



ARIZONA
HEALTH CARE COST
CONTAINMENT SYSTEM



**AHCCCS to Care in Rural Arizona:
Advancing Medicaid and Implementing HR1**

Arizona Rural Health Conference
6.2.2026

AHCCCS At A Glance



Largest insurer in AZ, covering
Roughly 1.8 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.



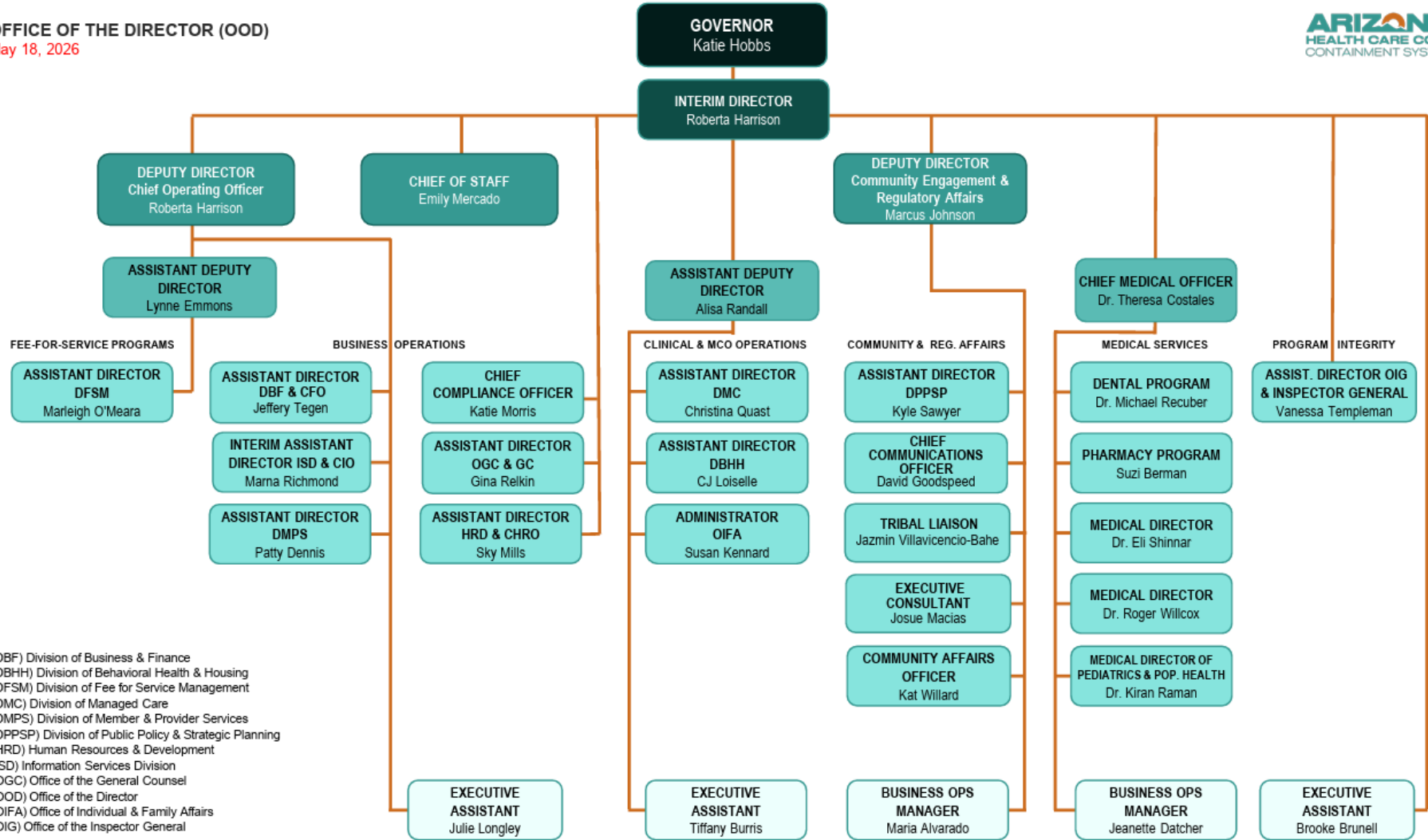
More than 100,000
registered health care
providers



