ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

Welcome to today's 1115 Waiver Renewal Public Forum!

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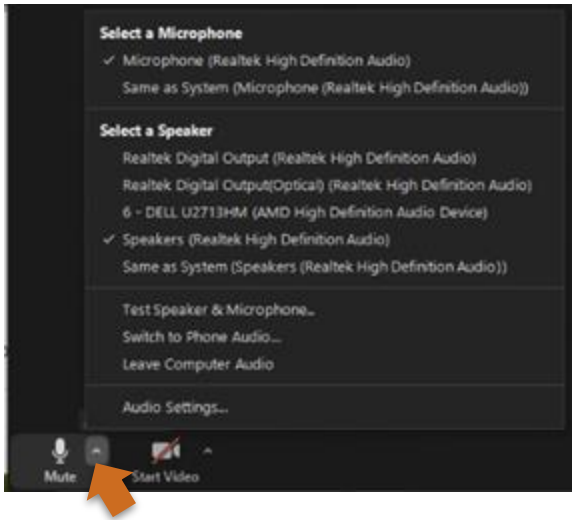
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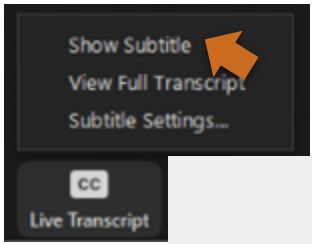
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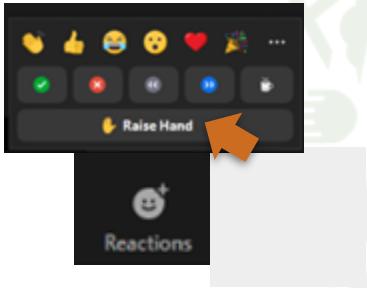
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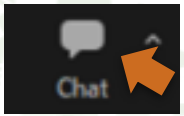
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Raise Hand



Chat



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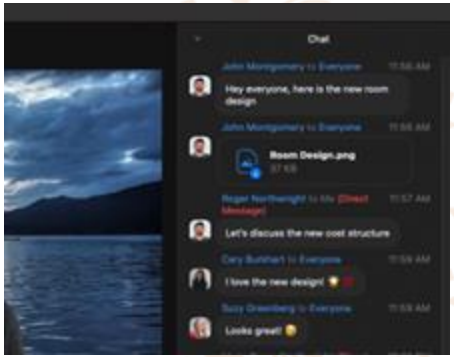
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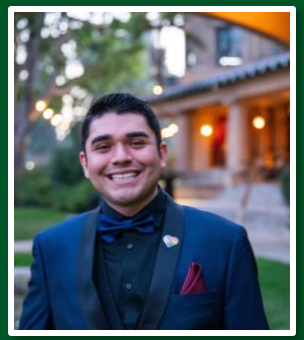
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1115 Waiver Renewal



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Today’s Purpose and Structure of Meeting

- AHCCCS will discuss existing, expanding, and new 1115 waiver programs.
- Today's meeting provides an overview of AHCCCS' Waiver Renewal proposal which is now open for a secondary public comment period.

- Today's meeting will consist of:
  - Overview of the 1115 Waiver and the Renewal Process
  - Demonstration Evaluation Activities
  - Current programs continuing under the renewal
  - Programs being expanded or amended under the renewal
  - Newly proposed programs under the renewal

Arizona's 1115 Waiver Overview

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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 must 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.

Making Health Care Change



Current 1115 Waiver

- On October 14, 2022, CMS approved Arizona's request for a five-year extension of its 1115 Demonstration Waiver.
  - Valid from October 14, 2022, through **September 30, 2027.**
- Continues:
  - Managed Care
    - ACC
    - ALTCS
    - DCS CHP
    - ACC-RBHA
  - HCBS
  - And many more programs



Current 1115 Waiver and Renewal

- In addition to continuing many longstanding programs, AHCCCS also received approval on a variety of new programs:
  - Targeted Investments (TI) 2.0,
  - Housing and Health Opportunities (H2O),
  - KidsCare Eligibility Expansion,
  - Parents as Paid Caregivers,
  - Tribal Dental Benefit,
  - Traditional Healing services, and
  - Pre-release services.
- AHCCCS is now seeking to renew its 1115 Waiver Authority for many of these programs.

Arizona Historical Healthcare Innovation

- Leader in operating a statewide Medicaid managed care program
- Innovative leader in:
  - Implementing MLTSS & HCBS for long term care members
  - Establishing the integrated health plan to bring physical health, behavioral health, and social support services together in one plan for members with a SMI designation
  - Establishing integrated clinics where behavioral and physical health providers and county probation offices deliver services to improve health outcomes and reduce recidivism for members who were formerly incarcerated

1115 Waiver Renewal

- As a reminder, in May 2025, Arizona's Legislature passed **HB 2945**:
  - Institutes a new requirement for AHCCCS to first gain legislative approval prior to submitting any new 1115 Waiver Program that:
    - Expands eligibility,
    - Adds new services, or
    - Will lead to an annual increase in utilization greater than 10%.

