

September 5, 2025

The Honorable David Livingston
Chairman, Joint Legislative Budget Committee
1700 W Washington St.
Phoenix, Arizona 85007

Dear Representative Livingston,

The Arizona Health Care Cost Containment System (AHCCCS) has completed its actuarial analysis of Managed Care Organization (MCO) capitation rates that are effective beginning October 1, 2025, and respectfully requests to be placed on the agenda of the next JLBC meeting to review these rates.

In accordance with Federal regulations, MCO capitation rates must be actuarially sound and must be approved by the Centers for Medicare and Medicaid Services (CMS). They must cover the anticipated costs for providing medically necessary services to AHCCCS members. As such, capitation rates are developed to reflect the costs of services provided as well as utilization of those services by AHCCCS members. Capitation rate trends reflect a combination of changes in cost and utilization, calculated as a per member per month (PMPM) expenditure to AHCCCS Contractors (including other state agencies, the Arizona Department of Economic Security/Division of Developmental Disabilities (DES/DDD) and the Department of Child Safety Comprehensive Health Plan (DCS CHP)).

The Arizona Long Term Care System – Elderly and Physical Disability (ALTCS-EPD) Program was set to transition from a previous contract to a new contract with different MCOs effective October 1, 2025. Actuarially sound capitation rates were developed for the transition, but the transition has been stayed and AHCCCS is extending its contracts with the current MCOs. AHCCCS actuaries have nearly finished redeveloping capitation rates for the MCOs that will be continuing to serve ALTCS-EPD members during the stay. The tables and figures referenced in this document use these near-final rates. Final ALTCS-EPD capitation rates will be provided as soon as they are available; any differences between the rates presented herein and the ultimate rates are expected to be minor.

Capitation rates are certified by actuaries when a new program is established. Rates must also be recertified every year to coincide with MCO annual contract periods. AHCCCS contracts are awarded on a schedule which runs October 1 through September 30, mirroring the federal fiscal year.

In addition to the annual rate development, the capitation rates must be amended mid-year when action occurs that is expected to impact the MCOs' expenses by a material amount (as determined by the actuaries) and a rate adjustment is required to maintain actuarial soundness. AHCCCS strives to

mitigate the need for mid-year capitation adjustments whenever possible. However, the actuaries have identified some possible adjustments for Contract Year Ending (CYE) 2026.

Possible adjustments

Low unemployment rates continue to drive Medicaid members off of the rolls and into workplace or marketplace plans, while the remaining enrolled populations have more complex needs and require more expensive care.

During the COVID-19 pandemic, Arizona's unemployment rate reached close to 14 percent, forcing many Arizonans who relied on employer-sponsored health insurance or marketplace plans to apply for AHCCCS. For a period of time, federal law prohibited AHCCCS from removing member eligibility on the basis of income, so many members who would otherwise be ineligible remained on the program.

The Families First Coronavirus Response Act (FFCRA) included maintenance of effort (MOE) requirements that disallowed state Medicaid programs from disenrolling members, except under very limited, specific circumstances, even if they were found to be ineligible for Medicaid during a redetermination process. The MOE requirements went into effect in March 2020 and were set to expire with the end of the COVID-19 public health emergency (PHE). In the interim, and as a result of these federal requirements, AHCCCS saw tremendous growth in enrollment, with the majority of the enrollment growth concentrated in the AHCCCS Complete Care (ACC) and ACC-Regional Behavioral Health Agreement (RBHA) Program.

The Consolidated Appropriations Act of 2023 (CAA 2023) required that states "unwind" and begin disenrolling individuals from Medicaid after being determined ineligible through a redetermination process, starting April 1, 2023. AHCCCS began the unwinding process immediately and completed Medicaid eligibility redeterminations for all members who had previously been found ineligible during the PHE by December 31, 2023, and completed redeterminations for all AHCCCS members by March 31, 2024.

As noted in the May 2, 2025, letter to JLBC, there have continued to be significant unanticipated disenrollments, mostly from the ACC and ACC-RBHA Program, since the beginning of CYE 2025. Following the pandemic, Arizona's unemployment rate has fallen significantly, and has remained low. As a result, Arizonans are continuing to leave the AHCCCS rolls and find health insurance in the private sector through the workplace or through subsidized marketplace plans.

