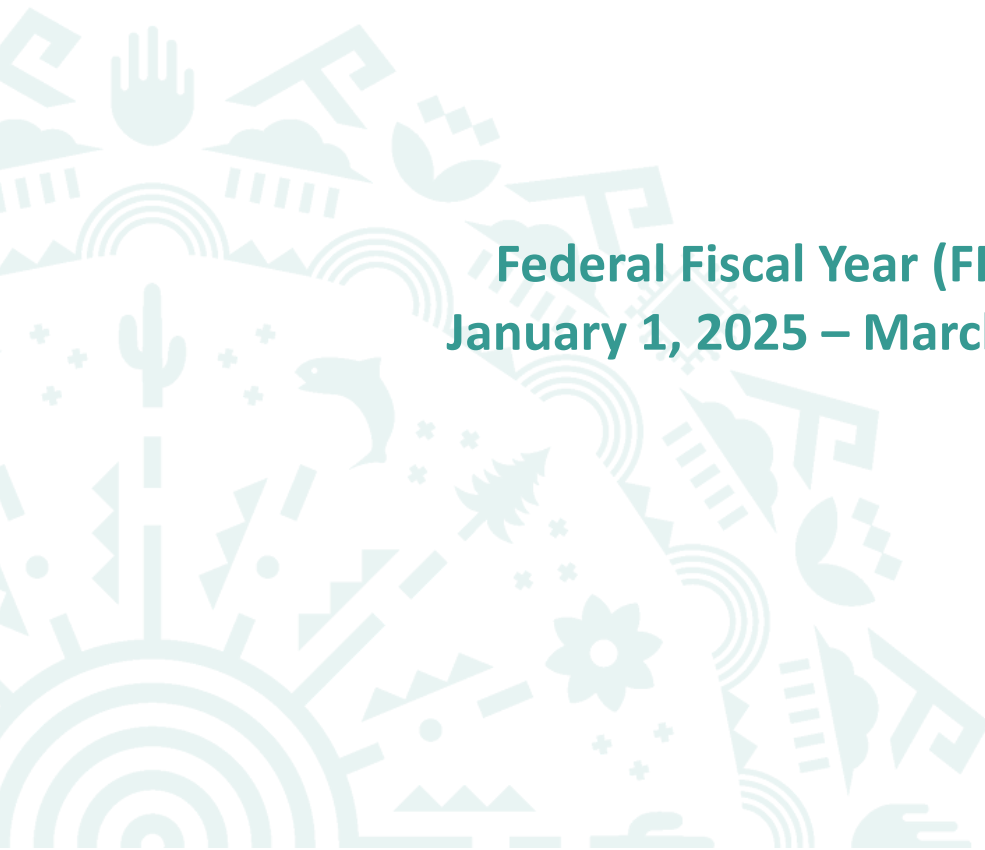


**Arizona's Section 1115 Waiver  
Demonstration  
Quarterly Report**

**Federal Fiscal Year (FFY) 2025  
January 1, 2025 – March 31, 2025**



# Arizona's Section 1115 Waiver Demonstration Annual Report

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# Arizona's Section 1115 Waiver Demonstration Annual Report

## I. Introduction

### *Title*

Arizona Health Care Cost Containment System - AHCCCS  
A Statewide Approach to Cost Effective Health Care Financing  
Section 1115 Quarterly Report  
Demonstration Year: 41  
Federal Fiscal Quarter: 2nd (January 1, 2025 - March 31, 2025)

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### *Date Submitted to CMS*

May 29, 2025

### *Purpose*

As written in Special Terms and Conditions (STCs), paragraph 105, the Arizona Health Care Cost Containment System (AHCCCS) submits quarterly progress reports to the Centers for Medicare and Medicaid Services (CMS). Quarterly reports inform CMS of significant Demonstration activity from the time of approval through completion of the Demonstration.

## II. Waiver Update

### *Waiver Renewal*

On October 14, 2022, AHCCCS received approval for its five-year renewal of Arizona's Demonstration project under Section 1115 of the Social Security Act. This renewal is effective through September 30, 2027. The current Demonstration exempts Arizona from particular provisions of the Social Security Act and also includes expenditure authority permitting federal financial participation (FFP) for State expenditures that would not otherwise qualify for federal participation. Moreover, Demonstration projects, including Arizona's, must

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establish budget neutrality where Medicaid costs to the federal government are not expected to exceed in the absence of the Demonstration.

The current 1115 Waiver approval continues the long-standing authorities and programs that have made Arizona's Medicaid program innovative, effective, and efficient, including integrated managed care for AHCCCS populations through:

- AHCCCS Complete Care (ACC),
- The Arizona Long-Term Care System (ALTCS),
- The Department of Child Safety Comprehensive Health Plan (DCS/CHP) for children in foster care,
- AHCCCS Complete Care Regional Behavioral Health Agreements (ACC-RBHAs) to provide integrated care for individuals with a Serious Mental Illness (SMI) designation, and
- The Waiver of Retroactive eligibility, which 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.

In addition to renewing these historic programs, this 1115 Waiver includes approval for transformative projects intended to advance member health outcomes including:

- Authority to enhance and expand housing services and interventions for AHCCCS members who are experiencing homelessness or at risk of becoming homeless through the Housing and Health Opportunities (H2O) program which began implementation on October 1, 2024,
- Authority to direct managed care organizations to make specific incentive payments to providers that meet the criteria for receiving these payments with the goal of improving health for target populations by addressing health-related social needs (HRSN) through the Targeted Investments (TI) 2.0 Program, and
- Authority to reimburse Indian Health Services (IHS) and Tribal 638 facilities to cover the cost of adult dental services for American Indian/Alaskan Native (AI/AN) beneficiaries that are eligible for 100 percent FFP, that are in excess of the \$1,000 emergency dental limit for adult members in Arizona's State Plan, and that are in excess of the \$1,000 dental limit for individuals aged 21 or older enrolled in AHCCCS.

More details on Arizona's Section 1115 Waiver renewal approval (2022-2027), along with the proposal, approval letter, Special Terms and Conditions, and supplemental documentation can be found on the [AHCCCS Section 1115 Demonstration Waiver \(2022-2027\)](#) web page.

On June 6, 2023, CMS approved Arizona's application for continuous coverage for individuals determined ineligible for the Children's Health Insurance Program (CHIP) due to change of circumstances. This amendment will allow Arizona to align their policies for young adults in Medicaid and CHIP; thereby, prevent gaps in coverage during the COVID-19 Public Health Emergency (PHE) unwinding and redetermination period.

### *New Waiver Program Implementation Updates*

#### **Housing and Health Opportunities (H2O)**

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For many years, Arizona has prioritized housing and used State General Fund dollars to support rental subsidies for as many people as possible. If AHCCCS were a housing authority, it would be the third largest in the State of Arizona with an annual budget of \$29 million in non-Medicaid, state-only funds to provide rent subsidies for almost 2,500 AHCCCS members living with an SMI designation. AHCCCS and its contracted health plans have successfully leveraged this experience to expand the reach of housing opportunities, improve member health outcomes, and reduce overall health care costs.

Recognizing that stable housing is an important component of overall health, CMS approved the H2O Demonstration to strengthen outreach to vulnerable Medicaid members, including those experiencing homelessness, those living with an SMI designation, and young adults transitioning out of the foster care system. AHCCCS is now able to reimburse for up to six months of medically necessary transitional housing specifically for individuals transitioning out of institutional care or congregate settings such as nursing facilities, large group homes, congregate residential settings, Institutions for Mental Diseases (IMDs), correctional facilities, and hospitals; individuals who are homeless, at risk of homelessness, or transitioning out of an emergency shelter as defined by 24 CFR 91.5; and enhance those services that support a member's success in housing (e.g., tenant rights education, eviction prevention, housing transition navigation services, and medically necessary home modifications).

In accordance with STCs, AHCCCS has submitted to CMS and received approval for numerous H2O-related deliverables in preparation for the October 1, 2024, implementation.

On October 1, 2024, AHCCCS began implementation of the program with the most acute member populations, inclusive of members who are experiencing homelessness, living with an SMI designation, living with an active chronic health condition, or currently in a correctional facility with a release date scheduled within 90 days, or released from a correctional facility within the last 90 days. During this quarter, AHCCCS continued implementation efforts with the selected H2O Program Administrator, Solari Crisis and Human Services. AHCCCS worked in partnership with Solari on program readiness, which included receiving several documents that confirmed strategies for operational effectiveness. AHCCCS assisted Solari in discussions with the MCOs to establish necessary data sharing agreements and plans for the coordination of care for members.

Solari began contracting with H2O Providers and establishing the provider network. Solari created a [dashboard](#) that is available to the public, designed for program transparency for health plans, providers, members, and their families. Solari will continue to implement and make improvements to the dashboard with the goal of finalizing the resource by April 2025. AHCCCS and Solari worked in partnership with the Statewide Housing Administrator (SHA) to develop technical specifications that allow the SHA to pay rental assistance on behalf of an H2O-eligible member and turn the rental assistance payment into an invoice that the H2O-PA can transfer to a Medicaid claim to then submit to AHCCCS. These technical details were finalized and the first H2O-eligible member moved into housing in December 2024, with Medicaid paying the rent.

During quarter two, AHCCCS continued oversight of the H2O Program Administrator to ensure successful implementation of the H2O benefit and alignment with the H2O Implementation Plan and Protocols. Solari has determined over 500 members eligible for the H2O benefit, once the member is determined eligible they are connected to an H2O Provider to receive pre-tenancy services and access housing resources. The program has housed over 30 members to date. The Statewide Housing Administrator (SHA) has worked to establish partnerships with long term subsidy providers in order to ensure members have a seamless transition off of

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Medicaid short term rental assistance to a long term subsidy as long as there is a financial need. Partnerships include the Maricopa and Balance of State Continuum of Care Permanent Supportive Housing (PSH) programs, Mainstream voucher programs, and Housing Choice Vouchers with the City of Tucson. The SHA has established a process where the City of Tucson accepts a lease addendum in order to transfer the Housing Assistance Payment from Medicaid to the City of Tucson HCV program. This process will reduce the administrative work being conducted by the City of Tucson and free up system capacity where capacity and resources are a challenge.

The H2O Program Administrator continued to onboard new providers in the network, details can be found on the dashboard link above. The H2O Providers provide a 1:15 caseload ratio for vulnerable members to receive dedicated supportive housing services throughout the state of Arizona. These services are vital in helping members reduce recidivism in the justice system, decrease hospitalization, understand the terms of their lease and achieve housing retention.