1115 Waiver Renewal – Initial CMS Submission

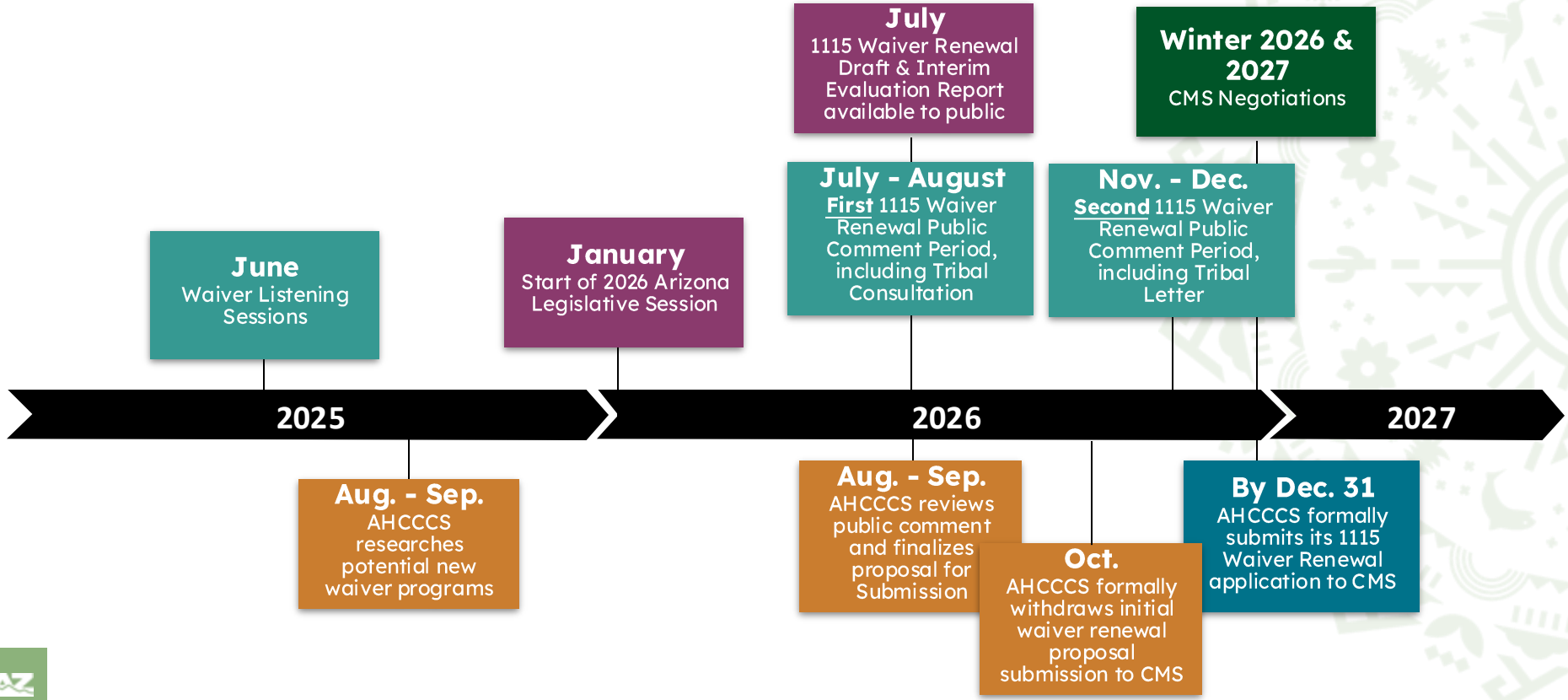
- AHCCCS submitted an initial renewal application to CMS on September 30, 2026, following a public comment period held from July to September.
- In October, AHCCCS withdrew its initial application following consultation with CMS. Per federal regulation (42 CFR 431.408), AHCCCS did not meet two federal requirements;
  - Budget Neutrality materials needed to include actual expenditures for the current demonstration period, and
  - At least one of the two required public forums needed to be held in-person or hybrid format.

1115 Waiver Renewal – Initial CMS Submission

- To ensure that AHCCCS complies with federal regulation, AHCCCS has decided to host an additional 30-day public comment period.
- Comments for this second public comment period will be accepted until December 14, 2026.
- AHCCCS intends to submit its waiver renewal application by the end of the year.

*Members coverage, benefits and services are note affected.

Arizona's 1115 Waiver Renewal Timeline



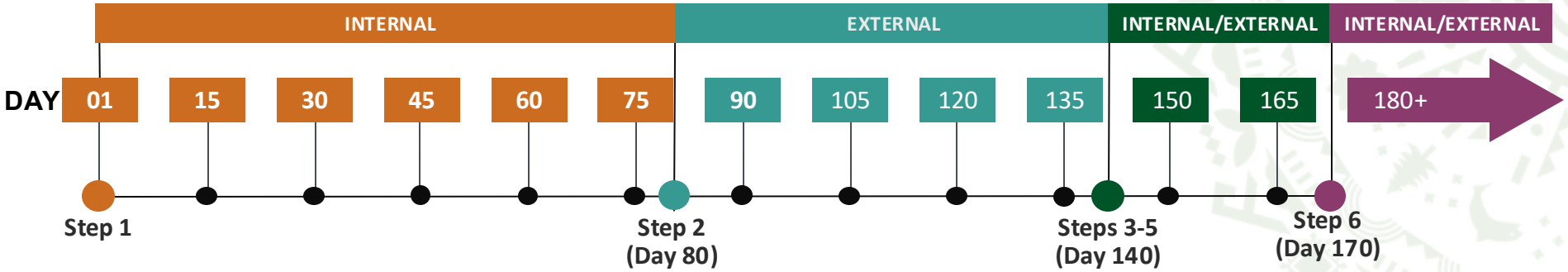
Waiver Process Timeline

✓Waiver Conceptualization & Draft.
✓Formulate Hypothesis, Narrative, Evaluation Design.
✓Calculate Budget Neutrality.
✓Complete Review Process.
✓Prep for Public Input.
✓Collaboration with Subject Matter Experts (SMEs).
✓Create Necessary Announcements.

✓Public Input Process.
✓Post to the website.
✓30-day public comment period. begins, includes minimum of 2 public hearings.
✓Tribal Consultation.

✓Review all public comment.
✓Draft Modifications based on stakeholder input.
✓Communications with Stakeholders.
✓ Waiver Finalization.

✓Submit to CMS.
✓Begin negotiation process.
✓≈ 6-12 months from submission date.



Budget Neutrality

- Budget neutrality means a Section 1115 demonstration cannot increase federal Medicaid spending compared to what would have been spent without the waiver.
- Historically, states estimated:
  - **With Waiver (WW):** Expected federal spending with the demonstration.
  - **Without Waiver (WOW):** Expected federal spending if the demonstration did not exist.
- States could carry forward up to 10 years of accumulated budget neutrality savings.
- Effective January 1, 2027, CMS will use a new approach to evaluate budget neutrality:
  - CMS Chief Actuary must certify demonstrations and renewals must demonstrate they are not expected to increase federal Medicaid spending.
  - CMS will not rely on WW/WOW methodology.
  - States will need to provide additional financial analyses and documentation for innovative demonstration initiatives.
  - Carryforward of budget neutrality savings will be more limited than under the current policy.

1115 Waiver Renewal Overview

Programs Continuing As-Is:

- Mandatory Managed Care
- Arizona Long Term Care System(ALTCS)
- Parents as Paid Caregivers (PPCG)
- Tribal Dental Authority
- Prior Quarter Coverage (PQC)
- Re-entry pre-release Services
- KidsCare Expansion
- Former Foster Youth Eligibility and Enrollment (YATI)

Arizona's Section 1115 Waiver

Proposed Modifications:

- Traditional Healthcare Practices
- Housing and Health Opportunities (H2O)
- Long Term Supports and Services: Timeliness Waiver
- Five-Year Lifetime Coverage Limit
- Presumptive Eligibility and Self Attestation
- (Sunset at end of Demonstration) Targeted Investments (TI 2.0)
- (Future Amendment) SMI Enhanced Residential Treatment Pilot

Questions?

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Demonstration Evaluation Activities

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AHCCCS Demonstration Goals

- Arizona's Demonstration strives to provide, through the employment of a managed care model and robust long term care delivery system, quality health care services to members while at the same time achieving cost effectiveness to ensure long term stability of the program.

