



ARIZONA

HEALTH CARE COST CONTAINMENT SYSTEM

AHCCCS Updates

Arizona Rural Health Policy Forum
2/17/26

AHCCCS At A Glance



Largest insurer in AZ, covering more than 2 million members



Covers about 50% of births in AZ



Nationally recognized crisis system among Medicaid programs



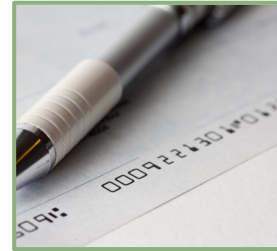
Covers 60% of nursing facility days



Federal, state, and county funds used to provide services.



More than 100,000 registered health care providers

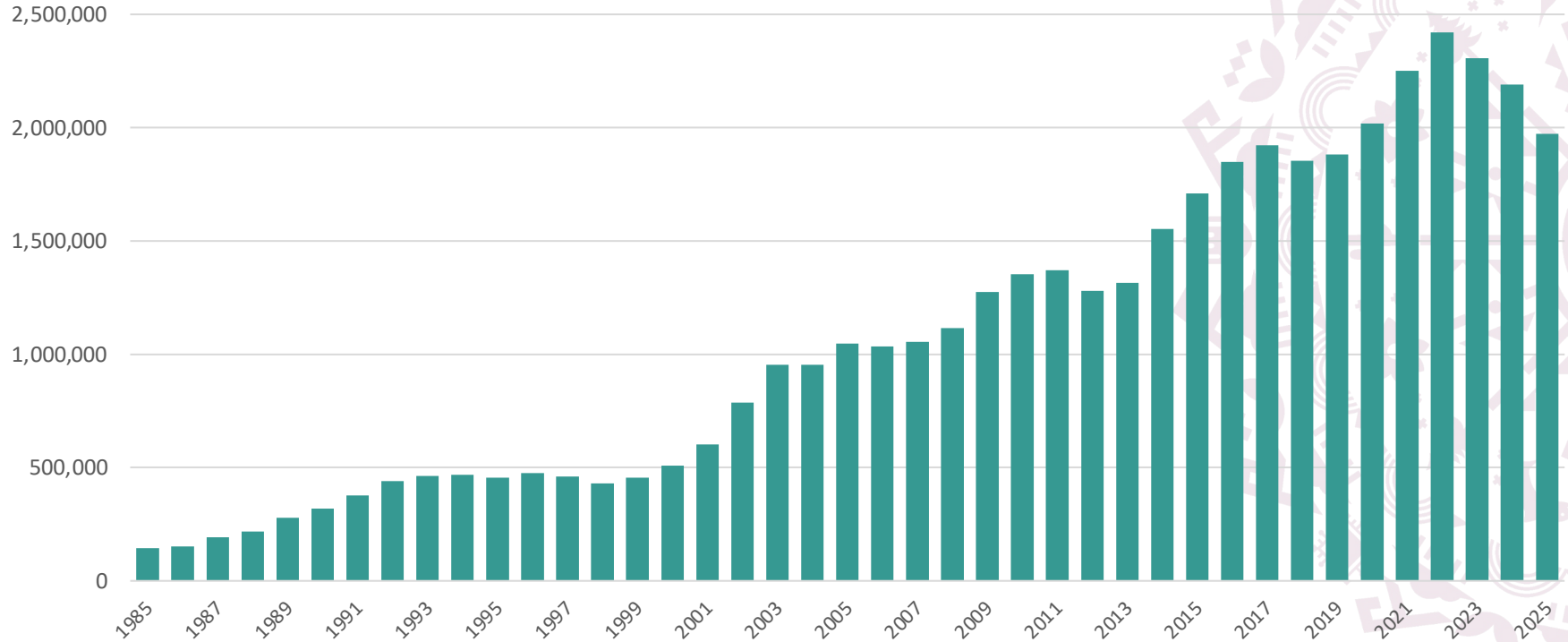


11 contracted managed care health plans deliver services



Single State Agency for behavioral health, State Mental Health Authority, & State Opioid Treatment Authority