The AHCCCS Housing team worked in partnership with the AHCCCS Quality Improvement (QI) team to build data tracking systems to assess how H2O benefits impact performance metrics, such as, HEDIS measures. Together, these teams developed data tracking systems to monitor health care outcomes and housing outcomes.

### Targeted Investments (TI) 2.0

On October 14th, 2022, CMS approved the five-year Targeted Investments 2.0 (TI 2.0) provider incentive program for the ACC and ACC-RBHA lines of business. Building upon the original program (TI 1.0), TI 2.0 aligns with AHCCCS' strategic plan and the Arizona Section 1115 Waiver to support and incentivize providers to develop and enhance comprehensive whole person care systems that effectively address social risk factors that adversely affect health. Eligible Medicaid provider organizations that meet certain benchmarks will receive financial incentives through the MCOs for developing infrastructure and protocols to optimize coordination of services designed to meet the member's physical health, behavioral health, and Health-Related Social Needs (HRSN) and improve disparate health outcomes that may exist among their member population.

A summary of the implementation activities AHCCCS conducted for the TI 2.0 program in Federal Fiscal Year (FFY) 2025 Quarter Two includes:

- Presented current and anticipated activities to support justice involved-individuals, including TI 2.0 justice clinics colocated with parole or probation, at Milbank's quarterly webinar in March,
- Solicited participant and stakeholder input related to closed-loop referral processes and the CommunityCares Closed-Loop Referral System, shared the feedback with the vendor, and discussed methods to prioritize and address concerns,
- Resumed a process for AHCCCS and Arizona State University (ASU) partners to review and provide feedback on TI 2.0 participants' NCQA Accreditation evidence prior to NCQA's official survey review,
- Further developed a portal, instructions, and templates to guide participants with new staff in evidence-based quality improvement projects (i.e. Targeted Investments Program Quality Improvement Collaborative, TIPQIC, projects ), including a project charter, process map, root cause analysis, and Plan Do Study Act (PDSA) report related to TI initiatives,

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- Updated machine learning algorithms to automatically score and provide feedback on the latest round of TIPQIC projects,
- Leveraged AI to create a [prototype](#) map of TI-participating locations that will provide valuable information and insights (e.g., integration status, services offered),
- Upgraded data dashboards for MCOs, Accountable Care Organizations (ACOs) and Clinically Integrated Networks (CINs), and participating providers to review aggregate and stratified (i.e. geography and preferred language) trends of their rolling 12-month performance on select NCQA Healthcare Effectiveness Data and Information Set (HEDIS) measures,
- Began soliciting input on NCQA HEDIS performance measures that will drive participants' payment in Year 4 and Year 5 of the program, including an assessment of AHCCCS' current performance (report period ending November 2024) and discussions to explore clinical data sharing to improve performance and technical assistance for digital quality measures,
- Engaged MCOs to understand and suggest recommendations to improve PCP assignment algorithms to ensure members are assigned to providers they are seeking care from (when applicable),
- Revised home-grown provider-organization attribution methodologies for primary care, justice involved adults, event based behavioral health, and member-based behavioral health measures,
- Supported participants with collecting and submitting milestone evidence and attestations via TI 2.0 Year 2 application portal,
- Led a Quality Improvement Collaborative where subject matter experts and provider peers discussed initiatives, goals, best practices, and challenges related to identifying and addressing food insecurity,
- Continued validating TI 2.0 application data with address, licensing, and other statuses maintained by CMS (National Plan and Provider Enumeration System), AHCCCS (provider enrollment), and Arizona Department of Health Services (ADHS-licensure),
- Continued drafting document validation criteria that will be used to identify minimum elements Y3 processes must include,
- Hosted more than 10 webinars related to the milestones, NCQA Accreditation, and general "office hours" to quickly clarify requirements and provide assistance,
- Updated the prototype customer relationship management (CRM) tool to organize and track participation in and engagement with the program,
- Collaborated with Contexture (Arizona's Health Information Exchange [HIE]) and ASU, Arizona Department of Health Services (ADHS), Arizona Department of Housing (ADOH), and other data sources to explore future demographic data enrichment strategies, opportunities to prepare for electronic clinical quality measurement (eCQM), and complement mutual initiatives such as implementing the closed-loop referral system (CommunityCares), providing housing support, increasing utilization of Community Health Workers, and Tobacco Cessation programming, and
- Refined TI requirements and addressed nuanced questions by engaging appropriate subject matter experts, such as Postpartum Support International for the postpartum behavioral health screening milestones, the Behavioral Health and Wellness Program and ADHS for the tobacco cessation milestones, health plans and ACOs for collecting and transmitting HRSN screening and referral data, health plans' cultural competency coalition for Culturally and Linguistically Appropriate Services (CLAS) standards milestones, NCQA Accreditation and milestones, and the Contexture and the CommunityCares teams for the HIE requirement and Closed-Loop Referral System (CLRS) milestones.

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## IHS/638 Tribal Dental Services

On October 14, 2022, the \$1,000 emergency dental services limit for American Indian or Alaska Native (AI/AN) members over 21 years of age, and the \$1,000 limit for AI/AN ALTCS members receiving services for medically necessary diagnostic, therapeutic, and preventative dental services at IHS/638 facilities was eliminated. This allows for reimbursement of medically necessary diagnostic, therapeutic, and preventative dental services for beneficiaries who are AI/AN, as long as the services are received at participating IHS facilities and/or Tribal 638 facilities.

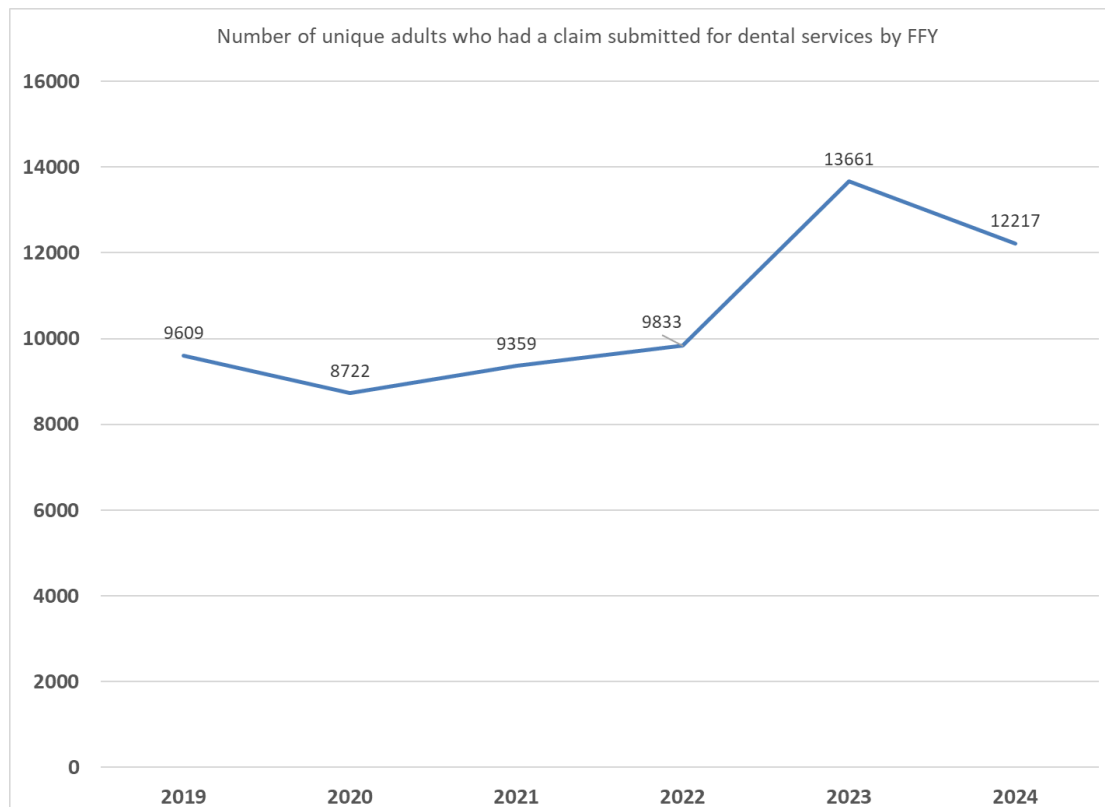
AHCCCS saw an increase in the number of unique individual adults who had one or more claims submitted on their behalf for dental services between FFY 2024 and FFY 2022. Data for FFY 2024 will remain incomplete until December 31, 2025, due to the one-year claim lag. Tribally owned and operated 638 organizations and Federal Indian Health Services Facilities have one year to submit claims.

The most common reasons for adult utilization of dental services in FFY 2024 include:

- Dental exam with cleaning,
- Dental caries, and
- Screening for dental disorders.

The chart below shows the number of unduplicated unique individuals who had a claim for dental services submitted on their behalf by FFY. To date, in Federal Fiscal year 2025, claims were submitted for 5,485 unique individuals for dental services.

**Figure 1: Number of Dental Claims by Federal Fiscal Year**





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### Parents as Paid Caregivers (PPCG)

The COVID-19 PHE necessitated innovative service delivery models to ensure members could continue to receive services while mitigating their risk of COVID-19 exposure. To address concerns raised by families and PHE impacts on the direct care workforce, AHCCCS received temporary approval to implement a COVID-19 Appendix K PHE flexibility waiver allowing parents to be reimbursed for the provision of the “extraordinary care” to ensure their child’s needs were met throughout the pandemic. On March 22, 2023, CMS approved a six-month extension of this waiver flexibility, allowing AHCCCS to continue the program until November 11, 2023, under the existing Appendix K authority.

Participating families and direct care worker (DCW) agencies expressed enthusiastic support for this waiver flexibility and urged AHCCCS to make the program permanent. On September 27, 2023, AHCCCS submitted a section 1115 Demonstration waiver amendment for the Parents as Paid Caregivers (PPCG) service delivery model requesting authority to reimburse parents for the provision of certain direct care services to their minor-aged children beyond the November 11, 2023, expiration date. The request maintained most of the parameters of the original PHE waiver. Only legally responsible parents of children enrolled in the ALTCS program qualify to participate in PPCG, and only the provision of medically necessary “extraordinary” care, including attendant care and habilitation services, would qualify for reimbursement.