As Medicaid eligibility is primarily based on income, and individuals with higher incomes are generally healthier than individuals with lower incomes, the disenrolling members have been generally healthier than the AHCCCS members who have remained on the rolls. As these healthier members with lower average per member utilization costs have disenrolled, the per member per month (PMPM) costs for the remaining members has increased based on higher average per member utilization and costs divided by reduced enrollment (measured in member months).

In prior years' capitation rate development, the actuaries included specific assumptions about the expected average increase in acuity since the base data used in prior years' development didn't yet reflect the majority of disenrollments. The CYE 2026 capitation rates use CYE 2024 data as the starting point for the rate development for all programs. The CYE 2024 data was the first year of historical data that includes a span of time (six months) with experience completely after the unwinding. With the CYE 2024 data including data from both during and after the unwinding, some of the acuity increases are already present in the base data (shown later as the impacts of "rebasing"), and therefore the acuity increase assumptions in the CYE 2026 capitation rates are smaller than they have been in previous years.

In addition to a reduction in overall AHCCCS enrollment, there have been growing levels of "churn" (members losing Medicaid coverage and then regaining it after a gap in services), and increased numbers of members with prior period coverage (PPC) enrollment segments as a percentage of the total enrollment.

While assumptions regarding continued increases in acuity, churn, and PPC enrollment have been included in the capitation rates for CYE 2026, if enrollment does not stabilize, it may be necessary to adjust the capitation rates for material differences in actual versus expected experience during the contract year. As has happened in the last fiscal year, the need for capitation rate adjustments sometimes occur in tandem with a cost savings for the State, because they can be necessitated by an ACC membership reduction.

Significant decreases in membership also continue in the foster child population as the Department of Child Safety (DCS) provides support to families in order to prevent the necessity of removal of children from their homes. The utilization trends are being similarly impacted with the change in the foster child population to be more focused on those children in situations requiring removal, i.e., increased need of the incoming members and decreased need of the outgoing members. Because the DCS health plan serves so few members in comparison with the other AHCCCS plans, changes to the DCS rates generally do not have a significant financial impact.

Federal rebase requirements have led to significant increases in expenses for health clinics – a growing cost over which AHCCCS has very little control, as a result of federal law.

Federal law requires that AHCCCS rebase the fee schedules for the federally qualified health centers and rural health centers (FQHCs/RHCs) every three years. The process for this rebase is outlined in the State plan and is governed by federal requirements around the establishment of Prospective Payment System (PPS) rates that are meant to cover the costs of these mandatory Medicaid services. For the CYE 2026 capitation rates, the rebase increased total expenses for FQHCs and RHCs approximately 17% when averaged across the state, but the impacts are largely concentrated in the Central and South GSAs with only small increases, and even some decreases seen in the North GSA rate for these facilities. The actuaries have included significant utilization increase projections both in recognition of higher rates driving supply, and an increasing number of members utilizing services at FQHC/RHC locations, driven in part by increased number of sites that are now FQHC/RHCs.

While our FQHCs and RHCs are vital parts of Arizona's healthcare ecosystem, AHCCCS has very little control over how many providers become qualified for these designations, or over how their rates are set. The services provided at these facilities are federally required to be paid at or above the PPS rates, and the state is required to do a reconciliation with the FQHC/RHCs at the end of every year to ensure that the reimbursement has been made, either through the MCOs, or via the MCOs and the reconciliation together. The state requires the MCOs to pay the FQHC/RHCs the PPS rates as a minimum fee schedule; however, disputes fall to the state to reimburse the facilities in the reconciliation. If the amount of uncompensated care increases dramatically in Arizona, and as FQHC/RHCs attract more patients, the costs could continue to rise. In addition, rate increases like the rebase are a significant incentive for providers to become FQHCs or RHCs, and for existing FQHCs/RHCs to innovate and provide more services.

Projected savings from ALTCS-DD reforms

For the ALTCS-DD population, AHCCCS and DES/DDD are implementing a series of reforms required by HB2945, which passed in the 57th Arizona Legislature and was signed into law by Governor Hobbs in April 2025. These reforms include limitations on service delivery and billing practices with the aim of slowing growth and prioritizing appropriate levels of care for the most complex members. AHCCCS worked both separately from and jointly with DES/DDD to analyze the potential impacts of this bill and came to similar aggregate projections regarding the overall potential savings in both analyses. The savings are estimates and are based on assumptions related to the timing of complete implementation and the number of members who will be impacted by, for example, significant changes to the member needs assessment. As the Agencies implement these reforms, the capitation rates may need to be adjusted to reflect real-time data.