Providing quality healthcare to members

Ensuring access to care for members

Maintaining or improving member satisfaction with care

Continuing to operate as a cost-effective managed care delivery model

Independent Evaluation

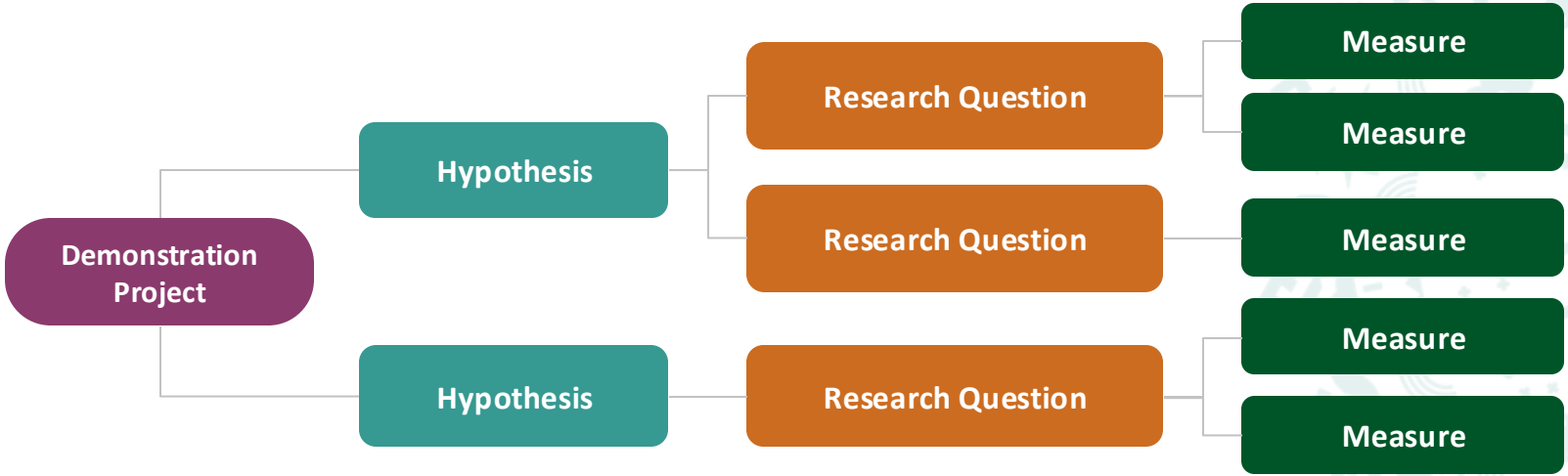
- Federal regulations require states to evaluate their Section 1115 demonstration to assess whether they are achieving their intended goals.
- These requirements mandate states to:
  - Develop a CMS approved evaluation design,
  - Use rigorous evaluation methods,
  - Publish evaluation materials to promote transparency, and
  - Submit interim evaluations at time of demonstration renewals.
- Why does the Arizona 1115 Waiver need to be evaluated?
  - To show CMS its portion of Medicaid funding is being used wisely, and
  - To inform AHCCCS on what's working well and what needs to be improved.

Independent Evaluation

- AHCCCS contracted with Health Services Advisory Group (HSAG) to conduct an independent evaluation of Arizona's current Demonstration.
- Evaluation consists of three main phases of work:
  - Phase I: Develop the Evaluation Design Plans.
  - Phase II: Conduct Interim Evaluations & Develop Interim Evaluation Report.
  - Phase III: Conduct Summative Evaluations & Develop Summative Evaluation Report.



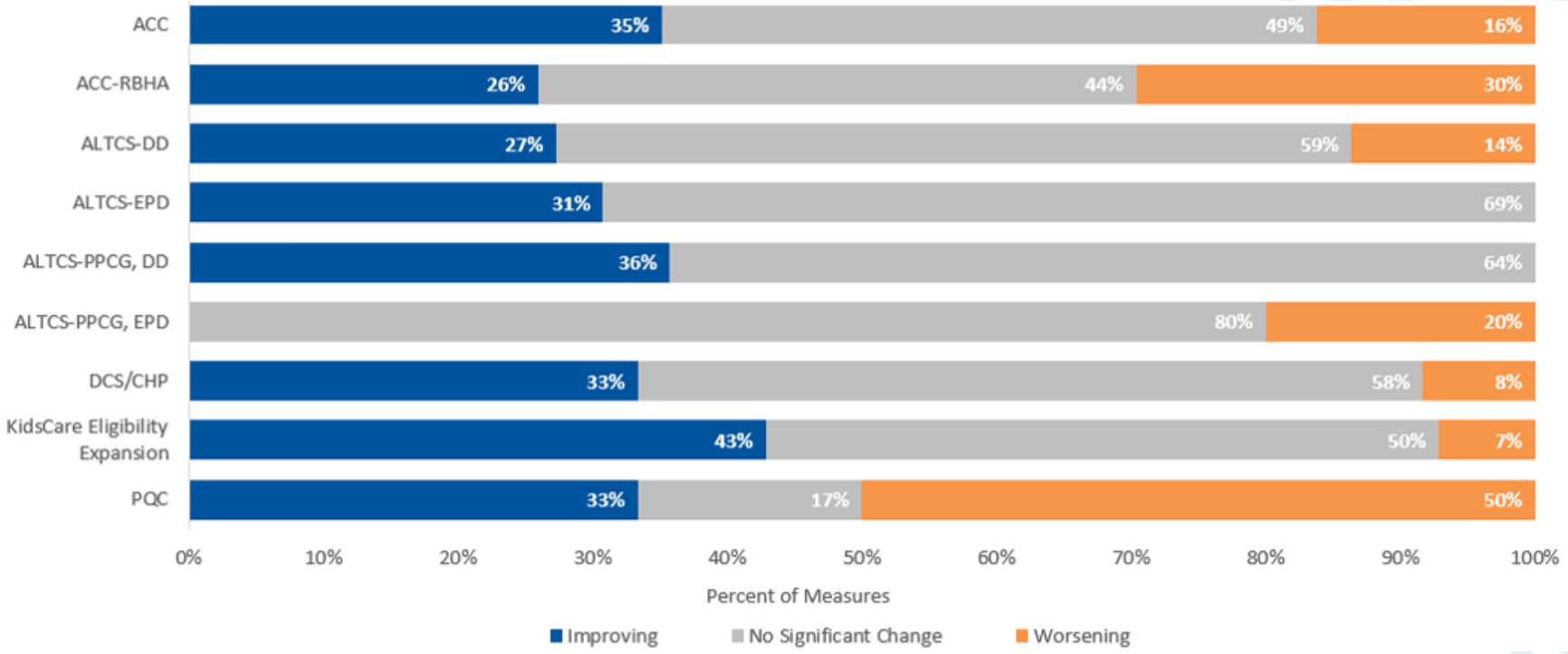
Structure of the Evaluation



Interim Evaluation Report

- Evaluation findings of the current 1115 waiver indicate that the Demonstration has been effective in maintaining and improving:
  - Access to care
  - Care coordination, and
  - Supporting positive health outcomes across Medicaid populations.
- Across 171 performance measures:
  - 32% showed improvement
  - 52% remained stable
  - 15% showed declines
    - Some newer demonstration programs, including H2O and Tribal Dental Authority, have not been in place long enough to evaluate their outcomes.