The section 1115 waiver Demonstration amendment also established additional guardrails, which align with a similar long-standing service delivery model that the state has in place allowing spouses to receive reimbursement for services rendered. These included new parameters for PPCG participation, including a 40-hour (per child) per week cap on reimbursement for services provided by a parent. The waiver Demonstration amendment also established a Family Support Service as part of the home and community-based services (HCBS) benefit package to better support primary caregivers, including parents, and improve access to timely, effective care.

This proposal was informed by a robust public input process. In total, AHCCCS engaged 1,765 stakeholders, generated 849 pieces of written and verbal input through public forums and other community events, and resulted in 739 comments submitted through a public input email dedicated to the PPCG waiver. To enable negotiations to continue beyond the November 11, 2023, expiration date, CMS granted AHCCCS a second temporary extension of the State’s existing COVID-19 Appendix K authority through March 29, 2024, or through the proposal’s approval—whichever came first. AHCCCS received approval from CMS on February 16, 2024, for the PPCG Demonstration including the new family support service benefit. As part of the Waiver negotiation process, CMS asked AHCCCS to submit the state’s plan and timeline, for the 40-hour weekly reimbursement cap, for final approval prior to execution.

During the reporting period, AHCCCS continued implementation planning with the multi-stakeholder workgroup composed of family members, providers, MCOs, and AHCCCS personnel. The workgroup continued discussions and deliberations on the development of tools necessary to support the operationalization of the waiver requirements, including incorporating an extraordinary care test to the service assessment and considerations for the selection of the service model. The workgroup has leveraged national research and experience from other states that have implemented similar models.

The state plans to implement the waiver proposal in two distinct stages to comply with the STCs and the administration of safeguards/guardrails outlined. The first stage includes a timeline for caregivers to come

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into compliance with the 40-hour weekly reimbursement cap limit on parent-provided services. The second stage will entail full-scale implementation of administrative policies and procedures related to this service delivery model.

Internal data shows a significant growth in the number of parent providers being reimbursed for more than 40 hours per week of caregiving services. When AHCCCS submitted the permanent waiver proposal, 277 members were receiving over 40 hours of paid care from a parent with a total of 3,500 parents utilizing the model. By June 2024, approximately 6,100 parents were utilizing the model with a steady increase to over 750 parents consistently providing 40 or more hours of paid care in any given week. In total, there are roughly 1,800 parents who have provided more than 40 hours of paid care since the beginning of PPCG, most of whom have provided that level of paid care on an intermittent basis. The state plans to impose the 40-hour limit reimbursement cap for parent caregivers beginning July 1, 2025. To support the transition to alternate caregivers, AHCCCS (with input from the workgroup) has implemented plans, timelines, and communications to conduct extensive member, family, stakeholder, and case management engagement, notification, and education prior to the July 1, 2025, effective date.

Implementation of the second phase of the proposal (administrative policies and procedures) is slated for the fourth quarter of Calendar Year 2025. During the reporting period, AHCCCS engaged in planning and coordination activities to streamline this process for stakeholders. This large-scale effort will include enhancing the service assessment process to incorporate the addition of the extraordinary care test and service model selection tool, developing strategies to maximize member-driven decision-making and community integration as part of the person-centered service planning process, and updating caregiver oversight requirements for provider agency supervisory visits. This timeline takes into account opportunities for community engagement and public comment periods, provision of technical assistance for workforce development to provider agencies, and case manager training to support consistent and equitable use of these new tools and evaluation criteria.

AHCCCS will prioritize the development of the family support service after both phases of the PPCG implementation work plan have been fully implemented.

### KidsCare Expansion

On February 16, 2024, AHCCCS received approval from CMS on the KidsCare Expansion Section 1115 Demonstration Amendment Proposal to raise the CHIP, KidsCare in Arizona, eligibility thresholds from 200% of the FPL to 225% FPL with the flexibility for KidsCare coverage to go up to and include 300% FPL, subject to approval by the state legislature. The KidsCare Expansion Demonstration is in alignment with Senate Bill (SB) 1726 that was passed in May 2023 by Arizona's 56th Legislature. The expanded income limit was implemented effective March 1, 2024. Since KidsCare eligibility is prospective, the earliest effective date of eligibility for the expansion was April 1, 2024. The number of kids enrolled under the expanded income limit is reported monthly in the AHCCCS Population Highlights report found on the [population reports](#) page. Original estimates projected that an additional 9,700 children would become enrolled in KidsCare's expansion. However, the actual increase continues to significantly exceed expectations, with 21,130 enrolled children.

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## Traditional Healing

In partnership with the leaders of Tribal nations, AHCCCS received approval from CMS on October 16, 2024, to reimburse for traditional healing services provided through Indian Health Service (IHS) and Tribally-operated health facilities. This action is the culmination of nearly a decade of work and partnership. AHCCCS submitted the nation's first-ever request for traditional healing reimbursement through Medicaid in 2015, and again in 2020. Throughout this process, AHCCCS has engaged with traditional healers representing Tribal nations throughout the state.

The CMS approval will allow AHCCCS to establish processes and policies for reimbursement of services provided by traditional healers employed by or contracted with an IHS or Tribally-operated health center (commonly known as a "638 facility"). Additionally, traditional healers employed by or contracted with an Urban Indian Organization (UIO) may provide services through a care coordination agreement with an IHS/638 facility.

Once AHCCCS receives the necessary approval from the Arizona legislature, the agency will establish a timeline for implementation and notify members and providers of the effective date.

## Re-entry Services

On November 22, 2024, AHCCCS re-submitted an updated 1115 Waiver Reentry Demonstration Initiative application in the CMS Pre-Print Format along with the state's Budget Neutrality workbook to CMS. On December 27, 2024, AHCCCS received approval for this program from CMS. Approval of this Demonstration amendment provides expenditure authority for the coverage of certain services furnished to eligible incarcerated individuals for up to 90 days immediately prior to the individual's expected date of release. Furthermore, this approval also provides expenditure authority to the state to provide non-medical transportation (NMT) to and from health-related social needs (HRSN) services and home and community-based services (HCBS) for ALTCS eligible beneficiaries. A draft of the Reentry Demonstration Initiative Implementation Plan is currently in progress by AHCCCS.

## *New Demonstration Waiver Amendment Proposals*

### Former Foster Youth Annual Automatic Renewal

On March 28, 2023, AHCCCS submitted the Former Foster Youth Annual Automatic Renewal Demonstration Waiver proposal in alignment with House Bill 2622 passed by Arizona's 55th Legislature. This proposal seeks authority to waive the condition of eligibility in 42 CFR 435.608 requiring Medicaid beneficiaries to apply for other cash benefits for the Former Foster Youth (FFY) population. AHCCCS currently offers transitional medical care for children leaving foster care who are between the ages of 18 and 26. AHCCCS refers to this group as the Young Adult Transitional Insurance (YATI) population.

On December 3, 2024, AHCCCS submitted an amendment to this existing waiver application where the agency intends to 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

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are now applying for Medicaid in Arizona. The application is currently under review by CMS and negotiations with AHCCCS are underway. If approved, the amendment will run concurrently with AHCCCS' requested renewal period through September 30, 2027.

### **AHCCCS Works Waiver Amendment Request**

On March 28, 2025, AHCCCS re-submitted the AHCCCS Works Waiver Amendment Request in alignment with House Bill 1092 passed by Arizona's 55th Legislature in 2015. Pursuant to A.R.S §36-2903.09 and subject to approval from CMS, AHCCCS is required to pursue an 1115 waiver to:

1. Institute a work requirement for all "able-bodied adults" receiving Medicaid services,
2. Place on "able-bodied adults" a lifetime limit of five years of Medicaid benefits, and
3. Develop and impose meaningful cost-sharing requirements to deter both the nonemergency use of emergency departments and the use of ambulance services for nonemergency transportation or when it is not medically necessary.

On December 19, 2017, AHCCCS submitted a formal 1115 Waiver Amendment Request titled "AHCCCS Works." This amendment request would require non-exempt "able-bodied adults" between the ages of 19 and 55 to complete qualifying employment or educational activities for at least 20 hours per week to qualify for AHCCCS coverage.

On January 18, 2019, CMS approved Arizona's "AHCCCS Works" request where the Demonstration Special Terms and Conditions specified that the state would implement the AHCCCS Works requirement no sooner than January 1, 2020. Implementation work for the program began and then was later halted in October 2019 due to ongoing litigation of similar Medicaid Work Requirement 1115 Demonstration Waivers. This program was then further delayed by the Public Health Emergency (PHE) in January 2020. The approval and subsequent authority for AHCCCS Works was then rescinded by CMS on February 12, 2021.

On April 10, 2025, AHCCCS received confirmation from CMS stating that AHCCCS' waiver amendment request met the requirements for a complete amendment, as specified under STC 7. Furthermore, AHCCCS was informed that the 30-day federal public comment period for this request began on April 10, 2025. Once the federal public comment period has ended, AHCCCS will begin negotiations with CMS.

## **III. Operational and Policy Updates**

### *Legislative Update*

The 57th Arizona Legislature, First Regular Session, began on January 13th, 2025, and is ongoing at this time.

### *State Plan Update*

During the reporting period, the following State Plan Amendments (SPA) were filed and/or approved:

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**Table 1**

SPA #	Description	Filed	Approved	Eff. Date
<b>24-0015 Outpatient Differential Adjusted Payment (DAP)</b>	Establishes an outpatient differential adjusted payment (DAP) for FFY 2025.	11/18/24	1/7/25	10/1/24
<b>24-0018 Emergency Medical Transportation (EMT) Rates</b>	Updates the state plan EMT rates, effective October 1, 2024.	11/25/24	1/6/25	10/1/24
<b>24-0020 Outpatient Hospital Rates</b>	Updates the state plan Outpatient Hospital rates, effective October 1, 2024.	11/25/24	1/6/25	10/1/24
<b>24-0021 Other Provider Rates</b>	Updates the state plan Other Provider rates, effective October 1, 2024.	11/25/24	1/6/25	10/1/24
<b>24-0025 MSIC Rates</b>	This SPA updates the rates for the Multi-Specialty Interdisciplinary Clinic (MSIC) rates effective January 1, 2025.	12/30/24	1/13/25	1/1/25
<b>24-0026 Nursing Facility Rates</b>	Updates the state plan Nursing Facility Rates.	12/30/24	1/14/25	1/1/25
<b>25-0001 Clinic Services Four Wall Exception</b>	Updates the state plan to provide an exception of the Medicaid clinic services "four walls".	3/31/25	TBD	1/1/25

### IV. Evaluation Activities and Findings

#### Waiver Evaluation Update

CMS has approved the Evaluation Design for the legacy Section 1115 Waiver Demonstration Projects. A separate 1115 Waiver Evaluation Design was also created for the TI Program 2.0 and was submitted and received approval from CMS on October 3, 2024. Evaluation design plans for the two newly approved Waiver initiatives (i.e., Traditional Health Care Practices and In-Reach Services) are pending until further progress is made with receiving the appropriate state legislative authority.