11 contracted managed
care health plans
deliver services

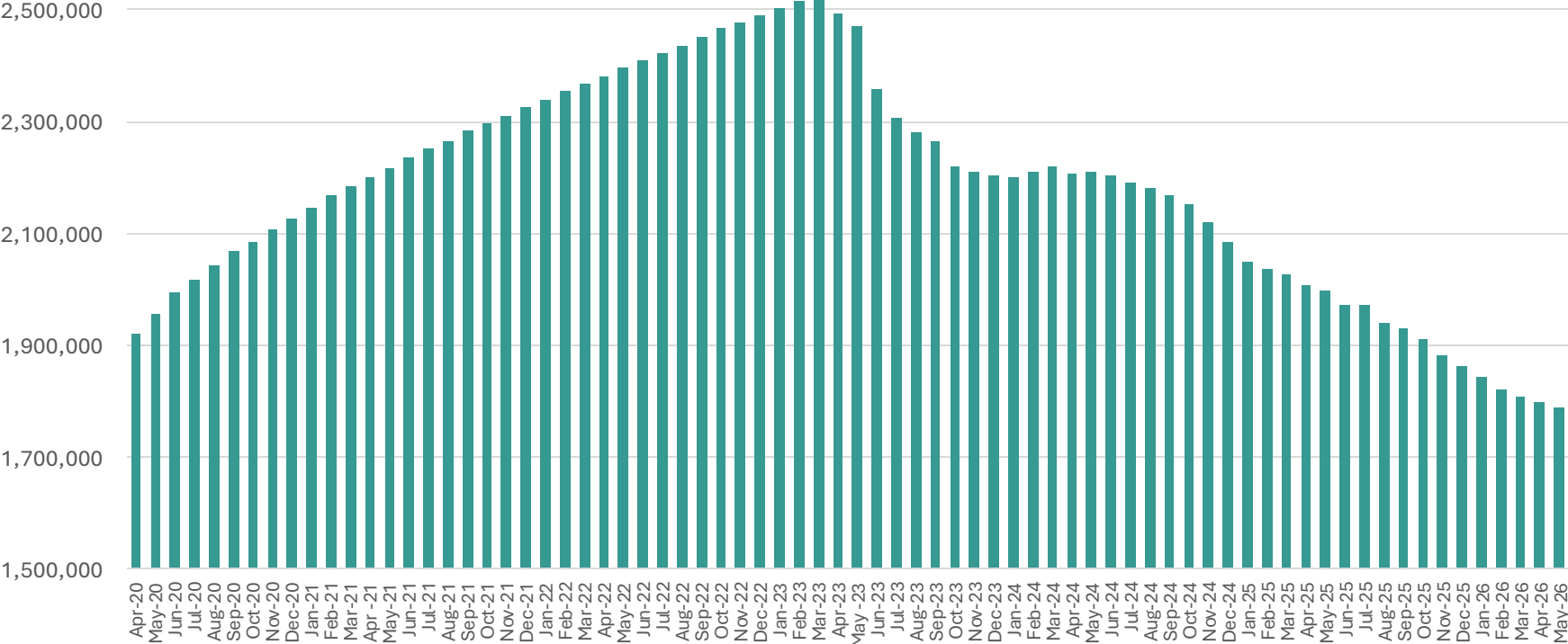


Single State Agency for behavioral
health, State Mental Health Authority, &
State Opioid Treatment Authority

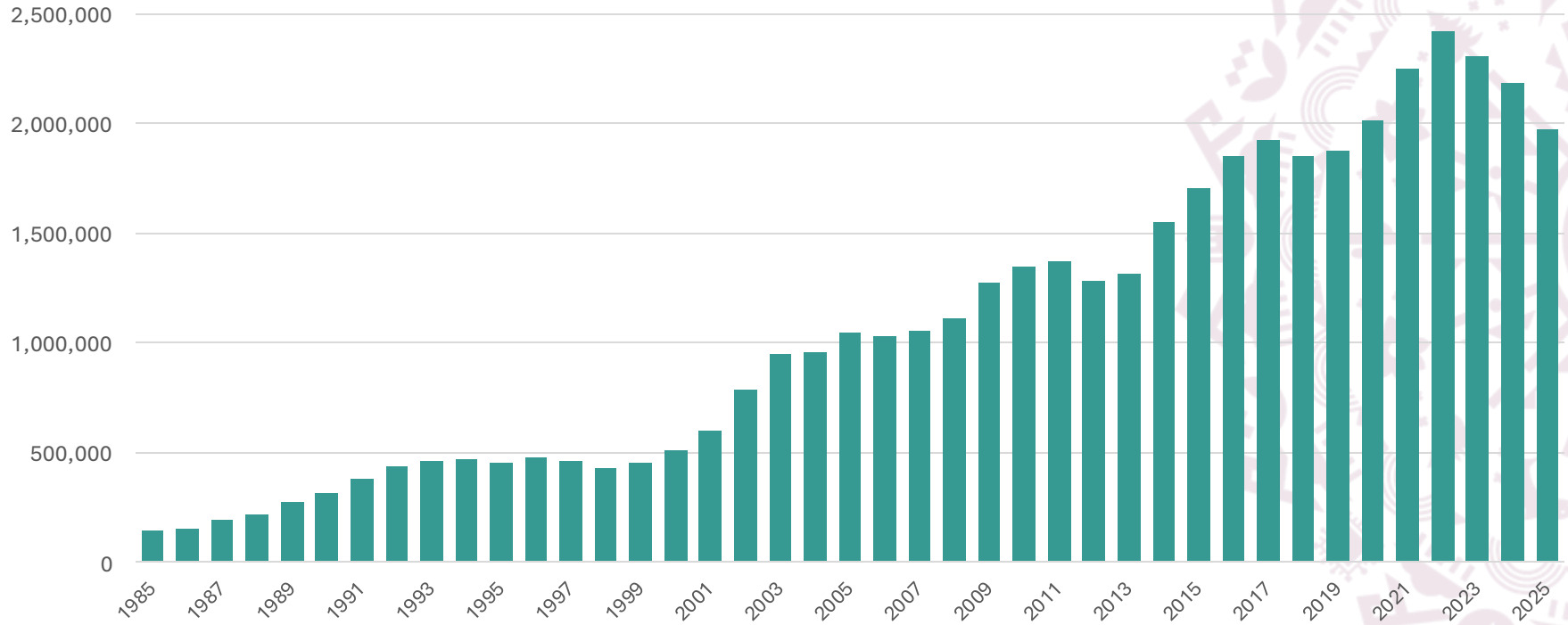


(DBF) Division of Business & Finance
 (DBHH) Division of Behavioral Health & Housing
 (DFSM) Division of Fee for Service Management
 (DMC) Division of Managed Care
 (DMPS) Division of Member & Provider Services
 (DPPSP) Division of Public Policy & Strategic Planning
 (HRD) Human Resources & Development
 (ISD) Information Services Division
 (OGC) Office of the General Counsel
 (OOD) Office of the Director
 (OIFA) Office of Individual & Family Affairs
 (OIG) Office of the Inspector General

AHCCCS Population: Mar. 2020 – May 2026



AHCCCS Population as of July 1, 1985 – 2025





1115 Demonstration Waiver Renewal

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.