Interim Evaluation Findings



Interim Evaluation Report

- The interim evaluation report has been posted for the public in conjunction with AHCCCS' Demonstration renewal application at the start of the formal public comment period.
- Key findings from the report will be highlighted within the waiver renewal application and the full report will be included as an appendix within the Waiver Renewal.

Questions?

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Continuing Demonstration Programs Within the Waiver Renewal



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Mandatory Managed Care

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Managed Care Overview

- Arizona was the last state to join Medicaid but the first to utilize the statewide mandatory managed care model.
- All Medicaid enrollees must be enrolled with an MCO (health plan) with the exception of AI/AN tribal members.
- The 1115 Waiver allows for the automatic enrollment within dedicated health plans.
  - An example of this is our Regional Behavioral Health Agreements (RBHAs) who serve members with a Serious Mental Illness (SMI).
- The 1115 Waiver provides the high-level authority to implement this model, however, leaves the state a considerable amount of flexibility throughout the contract process.
- AHCCCS is requesting the authority to continue this model as is.

AHCCCS System Overview

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92.5% Managed Care Organizations (MCO)
(as of October 1, 2025)

11 contracts with 8 unique MCOs

AHCCCS Complete Care

- *1.6m members*
- *13.90 billion*
- *Integrated PH & BH services*

AHCCCS Complete Care Regional Behavioral Health Agreements (ACC-RBHA)

- *47k members w/ SMI*
- *2.22 billion*
- *Integrated PH & BH services and*
- *BH services only and*
- *Crisis Services*

Arizona Long Term Care System Elderly and Physical Disability (EPD)

- *27k members*
- *2.10 billion*
- *Integrated PH, BH & LTSS services*

ALTCS Developmentally Disabled (DD)

- *48k members*
- *4.67 billion*
- *Integrated PH, BH & LTSS services*

DCS-Comprehensive Health Plan (DCS-CHP)

- *7k members*
- *167 million*
- *Integrated PH and BH Services*

7.5% Fee For Service

2 primary programs

AIHP

- *122k members*
- *1.4 billion*

Tribal ALTCS

- *2k members*
- *149.8 million*
- *Integrated PH & BH and LTSS services (ALTCS)*

Arizona Long Term Care System (ALTCS)

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Arizona Long Term Care System (ALTCS)

- The ALTCS program is for individuals who have an age related and/or physical disability and who require nursing facility level of care.
- To qualify for the ALTCS program, an individual must meet certain financial and non-financial requirements.
    - To meet medical requirements, the individual must be at immediate risk of institutionalization in a nursing facility or intermediate care facility for individuals with intellectual disabilities (the individual must require that level of care but does not need to reside in a facility).
- In addition to physical and behavioral health care provided in alignment with ACC plans, these individuals may also qualify for services to be provided in an institution or in a home or community-based setting.

Arizona Long Term Care System (ALTCS)

- Home and Community Based Services (HCBS)
  - Provided to members at risk for institutionalization in the least restrictive settings such as their homes or approved alternative settings
  - HCBS include:
    - Adult day Health,
    - Attendant Care,
    - Companion Care,
    - Emergency Alert,
    - Family Support Services,
    - Habilitation,
    - Home Delivered Meals,
    - Home Modifications,
    - Homemaker Services,
    - Personal Care,
    - Private Duty Nursing,
    - Respite Care, and
    - More.

Arizona Long Term Care System (ALTCS)

- ALTCS also allows for spouses and legally responsible parents of ALTCS beneficiaries to serve as paid caregivers for their eligible spouse or child.
    - These service models are called Spouse as Paid Caregiver (SPCG) and Parents as Paid Caregivers (PPCG).
- In both PPCG and SPCG, paid parent or spouse care is limited to no more than 40-hours a week.
- Eligible services include Direct Care Services (both service models) and Habilitation (PPCG only).

Parents as Paid Caregivers (PPCG)

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Parents As Paid Caregivers Service Model

- PPCG is implemented in accordance with waiver requirements as well as Arizona Laws 2025, Chapter 23 (HB2945).
- Parents of minor members are limited to no more than 40 hours of paid care per week; the limit is member-specific vs. parent-specific.
- Paid parent providers must be employed through an AHCCCS-registered provider agency.
  - Each parent must provide all their paid hours via a single provider agency.
  - If both parents are providing care to the member, each parent may be employed by separate provider agencies if desired.

Parents as Paid Caregivers Service Model

- Members utilizing the PPCG service model must have an in-person case management visit at a minimum of every 90 days.
- All service needs must be evaluated via the HCBS Needs Tool (HNT), documented in the member's Person-Centered Service Plan, and must be:
  - Medically necessary,
  - Extraordinary in nature, and
  - Cost effective.
- Case managers must discuss all available service model options prior to authorizing PPCG.
- Parents must sign the PPCG Acknowledgement of Understanding to serve as a paid provider.

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Tribal Dental Authority

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Tribal Dental Authority

- Authorizes payment for medically necessary diagnostic, therapeutic, and preventative dental services for American Indian/Alaska Native (AI/AN) beneficiaries.
- Reimbursement for services beyond the current $1,000 dental limit for individuals age 21 or older when provided by Indian Health Services or tribally operated 638 facility.



Tribal Dental Authority

- Under this renewal, AHCCCS seeks to:
  - Continue expanded reimbursement for medically necessary dental services provided through IHS or 638 facilities.
  - Maintain access to dental services beyond standard adult Medicaid limits.
  - Continue supporting oral health access among tribal communities and strengthening provider delivery systems.

Uncompensated Care Waiver

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Tribal Uncompensated Care Waiver

- First approved by CMS in 2012, the Tribal Uncompensated Care Waiver preserves services delivered to AI/AN members in the case the Arizona Legislature or AHCCCS reduces benefits due to financial hardship.
- This program was recently further codified into state law on April 13, 2026. HB 2177 requires AHCCCS to annually seek an 1115 Waiver to allow payments for covered services reduced or eliminated since September 2010, provided to AI/AN members at IHS or tribally operated facilities.
- Under this renewal, AHCCCS is seeking to continue the existing authority for the Tribal Uncompensated Care Waiver and maintain an important safeguard to support Tribal healthcare systems.

Pre-Release Services Under Reentry Demonstration Initiative

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Reentry Waiver Overview and Goals

- On December 27, 2024, CMS granted approval to provide limited coverage for services furnished to a subset of incarcerated individuals for up to 90 days immediately prior to their expected dates of release.
- Goals of the Waiver Program include:
  - Increase coverage, continuity of coverage, and appropriate service uptake,
  - Improve access to services,
  - Improve coordination and communication,
  - Increase additional investments in health care and related services,
  - Improve connections between carceral settings and community services, and more.

Reentry Waiver Eligibility and Facilities

- To qualify for services covered under this demonstration approval:
  - The individual must be eligible for Medicaid or the Children's Health Insurance Program (CHIP), and
  - Have an expected release date within 90 days.
- Participating Waiver facilities will include:
  - Jails
  - Prisons
  - Youth Correctional Facilities
  - Tribal Correctional Facilities

NOTE Participating facilities will individually have to meet readiness criteria.