With the assistance of its independent evaluator, Health Services Advisory Group (HSAG), Arizona submitted a final evaluation report of the COVID-19 CHIP flexibility to CMS on March 14, 2025. Arizona received initial feedback from CMS on April 8, 2025, and is working with HSAG on addressing CMS' comments.

### V. Consumer Issues

Table 2 summarizes advocacy issues received by the Office of Client Advocacy (OCA) for the quarter January 1, 2025, through March 31, 2025. The originators of the issues are identified in Table 3.

## Arizona's Section 1115 Waiver Demonstration Annual Report

**Table 2**

Advocacy Issues <sup>1</sup>	January	February	March	Total
<b>Billing Issues</b> <ul style="list-style-type: none"> <li>Member reimbursements</li> <li>Unpaid bills</li> </ul>	0	0	0	0
<b>Cost Sharing</b> <ul style="list-style-type: none"> <li>Co-pays</li> <li>Share of Cost (ALTCS)</li> <li>Premiums (KidsCare, Medicare)</li> </ul>	0	0	0	0
<b>Covered Services</b>	0	0	0	0
<b>ALTCS</b> <ul style="list-style-type: none"> <li>Resources</li> <li>Income</li> <li>Medical</li> </ul>	10	6	14	30
<b>DES</b> <ul style="list-style-type: none"> <li>Income</li> <li>Incorrect determination</li> <li>Improper referrals</li> </ul>	69	36	115	220
<b>KidsCare</b> <ul style="list-style-type: none"> <li>Income</li> <li>Incorrect determination</li> </ul>	0	0	0	0
<b>SSI/Medical Assistance Only</b> <ul style="list-style-type: none"> <li>Income</li> <li>Not categorically linked</li> </ul>	1	3	5	9
<b>Information</b> <ul style="list-style-type: none"> <li>Status of application</li> <li>Eligibility criteria</li> <li>Community resources</li> <li>Notification (Did not receive or didn't understand)</li> </ul>	27	42	11	80
<b>Medicare</b> <ul style="list-style-type: none"> <li>Medicare coverage</li> <li>Medicare Savings Program</li> <li>Medicare Part D</li> </ul>	1	3	0	4
<b>Prescriptions</b> <ul style="list-style-type: none"> <li>Prescription coverage</li> </ul>	2	1	0	3

<sup>1</sup> Categories of good customer service, bad customer service, documentation, policy, and process are captured under the category to which it may relate.

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Advocacy Issues <sup>1</sup>	January	February	March	Total
<ul style="list-style-type: none"> <li>Prescription denial</li> </ul>				
<b>Fraud-Referred to Office of Inspector General (OIG)</b>	0	0	1	1
<b>Quality of Care-Referred to Division of Health Care Management (DHCM)</b> <ul style="list-style-type: none"> <li>Health Plans/Providers (Caregiver issues, Lack of providers)</li> <li>Services (Equipment, Nursing Homes, Optical and Surgical)</li> </ul>	0	0	0	0
<b>Total</b>	<b>110</b>	<b>91</b>	<b>146</b>	<b>347</b>

**Table 3**

Issue Originator <sup>2</sup>	January	February	March	Total
<b>Applicant, Member or Representative</b>	70	64	82	216
<b>CMS</b>	7	1	2	10
<b>Governor's Office</b>	13	11	5	29
<b>Ombudsmen/Advocates/Other Agencies</b>	15	14	55	84
<b>Senate &amp; House</b>	5	1	2	8
<b>Total</b>	<b>110</b>	<b>91</b>	<b>146</b>	<b>347</b>

## VI. Performance Metrics

### Enrollment Information

Table 4 contains a summary of the number of unduplicated enrollees for January 1, 2025, through March 31, 2025, by population categories. The table also includes the number of voluntarily and involuntarily disenrolled members during this period.

**Table 4**

Population Groups	Number of Enrollees	Number Voluntarily Disenrolled	Number Involuntarily Disenrolled
<b>Acute AFDC/SOBRA</b>	1,150,496	3,832	71,727

<sup>2</sup> This data was compiled from the OCA logs by the OCA Client Advocate and the Member Liaison.

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Population Groups	Number of Enrollees	Number Voluntarily Disenrolled	Number Involuntarily Disenrolled
Acute SSI	218,735	222	5,706
Prop 204 Restoration	461,510	1,748	42,266
Adult Expansion	124,956	396	12,969
LTC DD	43,796	49	173
LTC EPD	29,292	15	1,830
Non-Waiver	145,595	279	11,410
<b>Total</b>	<b>2,174,380</b>	<b>6,541</b>	<b>146,081</b>

Table 5 is a snapshot of the number of current enrollees (as of April 1, 2025) by funding categories as requested by CMS.

**Table 5**

State Reported Enrollment in the Demonstration (as requested)	Current Enrollees
Title XIX funded State Plan <sup>3</sup>	<b>1,339,067</b>
Title XXI funded State Plan <sup>4</sup>	<b>56,725</b>
Title XIX funded Expansion <sup>5</sup>	<b>480,034</b>
• Prop 204 Restoration (0-100% FPL)	<b>417,266</b>
• Adult Expansion (100% - 133% FPL)	<b>62,768</b>
Enrollment Current as of	4/1/2025

### Individuals with SMI Opt-Out for Cause Report

Opt Outs by Month: Between January 2025 and March 2025, the number of requests made by a member with an SMI designation to Opt Out of the integrated RBHA for the delivery of physical health care services and receive these services from an ACC plan was one. This request was made in January 2025 .

<sup>3</sup> SSI Cash and Related, 1931 Families and Children, 1931 Related, TMA, SOBRA child and pregnant, ALTCS, FTW, QMB, BCCP, SLMB, QI-1

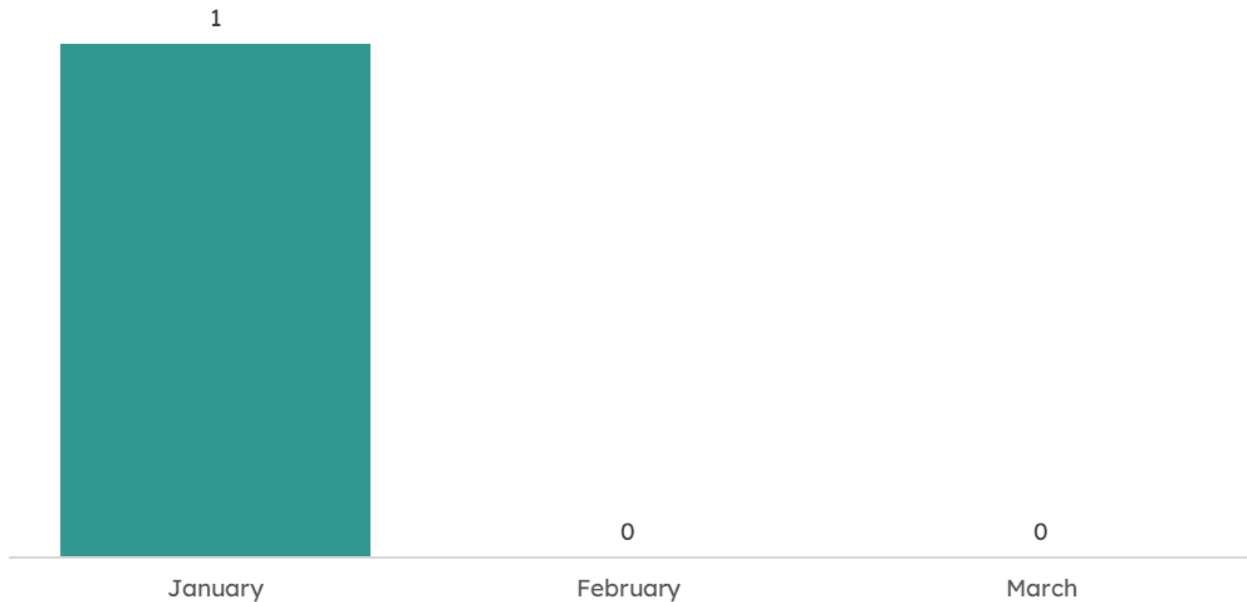
<sup>4</sup> KidsCare

<sup>5</sup> Prop 204 Restoration & Adult Expansion



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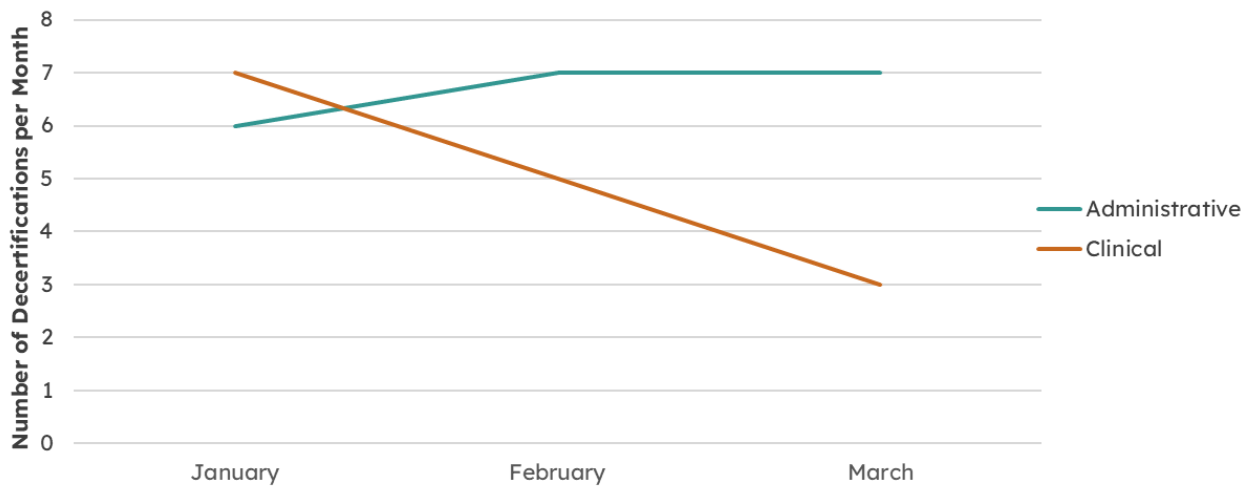
**Figure 2:**



**Figure 3:**

Decertification by Type per Month: Decertifications pertain either to a determination that an SMI member no longer meets the clinical criteria for eligibility as a person with SMI, or the member has requested a removal of an SMI designation under the administrative process based upon not having received behavioral health services for a period of 6 or more months. The decertification, also referred to as a removal of the SMI designation, results in changing the behavioral health category from reflecting as SMI to the general mental health eligibility category. There were a total of 20 administrative and 15 clinical decertifications completed between January 2025 and March 2025.

