# PUBLIC POLICY PRIORITIES
# 2017

## Policy Objectives

The AzHHA Board of Directors has approved a policy framework consisting of five broad policy objectives. These objectives, which are listed below, anchor policy priorities supported pursued by the Association.

### Financial Security & Access to Care

Advance fiscal and budgetary policies that provide financial stability for the most vulnerable hospitals and healthcare systems and that facilitate the ability of AzHHA members to transition to the future and positively redesign healthcare.

### Better Care

Advance patient-centered policies that result in improved quality of care and patient satisfaction.

### Better Health

Advance policies that will effectively improve the health of populations.

### Lower Cost

Advance sensible policies that create a more efficient healthcare system and reduce the rising cost of healthcare.

### Innovation & Transformative Healthcare

Advance policies that will support AzHHA member hospitals and health systems to thrive in emerging healthcare markets and successfully respond to transformative and disruptive healthcare technologies.

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# Tier One Priorities

## An AHCCCS Payment System that Drives Value and Reflects the Cost of Care

AzHHA supports an AHCCCS payment system that both incentivizes quality and reflects the cost of caring for Medicaid patients. As Arizona hospitals work to transition from volume to value, they must have sufficient budgetary room to do so. The existing AHCCCS rate structure is based on rates that were in effect as of FY 2007 **minus** 10 percent, resulting in a payment-to-cost ratio of less than 70 percent. While AzHHA supports efforts by the AHCCCS Administration to transition to new value-based delivery system and payment models, it is imperative that reimbursement reflect more closely the current cost of care. With the economy recovering, AzHHA believes the State must begin restoring hospital funding that was cut during the recession. As such, we strongly support the reinstatement of statutory annual inflation funding and/or incremental rate increases in the FY 2018 and FY 2019 state budget.

## Medicare Cuts that Threaten Access to Care

AzHHA strongly opposes additional Medicare payment cuts, as well as the continuation of cuts contained in the *Affordable Care Act*, without full implementation of the expanded coverage promised by the *Act*. AzHHA also opposes poorly designed approaches to achieving Medicare savings through arbitrary provider cuts. Instead, we support the development of a more rational long-term payment methodology that rewards quality and promotes better health outcomes.

## Defending Medicaid Restoration and Expansion

AzHHA supports the restoration of the Prop. 204 program and further expansion of Medicaid as enacted by the Legislature in 2013. We will vigorously defend the legislation from efforts to repeal or limit it – including opposing litigation to strike down the funding mechanism, a hospital assessment.

## A Hospital Assessment that Ensures Fairness and No Financial Harm

AzHHA is committed to structuring a hospital assessment that assures no financial losses for any individual community hospital or healthcare system as a result of the hospital assessment program. This position was affirmed by the AzHHA Board in March 2013. Under any model implemented by the Arizona Health Care Cost Containment System (AHCCCS), the amount of the assessment collected from any hospital/healthcare system should be accompanied by an

increase in funding from newly covered patients (Prop. 204 restoration or expansion populations) in an amount at least equal to the assessment paid by the hospital.

## Addressing the Opioid Epidemic

Arizona has the ninth highest rate of opioid deaths in the nation. In 2015 over 400 people in the state died of prescription opioid overdoses. AzHHA believes that appropriate funding of high-quality substance abuse treatment programs must be a priority for the state. In addition, medical providers must do more to focus on prevention. This includes implementing the *Arizona Opioid Prescribing Guidelines* and utilizing the state's Prescription Drug Monitoring Program as outlined in statute. We also support collaborative efforts by hospitals, physicians, payers, public health and other stakeholders to develop evidence-based best practices for reducing opioid addiction and related deaths.

## A Principled Approach to Medicaid VBP

AzHHA believes value-based purchasing (VBP) payment methodologies are an essential strategy for advancing the Triple Aim. If adequately structured and funded, VBP programs could positively transform Arizona's Medicaid delivery system and bring better health to communities throughout the state. AzHHA supports the following principles as a foundation for Medicaid VPB in Arizona:

- **A Medicaid VBP 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 providers and other stakeholders are incentivized to collaborate and share best practices for improving care and health outcomes. A mandatory "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 under current funding levels.
- **A Medicaid VBP 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.** AHCCCS should also develop metrics for other providers, including physicians. Health plans should be encouraged to collaborate with providers across the continuum to develop contracting strategies and metrics that reward quality at all levels of care.

- **A Medicaid VBP program should recognize the differences between rural and urban delivery systems.** Programs and metrics should be scalable to address different resource capabilities in rural verses urban communities while incentivizing collaboration to promote better patient care.
- **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. Health plans should be encouraged to work with each other and providers to identify or develop meaningful core metrics that are easy to administer.
- **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 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.