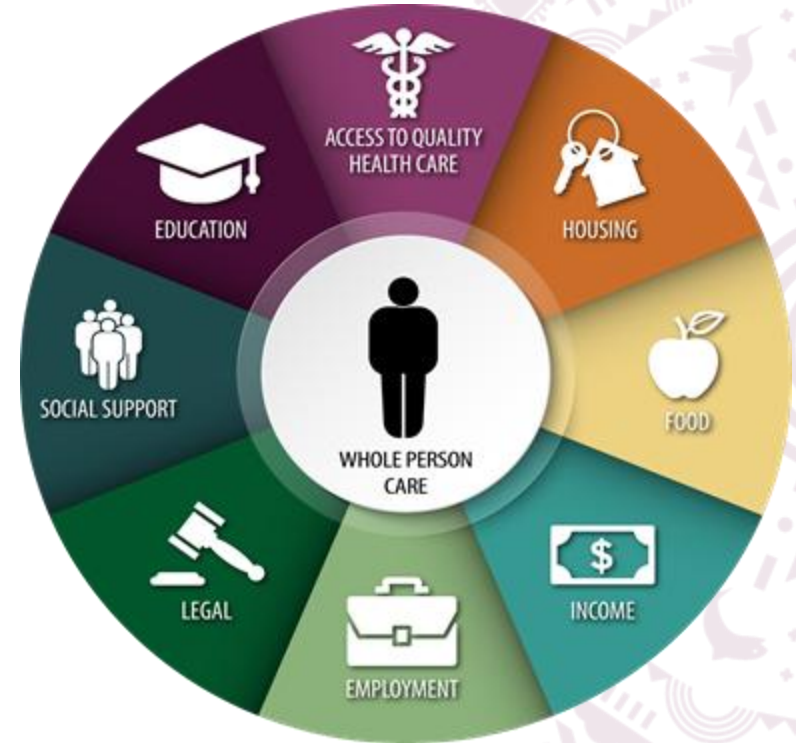
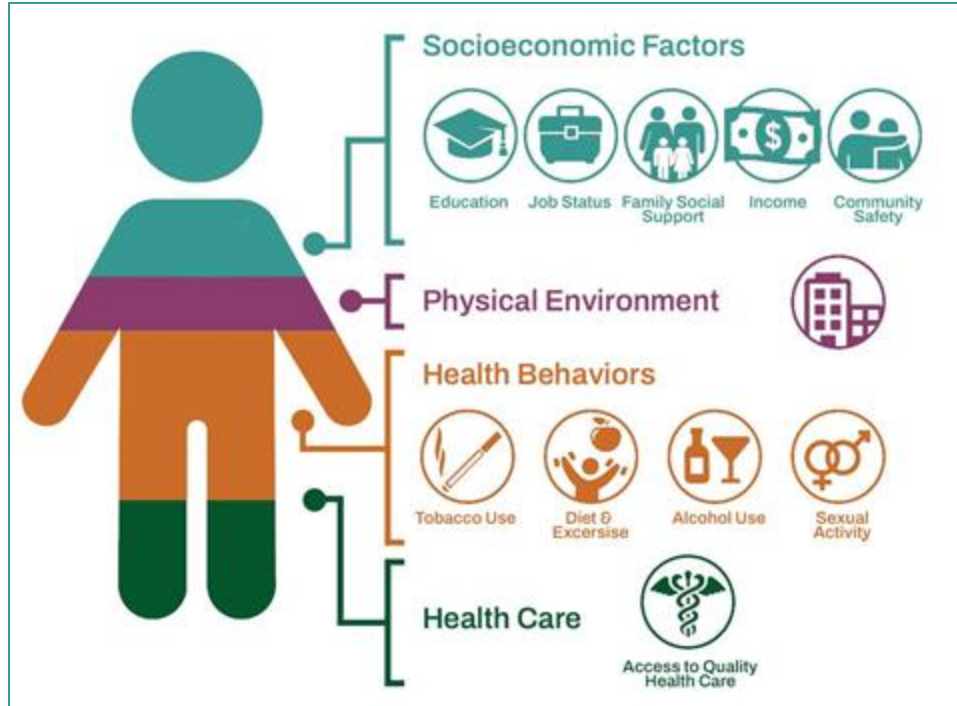
1115 Waiver Renewal – Oct. 1, 2027

- 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.
- AHCCCS is now in the final drafting stages of its 1115 Waiver Renewal and will be starting **public comment in July.**



Whole Person Care

AHCCCS Whole Person Care Initiative (WPCI)



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



CommunityCares

contexture® | powered by UNITE US

Contexture, Arizona's health information exchange (HIE), teamed up with the Arizona Health Care Cost Containment System (AHCCCS) — and in collaboration with 2-1-1 Arizona and Solari Crisis & Human Services — to implement a single, statewide referral system (CommunityCares) to address social determinants of health (SDOH) needs in Arizona.