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### Quality Assurance/Monitoring Activities

#### Introduction

This report describes AHCCCS' quality assurance and monitoring activities that occurred during the quarter, as required in the Special Terms and Conditions of the Arizona Section 1115 Waiver. This report highlights activities related to delivery system initiatives, innovations, and improvements as well as Managed Care Organization (MCO) monitoring and compliance.

#### Managed Care Programs

AHCCCS maintains overall objectives for its Managed Care Demonstration programs, AHCCCS Complete Care (ACC), ACC plans with Regional Behavioral Health Agreements (ACC-RBHAs), Arizona Long Term Care System (ALTCS) for the Elderly and/or Physically Disabled (EPD) and Developmentally Disabled (DD), and the Comprehensive Health Plan for children in the foster care system (CHP). These objectives include maintaining and improving care coordination among primary care and behavioral health providers; maintaining and enhancing access to care and quality of care; improving health outcomes and member satisfaction as well as quality of life for members; and continuing to operate as a cost-effective managed care delivery model. AHCCCS has engaged in a multi-year effort to reduce delivery system fragmentation at all levels through the transformational initiative of integrating physical and behavioral health services under the same MCO to enhance care management and quality of care across the entire continuum of care. AHCCCS' objectives are further supported by evidence of integration's benefits (including whole-person care, increased care coordination, simplifying a complex health care system for members and providers, and resulting in improved health outcomes). AHCCCS is continually reviewing opportunities to improve the effectiveness and efficiency of Arizona's health care delivery system, as well as the methods utilized to promote optimal health for members.

AHCCCS currently holds contracts with MCOs as outlined in the table below.

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**Table 6**

MANAGED CARE ORGANIZATION (MCO)	GEOGRAPHICAL SERVICE AREA (GSA)			
	LINE OF BUSINESS	CENTRAL <i>MARICOPA, GILA, PINAL EXCLUDING ZIP CODES 85542, 85192, AND 85550</i>	NORTH <i>MOHAVE, COCONINO, APACHE, NAVAJO, YAVAPAI</i>	SOUTH <i>COCHISE, GRAHAM, GREENLEE, LA PAZ, SANTA CRUZ, YUMA INCLUDING ZIP CODES 85542, 85192, AND 85550</i>
Arizona Complete Health-Complete Care Plan	ACC & ACC-RBHA	X (ACC Only)	X	X
Mercy Care	ACC & ACC-RBHA	X		
Banner University Family Care	ACC	X		X
Health Choice Arizona	ACC	X	X	
Molina Healthcare	ACC	X		
UnitedHealthcare Community Plan	ACC	X		PIMA COUNTY ONLY
Banner University Family Care	ALTCS-EPD	X		X
Mercy Care	ALTCS-EPD	X		PIMA COUNTY ONLY
UnitedHealthcare Community Plan	ALTCS-EPD	X	X	
Department of Economic Security/Division of Developmental Disabilities	ALTCS/DDD	X	X	X
Department of Child Safety, Comprehensive Health Plan	DCS/CHP	X	X	X

### Delivery System Initiatives, Innovations, and Improvements

AHCCCS is committed to the development of a thoughtful, data-informed delivery system that incorporates CMS priorities and AHCCCS' business needs and promotes optimal health outcomes for all members. Throughout AHCCCS, various teams undertake extensive efforts to promote delivery system innovation and improvement for internal and external processes.

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## Initiatives

### ***American Rescue Plan (ARP) Act***

In January 2022, CMS granted approval of Arizona's ARP Act of 2021 (Pub. L. 117-2) HCBS Spending Plan. This allowed the Agency to begin implementing activities outlined in the Spending Plan and to qualify for a temporary 10 percentage point increase to the federal medical assistance percentage (FMAP) for certain HCBS Medicaid expenditures, provided such funds are expended during the approved timeframe. As of March 31, 2025, AHCCCS completed all HCBS Spending Plan activities. AHCCCS is working to submit a close-out report to CMS detailing final expenditure amounts and lessons learned.

Arizona identified two critical priorities in its Spending Plan: (1) Strengthening and Enhancing Arizona's HCBS System of Care; and (2) Advancing Technology to Support Greater Independence and Community Connection. Each activity identified in the State's Spending Plan supported these priorities. Further, the State's Spending Plan activities were designed to support transformational change of the delivery system, which led to enhancements in care delivery to individuals who were accessing general mental health and substance use disorder (SUD) services. Arizona identified four key populations at the center of the efforts outlined in the spending plan, specifically seniors, individuals living with disabilities, individuals living with an SMI designation, and children with behavioral health needs.

Since CMS approval, AHCCCS worked to implement and operationalize activities detailed in the ARP HCBS Spending Plan.

The following highlight major activities completed by AHCCCS using ARP funds:

#### **1. Release of One-Time Payments to Support the HCBS Workforce**

AHCCCS obtained expenditure authority from the Arizona Legislature to release one-time directed payments to providers for the purposes of strengthening their workforce and enhancing HCBS. AHCCCS dispersed directed payments to eligible providers for 2022, 2023, and 2024 during the ARP Spending Plan period. Payments for eligible providers were dispersed by the health plans. For FFS providers, these payments were dispersed by AHCCCS. AHCCCS has also initiated audits of select eligible providers receiving directed payments in CY 2022. The State will continue to complete audits of select eligible providers who received funds in CY 2023 and CY 2024.

#### **2. Implementation of Activities to Strengthen and Enhance the Workforce**

AHCCCS partnered with Arizona's community colleges on two initiatives intended to improve the capability and commitment of the HCBS health care workforce. The first partnership; the Career, Education and Training (CET) initiative offered scholarships and tuition assistance for students in over 40 eligible healthcare degree and certificate programs throughout Arizona as well as an in-service training curriculum development component for the Long Term Services and Supports (LTSS) and Behavioral Health workforces. To coordinate the activities for the participating community college districts, AHCCCS contracted with Maricopa County Community College District (MCCCD), who partnered with five other community college districts in the state, to assist with disbursement of scholarship and tuition assistance funds. MCCCD and AHCCCS also worked together to develop the needed curriculum for in-service training programs for HCBS providers.

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The second partnership, referred to as the Behavioral Health Program Expansion initiative, was the result of legislation (HB2691) that required AHCCCS to partner with MCCCDC and Northern Pioneer Community College in Navajo County (NPC) to bolster participation in behavioral health academic education and training programs. AHCCCS worked with both MCCCDC and NPC to disperse scholarships and tuition assistance for students and working professionals enrolled in behavioral health programs.

Community Colleges began distributing funds in September 2023 for students enrolled in eligible programs. Participating students needed to commit to work requirements as a condition of scholarship receipt. The CET scholarship and tuition assistance program requires students to attest that they intend to serve as HCBS providers upon completing their education. HB2691 requires students participating in the Behavioral Health Expansion Project to commit to working for a minimum of two years or the length of their financially supported AHCCCS Scholarship, whichever is longer. Both CET and HB 2691 scholarship programs were completed on September 30, 2024.

AHCCCS worked on several other initiatives related to workforce development. This included the implementation of a Differential Adjustment Payment (DAP) to providers for the development of a workforce plan. In addition, AHCCCS worked with a third-party contractor to assess potential data sources for the development of a workforce database. AHCCCS conducted a preliminary review of the available data and conducted analysis of the State's workforce data. All these activities were completed on September 30, 2024.

Finally, AHCCCS partnered with several contractors to provide training and curriculum development support. These partners included Arizona State University (ASU), the University of New Hampshire's National Center of START Services, and the Association for Talent Development (ATD). As of September 30, 2024, AHCCCS has completed their training programs.

### **3. Support of Partnerships with Sister Agencies**

AHCCCS partnered with the Arizona Department of Economic Security (DES) for several ARP HCBS Spending Plan initiatives. These activities include enhancements to the Disability Benefits website, creation of a central employment repository, and support for the abuse and neglect awareness campaign.

AHCCCS partnered with the Department of Economic Security, Division of Developmental Disabilities (DES/DDD) for several key initiatives outlined in the Spending Plan. This included development of training modules, such as positive behavior support and dual diagnosis support for DES/DDD providers. DES/DDD began dispersing incentive payments to providers who successfully completed the trainings. All payments were dispersed by March 31, 2025.

### **4. Modification and Review of Systems**

AHCCCS partnered with NTT Data Services to do a review of the State's Client Assessment and Tracking System and Quality Improvement System. NTT conducted a review and offered

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recommendations for next steps. AHCCCS began to integrate some of their recommendations in their system.

AHCCCS also partnered with Pipeline AZ to develop a Caregiver Career Development Pathway (Pathway) program. Pathway is designed to encourage individuals to begin a career as a DCW and guide them down their ideal career path through site tours, training, financial resources, etc. AHCCCS also dispersed DAP funds to providers who participated in Pipeline AZ.

Finally, AHCCCS developed a standalone portal for the preadmission screening and resident review (PASRR) program. AHCCCS partnered with a vendor to develop and integrate the portal into existing AHCCCS systems. AHCCCS has also completed internal trainings on this portal.

As of March 31, 2025, AHCCCS has completed all activities for the modification and review of systems.