## Ensuring Access to Cost-Effective Drug Therapies

The escalating price of prescription drugs and high volume of drug shortages threatens the affordability of healthcare in Arizona and across the nation and also increases the risk of patient harm. The acute care setting is particularly vulnerable. A recent analysis in *Health Affairs* found that while active shortages for non-acute care drugs stabilized in 2012, the same has not occurred with acute-care drugs. Moreover, inpatient drug spending increased 38.7 percent between 2013 and 2015, according to a report by the University of Chicago. The report found that growth in unit price—not volume—fueled this increase. Furthermore, over 90 percent of surveyed hospitals reported these price increases had a moderate to severe impact on their ability to manage hospital costs. Policymakers must do more to address skyrocketing price increases and drug shortages. AzHHA supports policy reforms proposed by *The Campaign for Sustainable Rx Pricing*, which will restore a functioning market by increasing transparency and promoting competition and value.

AzHHA also strongly opposes changes to the 340B Drug Pricing Program, which is essential to helping safety-net providers stretch limited resources to better serve their patients and communities. We also oppose state legislative efforts to redirect provider savings into the state general fund. Rather, we support program integrity efforts to ensure this vital program remains available to safety-net providers and expanding the program to certain rural hospitals.

## Improving Mental Health

Accessing mental health services is a challenge for many Arizonans. The entire state is designated as a professional shortage area for mental health care. Workforce shortages exist in the areas of psychiatry, counseling, therapy, and social services. According to the American College of Emergency Physicians, Arizona has one of the lowest rates of psychiatric care beds available and one of the highest levels of unmet need for substance abuse treatment. Inadequate funding and a fragmented delivery system have severe consequences—for patients, healthcare providers and the community. Untreated or insufficiently treated depression, substance abuse disorders, and serious mental illnesses impact the ability of patients to work, attend school, maintain physical health, and foster interpersonal relationships. Patients who decompensate are often "boarded" in an emergency department for days until appropriate inpatient or outpatient services become available. As a state, Arizona must and can do better. AzHHA supports public policies that expand access to mental health services, including strengthening the behavioral health workforce, enhancing outpatient treatment and the integration with physical health, and expanding inpatient beds as needed. We oppose policies that limit the state's ability to provide quality care through institutions for mental diseases.

## Advancing End-of-Life Care

Patients with serious illness frequently have priorities beyond living longer. Such priorities include symptom and pain management, maintaining a sense of control, and strengthening relationships with loved ones. AzHHA supports the development and implementation of policies, programs, protocols, and payment systems that enhance end-of-life care by communicating and honoring personal preferences. Of priority is the statewide adoption of standardized advance care planning tools that provide opportunities for the seriously ill, elderly, and/or frail to specify wishes pertaining to care delivery based on existing health conditions. AzHHA also supports expansion of palliative care and hospice programs, as well as enhanced coordination of care transitions that are rooted in honest discussions around patient prognosis, expectations, and goals. End-of-life

conversations are essential to the delivery of patient-centered and value-based care, as well as to increasing patient and family satisfaction in the healthcare setting.

## Strengthening the Healthcare Workforce

A high quality healthcare delivery system depends on access to well-trained medical professionals, including physicians, nurses and allied health professionals. Arizona continues to experience a shortage in these professions, particularly in counties outside of Maricopa and Pima. In addition, as the delivery system shifts to preventive care and chronic disease management, the shortage in primary care is becoming even more pronounced. AzHHA supports efforts to train and recruit additional physicians, nurses and allied health professionals. This includes strategies to leverage state funding for primary care loan repayment and graduate medical education, with a particular emphasis on the greatest clinical and geographic areas of need, as well as improved AHCCCS rates for physicians practicing in rural and other medically underserved areas. We also support policies that leverage the skills of advance practice nurses, emergency medical service providers and physician assistants who can be a valuable resource in providing timely, affordable healthcare across the continuum.

## Protecting Patients from Unexpected Medical Bills

A patient receiving care at an in-network hospital may unknowingly or unexpectedly be treated by an out-of-network physician. This can occur in the emergency department or inpatient setting, and is often related to radiology, anesthesiology or pathology services. In these instances, physicians may balance-bill patients for charges that exceed the amount the health plan agrees to cover. As a result, the patient receives an unexpected, or “surprise” medical bill. While the hospital does not control the billing activity in these instances, AzHHA believes hospitals and healthcare systems must advance a policy environment that protects consumers from the financial risk of large, unexpected medical bills. At the same time physicians and other medical professionals must be adequately reimbursed. To achieve these dual objectives, we support a requirement that health plans hold their members harmless for additional charges from out-of-network providers for care rendered in a network facility. Under this framework, health plans and providers would be incentivized to negotiate an adequate payment amount, which could be backed up with a statutorily authorized alternative payment methodology.

