



December 4, 2015

The Honorable Sylvia Mathews Burwell
Secretary
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Burwell:

On behalf of Phoenix Children's Hospital (PCH), I am writing to strongly endorse Arizona's application for a new Medicaid waiver to continue the Arizona Health Care Cost Containment System (AHCCCS). The proposal includes a large vision for modernizing Arizona Medicaid, while paying close attention to the needs of our state's children, particularly those with complex medical needs. In particular, the proposed phased-down continuation of the Safety Net Care Pool for PCH, accompanied by a series of payment reforms to improve reimbursement, will help stabilize our funding so that we may continue to provide access to comprehensive pediatric care for Arizona's children.

The **Safety Net Care Pool** (SNCP) was first implemented in 2012 to help support hospitals serving the largest volume of AHCCCS and uninsured patients with the increasing burden of uncompensated care arising from cutbacks in eligibility and reimbursement. When AHCCCS eligibility for childless adults was restored and expanded in January 2014, general acute care hospitals realized a significant increase in reimbursement and reduction in uncompensated care, and the state legislature terminated the authority for the SNCP for general acute care hospitals. However, the eligibility expansion for adults did not help PCH.

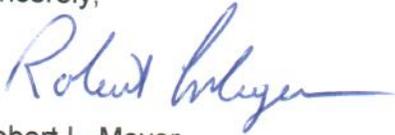
As part of the coverage restoration legislation, therefore, the legislature authorized a limited extension of the SNCP for freestanding children's hospitals with 100 beds or more. AHCCCS has obtained federal approval for two one-year extensions of the SNCP for PCH, and has proposed a third extension through the end of the current waiver, September 30, 2016. This new waiver proposal would phase the SNCP down over five years while transitioning PCH to a **more sustainable reimbursement system** that would reduce the need for supplemental support. PCH wholeheartedly supports this goal. And we believe that the proposal that you have developed sets up the appropriate framework to achieve it. In particular, we are appreciative of the transition to the APR-DRG payment methodology with a new adjustment for high-acuity pediatric cases, and the proposed changes to the graduate medical education methodology, which will provide more equitable reimbursement for PCH. We look forward to working with you as you explore other options to improve reimbursement, especially through value-based payment systems, under which we believe PCH is well-positioned to succeed.

PCH also supports AHCCCS' proposal to jump-start delivery system reform through a **Delivery System Reform Incentive Payment (DSRIP) program**. PCH has invested significant resources in developing an integrated delivery system with our community pediatricians, our subspecialists and the hospital through the establishment of the Phoenix Children's Care

Network. This work would not have been possible without the support for our uncompensated care costs provided through the SNCP. We have also been actively working to improve pediatric behavioral health care services on an integrated basis. Our work would align well with the priorities AHCCCS has outlined for the DSRIP, and we look forward to working closely with you in developing and participating in this exciting new initiative.

In short, PCH supports AHCCCS' proposal to modernize Arizona Medicaid, and we are grateful for the particular concern the proposal demonstrates for the needs of Arizona's children. We stand ready to assist you in any way needed as you move forward to further implement these ideas.

Sincerely,

A handwritten signature in blue ink that reads "Robert L. Meyer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert L. Meyer
President and Chief Executive Officer
Phoenix Children's Hospital