

The background of the slide is a photograph of the Arizona State Capitol building at dusk. The building's dome is illuminated from within, and the sky is a deep blue with some clouds. The text is overlaid on the left side of the image.

Policy Updates

Community Engagement, SNAP & Arizona Budget

Michelle Coldwell, MSW
AZ Council of Human Service Providers

Today's Agenda



Community Engagement Implementation

Stakeholder decisions to date, proof-of-work flexibility, open questions, and the CMS guidance timeline



SNAP Enrollment Decline in Arizona

What's driving the 47% participation drop, DES backlog, and why this signals risk for Medicaid rollout



Arizona State Budget

Governor's veto of the Republican budget, where negotiations stand, and healthcare funding implications

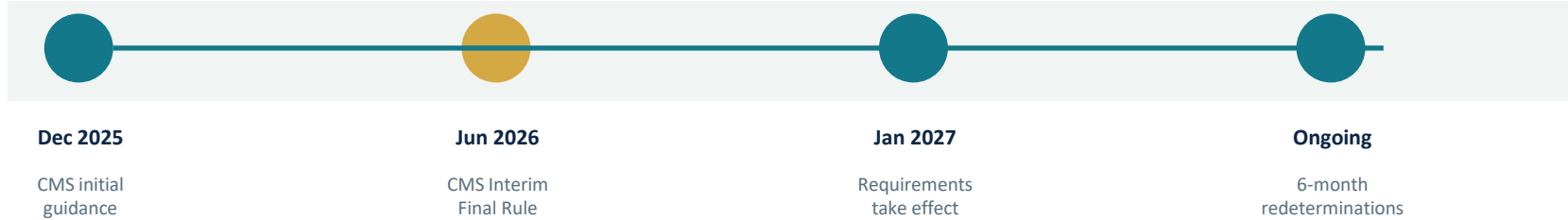


Farm Bill 2026 (Brief)

Status of H.R. 7567 and nutrition title provisions



Community Engagement / Work Requirements: Where We Are



What HR1 Requires

- Expansion adults ages 19–64 must demonstrate 80 hours/month of work, education, volunteering, or other qualified activity
- OR earn at least \$580 in the month
- Eligibility redetermination every 6 months (was 12 months)
- States define exemptions: medically frail, caregivers, temporary illness, good cause/hardship

Where CMS Guidance Stands

- Dec 2025 CIB released — summary-level, not operational
- Interim Final Rule due by June 6, 2026 — expected to include detailed operational requirements
- States have flexibility on exemption definitions, documentation, and verification methods

Governor's Stakeholder Workgroup

Bi-weekly meetings with major AZ
healthcare associations to work through HR1
implementation

Implementation Decisions to Date



Proof of Work: 6-Month Lookback

Members can submit proof of qualifying activity from ANY month in the prior 6 months — not limited to the current reporting month. This provides critical flexibility for seasonal and gig workers.



Focus: Community Engagement First

The workgroup is currently focused on building the community engagement/work requirement framework before tackling other HR1 provisions. Getting this right is the priority.



Alignment with Existing Programs

Exploring alignment with SNAP and TANF work verification systems where possible to reduce duplicative processes for members and state agencies.



Still awaiting final CMS implementation guidance — Interim Final Rule expected June 2026

Open Implementation Questions

Key decisions still pending final CMS guidance and stakeholder discussion

Exemption Definitions

How broadly will Arizona define "medically frail," caregiver status, and good-cause/hardship exemptions? Broader definitions protect more members but may face CMS scrutiny.

Verification Systems

What documentation will be accepted? How will AHCCCS verify work hours — self-attestation, employer verification, or automated data matching?

Reporting Infrastructure

Health-e-Arizona Plus will need major upgrades. How will members report hours, and what happens during system outages or backlogs?

Outreach & Education

How do we ensure members understand the new requirements and don't lose coverage simply due to lack of awareness or confusion about the process?

Appeal & Reinstatement

What's the process when someone loses coverage? How quickly can they be reinstated, and what retroactive protections exist?

6-Month Redeterminations

Twice-annual eligibility checks will double the administrative load. Does AHCCCS have staffing and system capacity to handle the volume?



SNAP in Arizona: What's Driving the Decline

450K+

Arizonans dropped
from SNAP

~half of all recipients

47%

participation
decline

Steepest in the U.S.

8.8%

AZ payment
error rate

Threshold is 6%

Contributing Factors

- Expanded ABAWD work requirements (ages 18-64)
- Noncitizen eligibility removed for refugees, asylees, trafficking victims, humanitarian parolees
- DES facing massive application backlog — needs more staff and resources to process changes
- State error-rate reduction incentives driving aggressive eligibility reviews

What's Coming

- FY2027: States pay 75% of SNAP admin costs (was 50%)
- FY2028: States share SNAP benefit costs for first time — 5-15% based on error rate
- AZ's 8.8% error rate puts state at risk of ~\$300M annual penalty if not improved
- 42 states would face cost-shift based on FY24 error rates



SNAP as a Warning Sign for Medicaid



This is the core concern we bring to the Governor's Office: If implementation issues on SNAP — a simpler program with existing work requirements — are causing a 47% participation drop in Arizona, we should expect similar or worse disruption when Medicaid community engagement requirements roll out in January 2027.