AHCCCS Population as of July 1, 1985 – 2025



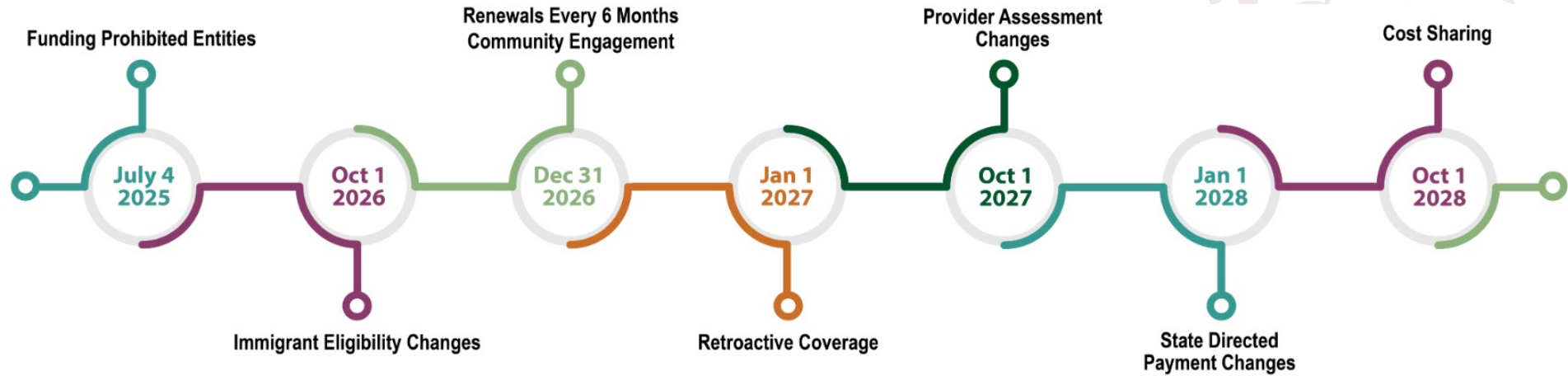
2025: A Big Year for AHCCCS

- Traditional Healing Go Live
- Cochlear Implants and Speech Therapy Coverage Expansion
- Continued system improvements to combat fraudulent billing and member exploitation
- Enhanced provider engagement w/in Fee-for-Service program
- Two Justice Initiatives
 - Consolidated Appropriations Act (CAA): healthcare services for incarcerated youth (launched with ADJC)
 - Reentry Waiver: Reimbursement for services 90 days pre-release (In development)
- Began H.R. 1 Implementation

The Arizona State Seal is a circular emblem on the left side of the slide. It features a central shield with a cactus, a sun, and a mountain. The shield is surrounded by a wreath of olive and oak branches. The outer ring of the seal contains the text 'THE GREAT SEAL OF THE STATE OF ARIZONA' and '1909'.

H.R. 1 Provisions and Implementation

H.R. 1 – Key Implementation Dates



Community Engagement Requirements

- **Beginning January 1, 2027**, states are required to establish work/community engagement requirements for certain individuals.
 - **Eligibility:** Work requirements apply to adults between the ages of 19-64. However, outlines a variety of exemptions.
 - **Exemptions:**
 - Pregnant women and those entitled to postpartum medical assistance,
 - Foster and former foster youth,
 - Native Americans/Urban Indians,
 - Veterans with rated disabilities,
 - Medically frail,
 - Others: Active AUD/SUD Treatment, meet work requirements for TANF/SNAP, parents/caregivers of a dependent child 13 years of age and under or an individual with a disability, and individuals who are incarcerated or were released within the past 90 days.

Community Engagement Requirements

- **Compliance:** Individuals subject to the requirement must complete a qualifying activity for at least **80 hours per month**. Activities include employment, community service, work program, > half-time enrollment in educational program, and seasonal workers above an income threshold.
- **Verification:** States must verify at time of application for at least the preceding month (no more than three preceding months) and then ongoing at least once during ongoing eligibility window.
- **Non-Compliance:** If an individual does not comply with these requirements, they will be found ineligible for Medicaid.

