

March 1, 2011

Page 1 of 2

AHCCCS APRIL 1, 2011 FEE SCHEDULE UPDATE

Dear Care1st Physicians and Staff:

The Health Budget Reconciliation Bill from the 2010 Legislative Session (HB2010) authorized AHCCCS to reduce both institutional and non institutional rates up to 5% for the rate year beginning October 1, 2010. As a result of decreased utilization of services and the growing popularity of home and community based settings, AHCCCS avoided implementing provider rate reductions on October 1, 2010.

However, in light of the ongoing State fiscal crisis projected for fiscal year 2012 that begins on July 1, additional provider rate reductions are necessary to generate state budget savings.

Therefore, effective April 1, 2011, AHCCCS is reducing provider rates as follows (Care1st's reimbursement from AHCCCS also will be reduced by the same %):

Fee Schedule Reductions

1. Inpatient and Outpatient Hospital Fee Schedule – 5%
2. Physician Fee Schedule – 5% (includes DME, radiology and lab, but excludes drugs administered in a physician's office)
3. Dental Fee Schedule – 5%
4. Emergency and Non-Emergency Transportation – 5%
5. ALTCS EPD HCBS Services in the Home – 2.5% (a 2.5% reduction was previously imposed on October 1, 2010)

For the above reductions, **each individual rate will be reduced by 5%** (or 2.5% in the case of ALTCS EPD and HCBS home services).

Payment Ratio Reductions

- Inpatient cost-to-charge ratios for outlier computation will be reduced by 5%, taking them from .2910 to .2765 for urban hospitals and from .3770 to .3582 for rural hospitals.
- The outpatient cost-to-charge ratio will be reduced from .3192 to .3032.
- The "by report" (BR) percentage for the Physician Fee Schedule will be reduced from 65% to 61.75%.

Provider Network Operations

Phone 602.778.1800 or 866.560.4042 (Options in order: 5, 7)

Fax 602.778.1875

Visit our website at www.care1st.com/az

There will be no change to rates for:

1. HCBS Community (Assisted Living Facilities),
2. Nursing Facilities,
3. Hospice,
4. Ambulatory Surgical Centers (**although the new outpatient CCR, above, will be used for non-priced services**),
5. Drugs administered in a Physician's Office,
6. Behavioral Health Inpatient Facility Rates which are not reimbursed through the inpatient tier rates (all other behavioral health rates will be reduced by 5%).

The AHCCCS mandatory managed care model is one of the most successful Medicaid programs in the country. Providers have played a critical part of this success. AHCCCS recognizes that these types of reductions are difficult unfortunately given overall state finances these actions are unavoidable.

Additional information regarding provider rate reductions can be found at http://www.azahcccs.gov/reporting/Downloads/Legislation/2010seventh/ProvRate_FactSheet.pdf.

If you have any questions, please contact Provider Network Operations at the numbers listed below.

Thank you!