### 5. Implementation of Other ARP HCBS Initiatives Included in the Spending Plan

The following activities were completed by AHCCCS during the ARP Spending Plan:

- AHCCCS partnered with ADvancing States to complete several Spending Plan initiatives. These initiatives include: 1. An analysis on Social Isolation; 2. Research and review of other state's approaches to remote technologies; and 3. Technical assistance for the Freedom to Work program. ADvancing States also provided support to consider alternative regulatory approaches for AHCCCS' consideration to support the DDD population. AHCCCS received final recommendations and reports from ADvancing States on September 30, 2024.
- AHCCCS completed provider rate surveys for the HCBS, behavioral health, and developmentally disabled providers.
- AHCCCS partnered with Public Consulting Group (PCG) to administer their ARP Program Awards. These awards allowed providers to make key program and infrastructure investments. AHCCCS granted 61 awards totaling approximately \$17M in August 2023. AHCCCS worked with PCG to continually monitor Program Award activities. PCG and AHCCCS have audited all recipients receiving Program Awards to ensure that ARP Program Awards were used appropriately.
- AHCCCS partnered with several vendors to support initiatives included in the Spending Plan. These activities include development of HCBS Settings Rules trainings, implementation of an environmental scan to assess existing behavioral health services, continued research on remote technology options for the State's consideration, and review of a member's experience receiving HCBS services across various agencies in the state. AHCCCS received final deliverables from vendors responsible for each of these activities on September 30, 2024. The State reviewed recommendations from the vendors and will work to determine how recommendations can inform future activities in the state.
- AHCCCS partnered with a vendor to conduct standalone assessments of current program activities. This included a review of remote technology options for the HCBS population, which builds off the environmental scan completed by ADvancing States, a review of workforce data based on a survey conducted by AHCCCS health plans, a multi-agency review

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of HCBS member services across the State, and an evaluation to determine and identify opportunities to implement Program of All-Inclusive Care for the Elderly (PACE) in Arizona. All work has been completed as of September 30, 2024.

### ***Behavioral Health Clinical Chart Audits (BHCCA)***

MCOs are required to conduct a Clinical Chart Audit of the behavioral health care provided to their members. During quarter two, MCOs were informed of their results after the AHCCCS Integrated System of Care (ISOC) team conducted a thorough analysis of all the data and written reports that were submitted by the due date of October 15, 2024. The MCOs are contractually required to submit data and written analysis for each of the four sections of the BHCCA. MCOs are required to report the aggregate score for each audit section, along with a written analysis of strengths and areas for improvement. The threshold for a passing score for each section is 85%. Passing section scores are based on the number of individual elements receiving scores at 85% or above. Element compliance is based on whether the providers met regulatory requirements and scores, based on three response options of “yes”, “no”, or “n/a”. The “n/a” option is based on age parameters (above or below age 18) for a very limited number of elements. The BHCCA sections and required number of elements is below:

- Assessment: 22 elements
- Service Plan: 9 elements
- General Clinical Chart: 16 elements
- Cultural Competency: 3 elements

The table below provides BHCCA section scores by MCO. Overall results indicate that the MCOs scored above the threshold of 85% in most instances. Slightly lower scores are evident for the MCOs providing Long Term Care services for the Elderly/Physically Disabled population. This may be attributable to differing models of care and requirements for behavioral health service delivery.

MCO	Assessment Section Aggregate Score 23 Elements	Service Plan Aggregate Score 9 Elements	General Clinical Chart Aggregate Score 16 Elements	Cultural Competency Aggregate Score 3 Elements	Overall Audit Score All Sections
AzCH ACC & RBHA	93.2	94.2	86.5	98.4	91.9
Banner ACC	87.7	89.8	82.1	98.2	87.4
Banner LTC EPD	86.2	91.8	82.7	100	90.1
BCBS Health Choice	95	93.2	89.9	97.5	93.5
Care1st ACC & RBHA	98.6	96	90.3	97.4	95.9
DCS CHP	98.2	96.9	84.9	100	94.4
DDD Mercy Care	96.3	89.9	87.3	98.4	92.9
DDD United	96.7	98.1	94.5	100	96.6

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Mercy Care ACC	96.3	89.9	87.3	98.4	92.9
Mercy Care RBHA	97.1	91	89.2	99.7	94.1
Mercy Care LTC EPD	88.2	71.5	77.5	95.1	82.7
Molina	96	96.9	85.6	94.7	93.4
United ACC & EPD	90.5	98.4	88.5	100	92.2

The ISOC team conducted a more in-depth analysis of the MCOs' section scores, with a particular focus on the General Clinical Chart section, due to the observable trend for lower average scores for each MCO. The General Clinical Chart section focuses on overall service delivery activities for the members that differ from the specific requirements within the assessment and service plan sections. When the average section scores across all MCOs are calculated, they are as follows:

Behavioral Health Clinical Chart Audit Section	Average Section Score	Total Number of Elements Per Section	Total Number of Providers Scoring Below 85% Threshold
Assessment Section	93.8	23	334
Service Plan	92.1	9	221
General Clinical Chart	86.6	16	456
Cultural Competency	98.2	3	26

General Clinical Chart requirements focus on activities including but not limited to: (a) service referrals and delivery based on member voice and choice, (b) adherence to service time frame requirements, (c) crisis and safety planning, (d) screenings to identify children and adults needing higher levels of care and enhanced case management, (e) options to utilize peer/family support services, and (f) transition to adulthood. Based on the above table, there were fewer elements (16) comprising the General Clinical Chart Audit section than each of the other three sections, yet there were more providers (456) that did not meet the minimum 85% threshold. In general, providers were least likely to meet the 85% threshold for the following BHCCA elements:

- Ensuring member voice and choice,
- Ensuring members receive information on peer and family support,
- Meeting service delivery time frames,
- Completion of CALOCUS screening to ensure children were identified who met criteria for high needs case management, and subsequent assignment of a high needs case manager based on CALOCUS Level of Care,
- Identification of members with an SMI designation and as appropriate, subsequent identification of those members needing special assistance,
- Addressing the needs of youth transitioning to adulthood, and
- Evidence of collaboration across system partners and providers to meet member needs.

To improve member outcomes, as evidenced by BHCCA results, the ISOC team is in the process of revising multiple elements and structural aspects of the audit. First, more details are being added to policy and contract. The goal is to provide greater specificity of minimum expectations that are guided by regulation and evidence-based practice (EBP). MCOs will be required to follow these enhanced expectations to ensure their



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contracted providers meet quality of care standards and improved member outcomes. The BHCCA will also be realigned to more closely parallel nationally recognized audit practices. The goal is to finalize updates for the upcoming contract cycle, beginning October 1, 2025.

### ***Child Adolescent Level of Care Service Intensity Utilization System (CALOCUS)***

CALOCUS is a standardized assessment tool that provides determination of the appropriate intensity of services needed by a child or adolescent and their family, and guides provision of ongoing service planning and treatment outcome monitoring in all clinical and community-based settings. Regarding CALOCUS activities during quarter two, AHCCCS worked on communication with providers regarding the new contract with the American Academy of Child and Adolescent Psychiatry (AACAP) to conduct all training for the assessment. AHCCCS updated provider materials and instructions for accessing the training and presented them at Workforce Development provider meetings. This supported sunsetting the previous training and moving all providers into the new learning management system to complete the CALOCUS training.

### ***Child and Family Team Practice***

AHCCCS has continued its efforts to improve Child and Family Team (CFT) practice in quarter two. The Workforce Development Alliance collaborated with AHCCCS to develop the content for Child and Family Team stakeholder trainings designed to help families, child-serving agencies and others that may be included in a child and family team. The focus is to assist family members to increase understanding of their roles, as well as the role of the CFT facilitator within CFT practice. AHCCCS collaborated with the Arizona's Association of Health Plans Workforce Development on obtaining the training software; Articulate. During quarter two, the development of stakeholder training with the Articulate software began to create interactive self-paced online learning modules.

AHCCCS continues to work with the National Wraparound Implementation Center (NWIC), a nationally recognized evidenced based program, to implement high fidelity Wraparound for members that qualify for high needs case management. In quarter two, AHCCCS paid NWIC to train three cohorts of high needs case management in high fidelity Wraparound. AHCCCS plans to utilize the Wraparound model to increase the quality of CFT practice for members with the greatest needs, especially for those who are at risk for out-of-home placement. AHCCCS' work with NWIC includes a study of the current behavioral health system. In quarter two, AHCCCS and NWIC completed a series of family focus groups to obtain feedback from members regarding the behavioral health system and hosted the final four focus groups in March. These focus groups will result in a report from NWIC on success and barriers families have experienced in receiving behavioral health services. AHCCCS expects to receive this final report in quarter four.

Additionally, AHCCCS is working to implement a preventative coordination of care model called FOCUS, which is another evidence-based model. The use of FOCUS will provide additional support and intervention to children and families with moderate needs, prior to children being identified as at risk for out-of-home placement. Utilization of both Wraparound and FOCUS will create a system that targets the intensity of care coordination based on the needs of the child and family, while also creating advancement opportunities for care coordination staff. In quarter two, AHCCCS paid to train two cohorts of care coordination staff in the

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FOCUS model. AHCCCS has also identified Arizona's Association of Health Plans Workforce Development Administrators that need to be trained in the FOCUS model, to add this training into the current structure for training Child and Family Team facilitation.

In quarter two, AHCCCS and NWIC continued to work on a dual plan approach to identify fidelity measures and sustainability for both Wraparound and FOCUS.

### ***Clinical and Operational Significant Policy Changes***

In quarter two, AHCCCS completed the following significant policy changes:

1. ACOM Policy 325, Targeted Investments 2.0 Program, was updated to align with CMS state directed payments preprint requirements, clarification was added surrounding receipt of funds and payment details and added a reference to the monthly Targeted Investments Justice Referral Report.
2. AMPM Policy 320-V, Behavioral Health Residential Facilities, was updated to provide clarity surrounding the prior authorization requirements for medically necessary behavioral health services that are not provided by the Behavioral Health Residential Facility (BHRF) including strengthening expectations for documentation, admission assessment, and treatment planning. Policy was also revised to state that BHRF providers are prohibited from requiring members to change providers of choice as a condition of admission or continued participation in treatment. Policy was also revised to strengthen expectations for BHRF treatment planning and continued stay expectations.
3. AMPM Policy 710, School Based Claiming Program, was updated to provide clarification regarding Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) advising that routine vision and Hearing screening are not required to be present in an Individualized Education Plan (IEP), Individualized Family Service Plan (IFSP) or other medical plan of care but must be documented in the student's medical record. The Policy was also updated to align with Arizona Department of Health Services (ADHS) licensure requirements to remove the requirement of direct supervision for American Speech Language Hearing Association (ASHA) certified Speech Language Pathologist (SLP) who have a temporary license from ADHS.