Community Engagement Requirements

- **Current Implementation Status**

- AHCCCS has begun the implementation process of Community Engagement Requirements
- AHCCCS is publishing a website to provide the latest information on HR1 including FAQs
- More guidance from CMS is expected by June to inform State implementations
- AHCCCS will be holding additional stakeholder feedback sessions throughout the year and will put out toolkits for community partners to utilize in keeping members informed and eligible

Eligibility Redeterminations

- **Beginning December 31, 2026**, requires states to conduct eligibility redeterminations for expansion adults every six months (currently once every 12 months)
- This provision directly interacts with the new community engagement requirements. As a result, members subject to these requirements will need to prove engagement with a qualifying activity every 6 months.
- AHCCCS will build on successful techniques from the unwinding including proactive communications to ensure members are aware of upcoming redeterminations

Cost Sharing for Expansion Adults

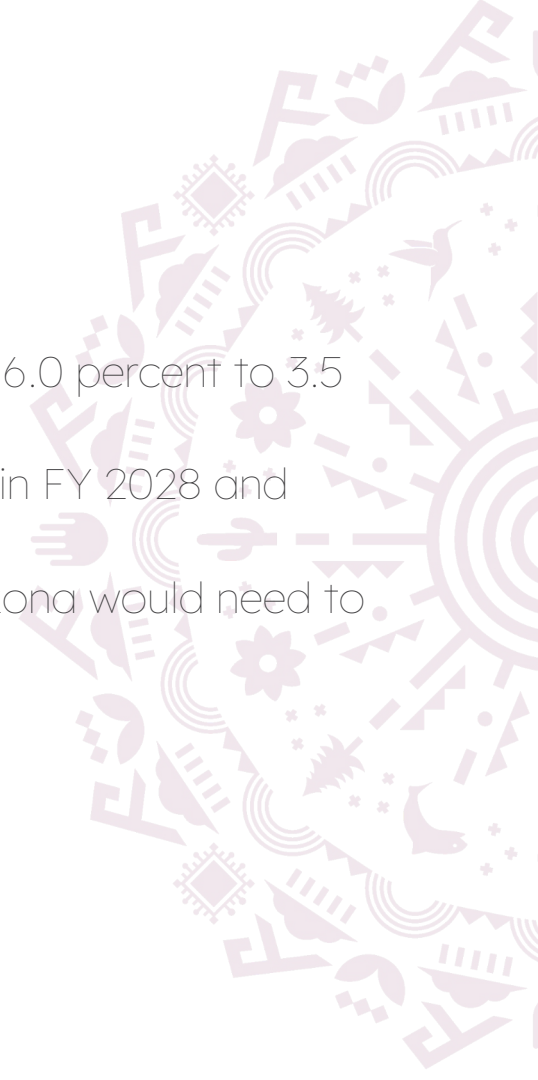
- Beginning October 1, 2028, requires states to impose cost-sharing for expansion adults with incomes over 100 percent of FPL.
 - Must be more than \$0 and cannot exceed \$35 per item or service
 - States can no longer impose premiums, enrollment fees, etc.
 - Certain services/settings are excluded (primary care, prenatal care, pediatric care, emergency care, FQHCs, rural health clinics)



Provider Taxes

- **Provider Taxes**

- The new law will reduce the maximum allowable tax from 6.0 percent to 3.5 percent of net patient revenue.
 - This decrease will be phased-down by 0.5% starting in FY 2028 and reaching 3.5% in FY 2032.
- According to an analysis by HMA, by fiscal year 2032, Arizona would need to reduce spending by almost \$2.4 billion



State Directed Payments

- **State Directed Payment Reductions**

- State directed payments (SDPs) are supplemental payments that many states, including Arizona, utilize to augment low Medicaid reimbursement rates for certain providers.
- Beginning January 1, 2028, this new legislation will phase down existing SDPs by 10 percentage points each year until the total rate reaches 100% of the Medicare Payment Rate.
- Certain SDPs may be grandfathered (certain rural hospital payments and certain SDPs that were submitted to CMS prior to 7/4/2025).