### Outpatient Data Reporting

As the healthcare delivery system increasingly shifts to the outpatient setting, it is important that public policymakers, providers and other stakeholders have access to data reflective of that setting. Currently, the Arizona Department of Health Services is only required to collect hospital discharge records for inpatient admissions and emergency department visits. As such, the "discharge database" is becoming less meaningful and reflective of the actual delivery system. In order for policymakers and others to have a better understanding of Arizona's healthcare system, which will drive quality improvement and efficiency, AzHHA supports a more robust data reporting process—one that extends to outpatient services and other licensed facilities providing those services.

## Tier Two Priorities

### Restoring KidsCare

AzHHA continues to support the restoration of Arizona's Children's Health Insurance Program (CHIP), also known as KidsCare, which the Legislature approved in 2016. While Medicaid expansion and the Federally-Facilitated Marketplace have provided new avenues for children's health insurance coverage, these programs do not currently match the coverage availability and affordability provided by KidsCare. Such insufficiencies have resulted in a loss of coverage among Arizona's low-income children, which we are optimistic will improve during 2017. AzHHA applauds the State for taking advantage of the sensible federal financing mechanism that makes the restoration of KidsCare to its pre-CY2010 form both cost-effective and health-wise. We further support the reauthorization of CHIP in 2017.

### Restoring the Intent of Medicaid DSH

Congress established the Disproportionate Share Hospital (DSH) program in 1981 to improve the financial stability of hospitals that experience high levels of uncompensated and under-compensated care as a result of treating uninsured and low income patients. The Medicaid DSH program is a federal-state partnership, with the federal government allotting DSH amounts to states based on a statutory formula. States, in turn, have some flexibility in determining how funds are distributed to hospitals, although they must include funding for specific classes of hospitals. The DSH program is complex and has been criticized for lacking adequate reporting systems and financial controls. Because the federal government does not require states to report information on payments that flow back to the state via certified public expenditures (CPEs) or intergovernmental

transfers (IGTs), states have been able to redirect DSH payments away from safety net hospitals to fund other state operations. This practice has existed in Arizona for a number of years, but intensified with the FY 2016 budget. Under this budget, AHCCCS estimated $74 million of DSH funds would be transferred to the state general fund as a result of CPEs with Maricopa Integrated Health System (MIHS). MIHS would retain a mere $4.2 million. Private hospitals would be eligible to share $18 million, if they could secure a local match. AzHHA believes that DSH funds should be used as intended by Congress – to improve the financial security of safety net hospitals. As such, we oppose practices that divert these funds elsewhere and support policies that tighten federal reporting requirements to encourage more transparency surrounding CPEs and IGTs.

## Accessing Care across the Continuum

Many patients receiving care at an inpatient hospital require specialized follow-up care at a post-acute care facility in order to restore medical and functional capacity. Such restoration can enable the patient to return to the community and prevents further medical deterioration. Post-acute care settings include, for example, long term care hospitals and inpatient rehabilitation facilities. AzHHA supports policies that enable patients to fully access this whole continuum of care, including the establishment of clear, consistent and transparent admission criteria that are based on sound clinical guidelines. We further support policies that enhance coordination between general acute-care hospitals and post-acute providers, which can improve overall quality of care and reduce total health spending.

## Advancing Care in Rural Arizona

Nearly one quarter of Arizona's residents live in rural areas and depend on their community hospital as an important, and sometimes only, source of medical care. Many of these hospitals face a unique set of challenges because of their remote location; small size; scarce workforce; constrained financial resources with limited access to capital; and higher percentage of elderly and low income patients. AzHHA is committed to ensuring these facilities have the resources they need to provide high quality care for the patients they serve while fostering an appropriate climate for transitioning to new payment and care delivery models. This includes protecting payments to Arizona's critical access hospitals, reauthorizing existing rural payment programs, such as the low volume adjustment and Outpatient Prospective Payment System hold harmless payments, and ensuring federal and state programs account for the unique circumstances in rural communities.

## Timely Access to Care

Arizonans deserve timely access to medical and other healthcare services. Administratively burdensome regulatory barriers and inefficient licensing requirements and time-frames that delay access to care without enhancing patient safety should be avoided. Over the past two years, hundreds of licensing applications stalled at the Arizona Medical Board—impacting access to medical services, especially in rural areas where shortages are most acute. More recently, the average time for attaining architectural approvals at the Arizona Department of Health Services has dramatically increased due to staffing challenges. AzHHA supports a regulatory framework and agency policies that will result in more efficient licensing processes without jeopardizing consumer protection. This includes adequate agency funding and sensible privatization options.