Housing & Health Opportunities (H2O) Progress:

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

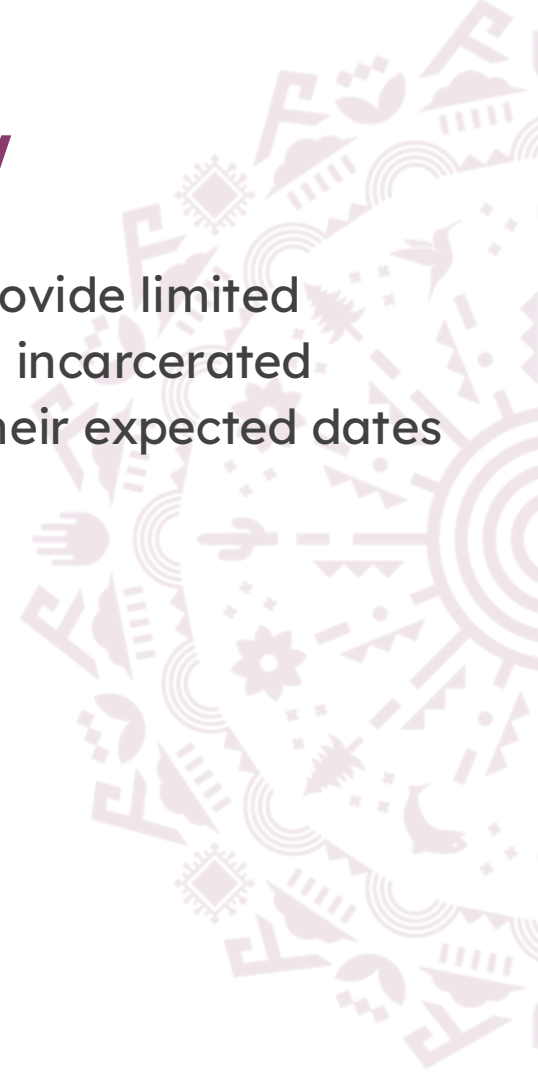
Expense Type	Not Housed/Sheltered by H2O ¹	Housed/Sheltered by H2O ²
Behavioral Health expense	\$201.51	\$2.71
H2O expense	\$1.50	\$46.46
Pharmacy expense	\$76.41	\$51.88
Physical Health expense	\$19.65	\$3.10
Transportation expense	\$17.17	\$4.79
Overall	\$316.24	\$108.94

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.

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





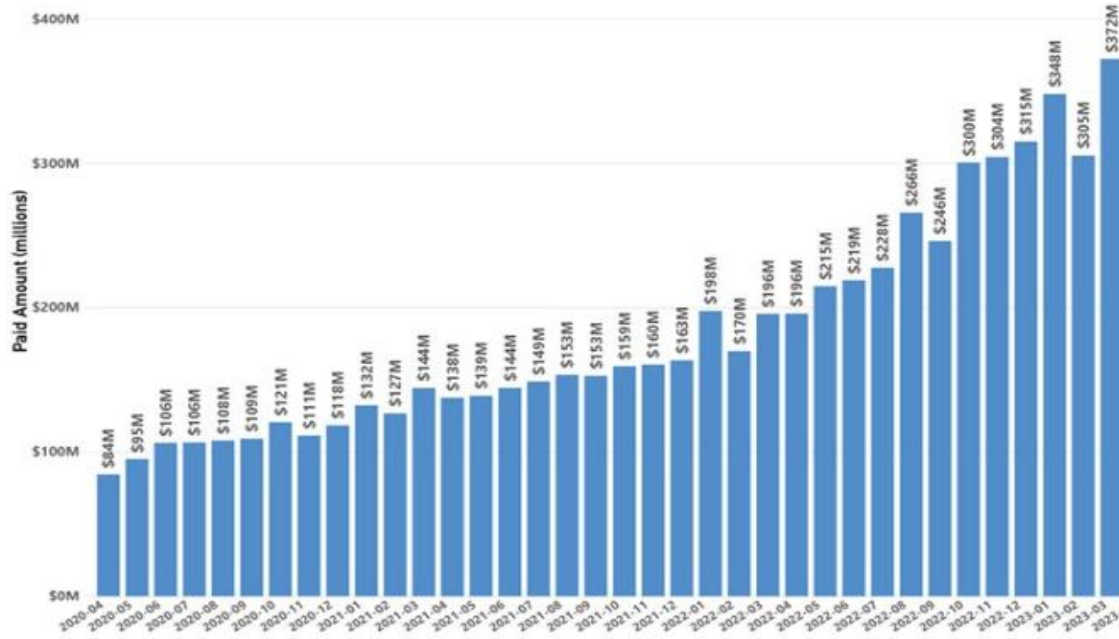
Combatting & Preventing Fraud, Waste and Abuse

Responding to the Behavioral Health Fraud Crisis

- Payments suspended to Arizona behavioral health providers due to credible allegations of fraud
- Special handling claim edits implemented within the mainframe
- Provider moratorium initiated
- Limitations on behavioral health providers established
- Increased manual pre-payment review
- Close collaboration with law enforcement and federal partners (FBI, DOJ, IRS, AGO, HHS OIG)
- Enhancements to the provider enrollment system
- Business process improvement

