



ARIZONA

HEALTH CARE COST CONTAINMENT SYSTEM

What's Ahead for Arizona Medicaid

Marcus Johnson
Deputy Director, Community Engagement &
Regulatory Affairs



Background

AHCCCS At A Glance



Largest insurer in AZ, covering roughly 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

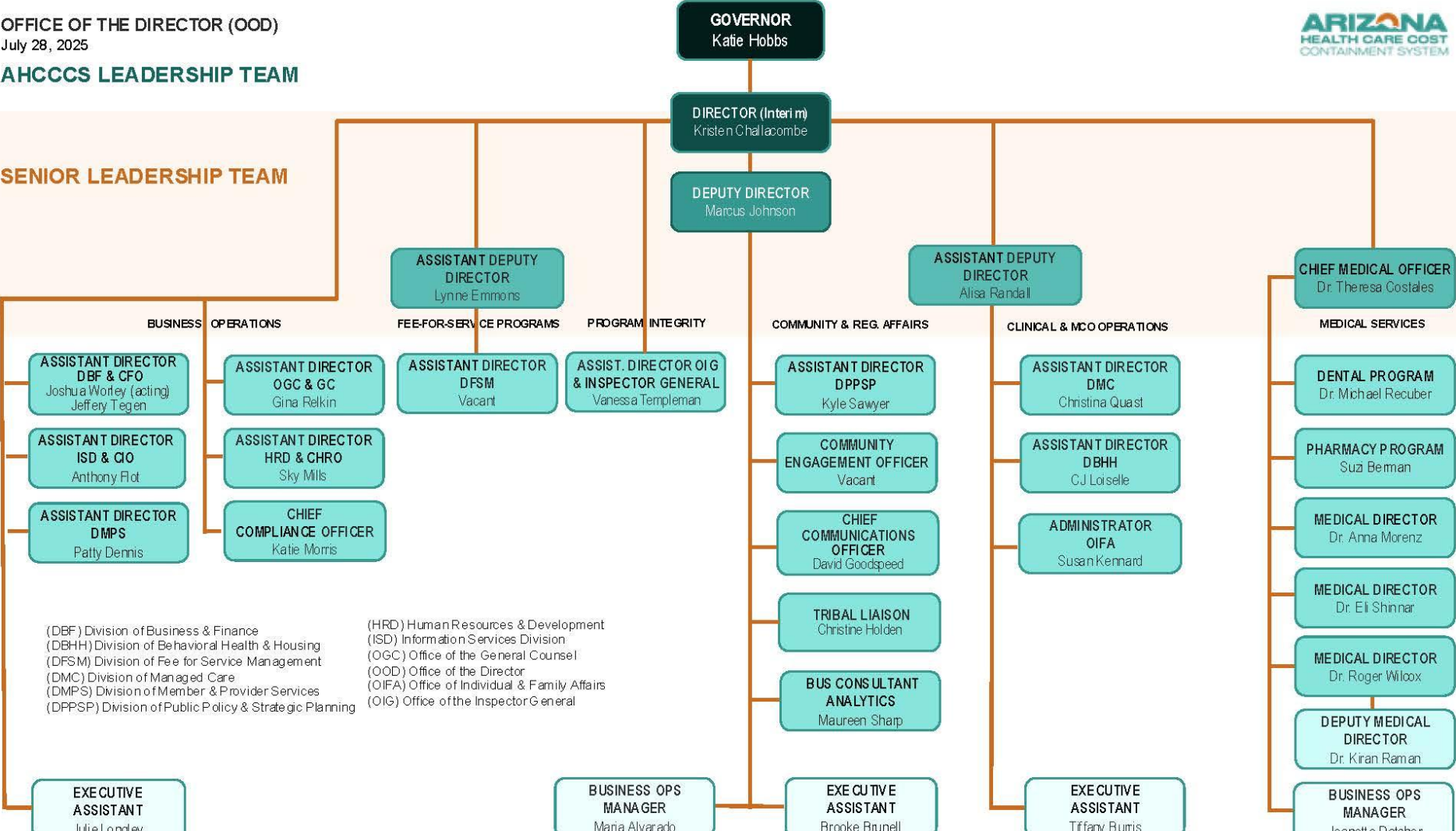


Single State Agency for behavioral health, State Mental Health Authority, & State Opioid Treatment Authority