Reentry Waiver Covered Services

Within the 90-day pre-release period, eligible individuals will be able to receive:

- Case Management
- Medication Assisted Treatment (MAT) Services
- 30-day Supply of Prescription Medications
- Practitioner Office Visit
- Peer Support Services

Reentry Waiver Next Steps

- On June 13, 2026, the Arizona Legislature approved AHCCCS request for the program's budget.
- AHCCCS launched the program with the Arizona Department of Juvenile Corrections (ADJC) on October 1, 2026.
- AHCCCS will continue implementation planning to finalize a timeline for phased implementation with the Arizona Department of Corrections Rehabilitation and Reentry (ADCRR) set to launch next.

Questions?

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KidsCare Eligibility Expansion

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KidsCare Eligibility Expansion

- In 2023, the Arizona Legislature passed a bill to increase the income limit for KidsCare (also known as the Children's Health Insurance Program or CHIP) eligibility to 225% of the federal poverty level.
- AHCCCS received the authority to implement this change through the 1115 waiver, which was approved by CMS in February 2024.
    - The expanded income limit was implemented in March 2024, with an effective date of eligibility for expansion in April 2024.
- This expansion has now allowed over 22,000 additional children to be enrolled in the KidsCare program.

Former Foster Youth Eligibility and Enrollment

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Former Foster Youth Demonstration

- Remove administrative barriers by eliminating the requirement for Former Foster Youth (FFY) members to apply for other cash assistance as a condition of Medicaid eligibility.
- Simplify the renewal process by removing the requirement for eligible FFY members to provide third-party liability information at renewal.
- Extend eligibility for full Medicaid state plan benefits to FFY who are under age 26, who turned 18 on or before December 31, 2022, who were in foster care under the responsibility of another state or tribe on the date of attaining 18 years of age, were enrolled in Medicaid on the date of aging out of foster care and are now applying for Medicaid in Arizona.

Former Foster Youth Eligibility and Enrollment – Current Program Overview

- Eligibility:
  - Youth who age out of foster care and are on Medicaid when they reach the age of maturity.
  - After aging out of care until reaching 26 years of age.
- Eligibility Requirements:
  - AZ resident, identify and take action needed to get payments from TPL sources and cooperate with child support enforcement.
- Coverage under this demonstration may end if:
  - The individual reaches 26 years of age,
  - The individual ceases to be a resident of the state,
  - AHCCCS determines that eligibility was determined incorrectly because of agency error or fraud, abuse or perjury attributed to the individual, or
  - The individual dies.

Former Foster Youth Eligibility and Enrollment – What is Changing?

- The original request is in alignment with House Bill 2622 passed by Arizona's 55th Legislature
- Maintaining and extending eligibility:
  - Eligibility will be automatically renewed without requiring additional information from the individual until the individual reaches 26 years of age.
  - Provides eligibility under YATI for youth who aged out of care in other states before December 31, 2022.
- Despite Arizona receiving the federal authority for this program, AHCCCS does not currently have the legislative authority to implement this demonstration. To allow for additional time to secure the necessary state approval, AHCCCS will request for the federal authority to be continued.

Waiver of Retroactive Coverage (Prior Quarter Coverage (PQC))

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Retroactive Coverage (PQC): Overview

- Authorizes AHCCCS to limit retroactive coverage to the first day of the month of application for all Medicaid members, except for;
  - Pregnant women,
  - Women who are 60 days or less postpartum, and
  - Children under 19 years of age.
- Currently, exempt individuals are eligible for Medicaid coverage for up to three months prior to the month in which their application was submitted.
- Beginning on January 1, 2027, retroactive eligibility for exempt individuals will be limited to two months in alignment with new federal regulations.

Continuing Programs Discussion Questions



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Continuing Programs Discussion Questions

- Which programs are the most meaningful and have had the biggest impact on you and why?
- Which of these programs do you feel could be improved and in what way? (Also understanding the legislative limitation for modifying Waiver programs)
- Are there unique considerations AHCCCS should better account for in these programs?
- Any other outstanding questions?

Programs Continuing As-Is:

- Mandatory Managed Care
- Arizona Long Term Care System(ALTCS)
- Parents as Paid Caregivers (PPCG)
- Tribal Dental Authority
- Prior Quarter Coverage (PQC)
- Re-entry pre-release Services
- KidsCare Expansion
- Former Foster Youth Eligibility and Enrollment (YATI)

Pending Demonstration Requests

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Pending Demonstration Requests

- Arizona statute requires AHCCCS to submit a waiver amendment to impose a prospective lifetime limit of five years of Medicaid benefits for “able-bodied adults”. AHCCCS submitted this waiver amendment to CMS on March 28, 2025, and intends to carry over the existing waiver proposal into the next demonstration period
- In 2017, Arizona submitted a waiver amendment requesting authority to cover costs of services furnished to eligible individuals ages 21 through 64 receiving treatment in any institution meeting the federal definition of an IMD, including IMDs that are also considered public institutions when clinically appropriate regardless of the length of stay of payer source (managed care vs. fee-for-service.)
- Allow Medicaid to cover medically necessary IMD services, including longer stays when clinically appropriate.
- Ensure coverage is available regardless of whether members receive care through managed care or fee-for-service.

Demonstration Programs with Proposed Expansions / Modifications



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Traditional Healing – Urban Indian Organization Expansion

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Traditional Healing Overview

- **Traditional Healing** is a system of culturally appropriate healing methods developed and practiced by generations of Tribal healers who apply methods for physical, mental, and emotional healing.
- On October 16, 2024, CMS approved an amendment to provide coverage of traditional healing services received through Indian Health Service or facilities operated by Tribes or Tribal organizations.
- This includes traditional health care practices that are provided in the community by or through IHS or tribal facility's direct employees or contracted traditional health care practice providers.

Traditional Healing Overview

- Medicaid reimbursement for THCP went live October 1, 2025.
- Each IHS/638 facility, in partnership with their local Tribal community, individually defines which services are most appropriate for Medicaid billing.
- To receive coverage for traditional health care practices under the demonstration, a member must meet the following criteria:
  - Is a Medicaid beneficiary, and
  - Is able to receive services delivered by or through IHS or Tribal facilities as determined by the facility.

Traditional Healing – UIO Expansion

- Traditional healers employed by or contracted with an UIO may provide reimbursable services through a **care coordination agreement (CCA)** with an IHS/Tribal 638 facility.
- CCA's have to be initiated by an IHS/638 facility, however, many individuals served by UIOs do not have established relationships with IHS/638 facilities which has created a barrier to care.
- The enacted 2026 Arizona Legislative Budget (Laws 2026, Chapter132) amends existing statutes related to AHCCCS Traditional Healing to specify that services are available through the Indian Health Service(IHS), tribal facilities, or **urban Indian Organizations (UIOs).**
- This now allows AHCCCS to seek CMS approval to lift the CCA requirement for Traditional Healing Services delivered by UIOs.