H.R.1 - One Big Beautiful Bill Act

- **Federal Payments to Prohibited Entities (Section 71113)**
 - For one year following enactment of this legislation, this provision prohibits federal payments to entities that are: 501(c)(3) entities, essential community provider engaged in family planning services, provide abortions, and meet other financial and status criteria.
- **Expansion FMAP for Emergency Medicaid (Section 71110)**
 - Beginning October 1, 2026, sets the FMAP (or federal contribution) for emergency Medicaid to the base FMAP for the state, shifting additional costs to the state.
 - "FMAP" stands for Federal Medical Assistance Percentage and represents the share of cost that is paid by the federal government.



1115 Waiver

Section 1115 of the Social Security Act

- Allows states the flexibility to design Demonstration projects that promote the objectives of the Medicaid program,
- Demonstration projects are typically approved for a five-year period and can be renewed every five years, and
- Must be budget neutral, meaning that federal spending under the waiver cannot exceed what it would have been in absence of the waiver.

Current 1115 Waiver Overview

- Arizona's current 1115 Waiver was last approved for a five-year extension on October 14, 2022. This waiver is valid until September 30, 2027.
- This extension continued many longstanding AHCCCS programs including Integrated Managed Care through:
 - AHCCCS Complete Care (ACC);
 - the Arizona Long Term Care System (ALTCS);
 - the Comprehensive Health Plan (CHP) for children in foster care and;
 - Regional Behavioral Health Agreements (RBHAs) which provide integrated care for individuals with a Serious Mental Illness (SMI)

Current 1115 Waiver Overview

- In addition to continuing many longstanding programs, AHCCCS also received approval on a variety of new programs:
 - Targeted Investments (TI) 2.0,
 - KidsCare Eligibility Expansion,
 - Parents as Paid Caregivers,
 - YATI Continuous Eligibility
 - Traditional Healing services, and
 - Pre-release services.



1115 Waiver Renewal – Oct. 1, 2027

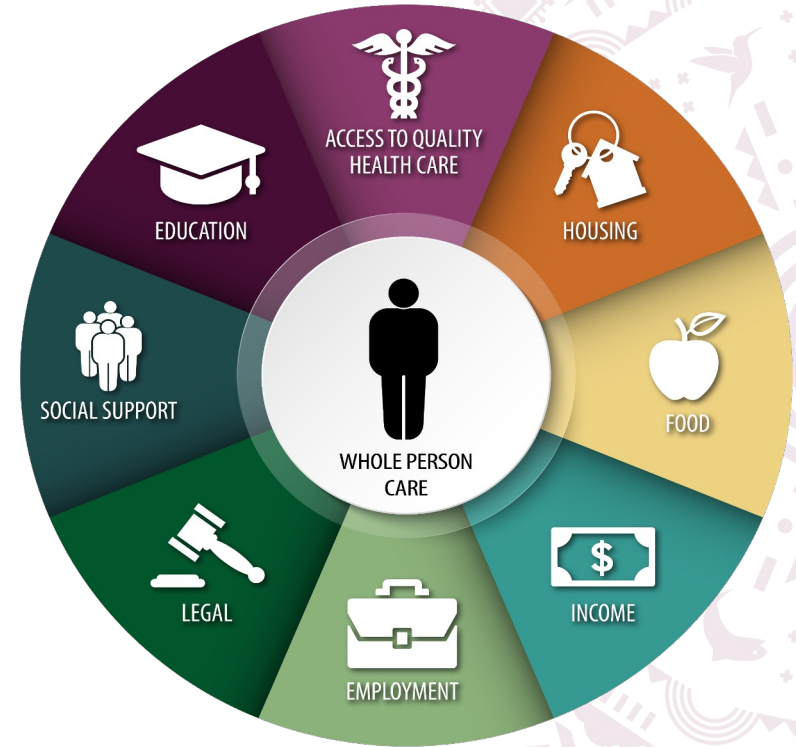
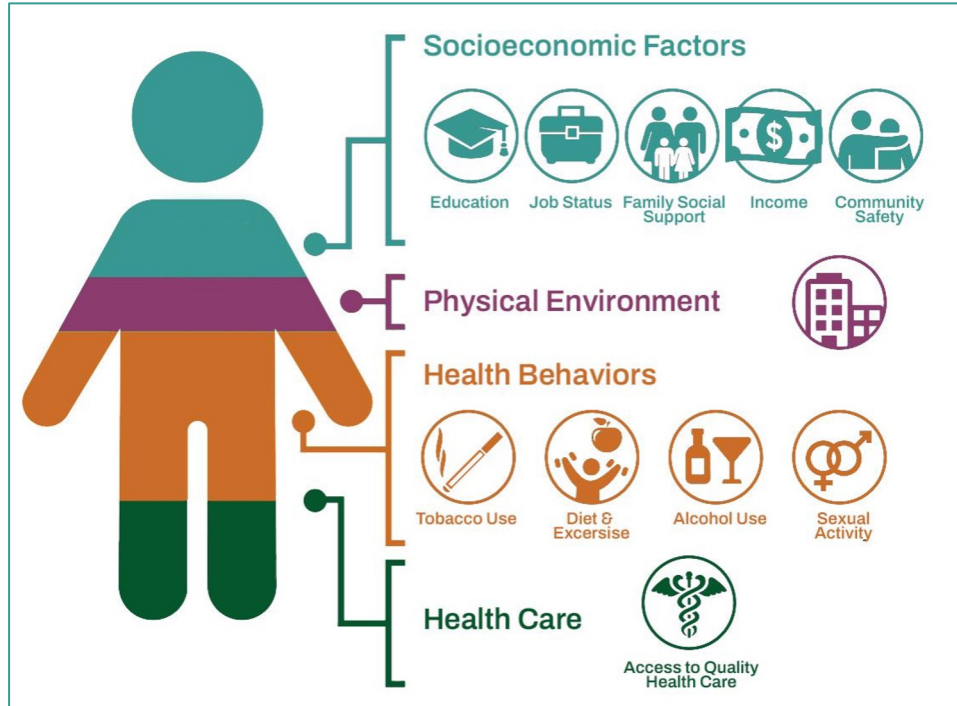
- To renew the 1115 authority, AHCCCS must submit a renewal application to CMS by September 30, 2026 to prepare for a 10/1/27 launch of the next waiver period.
- This renewal application must include any existing programs under the waiver and any new programs the state wishes to pursue or continue.