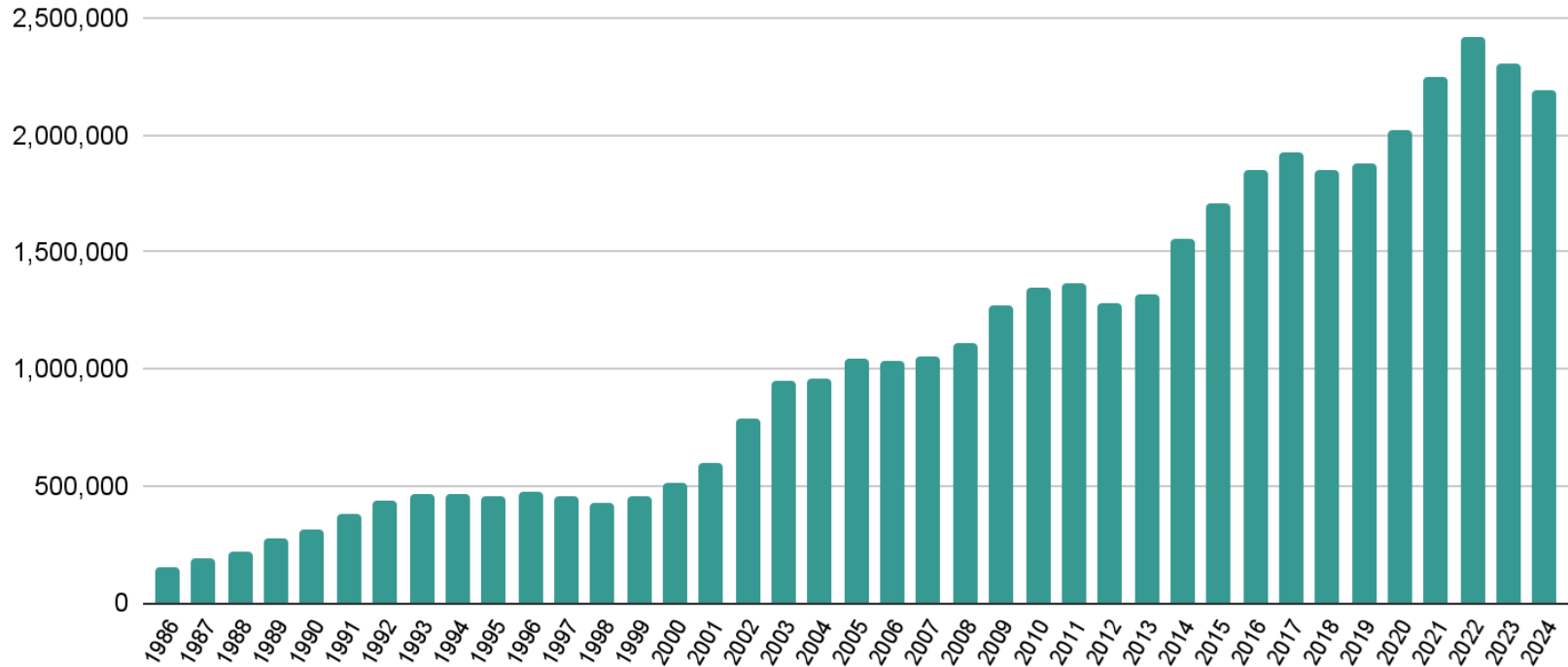
HAPPY 60th BIRTHDAY MEDICAID!