Questions?

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Housing and Health Opportunities (H2O)

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Housing & Health Opportunities (H2O) Demonstration Goals

Increase positive health and well-being outcomes for target populations.

Reduce the cost of care for individuals successfully housed.

Reduce homelessness and maintain housing stability.

1115 Waiver H2O HRSN Services

- Outreach and Education Services
- Transitional Housing - 6 Months
  - Transitional Housing Setting (Enhanced Shelter)
  - Apartment or Rental Unit (Rental Assistance)
- One-time Transition and Moving Costs
- Home Accessibility Modifications
- Housing Pre-Tenancy Services
- Housing Tenancy Services



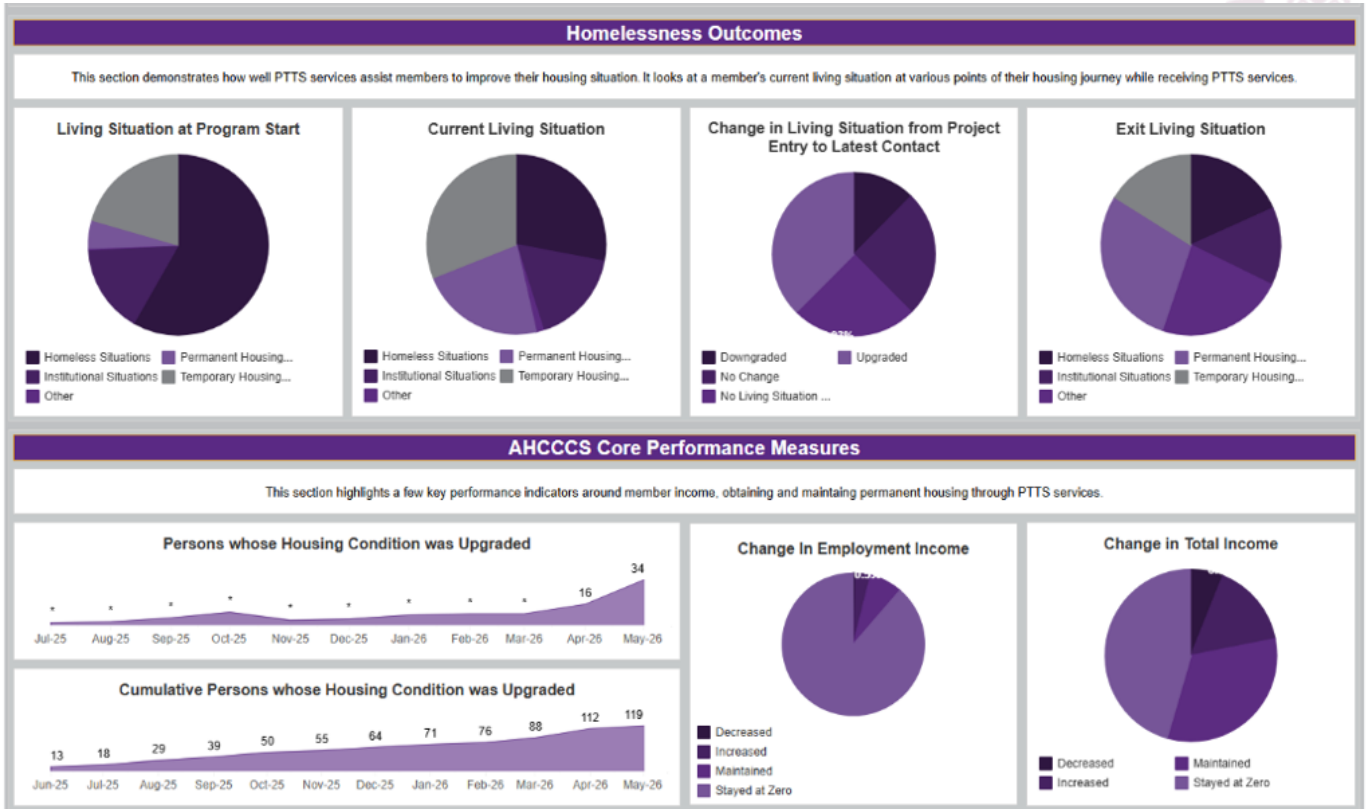
Who is Eligible for Services?

Member Experiencing Homelessness	• Z Code for Housing Instability, or • Identified through a Homeless Management Information System (HMIS) report • Homeless Verification Letter
Member has an SMI Designation	• Confirmed and list sent by AHCCCS
One of the following	• Diagnosed with a chronic health condition, or • Currently in correctional facility with a release date scheduled within 90 days or released from a correctional facility within the last 90 days.