Conclusion

The AHCCCS actuaries will monitor experience for all of the above considerations and, if necessary to maintain actuarial soundness of the capitation rates, may be required to develop midyear capitation rate adjustments if experience differs significantly from the assumptions built into the capitation rates to address each concern.

Before implementing the new capitation rates, AHCCCS is reporting its expenditure plan for review by the JLBC. This letter details and summarizes the annual renewal of capitation rates for CYE 2026 from October 1, 2025, through September 30, 2026, and the associated financial impacts, for the following programs: ACC, ACC-RBHA, DCS-CHP, ALTCS-EPD, and ALTCS-DD (DES/DDD).

SUMMARY

Rates outlined in this letter are submitted to CMS to be effective October 1, 2025. The utilization and unit cost trends for all rates are detailed in the actuarial certifications which will be submitted to CMS and JLBC once finalized. Anticipated increases in utilization of existing covered services attributable to specific initiatives or policy guidance are separately detailed. Provider rate adjustments and program changes are also identified.

Overall capitation rate growth for all AHCCCS programs, including DES/DDD, is 5.18%. Capitation rate growth for all AHCCCS programs, except DES/DDD, is 5.51%. Capitation rate growth for DES/DDD is 4.24%. The baseline capitation rate growth budgeted for SFY 2026 was 3.0% for all programs. AHCCCS will continue to evaluate enrollment trends to determine if a budgetary shortfall is anticipated as a result of capitation growth rates coupled with enrollment changes.

In CYE 2026, capitation rate changes for AHCCCS programs can be attributed to one or more of the following components (not all components are applicable to all programs):

- Rebase (change in base data from one year to the next)
- Acuity, Churn, and/or PPC enrollment increases
- Trend (assumed changes in utilization and unit costs over time)
- Reimbursement Changes, excluding FQHC/RHC
- FQHC/RHC Reimbursement Changes
- HB 2945
- Other Programmatic Changes, excluding HB 2945
- Pharmacy Changes including Rx Rebates
- Administration, Case Management, and Care Management

The relative impacts of these drivers on the capitation rates for each program are summarized in Table I on the following page. Further detail can be found in Appendix Table 1C.

Table I: Capitation Rate Change by Component

Program	Component					All
	Rebase, Acuity, Trends	Fee Schedule Changes	HB 2945	Program and Pharmacy Changes	Admin, Case/Care Mgmt	Total
ACC	6.2%	0.8%	0.0%	(1.3%)	(0.0%)	5.7%
ACC-RBHA	4.8%	0.1%	0.0%	2.2%	(0.7%)	6.5%
DCS CHP	7.2%	0.5%	0.0%	(0.6%)	2.6%	9.8%
ALTCS-EPD	2.5%	0.8%	0.0%	(0.1%)	0.3%	3.5%
AHCCCS Total %	6.36%	0.67%	0.00%	(1.49%)	(0.02%)	5.51%
ALTCS-DD	9.2%	(0.4%)	(3.1%)	(0.3%)	(1.1%)	4.2%
All Programs %	7.09%	0.39%	(0.81%)	(1.18%)	(0.30%)	5.18%

Rebase

Capitation rates for all programs were rebased using actual experience incurred for the period of October 1, 2023, through September 30, 2024. Across all programs, this adjustment results in an increase of 6.67 percent. Approximately 55% of this increase is due to the increased acuity of members between the base year and the prior year in the ACC and ACC-RBHA Program, while approximately 36% of the increase is attributable to the growth in the ALTCS-DD Program.

Acuity, Churn, and PPC Enrollment Changes

Increasing acuity, churn, and PPC enrollment primarily impacts the ACC and ACC-RBHA Program, but as mentioned above, the amounts included for these adjustments are smaller than were included in last year's capitation rates because the rebased data now reflects much of what had been previously included due to the older base period not reflecting those population changes at the time of prior capitation rate development cycles. As the largest AHCCCS program, the decreased acuity, churn, and PPC adjustments compared to CYE 2025 for the ACC and ACC-RBHA Program drive a reduction of (0.51 percent) in the aggregate capitation rate changes for CYE 2026.