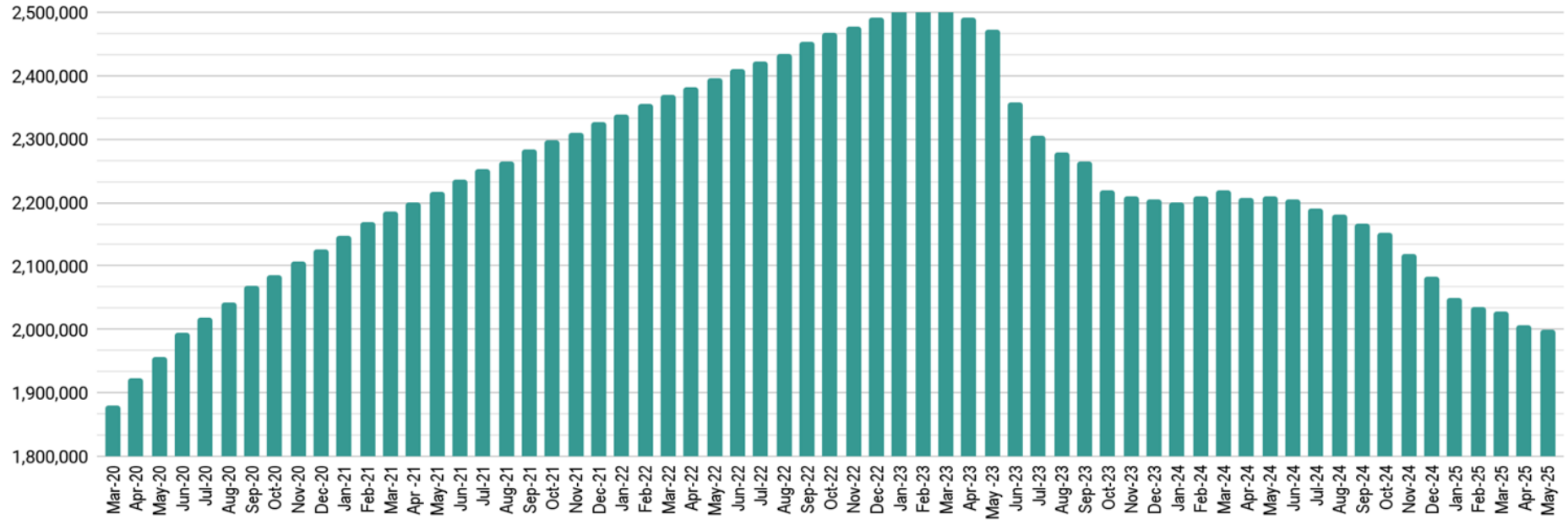
AHCCCS LEADERSHIP TEAM



AHCCCS Population as of July 1, 1985 – 2024



AHCCCS Population: March 2020 - May 2025



Recent Successes

- Successful Federal Negotiations
 - CMS Approval to Cover Traditional Healing Services
 - CMS Approval to Cover Reentry Services
- Combating Fraud, Waste and Abuse
 - Reigning-in FFS spending
 - Suspending, terminating and excluding bad actors
 - Relaunching the Covered Behavioral Health Services Guide
 - Improved processes and technology for data oversight
 - Partnered with Tribes to establish a verification process for AIHP
- Housing as Health Care
 - Launched Housing & Health Opportunities (H2O) Program



How is AHCCCS addressing Health-Related Social Needs?

- **Housing** Programs, Properties, Services, H2O, DWEL, & More
- **Targeted Investments & Differential Adjusted Payments**
- **Justice Initiatives** for Pre-release Medical & HRSN Support
- Data Sharing Projects to Help Members with **Food Insecurity**
- **Community Reinvestment** Program
- Implemented the **Statewide Closed-Loop Referral System, CommunityCares**





Challenges and Opportunities



Federal Policy Changes: Medicaid Implications

Recent Federal Developments

- Administrative Changes: e.g., Federal Grants Cancellation - ARPA Mental Health, Substance Abuse, and Community Health Worker Grants; Future DSHP Changes
- Congressional Changes
- [AHCCCS Insights: New Data Reports to Inform Decision-Making](#) - Intended to help inform stakeholders and policymakers
 - Enrollment and Spend by County and by Congressional District
 - Congressional District Profiles
 - Policy Briefs - Estimated Impacts of Congressional Changes
 - Administrative Cost Estimate of Congressional Changes

Medicaid Implications of Federal Changes

IMPORTANT: No immediate changes to AHCCCS member coverage

- Community Engagement/Work Requirements – 12/31/26
- 6-month Eligibility Redeterminations – 12/31/26
- Hospital Assessment Changes – Phase down by 2032
- Cost Sharing Changes – 10/1/28
- Administrative Costs for Implementation and Operations
- What's Next
 - Budget planning
 - Implementation Planning
 - Communication to Members

Federal Congressional Budget Update

- **Eligibility Redeterminations (Section 71107)**
 - Requires states to conduct eligibility redeterminations for expansion adults every six months beginning December 31, 2026.
- **Community Engagement Requirements (Section 71119)**
 - Beginning December 31, 2026, expansion adults between the ages of 19 and 64 would be required to complete a qualifying activity for 80 hours per month (work, school, or others) to qualify for Medicaid.
 - The bill outlines various exclusions for certain individuals

H.R.1 - One Big Beautiful Bill Act

- **Community Engagement Requirements (Section 71119)**
 - **Beginning December 31, 2026***, certain individuals between the ages of 19 and 64 will be required to complete community engagement activities to qualify for Medicaid.
 - *States may request an extension of implementation date
 - **Exceptions:** Mandatory exceptions are expressed for certain individuals (pregnant women, foster and former foster youth, Native Americans/Urban Indians, Veterans with rated disabilities, medically frail, 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, incarcerated individuals, and those postpartum)

H.R.1 - One Big Beautiful Bill Act

- **Community Engagement Requirements (Section 71119) Cont.**
 - **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.
 - **Additional Requirements:** States are required to use an ex parte process where applicable and will be required to conduct various outreach and education to make members aware of the requirement.
 - **Prohibitions:** Prohibits any state from waiving this requirement through an 1115 and prohibits conflicts of interest when determining compliance.