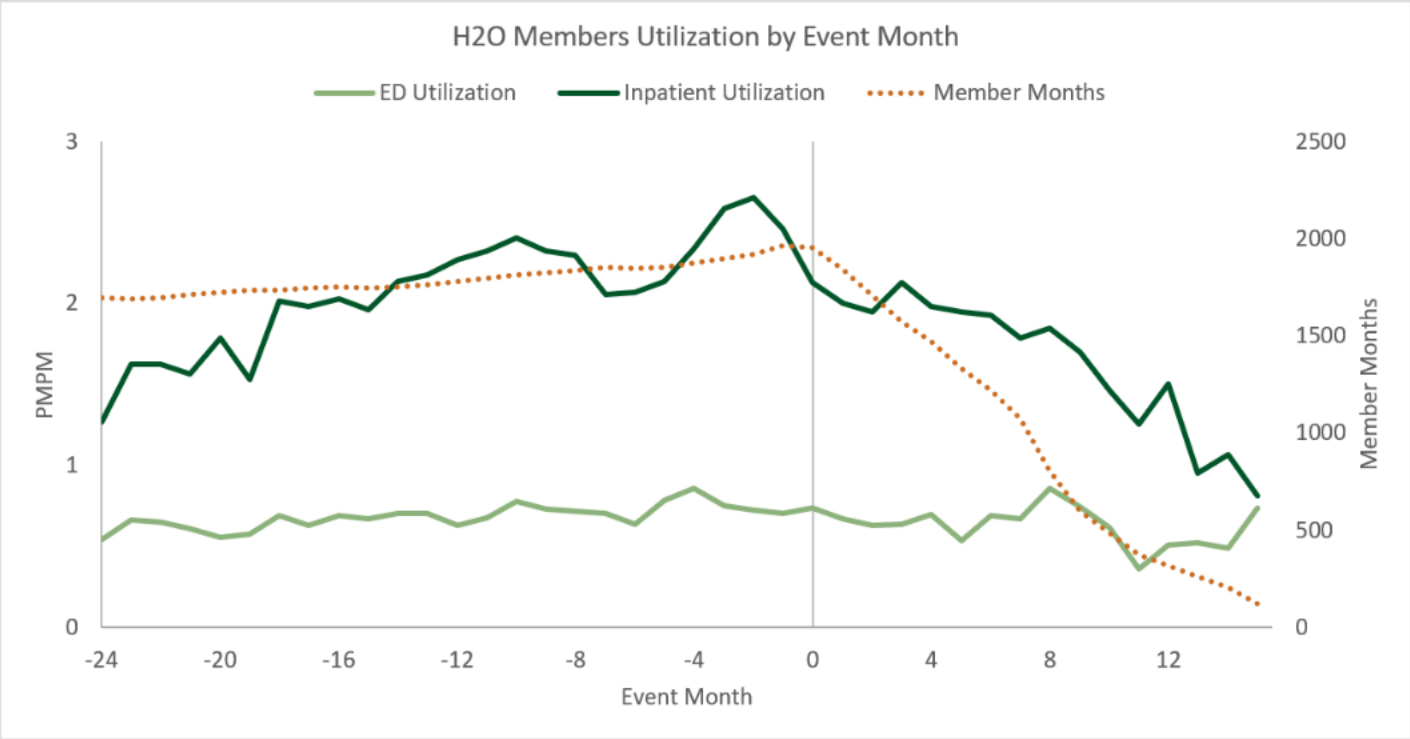
H2O Demonstration

- The H2O initiative was launched on October 1, 2024, with a focus on members with an SMI designation who are also experiencing:
  - Housing instability or homelessness, and either;
    - Diagnosed with a chronic health condition, or;
    - Is currently in a correctional facility with a release date within 90 days or was released from a correctional facility in the last 90 days.
- Total # of members determined eligible for H2O - **2294**
- Total # Housed through H2O: **244** (As of July 2026)

H2O Data Dashboards



PMPM H2O Eligible Member Utilization



H2O Proposed Changes

- Through this renewal, AHCCCS is seeking to continue the H2O Program as is with minor technical changes to improve program clarity and state flexibility. This includes:
  - Flexibility to modify H2O chronic condition eligibility criteria real-time
  - Technical updates to programmatic definitions to improve clarity and align requirements with federal guidance.
    - Standardize provider requirements across related interventions
    - Remove references to the SSI/SSDI Outreach, Access, and Recovery (SOAR) model within the Transitional Housing and Tenancy sections.
    - Remove references to the “Housing First Model” and “Harm Reduction” approaches within the detailed setting and provider requirements

Expanding / Modified Programs Discussion Questions



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Continuing Programs Discussion Questions

- What early impacts have you seen these program have?
- How would these expansions/changes impact your community?
- What concerns or challenges have emerged since implementation of these programs?
- Are there unique considerations AHCCCS should better account for in these programs?
- Any other outstanding questions?

Proposed Expanding Programs:

- Traditional Healing
- Housing and Health Opportunities (H2O)

New Demonstration Program Requests



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Long Term Services and Supports -Timeliness Waiver

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Background

- Following CMS approval of the PPCG Demonstration, AHCCCS began updates to the HCBS Needs Tool (HNT), which is used to assess the needs of children receiving direct care and habilitation services.
  - A PPCG workgroup was formed comprised of many key stakeholders to develop policy and form revisions, review models from other states, and provide recommendations on case manager competencies.
- Momentum for updating this tool was increased in April 2025 when legislation was enacted requiring AHCCCS to implement a standardized assessment process for determining extraordinary care needs for children receiving HCBS through ALTCS.

Background

- The HNT was finalized and briefly implemented before it's use was paused in response to concerns surrounding how extraordinary care criteria was applied within this tool.
    - The extraordinary care criteria is intended to ensure all services are medically necessary and that these services provided to children are indeed extraordinary in nature and not supports that a parent or guardian is routinely obligated to provide for their child regardless of whether or not the child experiences a disability.
- AHCCCS then underwent emergency rulemaking to revise the HNT with additional consideration for how extraordinary care was applied.

Background

- This rulemaking introduced a new Extraordinary Care Review (ECR) exception process to better take into account considerations raised during the rulemaking comment.
- The ECR exception process will provide an additional clinical review should the parent or guardian have concerns that the child would experience adverse impacts as a result of the new HNT.

Background - Summarized

- AHCCCS began to make updates to the HCBS Needs Tool (HNT) following CMS approval of the PPCG Demonstration.
- The updated HNT was briefly implemented and subsequently halted due to concerns regarding the extraordinary care review (ECR).
- AHCCCS underwent emergency rulemaking with a robust public comment period to better address concerns surrounding the ECR.
- The rulemaking introduced a new ECR exception process to allow for additional clinician review.
- This ECR exception process may be requested by the parent or guardian if they feel their child could experience adverse impacts from the new HNT.

Long Term Services and Supports - Timeliness Waiver

- Current federal managed care authorization timeframes were designed for standard service authorizations.
  - These timelines may not provide sufficient time for families to submit documentation or clinicians to fully evaluate extraordinary care needs.
- CMS requirements currently allow 14 days for standard authorization decisions, decreasing to 7 days beginning October 1, 2026.
- This shortened timeline may limit the ability to gather documentation and fully evaluate extraordinary care needs.
- These constraints limit the effectiveness of the ECR process.

LTSS - Timeliness Waiver

- As a result, AHCCCS is requesting a waiver to extend review timelines for the ECR exception process, up to 28 days.
- During this additional period, AHCCCS will safeguard members access to care by immediately authorizing approved hours from the initial assessment.
- In the event of extenuating circumstances, AHCCCS also requests additional time based on individual circumstances in limited situations.
- This waiver authority would allow for more comprehensive, person-centered clinical review and promote access to medically necessary services that are extraordinary in nature, especially when evaluating needs of children.

Questions?

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Hospital Presumptive Eligibility and Self-Attestation

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Eligibility Related Waiver Requests

- The 2026 Arizona Legislative Budget Bill contains provisions requiring AHCCCS to:
  - Prohibit the use of self-attestation of Arizona residency without independent verification prior to Medicaid enrollment, and
  - Eliminate the Hospital Presumptive Eligibility (HPE) program.
- AHCCCS is now seeking Waiver authority to implement both above changes as required by state law.
- It's important to note, absent further legislative action, this state-law requirement directing AHCCCS to pursue these waiver requests will be repealed after June 30, 2027.

Hospital Presumptive Eligibility

- Current federal regulation requires Medicaid programs to have a Hospital Presumptive Eligibility (HPE) program in place.
- HPE allows qualified hospitals to grant temporary Medicaid coverage to an individual based on an initial eligibility determination.
    - Consistent with these federal requirements, AHCCCS has maintained a Hospital Presumptive Eligibility (HPE) program. However, use of this program has been extremely limited.
- Consistent with broader state and federal efforts to strengthen program integrity and improve eligibility verification processes, AHCCCS is seeking authority to eliminate the HPE program in Arizona.
    - The Legislature determined that eliminating this pathway would help ensure that eligibility determinations are based on complete and verified information while reducing administrative complexity associated with maintaining a program that has seen little to no utilization in Arizona.