### ***Collaboration with Arizona Department of Education (ADE) and Arizona Department of Health Services (ADHS) for Accessing Behavioral Health Services in Schools***

The AHCCCS Behavioral Health in Schools (BHIS) Program, in partnership with the Arizona Department of Education (ADE), has made notable advancements in expanding mental health services for students. Project AWARE (Advancing Wellness and Resilience in Education) is a SAMHSA funded grant awarded to ADE. Project AWARE II (2021-2026) has been instrumental in addressing these gaps, focusing on building lasting infrastructure and increasing capacity for mental health services in schools. Between January and March 2025, 1,199 students were referred for behavioral health services, with 768 (64%) successfully accessing care. Additionally, 810 individuals—including mental health professionals, school personnel, students, parents, and community members—received training on mental health practices and prevention strategies.

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The depletion of the Children's Behavioral Health Services Fund (CBHSF) in May 2024 has left a significant gap in funding for school-based mental health services, demonstrating the urgent need for its renewal. Between January and February 2025, 1,575 students were referred for services, and of those, 833 would have qualified for CBHSF funding.

A key area of collaboration is the Youth Mental Health Steering Committee, which brings together AHCCCS, ADHS, and Project AWARE representatives on a quarterly basis to strengthen statewide mental health initiatives. This committee plays a key role in planning and facilitating meetings to address pressing mental health needs among Arizona's youth. In February 2025, the committee held an in-person meeting to review and refine a rubric for evaluating train-the-trainer curriculums, with a particular focus on parent engagement through a trauma-informed lens. This ongoing collaboration reflects a shared commitment to building a sustainable and community-driven mental health system in Arizona.

### ***Targeted Investments Program(s)***

On October 14th, 2022, CMS approved the five-year Targeted Investments 2.0 (TI 2.0) provider incentive program for the ACC and ACC-RBHA lines of business. Building upon the original program (TI 1.0), TI 2.0 aligns with AHCCCS' strategic plan and the Arizona Section 1115 Waiver to support and incentivize providers to develop and enhance comprehensive whole person care systems that effectively address the social risk factors that adversely affect health. Eligible Medicaid provider organizations that meet certain benchmarks will receive financial incentives through the MCOs for developing infrastructure and protocols to optimize coordination of services designed to meet the member's physical health, behavioral health, and Health-Related Social Needs (HRSN) and improving disparate health outcomes that may exist among their member population. In closing out the TI 1.0 program and continuing to lay the foundation for future years of the TI 2.0 program during quarter two, the following quality assurance activities were established and conducted:

1. AHCCCS launched the TI 2.0 Year 2 application portal and assisted the participating providers with preparing and uploading evidence of meeting Y2 milestones. AHCCCS will audit these documents in the coming months to reward providers committed to high-quality work.
2. AHCCCS performed a comprehensive audit of all year 1 applications to confirm only qualified providers will participate in the program and earn incentive payments.
3. AHCCCS and State University contractors drafted a measure slate that drive TI 2.0 participants' Year 4 and Year 5 incentive payments. This included indicating alignment with other quality measure stewards, calculating real-time performance (report period ending 11/1/2024) for the AHCCCS Aggregate and TI-attributed populations, and preparing participants and MCO partners to provide feedback.
4. AHCCCS reviewed and approved the MCO deliverables delineated in ACOM Policy 325 and the AHCCCS website: monthly PCP Assignment files demonstrating adherence to AMPM Policy 510 PCP Assignment and the ACOM Policy 325 requirements for the MCOs to reconcile the member's

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assigned PCP with the provider that renders services to the member or, when there is no utilization to inform the reconciliation, a PCP near the member's home residence; monthly justice referral lists of justice-involved members referred to the participating justice clinics to ensure compliance with ACOM Policy 325 requirements that encourage MCOs to refer individuals to TI 2.0 justice clinics that partner with criminal justice agencies (e.g., probation, parole, jails, courts) to engage, screen, and coordinate treatment that assist individuals with reentering the community and reduce individual's interactions with the justice system; a list of TI contacts that serve as a liaison between AHCCCS, providers, and MCOs for VBP arrangements, PCP assignment concerns, and justice reach-in; and TI Payment Distribution reports to verify each MCO followed AHCCCS guidance for the state directed payment program and identify uncleared checks that warrant a new payment medium.

5. AHCCCS continued to design a new deliverable requiring MCOs to submit a supplemental encounter file with any no-pay claim lines that are not encountered to AHCCCS. This includes two non-pay HCPCS codes that identify the outcome of HRSN screening and, as appropriate, referral status. Only one MCO was not already encountering this data to AHCCCS.
6. AHCCCS contractors led a Quality Improvement Collaborative meeting with the TI 2.0 participants and stakeholders. In February's session, an academic subject matter expert highlighted the relevance of malnutrition to an individual's physical and mental health, and a TI 2.0 participating provider's related operations to identify and address food insecurity. As specified in ACOM Policy 325, MCOs are incentivized to attend these meetings to provide the payer perspective, immediately address provider concerns related to TI-initiatives, and discuss ideas to improve related activities.
7. AHCCCS continues to develop federally-required program metrics and monitoring protocols with CMS. As specified in the Arizona Section 1115 Waiver Special Terms and Conditions (STCs) this includes: TI 2.0 Incentivized Metrics and Funding Protocols, the New Initiatives Implementation Plan, DSHP Metrics and Monitoring Protocols and subsequent quarterly reports, Arizona Section 1115 Waiver Program Evaluation Design and subsequent quarterly-until-annual reports, and Annual Pre-Prints as described in 42 CFR 438.6(c)(1)(i) through (c)(1)(ii) and (c)(1)(iii)(B) through (D).

### **Innovative Approaches and Continuous Quality Improvement**

#### ***Data Dashboards***

In alignment with strategic and Health Information Technology (HIT) planning goals for transparency into delivery system performance, AHCCCS continues its efforts with the state's Health Information Exchange (HIE), Contexture, to develop and publish public-facing delivery system utilization dashboards. To date, the partnership with Contexture resulted in three public-facing dashboards (COVID-19 Immunizations, Emergency Department Visits, and Hospital Inpatient Admissions) being published to the AHCCCS website in CYE 2024 and a fourth dashboard ([Telehealth Utilization](#)), completed and published in the second quarter of 2025. AHCCCS also is continuing with the internal development of additional public-facing dashboards. To date, an AHCCCS Eligibility Determinations dashboard was published in CYE 2024 with two additional dashboards, AHCCCS Demographics and AHCCCS Provider Enrollment, projected to be published in quarter three and quarter four 2025, respectively.

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## ***Electronic Visit Verification***

On February 2, 2025, AHCCCS announced that effective October 1, 2025, it has decided to bring EVV in-house and build an EVV aggregator. This means that AHCCCS will not be re-soliciting for an EVV vendor after the contract with Sandata expires on September 30, 2025. AHCCCS is currently contracted with Sandata to serve as both an EVV vendor and to perform EVV aggregator services. The decision included considerations related to streamlined EVV oversight and management, long-term sustainability of a single EVV aggregator, and provider choice of EVV vendors. To further support providers with this transition, AHCCCS held a webinar on February 18, 2025, to explain this change in more detail and answer questions. A subsequent Frequently Asked Questions (FAQ) document was released on March 20, 2025. Additional questions from stakeholders are being tracked for future iterations of the FAQ as more technical information about the transition to the state aggregator becomes available.

## ***Whole Person Care***

The AHCCCS Whole Person Care Initiative (WPCI) is AHCCCS' next step in integrated care and is focused on improving Health-Related Social Needs (HRSN) of members. WPCI includes the following areas of focus: improving member connection to services for housing/homelessness, food insecurity, transportation, employment, utility assistance, social isolation/social support, interpersonal and physical safety, justice/legal involvement, access to safe outdoor spaces, and screening and referring members to HRSN utilizing the Statewide Closed-Loop Referral System (CLRS). This quarter's updates for a few of these key areas are described below.

### ***1. Whole Person Care - Employment***

A fundamental area of focus in whole person care is to improve member access to pre- and post-employment and services, especially for members with an SMI designation as AHCCCS maintains an Interagency Service Agreement (ISA) with the Department of Economic Security/Rehabilitation Services Administration (RSA/VR) Vocational Rehabilitation (VR) program that provides specialty services and supports for members with SMI designations. During quarter two, AHCCCS worked on developing a plan to capture employment statuses on enrolled members with SMI designations to comply with AZ 2024 Senate Bill 1311 requirements; this plan is currently in review. AHCCCS also worked with the Southwest Institute for Research on Women (SIROW) at the University of Arizona to create and record a training video on Medicaid employment services for an audience of housing service providers doing direct service delivery, such as outreach workers, housing navigators, housing case managers, and shelter workers.

### ***2. Whole Person Care - Housing/Homelessness***

During quarter two, the AHCCCS Housing team continued efforts to implement the Housing and Health Opportunities (H2O) Program. The team worked in partnership with the H2O Program Administrator to ensure successful implementation of the H2O program, in alignment with the H2O implementation plan and protocols. The H2O Program Administrator published a public dashboard

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that assists oversight and assessing program health daily. The H2O program continued to assist eligible members with accessing HRSN services, by the end of the quarter 22 members had moved into housing using the H2O benefit. The AHCCCS Housing team also continued to meet with external stakeholders to discuss partnership with Public Housing Authorities and the HUD Continuum of Care programs to establish long-term subsidies that H2O eligible members can transition to once the six months of short-term rental assistance under the H2O Program is coming to an end. The program has experienced an impact in AHCCCS' ability to drive the discussion further at a system level, given notice we are unable to meet with HUD state contacts at this time. We continue to follow up and the Statewide Housing Administrator continues to meet regularly with the state Public Health Authority (PHA) contacts.

Additional activities this quarter include the following:

- The AHCCCS Housing team continued progress with the Bower Park Transitional Housing project, which will provide 50 transitional housing beds to members with an SMI designation. Construction began and the AHCCCS Housing team worked with the provider to update their project plan, which included recommendations for policies to be created prior to opening. The construction is scheduled to be completed by the end of April 2025 and scheduled to open in June of 2025.
- The AHCCCS Housing team continued progress supporting the Data Warehouse Enterprise for Linkage Arizona (DWEL-AZ) initiative. This project seeks to combine relevant data sources to coordinate efforts and resources supporting members who are experiencing homelessness. The AHCCCS team helped facilitate connections with Contexture, the state designated HIE, to identify data sharing capabilities for the HIE and the DWEL-AZ initiative.
- The AHCCCS Housing team continued to hold regular meetings with the MCO's housing liaisons to provide oversight of contractual obligations to provide community-based supportive services to eligible members, especially those the MCO is aware are experiencing homelessness. The AHCCCS Housing team receives a quarterly supportive housing deliverable from each MCO. The report is reviewed, and feedback provided to the MCOs to improve and coordinate member access to housing-related supportive services for eligible members.