Federal Congressional Budget Update

- **Provider Taxes (Section 71115)**
 - Provider taxes are state-imposed taxes that are utilized to help fund various Medicaid programs. The new law will reduce the maximum allowable tax from 6.0 percent to 3.5 percent of net patient revenue.
 - A more detailed analysis of this provision can be found on the [AHCCCS Data Insights Webpage](#).
- **State Directed Payments (Section 71116)**
 - State directed payments (SDPs) are supplemental payments that many states, including Arizona, utilize to augment low Medicaid reimbursement rates for certain providers. This new legislation will limit these payments to comparable Medicare rates.

Federal Congressional Budget Update

- **Cost Sharing for Expansion Adults (Section 71120)**
 - Beginning October 1, 2028, requires states to impose cost-sharing on expansion adults with incomes over 100 percent of FPL
- **Ensuring deceased individuals and providers do not remain enrolled (Section 71104 and 71105)**
 - Beginning January 1, 2028, state Medicaid agencies must check the Death Master File (DMF) to identify if enrolled individuals or enrolled providers are deceased.
- **Rule Changes (Sections 71101, 71102, and 71111)**
 - Prohibits CMS from implementing certain rules such as the nursing facility minimum staffing standards rule and other eligibility rules

Federal Congressional Budget Update

- **Federal Payments to Prohibited Entities (Section 71113)**
 - For 1 year following enactment of this legislation, this provision prohibits federal payments to entities that are essential community providers engaged in family planning services, provide abortions, and meet other financial and status criteria.
- **Rural Health Transformation Program (Section 71401)**
 - Creates a rural health transformation fund which states may use to promote various rural health initiatives.
- **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.

What's Next?

- AHCCCS teams are working to understand and quantify the exact impact of this new legislation (fiscal impacts, member impacts, and operational impacts)
 - This is in collaboration with outside contractors, other states, and various stakeholder groups.
- It's largely too early to know the exact impacts the new legislation will have. It's important to note the delayed effective dates of many of the provisions. There are no immediate changes to Medicaid eligibility, services, rates, etc.



AHCCCS 1115 Waiver Renewal 10/1/27

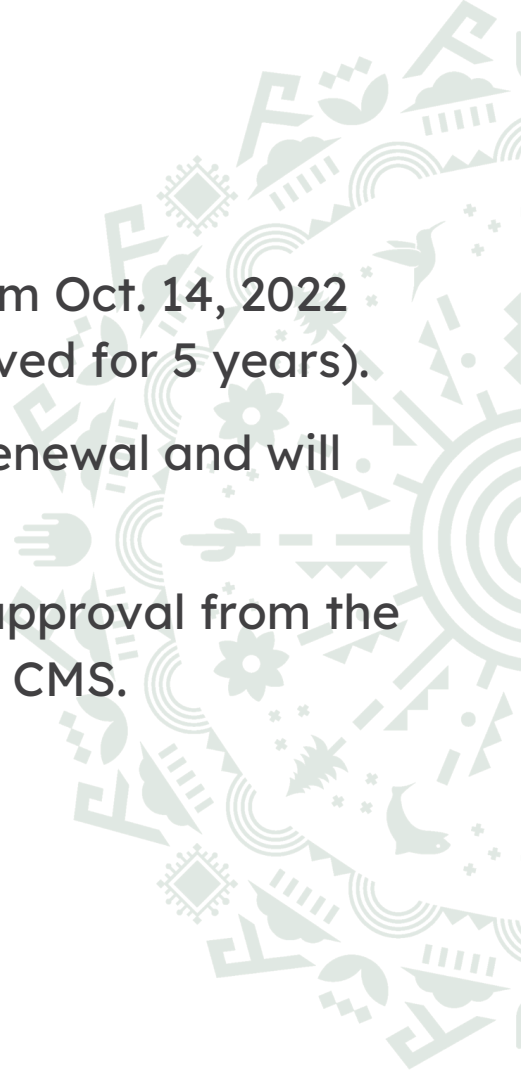
1115 Waiver Renewal

- Section 1115 of the Social Security Act (SSA) allows for budget-neutral programs and authorities that are effective, efficient, and innovative.
- The current waiver continues the state's authorities and programs such as:
 - Managed Care (ACC, ALTCS, CHP, RBHA)
 - Targeted Investments (TI 2.0),
 - Housing and Health Opportunities(H2O),
 - KidsCare Expansion,
 - Justice Reentry.
 - Adult dental services for American Indian/Alaska Natives served by IHS and Tribal 638 facilities, and
 - Traditional Healing Services.