## Honoring a Patient's Assignment of Benefit

An insured patient who receives medical treatment from a physician or hospital will often be asked to assign his or her payment (aka "benefit") from the insurance company to the physician or hospital. This assignment of benefit agreement allows the healthcare provider to receive payment directly from the patient's insurance company. AzHHA strongly believes these agreements between patients and healthcare providers should be honored by all insurance companies and the health plans they administer. Unfortunately, some insurance companies operating in Arizona do not adhere to these agreements; thereby forcing providers to pursue beneficiaries for the payment they have received from their health plan. Using patients as a channel to funnel payment only increases the likelihood of extending accounts receivable, increasing bad debt, and jeopardizing a patient's physical and financial health. As such, AzHHA supports changes to public policy that would require insurance companies to honor an assignment of benefit agreement between a patient and their healthcare providers.

## Marketplace Grace Period & Continuity of Care

Under the Affordable Care Act, beneficiaries who receive an advance premium tax credit and fail to pay their premium are allowed a 90 day grace period before their coverage is terminated. This provision is intended to protect continuity of care for patients who may face financial hardship while receiving on-going medical treatment. Unfortunately, implementing regulations and health plan practices undermine the intent of this provision by transferring financial risk to providers and ultimately to patients if their coverage is terminated. Under proposed rules, health plans were required to pay for all covered services provided during the grace period. However, final rules adopted by the Centers for

Medicare & Medicaid Services only require health plans to pay claims for the first 30 days of the grace period. For the next 60 days, the enrollee remains eligible for covered services, but services are not required to be reimbursed. A provider may only bill the patient after the 90 day grace period lapses - when coverage is terminated. AzHHA strongly opposes shifting financial risk incurred during the grace period to healthcare providers. It is both unfair and a discouragement to many healthcare providers who might otherwise want to participate in a plan's network. To mitigate the impact of this policy and promote continuity of care, AzHHA believes hospitals and other providers should be allowed to participate in premium assistance programs for patients under their care. CMS should not discourage this practice, and health plans should be required to accept such financial assistance.

### Qualified Health Plans & Network Adequacy

Qualified Health Plans featured on the Federally-Facilitated Marketplace are required to comply with specific criteria intended to ensure beneficiaries have proper access to healthcare providers. Included in these criteria are provisions that attempt to safeguard robust provider networks and protect access to care in underserved areas. Unfortunately, as health insurance networks continue to shrink, provision of these protections becomes increasingly jeopardized. Beneficiaries should have access to up-to-date provider directories, and health plans should include comprehensive networks of providers so that consumers are able to make – and act on – informed decisions. AzHHA supports policies that promote and protect adequate provider networks for beneficiaries enrolled in all health plans, thus enabling patients to receive the right care, in the right place, at the right time.

## Tier Three Priorities

### Advancing Price and Quality Transparency

AzHHA recognizes that a new healthcare marketplace is evolving, and making it work will require a dramatically improved approach to providing consumers and patients with meaningful and transparent price and quality information. Although existing reporting mandates relating to price and quality data are well-intentioned, they fall short of providing the timely and accurate information that will truly enable a consumer-driven marketplace to flourish. As such, AzHHA members commit to working collaboratively to improve transparency and enhance the consumer experience, but until such time as more effective

methodologies and policies are developed, we will support the existing framework of legislative mandates and regulations.

## Engaging the Electorate

Local and national debates about health policy should be informed by an engaged and active electorate. The voices of all eligible voters should be heard and respected, and policies that make it more difficult for eligible voters to engage in elections should be avoided. Voting restrictions that disenfranchise groups who disproportionately suffer from health disparities are particularly problematic, as there is a clear link between many disparities and upstream policymaking. As such, AzHHA supports election-related policies that nurture rather than restrict voting rights.

## Promoting Education: A Pathway to Better Health

Children and young adults who succeed in school and college are more apt to live healthier lives. Recent studies show there is a significant relationship between educational achievement and health status, including risk factors and disabilities. As such, policies that promote educational attainment, including adequate K-12 and post-secondary funding, are smart strategies for reducing the prevalence of chronic diseases in later years. Such policies put children and young adults on a path for better health and prosperity by increasing their employment opportunities, which will give them better access to safe housing, transportation, good nutrition and healthcare. Currently, United Health Foundation ranks Arizona 44$^{th}$ in education-based health status disparities. In order to achieve a healthier Arizona, AzHHA supports policies that promote education, including adequate funding for K-12, community colleges and universities.