Whole Person Care

AHCCCS Whole Person Care Initiative (WPCI)



Source: Institute for Clinical Systems Improvement, Going Beyond Clinical Walls: Solving Complex Problems (October 2014)

H2O Provider Network



14

active H2O
providers



6

types of housing services
offered through H2O



2M+

housing support
claims paid



110

statewide H2O full
time employees

Total Members Eligible

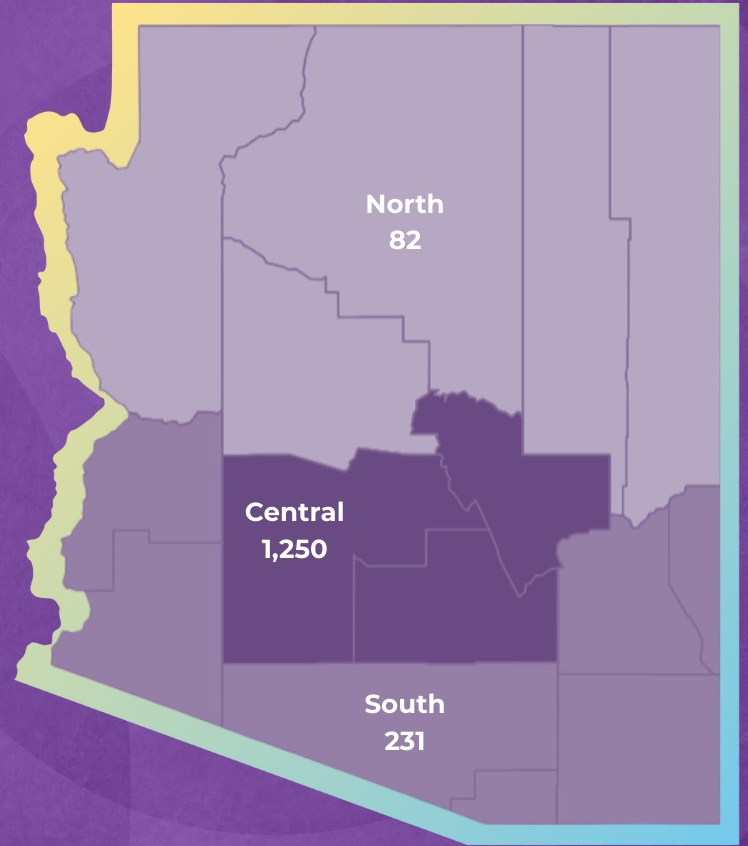
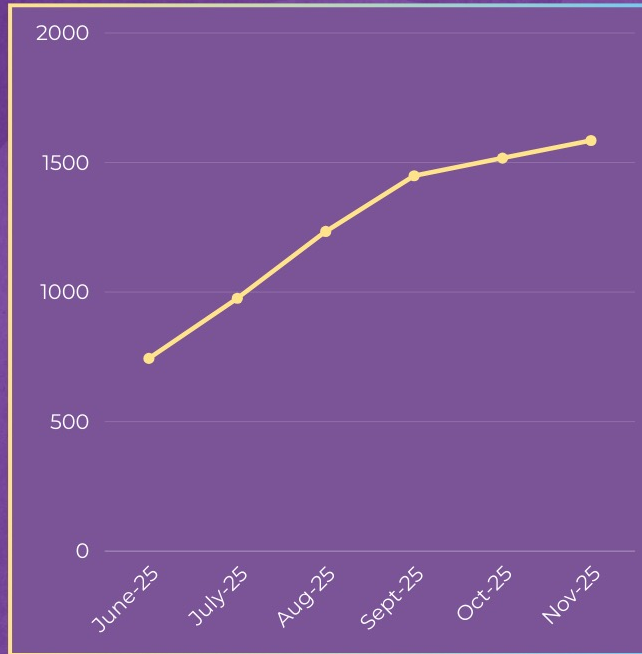
Total Members Housed