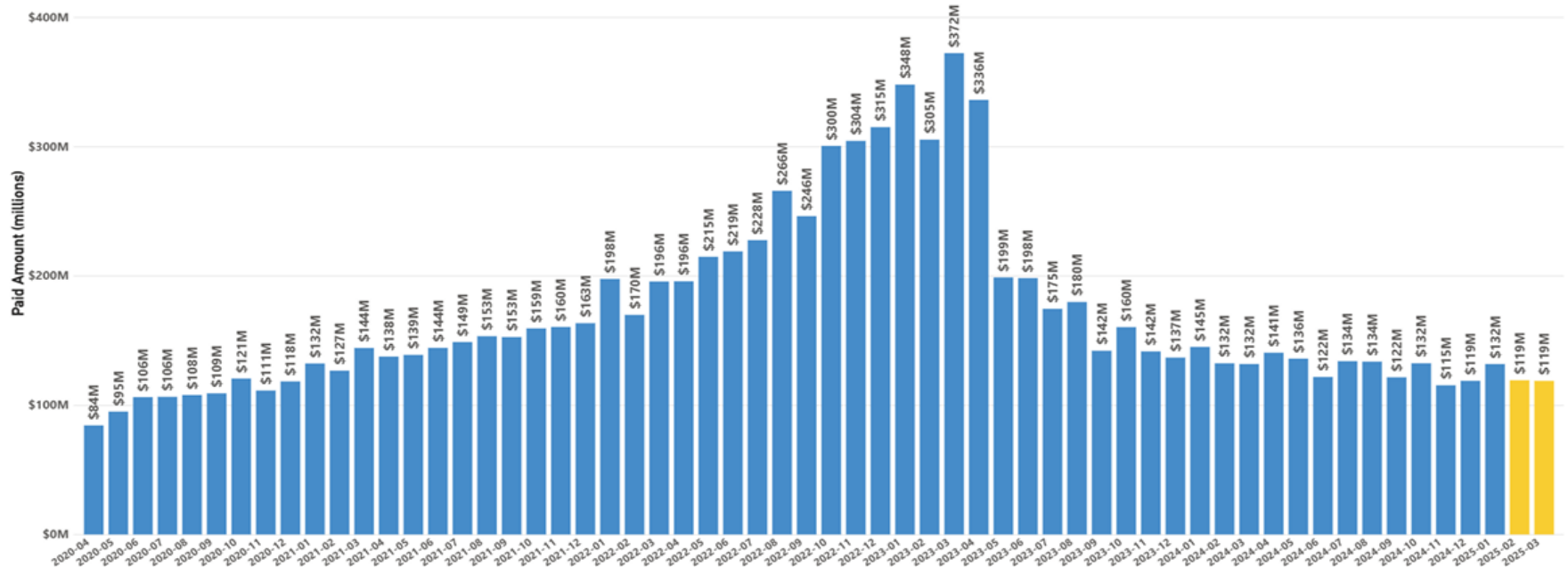
American Indian Health Program (AIHP) Data

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



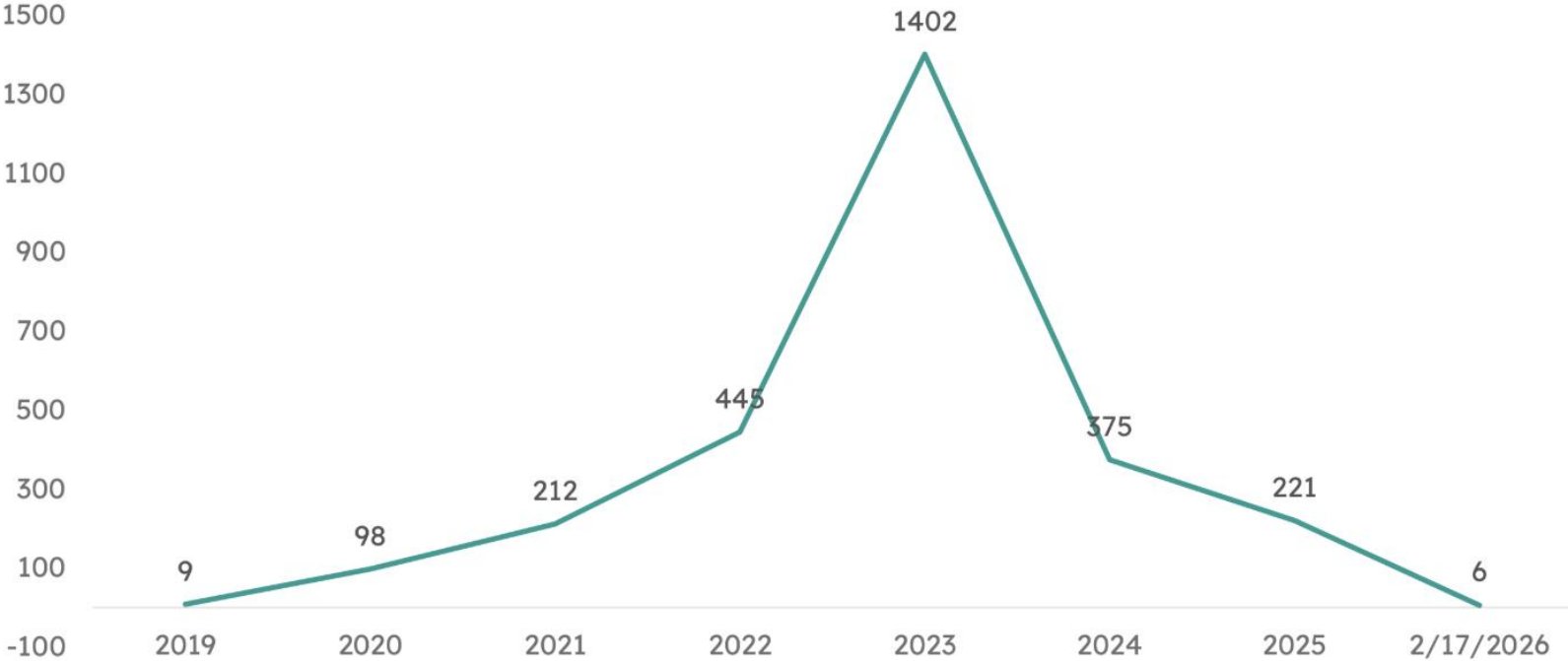
American Indian Health Program (AIHP) Data

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



OIG Referral Trends

New BH Fraud Cases Opened (Fraud referrals turned into new cases)





Coming soon: a new tool!