Trends

The inclusion of funding associated with increases for medical expense utilization and inflation is required in order to ensure that capitation rates are actuarially sound. The certifying actuaries developed and applied utilization and unit cost trends for categories of service primarily based on actual experience incurred during the period October 1, 2021, through December 31, 2024. Across all programs, the anticipated impact attributable to medical trend is an increase of 0.28 percent compared to the CYE 2025 capitation rates. Table II below shows the following categories of service as key drivers of medical trends: physician services (including mental health services), outpatient and emergency room services, and FQHC/RHC (community health centers). While the projected home and community based services trend assumptions are still significant, the actuaries have reduced the projections from those assumed for the CYE 2025 capitation rates effective April 1, 2025, under the expectations that the HB2945 reductions will reduce ongoing utilization growth to a lower level over the next contract year.

TABLE II. CYE 2026 Capitation Trends by Category of Service (COS)

	% Contribution to Cap Rate Change	Trend Rate
ACC, ACC-RBHA, and CHP Programs		
Pharmacy	-0.4%	4.2%
Physician/Professional/Medical Services	0.4%	4.9%
Inpatient Hospital & Nursing Facility	0.0%	3.5%
Outpatient Hospital	0.3%	5.2%
Transportation	-0.1%	3.0%
Community Health Centers	0.3%	9.2%
Other	0.0%	3.8%
Sub-Total Non-ALTCS Trend	0.57%	4.71%
ALTCS EPD and DES/DDD Program		
Home and Community Based Services	-0.5%	9.5%
Acute Care & Behavioral Health	0.2%	11.0%
Nursing Facility and Institutions	0.0%	2.9%
Sub-Total ALTCS Trends	-0.29%	8.81%
TOTAL TRENDS ALL COS	0.28%	6.19%

Reimbursement and Programmatic Changes

AHCCCS makes adjustments to provider rates based on access to care issues, based on Medicare rate adjustments when rates are tied to Medicare, and to meet federal or state requirements. The impact on overall capitation rates from these provider rate adjustments, excluding FQHC/RHC, is an increase of 0.02 percent. The impact on overall capitation rates from the FQHC/RHC provider rate adjustments is an increase of 0.38 percent. In addition, rates increased 0.05 percent for other programmatic changes, excluding HB 2945. The rates decreased (0.81 percent) for the changes required by HB2945. The combined impact across these rate development components is a decrease of (0.35 percent) to the capitation rates.

Pharmacy Changes and Rx Rebates

Several changes related to pharmacy expenditures are included in the CYE 2026 capitation rates, including changes to the formulary, market changes, and projected MCO pharmacy rebates. Across all programs, these changes account for a net decrease of (0.60 percent) to the capitation rates.

Administration, Care Management, and Case Management

Across all programs, the adjustment of rates to address the costs to administer the programs and manage care for AHCCCS enrollees accounts for a net decrease of (0.30 percent).

CHANGES IN CAPITATION RATES BY PROGRAM

ACC Renewal Rates

The CYE 2026 renewal rates for ACC risk groups reflect an increase of 5.67% from the most recently submitted rates effective April 1, 2025. Several factors contributed to the change:

- 6.18 percent for rebase, acuity, and trend adjustments
- 0.13 percent for provider reimbursement changes, excluding FQHC/RHC
- 0.65 percent for FQHC/RHC provider reimbursement changes
- (0.18 percent) for other program changes
- (1.10 percent) for pharmacy changes including MCO pharmacy rebates, and
- (0.01 percent) for administrative and case management

Please see Appendix Table 2 for more detail.

ACC-RBHA Renewal Rates

The CYE 2026 renewal rates for ACC-RBHA risk groups reflect an increase of 6.48% from the most recently submitted rates effective April 1, 2025. Several factors contributed to the change:

- 4.84 percent for rebase, acuity, and trend adjustments
- (0.09 percent) for provider reimbursement changes, excluding FQHC/RHC
- 0.19 percent for FQHC/RHC provider reimbursement changes
- 2.14 percent for other program changes
- 0.10 percent for pharmacy changes including MCO pharmacy rebates, and
- (0.69 percent) for administrative and case management

Please see Appendix Table 3 for more detail.

DCS-CHP Renewal Rates

The CYE 2026 renewal rate for CHP reflects an increase of 9.79% from the most recently submitted rate effective April 1, 2025. Several factors contributed to the change:

- 7.24 percent for rebase and trend adjustments
- 0.24 percent for provider reimbursement changes, excluding FQHC/RHC
- 0.29 percent for FQHC/RHC provider reimbursement changes
- 0.01 percent for other program changes
- (0.62 percent) for pharmacy changes including MCO pharmacy rebates, and
- 2.63 percent for administrative and case management

Please see Appendix Table 4 for more detail.