Active Members by Region

1563

146

Active Members over Time



Expenses Per Day by Program Status and Expense Type (3-year lookback)

Expense Type	Not Housed/Sheltered by H2O ¹	Housed/Sheltered by H2O ²
Behavioral Health expense	\$201.51	\$2.71
H2O expense	\$1.50	\$46.46
Pharmacy expense	\$76.41	\$51.88
Physical Health expense	\$19.65	\$3.10
Transportation expense	\$17.17	\$4.79
Overall	\$316.24	\$108.94

¹Given a 3-year lookback period, this member was Not Housed/Sheltered by H2O for more than 1,100 days.

²This member has been Housed/Sheltered by H2O for more than 150 days.

Pathways of Hope Transitional Housing Facility

- 50 bed transitional shelter with adjacent clinic for physical & behavioral health care
 - AHCCCS members with an SMI designation can live there for up to 2 years
- Located on the Northeast corner of 24th Street & Van Buren
- Copa Health awarded contract for shelter operations and the clinic



Shelter

- Trauma Informed Design
- Onsite Laundry
- Activity Room & Patio
- Warming Kitchen
- Beds with Personal Storage
- Hot Room for Prevention of Bed Bugs
- Pet-friendly with Dog Run

Clinic

- Rooms for Outpatient Physical Health
- Rooms for Outpatient Therapy
- Labs Sent Off-Site
- Open During Normal Business Hours
- Initially Open to Serve the New Bower Park Residents but Will Open to the Community

Reentry Waiver Services Overview

- On December 27, 2024, CMS granted approval to provide limited coverage for services furnished to Medicaid eligible incarcerated individuals for up to 90 days immediately prior to their expected dates of release.
- Covered services include:
 - Case Management
 - Medication Assisted Treatment (MAT) Services
 - 30-day Supply of Prescription Medications
 - Practitioner Office Visit
 - Peer Support Services





Arizona's Success Combating Fraud

System Improvements to Stop Fraudulent Billing and Protect Members

- Commissioned an external forensic audit,
- Right-sizing reimbursement rates for abused codes,
- Creating additional documentation requirements,
- Requiring prepayment review when abused codes exceed limits,
- Applying high-risk screening protocols to specific provider types,