Emphasis on **prepayment review** and **pre-adjudication identification** of potential fraud.

AHCCCS Moving Forward

- 1115 Waiver Renewal – working through numerous options
- Medicaid Enterprise System (MES) Modernization continues
- Continued focus on stopping and preventing fraud, waste and abuse
- Applied Behavior Analysis Services (ABA)
- HCBS Needs Tool/Extraordinary Care Review (HNT/ECR)
- Arizona Long Term Care System Elderly/Physically Disabled (ALTCS EPD) Program
- Reentry Waiver Implementation: 90 days Pre-Release Coverage
- Rural Health Transformation Program
- HR1 Implementation



H.R. 1 in Arizona: Impacts to AHCCCS and Rural Healthcare

What H.R.1 Means for Arizona

Public Law No. 119-21 | Signed July 4, 2025 | 12 Sections Directly Impact AHCCCS

Work Requirements – Jan 1, 2027

Expansion adults 19-64 must document 80+hrs/month of qualifying activity or earn \$580+/month. New applicants will need to comply 1 month prior to application and renewals will need any 1 month before redetermination. AHCCCS outreach begins Summer 2026; federal guidance expected June 2026.

6-month Redeterminations – Jan 1, 2027

All expansion adults must renew eligibility 2x/year instead of annually. AHCCCS must also implement eligibility changes for certain immigrants beginning Oct 2026.

NO Arizona Expansion FMAP Cut

CORRECTION: HR1 does not reduce Arizona's 90% federal match (FMAP) for expansion adults. Section 1114 only ends a temporary 5% bonus for states that expanded Medicare after March 2021. Arizona's expansion began in 2014 so our 90% match remains intact.

Provider Tax & SDP Cuts – Up to \$2.4B

Hospital assessment rate drops from 6% to 3.5% by FY2032 (phased 0.5%/year from FY2028). State Directed Payments reduced 10pts/year until capped at 100% Medicare rate beginning Jan 2028. **Combined these changes could remove roughly \$2.4B from AZ healthcare system by 2032.**

Arizona's Rural Health Exposure

786,000 Arizonans depend on a healthcare system H.R.1 will stress – rural communities carry the greatest risk

786K

Arizonans in rural communities (11% of state)

20 miles

Average distance to nearest hospital in rural AZ

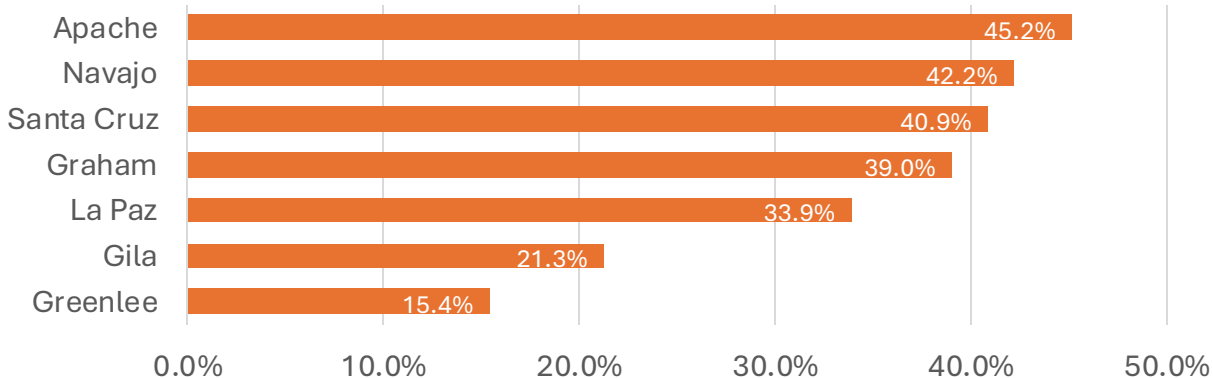
338,332

Arizonans live in 1 of 7 100% Rural Counties

1:50,000

Behavioral Health Providers to Residents in some Rural Areas

County Population Covered by AHCCCS



Why This Matters for Providers

- Rural hospitals rely on Medicaid for 40 – 60%+ of revenue in some AZ Counties
- Fewer commercial payers to offset Medicaid cuts
- 44% of rural hospitals nationally already at negative margins
- Coverage loss leads to uncompensated care

Work Requirements in Rural Arizona

80 hours per month starting Jan 1, 2026 – AHCCCS begins outreach Summer 2026

Who is Exempt in Arizona

- American Indian/Alaska Native
- Disabled Veterans with total disability rating
- Caregivers for child age <13 or person with disability
- Former foster youth age <26
- Medically Frail
- Pregnant or within 12 months postpartum
- Already meeting requirements through SNAP or TANF
- Incarcerated or recently released
- Short-term hardship: hospitalization, declared disaster, high-unemployment area

AHCCCS will contact members to explain requirements & options via mail, phone, text, and online. Reporting via HEAplus, phone, or in-person.