Residency Self-Attestation

- Federal regulations require AHCCCS to establish a process which allow individuals to self-attest to eligibility criteria on a limited basis when documentation is unavailable.
- As part of ongoing efforts to strengthen program integrity and align with recent federal initiatives focused on reducing fraud and improper enrollment, the Arizona Legislature enacted a requirement for AHCCCS to discontinue reliance on self-attested residency.
- AHCCCS is now seeking authority to require verification of Arizona residency before Medicaid coverage is approved.
  - Self-attestation in-lieu of independent verification would not be accepted.
  - All other eligibility standards and protections would remain unchanged.
- Requiring residency verification before enrollment aids in ensuring accurate eligibility determinations, Strengthening program integrity, and reducing the risk of duplicate Medicaid enrollment across states.

Questions?

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SMI Enhanced Residential Treatment Pilot Amendment

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SMI Enhanced Residential Treatment Pilot

- Individuals with Serious Mental Illness (SMI) who have complex behavioral health needs often lack appropriate residential treatment options.
- Existing services may not adequately support individuals who require a higher level of care but do not need long-term institutionalization.
- Stakeholders have identified gaps in the behavioral health continuum and barriers to accessing appropriate long-term supports.

SMI Enhanced Residential Treatment Pilot

- SB 1630, enacted in the 2026 Arizona Legislative Budget, authorizes AHCCCS to seek CMS approval for a pilot program to deliver enhanced residential treatment services to adults determined to have SMI who meet defined clinical and financial criteria.
- AHCCCS intends to submit before July 2027 an Amendment to this Waiver Proposal seeking authority to establish this pilot program.
    - To have a well-informed waiver submittal, AHCCCS intends to convene the statutorily required stakeholder workgroup in late 2026 before seeking federal authority to implement the program.
- The pilot program will be established for a three-year period and limited to 60 members statewide to evaluate its effectiveness.

Questions?

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Targeted Investments (TI 2.0) Program

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Targeted Investments 2.0

- A current feature of Arizona's Demonstration, TI 2.0 is a five-year, $250 million CMS-authorized initiative that provides resources and guidance to primary care and behavioral health providers to:
  - Effectively coordinate with health care providers and community partners to address whole-person care needs, and
  - Identify and reduce inequitable health outcomes of their patient population.
- The program provides incentive payments based on meeting process-based milestones and performance measure targets.

Targeted Investments Overview

Initial Program (TI 1.0)

- 10/2016 - 9/2022
- 6 Years, $350m.
- Reduce fragmentation of Behavioral Health (BH) and primary care (PCP)
- Increase provider coordination, integration at point of care
- Population Health: Identify and manage care for high risk/ high needs members
- Support providers throughout payor integration (ACC and ACC-RBHA)

Renewal Program (TI 2.0)

- 10/2022 - 9/2027
- 5 Years, $250m.
- Reduce fragmentation BH, PCP, and Nonmedical Drivers of Health (NMDOH)
- Increase provider coordination with community partners
- Population Health: Identify and address disparate health outcomes
- Support providers and system throughout CLRS implementation

Targeted Investments (TI 2.0)

- In April 2025, CMS issued a letter to all states indicating they would be discontinuing the use of the DSHP funding mechanism.
- DSHP is the primary fund source for the TI 2.0 program, currently covering roughly 90% of the state share cost of the program.
- Due to this DSHP mechanism no longer being available, AHCCCS will be proposing to sunset TI 2.0 at the conclusion of the Demonstration.
- The TI 2.0 program will run to its completion, however, AHCCCS will not be requesting a renewal of the demonstration.
- The State will collaborate with CMS to ensure transparency, minimize disruption, and support a smooth transition for all affected stakeholders.

New Programs Discussion Questions



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New/Modified Program Discussion Questions

- What impacts would these new programs have on your community?
- What additional considerations should AHCCCS be mindful of leading into Waiver submission and CMS negotiations?
- Any other outstanding questions?

New/Modified Programs:

- Housing and Health Opportunities(H2O)
- Long Term Supports and Services: Timeliness Waiver
- Five-Year Lifetime Coverage Limit
- Presumptive Eligibility and Self Attestation
- (Sunset at end of Demonstration) Targeted Investments 2.0
- (Future Amendment) SMI Enhanced Residential Treatment Pilot

Next Steps

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Next Steps

- To ensure your feedback can be considered prior to submission to CMS, AHCCCS is requesting all comment be submitted by **December 14, 2026**.
- Written feedback may be submitted to AHCCCS to waiverpublicinput@azahcccs.gov
- To view the full waiver proposal, written feedback instructions, and future forum call-in information, please visit the AHCCCS Waiver Renewal webpage.

Follow & Support AHCCCS on Social Media

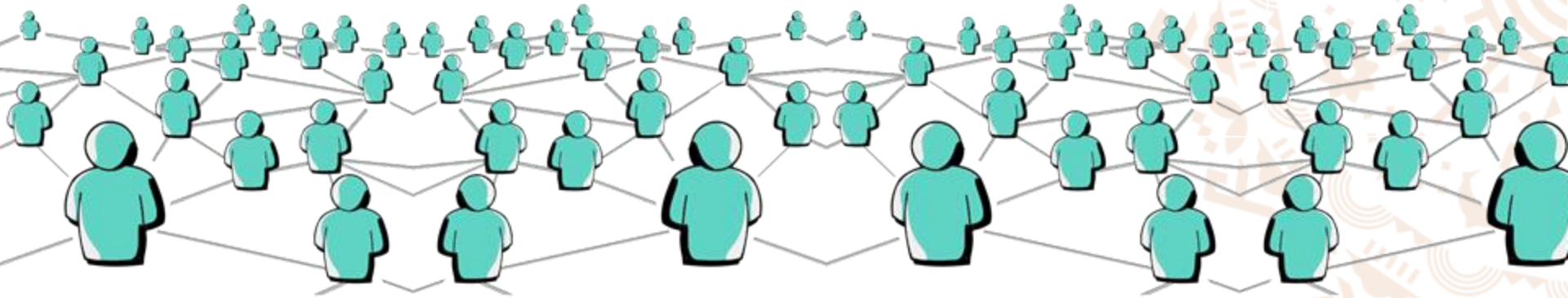
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Resources and Quick Links

- AHCCCS Tribal Consultation
- AHCCCS Waiver
- AHCCCS State Plan
- AHCCCS Grants
- About AHCCCS
- AHCCCS Acronyms
- State Medicaid Advisory Committee (SMAC)
- Beneficiary Advisory Council (BAC)
- AHCCCS Whole Person Care Initiative (WPCI)
- AHCCCS Office of Human Rights
- AHCCCS Office of Individual and Family Affairs
- Arizona Long Term Care System (ALTCS)
- Understanding Public Comment


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Thank You!
Have a Great Day!
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