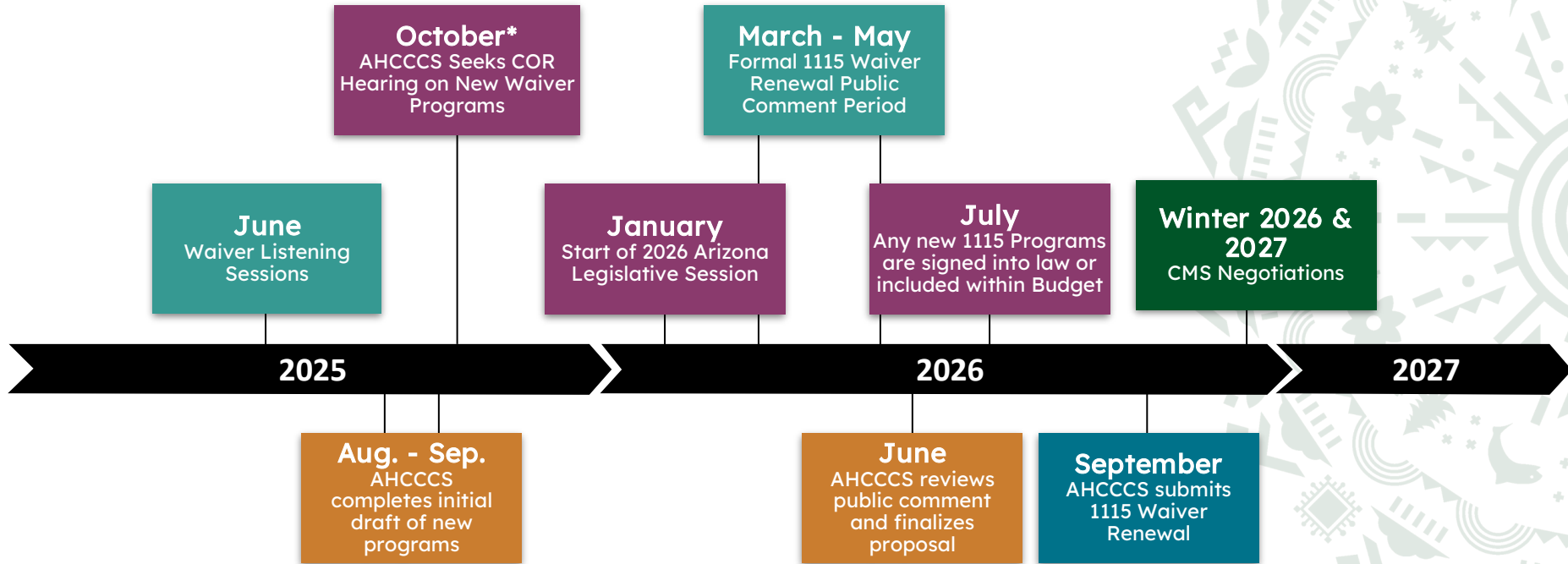


1115 Waiver Renewal

- The state's current demonstration waiver is valid from Oct. 14, 2022 through Sept. 30, 2027 (Projects are generally approved for 5 years).
- AHCCCS has begun preparation for the full waiver renewal and will engage the public throughout the process.
- New Process - HB2945 requires AHCCCS to receive approval from the legislature prior to submitting *new* 1115 proposals to CMS.



Arizona's 1115 Waiver Renewal Timeline





Legislative Session Recap: AHCCCS Implications

2025 Legislative Session

- MES Modernization (IT Funding)
- Traditional Healing
- Outpatient Speech Therapy
- Cochlear Implants



Follow & Support AHCCCS on Social Media

facebook

[@AHCCCSgov](#)



[@AHCCCSgov](#)



[@AHCCCSGov](#)



[@AHCCCS](#)



[AHCCCSgov](#)