Rural AZ Barriers to Compliance

Sparse Qualifying Employment

Seasonal and part-time work often does not meet 80 hour thresholds. Rural AZ labor markets have narrow qualifying job pools.

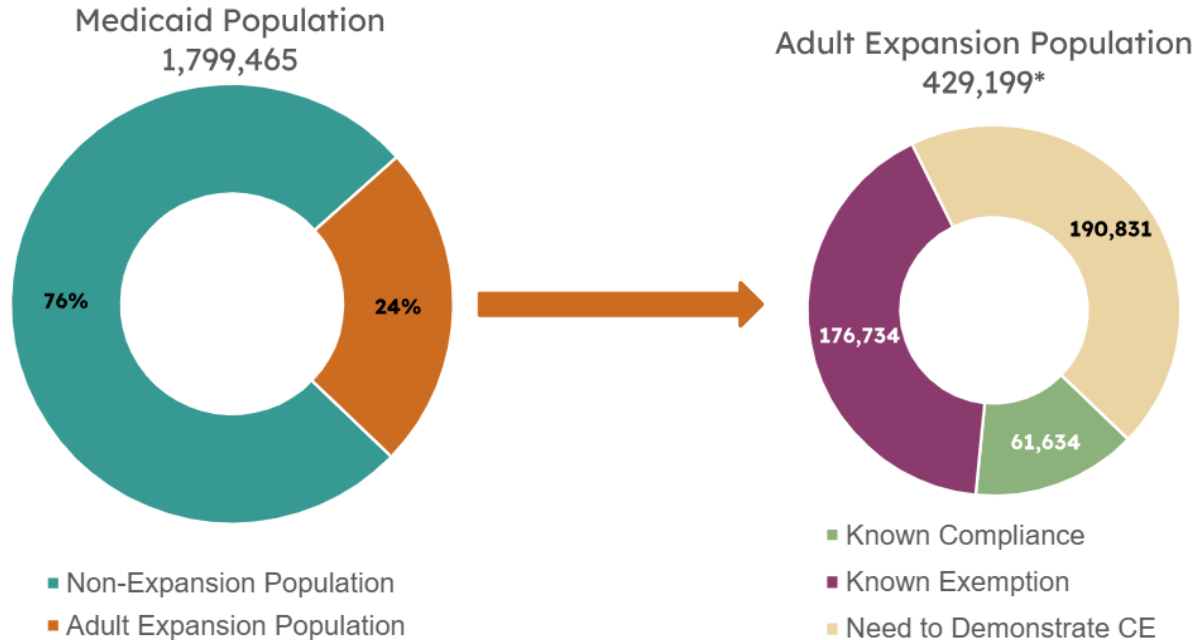
Transportation & Distance

No/limited public transit. No/limited in person support leads to severe documentation burden.

Broadband & Digital Literacy Gaps

Rural AZ has disproportionately low broadband access. Online reporting systems assume connectivity that does not exist in many rural and tribal areas.

Work Requirement Member Impacts



Population Source: <https://www.azahcccs.gov/Resources/Downloads/PopulationStatistics/PopulationbyCategory04062026.pdf>

*Internal Data Estimates as of March 2026

Estimated Member Impacts

Category	Number of Members
Total Expansion Adult Population	429,199*
Members Exempt due to:	176,734**
<ul style="list-style-type: none">• Serious Mental Illness (17,832)• AI/AN (48,191)• Parent/Caretaker/Guardian (18,666)• Caregiver of a Person with a Disability (415)• Postpartum (643)• TANF (2,381)• SNAP (121,630)• Former Foster Youth (50)• Recently Incarcerated (13,461)	
Non-Exempt Members Subject to Work Requirements	252,465
Members Already Meeting Work Requirements	61,634
Total Unique Members that may need to report Work Requirements	190,831

*Internal Data Estimates as of March 2026

**Unique individuals (de duplicated).

Pre-decisional and iterative. The information shared by AHCCCS is preliminary and intended solely to support internal state planning and readiness activities related to Medicaid community engagement requirements. Policies, requirements, and implementation approaches remain subject to change pending final federal direction. AHCCCS anticipates receiving official guidance from the Centers for Medicare & Medicaid Services (CMS) in June 2026, which will inform final policy and operational decisions.

How AHCCCS is Responding

A multi-front implementation strategy – compliance, mitigation, rural investment, and member protection

Building Implementation Infrastructure

Coordinating multiple, simultaneous health system reforms on schedule. **FY2027 Governor's Budget Request:** \$65.1 million total fund increase; \$14 million general fund increase + 150 new FTEs.

Stakeholder Engagement

Hosting regular public forums. Launched HR1 website with FAQs, timelines, and member guidance. Social awareness campaign launching statewide. Member outreach begins Summer 2026.

Protecting Members & Minimizing Churn

Working to make compliance reporting and exemption protections as streamlined as possible. Close alignment with Governor's Office, health plans, sister agencies, community partners, and tribal nations. AHCCCS will contact members before any coverage changes.

Lead Arizona's RHTP: \$167M Investment

AHCCCS is lead agency for Arizona's Rural Health Transformation Program and directly leads 2 of 4 investment areas: Making Rural Health Accessible and Making Rural Health Resilient. Grant opportunities post this month; all Y1 funds awarded by October 2026.

