



PUBLIC POLICY PRIORITIES 2018

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.

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 2019 and FY 2020 state budget.

Medicare Cuts that Threaten Access to Care

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

Medicaid Coverage and the Provider Assessment

AzHHA strongly supports the restoration of the Prop. 204 program and further expansion of Medicaid as enacted by the Legislature in 2013. We will continue to support the use of a provider assessment to fund restoration and expansion based on the following principles:

- Under any assessment model implemented by the Arizona Health Care Cost Containment System (AHCCCS), the amount of the assessment collected from any hospital/health system must 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.

- Changes to the assessment methodology, including increases in the assessment for the purposes of funding changes to the APR-DRG weights or other hospital payments, must be transparent and fully vetted with stakeholders. Any increases in the assessment for this purpose should not result in a net loss for any hospital or health system.
- In evaluating the impact of the assessment on Medicaid payments and cost coverage, the cost of the assessment should be fully allocated to the Medicaid program

Promoting Transparency in Medicaid Payments

When the Arizona Legislature replaced the per diem inpatient methodology with a DRG methodology, they authorized the AHCCCS Administration to develop the new payment system. This approach replaced the previous framework by which the Legislature prescribed the payment methodology and formula in statute, and over which elected officials had oversight. The current formula, including base rates, relative weights and provider-specific and service policy adjustors, is set through the rulemaking process. In 2017, the AHCCCS Administration proposed removing all numeric values from the rule and instead publishing the base rate and weights on agency's website annually.

AzHHA is concerned that a shift away from the legislative and rulemaking processes could make rate-setting more opaque. Transparency is particularly important for the APR-DRG system because the methodology is required to be budget-neutral and a significant portion of funding comes from the hospital assessment. The rationale for policy adjustors and corresponding weights, which should be based on the Medicaid principles of enhancing access to care and improving quality and efficiency, should also be well-articulated. AzHHA supports efforts to improve transparency in the APR-DRG rate-setting process.

Stabilizing the Insurance Marketplace

The individual marketplace will continue to face an exodus of insurers and increased premiums if the federal government fails to fund stabilization programs, such as Cost Sharing Reduction (CSRs) or if it takes other actions that negatively impact the actuarial soundness of marketplace plans. AzHHA opposes policies that will destabilize the marketplace, and we strongly supports congressional appropriations for CSRs as an initial move for shoring up the individual marketplace. In addition, federal policymakers should consider reinstating a reinsurance program, refining the risk-adjustment program, and/or streamlining and expediting review of Sect. 1332 Waivers to further stabilize the individual marketplace over the longer term.

Addressing the Opioid Epidemic

Opioid-related deaths in Arizona increased 74 percent between 2012 and 2016. During this same period, heroin deaths tripled. As a result of this crisis, Gov. Ducey declared a State of Emergency on June 5, 2017. AzHHA firmly agrees that opioid abuse is a nationwide epidemic that must be addressed collaboratively by public health, the healthcare industry, law enforcement and other stakeholders. AzHHA supports evidence-based best practices for reducing opioid addiction and related deaths—including safe prescribing practices, utilization of the Prescription Drug Monitoring Program database, and expanded access to medication assisted treatment and naloxone.

A Principled Approach to Medicaid VBP

An adequately structured and funded value-based purchasing (VBP) program could positively transform Arizona’s Medicaid delivery system and bring better health and quality of life to all AHCCCS members, including those served by the acute care, long term care, and American Indian Health programs. AzHHA supports the following principles as a foundation for Medicaid VBP 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.
- 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. A Medicaid VBP program should recognize the differences between rural and urban delivery systems.
- The program should be constructed in a way that minimizes administrative burden for providers.
- The program should foster transparency and a greater understanding of quality and value.

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

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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 policies that would restrict access 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 sometimes “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.

Realizing the Promise of Telehealth

Telehealth and telemedicine have become an integral part of our state's healthcare delivery system—expanding patient access to routine and specialty services and improving patient satisfaction and outcomes. As the payment system moves increasingly to a value-based system, telehealth services will prove invaluable. However, a number of legal, regulatory and reimbursement barriers present obstacles to more comprehensive utilization of high-quality telehealth technologies. AzHHA supports the elimination of these barriers—including but not limited to lifting Medicare coverage restrictions and providing adequate reimbursement; establishing parity in commercial coverage for all medical services that are safe to provide through telehealth technologies; and improving

AHCCCS reimbursement to originating telehealth sites in order to address providers' technical component costs.

Investing in Rural Trauma Care

Traumatic injury is a significant health concern in the United States. In the last decade, trauma deaths increased by 22.8 percent nationwide. The situation in Arizona is even more critical, where the state ranks 34th in age-adjusted injury mortality compared to other states. There is also a geographical disparity within the state. The trauma rate in the rural regions of western and northern Arizona is 1.5 times greater than the Phoenix metropolitan area. Moreover, the median injury-to-ED time for the most serious injuries is 86 minutes in rural locations compared to 43 minutes in urban locations.

Despite these disparities, 93 percent of the \$20 million in state trauma funds are allocated to 14 Level I trauma centers in urban areas. The Level I trauma center in Flagstaff receives the remaining funds. No funds are available to support the development of a robust trauma system in rural Arizona, which is reliant primarily on Level III and IV centers. AzHHA believes the state must do more to address this inequity and invest in rural trauma care. We support direct supplemental payments or adjustments in DRG payments to all rural trauma centers to improve outcomes for all Arizonans.

Enhancing Consumer Protections in the Marketplace

AzHHA supports a regulatory framework that ensures consumers have access to high quality, affordable health insurance, especially to qualified health plans on the federally-facilitated Marketplace. This includes accessing essential health benefits, essential community providers, and adequate provider networks as intended by the *Affordable Care Act*. Any regulatory changes that could weaken consumer protections or escalate consumer out-of-pocket costs, such as loosening medical loss ratio standards should be carefully scrutinized.

Tier Two Priorities

Investing in Children's Health

AzHHA strongly supports Arizona's version of the federal Children's Health Insurance Program (CHIP), KidsCare. 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. AzHHA applauds Congress for

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reauthorizing the program in 2018, including temporarily extending the enhanced match rate. We urge Arizona lawmakers to continue Arizona's investment in the program.

Protecting and 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 \$16.5 million, if they could secure a local match. AzHHA strongly supports the continuation of federal support for Medicaid DSH payments, and furthermore 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 and enhancing 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.

Easing Regulatory Burdens that Impact Access to Care

Arizonans deserve timely and affordable access to medical and other healthcare services. Administratively burdensome state and federal regulatory barriers that delay access to care and/or add unnecessary costs to the delivery of care without enhancing patient safety should be avoided. This includes inefficient licensing requirements and protracted time-frames for state approval of professional and institutional licenses. Instead, AzHHA supports a regulatory environment that is responsive to the demands of a dynamic industry while promoting safe patient care. Adequate agency funding and/or sensible privatization options should be part of this equation.

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, which could include an all payor claims database.

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.

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.

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 44th 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.