the method for or adjusting rates and/or paying incentives should be clearly understood given AHCCCS's managed care environment. Finally, performance on metrics should be conveyed to the public in a way that is meaningful and readily understandable.
- 4. The program should unify the hospital field, healthcare practitioners and other stakeholders to be catalysts for improving healthcare quality throughout Arizona.** The program should be constructed in a way that incentivizes providers and other stakeholders to collaborate in an effort to share best practices for improving care and health outcomes for all Medicaid recipients. A "revenue neutral" program that incorporates penalties or one that relies on a provider assessment for funding would not achieve these ends and should be avoided.¹

Taking these principles into account, we are generally supportive of the Administration's draft VBP differential adjustment for hospitals for CYE 2017. The achievement of the Meaningful Use (MU) Stage 2 metric for Program Year 2015 aligns with current pay-for-performance metrics in the Medicare program, and will not present an additional administrative burden to hospitals. We also believe the second metric, participation in the state's health information exchange (HIE) network, will not be administratively burdensome for most hospital subtypes.²

While some hospitals previously reported vendor delays that impacted their ability to attest to MU Stage 2, this does not appear to be as significant an issue right now. Having said this, we caution the Administration that vendor issues might still be an impediment for some facilities.

¹ While we believe penalties and downside risk can be effective tools in VBP programs, the current state of Medicaid underpayments makes it difficult for us to support such an approach at this time. We may revisit this principle in the future should payments more closely resemble costs.

² Hospitals associated with Indian Health Services inform us that they participate in an alternative national HIE. From looking at the Administration's timeline, it appears there are two scheduled tribal consultations. We urge the Administration to use these meetings to work with the IHS and tribal 638 hospitals on alternative metrics as appropriate. One option might be to require IHS and tribal facilities to participate in a HIE rather than *the state* HIE to qualify for a differential adjustment for CYE 2017.

Our most significant concern with the MU Stage 2 metric is it only applies to certain hospital subtypes. Psychiatric, Rehabilitation, and Long Term Acute Care (LTAC) hospitals are excluded, and would thus be ineligible for a differential adjustment in CYE 2017. **While the Administration notes that it “expects to expand the VBP Differential Adjusted Payments to other provider types for CYE 2018,” we urge reconsideration for CYE 2017 for these hospital subtypes.**

Post acute care and psychiatric hospitals are crucial providers in the continuum of care for Medicaid recipients. Rehabilitation and LTAC hospitals provide transitional care to trauma and other medically complex patients on a post acute care basis to restore medical and functional capacity to enable patients to return to the community setting. Psychiatric hospitals provide mental health and increasingly integrated services to the vast number of Medicaid recipients in need of inpatient behavioral health services. Like other hospitals, Medicaid payments to these providers have been cut and/or frozen over the past several years. And many of these providers are paying an assessment that helps fund Arizona’s Medicaid program. Eligibility for a VBP differential adjustment will provide an added incentive for more of these providers to treat Medicaid patients while improving care outcomes.

AzHHA’s Behavioral Health and Post Acute Care constituency groups stand ready to provide input on the identification of metrics applicable to these hospital subtypes. For CYE 2017 this could mean a variation of an EHR related “meaningful use” metric to improve care coordination, facilitate transitions of care, and/or promote patient safety. **In short, we urge the AHCCCS Administration to consider expanding the VBP differential adjustment to psychiatric, rehabilitation and LTAC hospitals for CYE 2017 and offer our members’ expertise in identifying metrics for these provider subtypes.**

Moving forward, we also recommend the AHCCCS Administration establish an advisory group consisting of provider, health plan and other stakeholder representatives that can review relevant data and assist in the identification of VBP metrics and other components of a Medicaid VBP program. The group could provide a forum for developing consensus around those areas of the program that would benefit most from a VBP approach and help with the identification of appropriate and cost-effective metrics.

Finally, we seek to clarify two issues related to the proposal. First, we would like to have a better understanding of how the adjustment would be implemented within AHCCCS’s managed care framework given that rates are the product of provider-health plan negotiations. Second, we would like to understand the funding mechanism for the

adjustment. Our hope is the differential will be funded through a general fund appropriation, but we believe it is unwise to make such an assumption.

Thank you again for the opportunity to comment on the AHCCCS Administration's VBP Differential Adjusted Payment proposal. We look forward to working with the Administration as it further develops this program and identifies additional metrics in the coming months and years.

Sincerely,



Debbie Johnston
Senior Vice President, Policy Development