Rural Health Transformation Program

\$167M/year awarded to Arizona by CMS running December 2025 to October 2030, administered by AHCCCS

Rural Health Workforce Development & Training Program

- Rural Education & Training Expansion (\$32.1M)
- Financial Incentives for Rural Practice (\$8M)
- Rural Innovation Learning Network (\$2M)
- Provider Upskilling & Residency Support (\$1M)

Making Rural Healthcare Accessible

- Telehealth Hubs, Remote monitoring, Digital Infrastructure, and Care Coordination (\$17M)
- Rural health Innovative Care Pilots (\$21M)

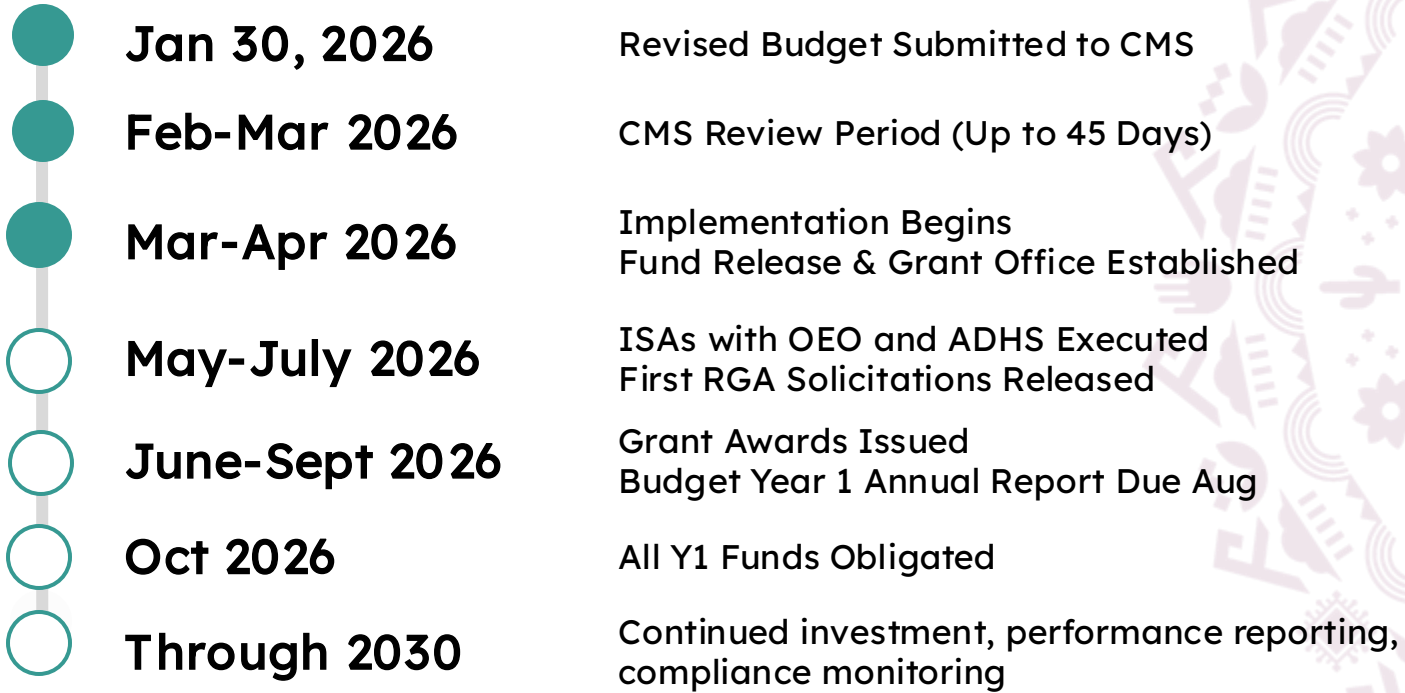
Priority Health Initiatives Grants Portfolio

- Behavioral Health and SUD Grant (\$10M)
- Improving Rural Maternal-Fetal Health Grant (\$5M)
- Chronic Disease Prevention and Management (\$12M)
- Provider Upskilling Support for EMS & CHWs/CHRs (\$4M)

Making Rural Healthcare Resilient

- Medical Diagnostic Equipment and Technology (\$30M)
- Provider Liaison Pilot (\$390k)
- Adopt Shared Services Models (\$5M)
- Technical Assistance for Operational and Fiscal Performance (\$2.8M)

RHTP Implementation Timeline



RHTP Resources

The following resource materials are intended to help you develop a more comprehensive understanding of RHTP and provide latest updates:

Resource Material	Link to Resource Material	Description
Centers for Medicare & Medicaid Services (CMS): Rural Health Transformation Program Webpage	Rural Health Transformation (RHT) Program CMS	Details the CMS initiative, including program intent, structure, and shares important dates
State of Arizona's AZ RHTP Website	Arizona Rural Health Transformation Program (RHTP)	Provides detailed updates regarding the AZ RHTP award.
CMS RHTP Frequently Asked Questions (FAQs)	Rural Health Transformation FAQs	Clarifies items outlined in the NOFO and answers key questions from respondents
Arizona Center for Rural Health (AzCRH), University of Arizona	Home Center For Rural Health	Coordinates statewide rural health initiatives, including leadership in research and advocacy

H.R. 1 & RHTP Web Pages

- Rural Health Transformation
 - <https://www.azahcccs.gov/AHCCCS/Initiatives/RHTP/>
- H.R. 1 Implementation
 - <https://www.azahcccs.gov/AHCCCS/Initiatives/HR1/>





Thank you!