ALTCS-EPD Renewal Rates

The CYE 2026 renewal rates for ALTCS-EPD reflect an increase of 3.52% from the most recently submitted rates effective April 1, 2025. Several factors contributed to the change:

- 2.48 percent for rebase and trend adjustments
- 0.75 percent for provider reimbursement changes, excluding FQHC/RHC
- 0.06 percent for FQHC/RHC provider reimbursement changes
- 0.12 percent for other program changes
- (0.17 percent) for pharmacy changes including MCO pharmacy rebates, and
- 0.28 percent for administrative and case management

Please see Appendix Table 5 for more detail.

ALTCS-DD Renewal Rates

The CYE 2026 renewal rates for ALTCS-DD reflect an increase of 4.24% from the most recently submitted rates effective April 1, 2025. Several factors contributed to the change:

- 9.19 percent for rebase and trend adjustments
- (0.45 percent) for provider reimbursement changes, excluding FQHC/RHC
- 0.04 percent for FQHC/RHC provider reimbursement changes
- (3.14 percent) for projected savings associated with HB2945
- (0.27 percent) for other program changes
- (0.02 percent) for pharmacy changes including MCO pharmacy rebates, and
- (1.10% percent) for administrative and case management

Please see Appendix Table 6 for more detail.

LUMP SUM PAYMENTS

In addition to capitation amounts that are paid on a PMPM basis, AHCCCS also makes lump sum payments to MCOs that are associated with specific initiatives. Key initiatives are highlighted and summarized below.

Access to Professional Services Initiative

The Access to Professional Services Initiative (APSI) provides a uniform percentage increase to reimbursement for qualified practitioners. Under 42 CFR § 438.6(c), this is considered a “directed payment” arrangement and is subject to prior approval by CMS. The increase in reimbursement under this initiative ensures access to care for AHCCCS members and will allow providers to achieve quality outcomes, including reducing readmissions and increasing preventative screenings, that help to bend the health care cost curve. APSI provides a uniform percentage increase of 91 percent to otherwise contracted rates for qualified practitioners for all claims for which AHCCCS is the primary payer. The rate increase is intended to supplement, not supplant, payments to eligible providers. The initiative is funded via intergovernmental transfers (IGTs) and no General Fund monies are required. The total estimated payment amount for CYE 2026 is \$386.5 million Total Fund.

Alternative Payment Model Initiative – Performance-Based Payments

In CYE 2016, AHCCCS began reimbursing MCOs under the Alternative Payment Model (APM) Initiative- Performance-Based Payments (PBP) Incentive. Under 42 CFR §§ 438.6(a) and (b), these payments are considered an incentive arrangement that provides limited funding to MCOs to support activities that advance the AHCCCS Quality Strategy. The purpose of the initiative is specifically to promote MCO activities that focus on quality improvement and that result in improved health outcomes and cost containment. This initiative is a key component to the AHCCCS goal to pursue and implement long term strategies that bend the cost curve while improving member health outcomes. PBP funding allows MCOs to make incentive payments to providers that meet specific performance objectives or criteria. Excluding DES/DDD, for CYE 2024 the total payment amount, which will be paid during CYE 2026, is estimated to be \$64.1 million Total Fund.

HEALTHII Payments

Laws 2020, Chapter 46, Section 2 established a new hospital assessment that is deposited into the Health Care Investment Fund and used to make Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII) directed payments (authorized under 42 CFR § 438.6(c) and subject to prior approval by CMS) to hospitals and to increase base reimbursement for services reimbursed by AHCCCS under the dental fee schedule and physician fee schedule. The HEALTHII payments are made as lump sum payments outside of base capitation rates and so do not contribute to overall capitation rate growth. The total payments for HEALTHII during CYE 2026 are estimated to be \$4.106 billion, and do not include any General Fund monies.

Nursing Facility - Supplemental Payments

The 2016 Medicaid Managed Care Final Rule required that pass-through payments to physicians and nursing facilities be phased out within five years of the effective date of the final rule. AHCCCS therefore transitioned the previous nursing facility pass-through payments into a 42 CFR § 438.6(c) directed payment arrangement, subject to prior approval by CMS. The Nursing Facility – Supplemental Payments (NF-SP) provide a uniform dollar increase per bed day for qualified facilities. The rate increase is intended to supplement, not supplant, payments to eligible providers. The NF-SP initiative is funded by the quarterly nursing facility assessments and no General Fund monies are required. The total NF-SP amounts for CYE 2026 are estimated to be \$95.4 million Total Fund.