### **3. Whole Person Care – Justice Initiatives**

AHCCCS conducted multiple meetings with justice-involved stakeholders throughout the state related to the requirements of the Consolidated Appropriations Act (CAA) in addition to collaborating with various divisions within AHCCCS to create the CAA implementation plan. AHCCCS continues to conduct regular internal and external meetings to operationalize a phased-in system implementation approach to the requirements. AHCCCS continues to actively take steps toward phase one implementation of the CAA with the Arizona Department of Juvenile Corrections (ADJC). An ISA was recently reviewed and renewed specific to expectations to facilitate AHCCCS member

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data with ADJC inmate population data for enrollment suspension. Children's System of Care is coordinating with the clinical services director to ensure youth at the facility are appropriately screened with the Child and Adolescent Level of Care/Service Intensity Utilization System Assessment tool to ensure members are receiving the services that best meet their needs. Integrated System of Care is actively collaborating with statewide stakeholders in identifying and problem-solving service gaps and barriers for both juvenile and adult members in successful transition into and out of carceral settings including initiation of behavioral health services, transportation, medication management appointments and receiving medication, coordination between probation and treatment teams, crisis protocol, and universal/consistent monitoring systems. Additionally, AHCCCS is making progress on the implementation plan for the 1115 Reentry Waiver including operationalization of mandates including medication assisted treatment and peer support.

#### **4. Whole Person Care – CommunityCares Statewide Closed-Loop Referral System**

Arizona's Statewide Closed-Loop Referral System, known as CommunityCares, is an electronic tool that allows our health care providers to screen and refer members to HRSN. AHCCCS contracts with the organization Contexture to manage CommunityCares as well as the software vendor for the system (Unite Us). In this reporting period, AHCCCS continued to see increased CLRS enrollment and utilization. Currently, there are 646 organizations using CommunityCares to address HRSNs for AHCCCS members. To date, the CLRS has been used to provide 91,770 closed-loop referrals for HRSN services with 26,184 during the reporting period. The top five referral categories remain food assistance, mental/behavioral health, housing/shelter, individual and family support and clothing/diapers/infant supplies/household goods. Additionally, CommunityCares users were surveyed to gain additional feedback on the user experience and opportunities for enhancements. Lastly, AHCCCS has worked in partnership with Contexture to create key performance metrics to assist with monitoring utilization and performance of CommunityCares.

#### **Managed Care Organization Monitoring and Compliance**

AHCCCS monitors and evaluates availability of services and access to care, organizational structure and operations, clinical and non-clinical quality measurement, and performance improvement outcomes through several methods including:

1. Operational Reviews.
2. Review and Analysis of Periodic Monitoring Reports.
3. Performance Measures.
4. Performance Improvement Projects.
5. Data Analysis.
6. Provider Network Time and Distance Standards Monitoring.
7. Appointment Availability, Monitoring, and Reporting.
8. Case Management Ratios.
9. Assessment of Fidelity to Service Delivery for Individuals with a Serious Mental Illness Designation.
10. Surveys.



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A number of Contract deliverables are used to monitor and evaluate MCO compliance and performance. AHCCCS reviews, provides feedback, and approves these reports as appropriate.

### ***Monitoring and Compliance***

#### ***Fidelity to SMI Targeted Services***

AHCCCS continues to monitor evidence-based services throughout Maricopa County and all of Arizona. AHCCCS utilizes a third-party fidelity reviewer, WICHE, to engage in assessment of each individual EBP provided by specific providers contracted to provide the services. In Maricopa County, there are 20 fidelity reviews completed and scheduled for SFY 24-25. For the remainder of the state, called "Balance of State (BOS)" there are 23 fidelity reviews either completed or scheduled for SFY 24-25. Due to the Stop Work Order from the U.S. Dept. of Health and Human Services work on the BOS Fidelity Reviews has been paused starting March 25, 2025, and AHCCCS is working to identify funding to continue those reviews. As Maricopa County is the only county identified in the exit stipulations for *Arnold v Sarn*, those fidelity reviews will continue without interruption. AHCCCS continues to engage in monitoring and oversight upon receiving the Fidelity Reviews and providing feedback and technical assistance to MCOs and as needed, providers to support improved and enhanced services. AHCCCS continues, to the best of staff ability, to provide ongoing and sometimes daily support and Technical Assistance to both the MCOs and/or providers as needed and requested. AHCCCS continues to support and engage with the WICHE Fidelity Review team on a weekly basis to provide support and trouble shoot any challenges that present themselves during reviews.

### ***Quality Improvement***

AHCCCS implements interventions to monitor, evaluate, and report on performance through several activities which include, but are not limited to, the following:

#### ***1. Performance Improvement Projects***

AHCCCS considers a PIP as a planned process of data gathering, evaluation, and analysis to determine interventions or activities that are anticipated to have a positive outcome. PIPs are designed to improve quality of care and service delivery. While MCOs are required to select and implement internal PIPs to address self-identified opportunities, AHCCCS mandates other program-wide PIPs in which MCOs must participate and monitor performance until each MCO meets requirements for demonstrable and sustained improvement.

During the quarter, AHCCCS continued to work with its External Quality Review Organization (EQRO) to close out its PIP validation activities for AHCCCS-Mandated PIPs underway during the previous 12 months. AHCCCS' EQRO initiated efforts to produce PIP Snapshot reports that provide a summary of the activities conducted and overall performance to date for each PIP. These efforts remain ongoing and are anticipated to conclude by June 2025.



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## 2. Performance Measure Reporting

During the quarter, AHCCCS continued to work with its EQRO to finalize and close out its CYE 2024 Performance Measure Validation activities (performance reflective of the Calendar Year 2023 measurement period). Information pertaining to MCO performance for CY 2023 performance measures will be included within the upcoming CYE 2024 External Quality Review (EQR) Annual Technical Report. The report is anticipated to be posted on the AHCCCS website in April 2025.

### ***Serious Emotional Disturbance (SED) and SMI Eligibility Determinations Contract***

AHCCCS received notification from the federal government regarding ARPA grant terminations effective March 24, 2025, which affected the process for SED Eligibility Determinations. Subsequently, AHCCCS implemented an immediate change to the SED Identification Process. The contracted vendor, Solari Crisis and Human Services (Solari) was notified that they would no longer be completing the Serious Emotional Disturbance (SED) Eligibility Determinations. Solari will continue to be the determining entity for Serious Mental Illness (SMI) Eligibility Determinations for members aged 17.5 or older. Starting March 28, 2025, children and adolescents will no longer be 'determined' SED via the process that AHCCCS initiated on October 1, 2023, with the SED Eligibility Determinations Contract through Solari. Children and Adolescents will be identified by providers as SED-qualifying and AHCCCS will be receiving information for SED identification for qualifying SED diagnosis and CALOCUS score for functional impairment using encrypted emails from providers to update the SED Behavioral Health Category for the member in the AHCCCS PMMIS system. SED identification qualifies a child for additional funding through the Mental Health Block Grant (MHBG) if they are uninsured or underinsured. Due to the new process, AHCCCS has notified all MCOs and Tribal Regional Behavioral Health Authorities (TRBHAs) and delegated responsibility to message the new process to their provider network, regarding the new process on March 28, 2025. AHCCCS updated the SED Identification FAQs on the AHCCCS website on April 2, 2025. As of March 31, 2025, all children previously identified with an SED flag indicated on their file in the AHCCCS system were given notification from the identified enrolled MCO for care and continuity of services.

## VII. Random Moment Time Study

### **Arizona Health Care Cost Containment System (AHCCCS) Quarterly Random Moment Time Study Report January – March 2025**

The January - March 2025 (JM25) quarter for the Medicaid School Based Claiming (MSBC) program Random Moment Time Study (RMTS) was completed successfully with the administrative service, direct service, and personal care time study cost pools.

#### ***Active Participants***

The "Medicaid Administrative Claiming Program Guide" mandates that all school district employees identified by the district's RMTS coordinator as being qualified to provide direct services or administrative activities participate in a RMTS. Staff rosters are updated by RMTS coordinators on a quarterly basis to ensure accuracy of participants in the time study. The table below shows the number of participants in the

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administrative service, direct service, and personal care time study staff pools at the beginning of the quarter.

**Table 7**

Staff Pool	January – March 2025
Administrative	3,032
Direct Service	3,895
Personal Care	7,256

### Sampling Requirements

To achieve statistical validity, maintain program efficiencies, and reduce unnecessary district administrative burden, the Arizona Health Care Cost Containment System (AHCCCS) implements a consistent sampling methodology for all activity codes and groups to be used. AHCCCS has constructed the RMTS sampling methodology to achieve a level of precision of +/- 2% (two percent) with a 95% (ninety-five percent) confidence level for activities.

Statistical calculations show that a minimum sample of 2,401 completed moments each quarter, per cost pool, is adequate to obtain this precision when the total pool of moments is greater than 3,839,197. Additional moments are selected each quarter to account for invalid moments.

### Moment Response

For each of the three cost pools, more moments are generated than are needed for statistical validity, as allowed by the Time Study Implementation Guide approved by the Centers for Medicare and Medicaid Services (CMS). This oversample allows for the occurrence of invalid moments, which are observations that cannot be used for analysis (i.e., moments selected for staff no longer at the school district, who changed jobs and are no longer in an allowable position and their old position has not been filled or were not working and were unpaid).

The tables below demonstrate that the administrative service, direct service, and personal care time study achieved statistical validity in the JM25 quarter. The response rate reflects the number of valid responses received divided by the total number of valid moments generated per cost pool per quarter.

### Administrative Service

**Table 8**

Quarter	Moments Generated	Valid Moments	Valid Responses Received	Response Rate
January 2025 – March 2025 Total Moments	3,000	2,634	2,672	98.58%

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### Direct Service

Table 9

Quarter	Moments Generated	Valid Moments	Valid Responses Received	Response Rate
January 2025 – March 2025 Total Moments	3,300	2,727	2,788	97.81%

### Personal Care

Table 10

Quarter	Moments Generated	Valid Moments	Valid Responses Received	Response Rate
January 2025 – March 2025 Total Moments	3,500	2,670	2,846	93.82%

As these results illustrate, the administrative service, direct service, and personal care time study reached statistical validity for the quarter with more than 2,401 valid responses received.