Shared Risk Factors

- Same population affected by both programs
- Same DES/AHCCCS systems processing eligibility
- Medicaid is far more complex — more exemption categories, clinical documentation, provider impacts
- Health-e-Arizona Plus already struggling with current demand

What We're Asking For

- Adequate DES/AHCCCS staffing and resources before Jan 2027
- System upgrades to Health-e-Arizona Plus completed in advance
- Robust member outreach and education campaign
- Apply SNAP lessons: build in flexibility and clear appeals processes

Arizona State Budget: At a Standstill

March 20

Gov. Hobbs walks away from budget talks over Prop 123 / education funding dispute

April 13

Hobbs institutes bill moratorium — vetoes all legislation until GOP produces a public budget

April 27

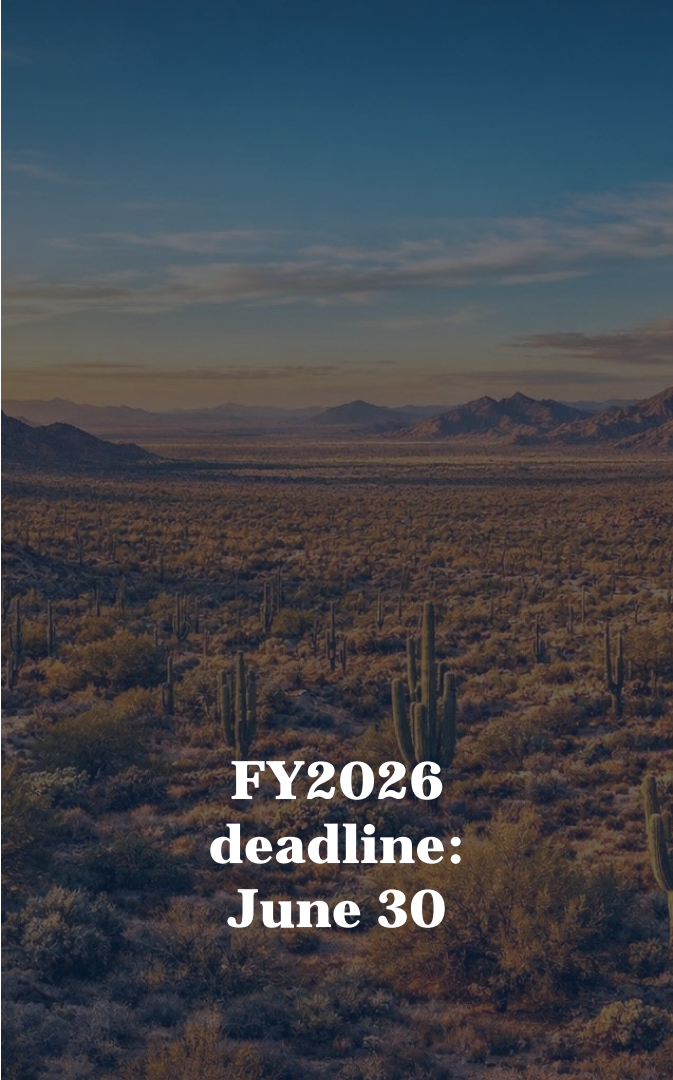
Republicans unveil \$17.9B budget — \$800M less than Governor's proposal, includes \$1.45B in tax cuts and AHCCCS/SNAP eligibility restrictions that were already vetoed

May 5

Governor vetoes budget — calls it "unbalanced and reckless"

Now

House adjourned until June 1. Negotiations ongoing. FY begins June 30.



**FY2026
deadline:
June 30**

Why the Budget Veto Matters for Healthcare

Governor's Key Objections

- Would kick an estimated 200,000 Arizonans off Medicaid and food assistance
- Includes \$600M+ in tax cuts for wealthy and data centers while cutting healthcare
- 5% across-the-board agency cuts — including DES and AHCCCS, which needs MORE resources to implement HR1
- Does not renew Prop 123 education funding

Healthcare Implications

- GOP budget folded in quarterly AHCCCS eligibility checks and stricter work requirements — replicating provisions Hobbs already vetoed as standalone bills
- Republicans estimate \$180M savings from stricter AHCCCS/SNAP eligibility in first fiscal year
- Healthcare providers and nurses testified against cuts, warning of harm to rural hospitals



Where things stand: Legislature adjourned until June 1. Negotiations between legislative leadership and Governor's Office are ongoing. The new fiscal year begins June 30 — a budget must pass before then or Arizona faces a shutdown scenario.



Farm Bill 2026: Quick Update

Farm, Food & National Security Act of 2026 (H.R. 7567)

Introduced Feb 2026 | Reported out of House Ag Committee 34-17 on March 5 | Passed House of Representative 224-200 on April 30



Reauthorizes through FY2031

Commodity support, conservation, trade, nutrition, rural development, research, forestry, crop insurance



New local food program

Permanent "Local Farmers Feeding Our Communities" — state agencies purchase from small/mid-size farms for food-insecure communities



Does NOT reverse SNAP cuts

Nutrition title does not address OBBBA's \$186B in SNAP cuts — modest investments in local supply chains only

Key Takeaways & Next Steps

CMS Interim Final Rule expected June 2026 — will shape the operational details of community engagement implementation

Arizona's budget impasse directly threatens AHCCCS/DES resources needed for HR1 implementation — resolution needed before June 30

The 6-month proof-of-work lookback is a critical flexibility win for members — continue building on this approach

Stakeholder workgroup should prioritize outreach strategy and system readiness as next agenda items

SNAP's 47% AZ decline is the canary in the coal mine — we must learn from these implementation failures before Medicaid rollout

Next workgroup meeting: continue defining exemption categories and documentation requirements