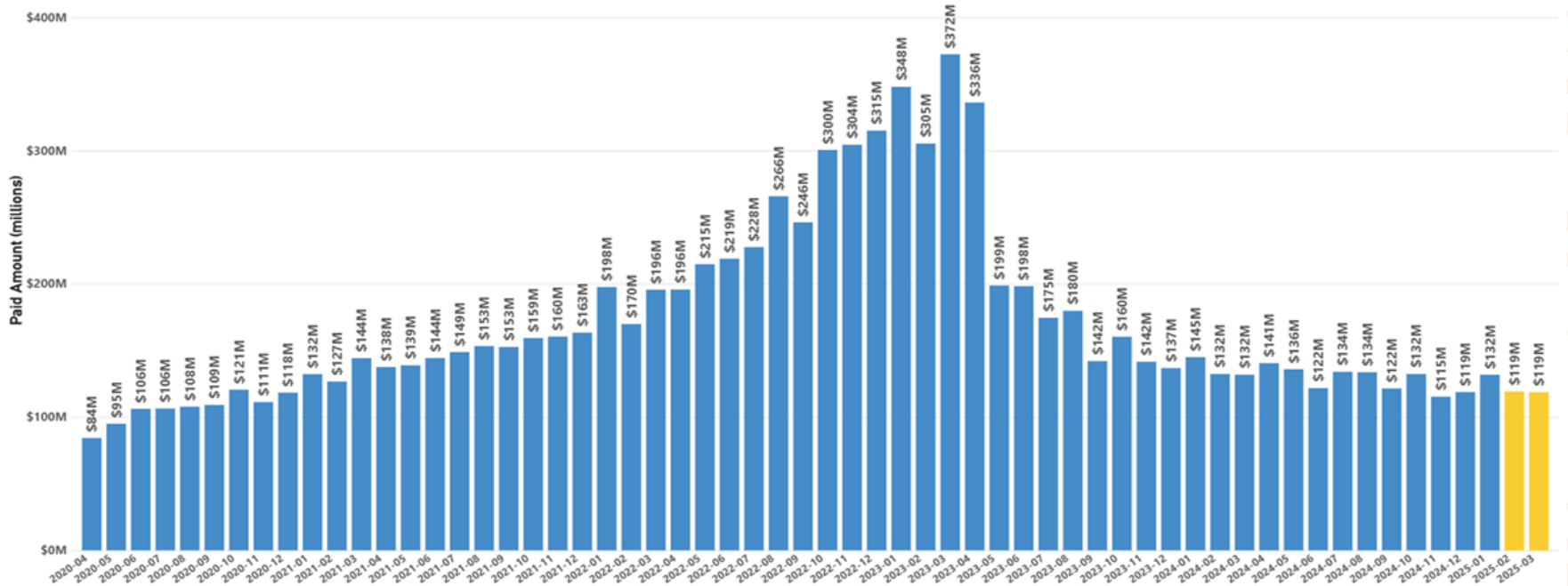


System Improvements to Stop Fraudulent Billing and Protect Members *(cont'd)*

- Enacted a temporary provider enrollment moratorium on BH Outpatient Clinics, Integrated Clinics, NEMT, CSAs, and BHRFs,
- Implemented verification processes for AIHP enrollment,
- New data analyses to identify trends and potential outliers
- Enhancing Tribal relations

American Indian Health Program (AIHP) Data

2.1 Utilization by Paid Amount (\$ in Millions) for All Services



AZ Informing National FWA Efforts

- *"AZ is the success story for identifying and responding to fraud."* CMS, 12/2023
- AHCCCS and MFCU called upon to educate CMS on Behavioral Health fraud in October 2023
- AHCCCS IG serves as President of the National Association of Medicaid Program Integrity (NAMPI) and as the Regional Rep on CMS FWA Technical Assistance calls
- Presented to national audiences: NAMPI, National Native American Law Enforcement Association (NNALEA), multiple presentations to the National Association of Medicaid Fraud Control Units (NAMFCU), Association of Certified Money Laundering Specialists.



Looking Forward

AHCCCS Moving Forward

- 2026 Legislative Session
- 1115 Waiver Renewal
- Medicaid Enterprise System (MES) Modernization continues
- Continued improvements within Fee-for-Service
- Reentry Waiver Implementation: 90 days Pre-Release Coverage
- Rural Health Transformation Program
- HR1 Community Engagement Outreach & Awareness