Pediatric Services Initiative

The Pediatric Services Initiative (PSI) is a directed payment arrangement under 42 CFR § 438.6(c) and is subject to prior approval by CMS. PSI provides an estimated uniform percentage increase of 26.25 percent for hospital services provided by a freestanding children's hospital or pediatric unit of a general acute care hospital with more than 100 beds. The increase in reimbursement under PSI ensures access to care for pediatric members and will support provider strategies to manage care for those members with complex conditions. Specifically, this program is anticipated to help reduce unplanned readmissions and hospital-acquired conditions and thereby bend the health care cost curve. This initiative is funded via IGTs, and no General Fund monies are required. The total estimated payment amount for CYE 2026 is \$104.9 million Total Fund.

Safety Net Services Initiative

The Safety Net Services Initiative (SNSI) is a directed payment arrangement under 42 CFR § 438.6(c) and is subject to prior approval by CMS. The SNSI directed payment provides a uniform percentage increase for inpatient and outpatient services provided by the eligible public safety net hospital. The SNSI uniform percentage increase is based on a fixed total payment amount and is expected to fluctuate based on utilization in the contract year. This increase is intended to supplement, not supplant, payments to the eligible public safety net hospital. This initiative is funded via IGTs, and no General Fund monies are required. The total estimated payment amount for CYE 2026 is \$522.0 million Total Fund.

Targeted Investments 2.0 Payments

Under the approved 1115 Waiver, AHCCCS has a Targeted Investments 2.0 (TI 2.0) initiative which supports Arizona's goal to fully transform the Medicaid delivery system to an integrated whole person care structure by encouraging providers to thoughtfully develop infrastructure and protocols to optimize coordination of services designed to meet the member's acute, behavioral, and health-related social needs and address identified health inequities amongst their patient population. AHCCCS will achieve this goal by supporting providers throughout the state to develop and enhance care coordination processes with health care and community-based organizations and provide guidance, tools, and technical assistance for internal population health analyses. The TI 2.0 initiative is a directed payment arrangement under 42 CFR § 438.6(c), subject to prior approval by CMS, and is funded via Designated State Health Programs (DSHP) and IGT funding; no General Fund monies are required. The total payments for TI 2.0 during CYE 2026 are estimated to be \$51.0 million Total Fund.

The actuarial certifications for the capitation rates are anticipated to be uploaded to the AHCCCS website the week of September 8, 2025. Should you have any questions on any of these issues, please feel free to contact Erica Johnson, Chief Actuary, at erica.johnson@azahcccs.gov.

Sincerely,



Kristen Challacombe
Interim Director

cc: The Honorable David Farnsworth, Vice Chairman, Joint Legislative Budget Committee
Richard Stavneak, Director, Joint Legislative Budget Committee
Meaghan Kramer, Health Policy Advisor, Office of the Governor
Ben Henderson, Director, Office of Strategic Planning and Budgeting

Appendices

Appendix Table 1A
CYE 2026 Medicaid Capitation Rates

Program	CYE 25 Rate	CYE 26 Rate	CYE 26 Change from CYE 25 Rates
ACC	\$460.40	\$486.50	5.67%
ACC-RBHA	\$78.67	\$83.76	6.48%
CHP	\$1,716.13	\$1,884.14	9.79%
ALTCS-EPD	\$5,620.38	\$5,817.99	3.52%
AHCCCS Total			5.51%
ALTCS-DD	\$ 7,521.50	\$ 7,842.36	4.27%
TCM	\$231.13	\$ 227.99	(1.36%)
DES/DDD Total			4.24%
AHCCCS and DES/DDD Total			5.18%

Appendix Table 1B
CYE 2026 Capitation Rates by Risk Group

ACC	CYE 26 Proj MMs	CYE 25 Rates	CYE 26 Rates	Projected Expenditures – CYE 26 Proj MMs		Total Change from CYE 25 Rates
				CYE 25 Rates	CYE 26 Rates	
AGE < 1	498,420	\$786.61	\$757.91	\$ 392,064,300	\$ 377,755,400	(3.6%)
AGE 1-20	8,126,634	\$253.13	\$276.08	\$ 2,057,117,800	\$ 2,243,616,800	9.1%
AGE 21+	3,202,863	\$464.83	\$497.81	\$ 1,488,789,900	\$ 1,594,418,100	7.1%
Duals	1,638,974	\$168.13	\$178.09	\$ 275,554,300	\$ 291,879,100	5.9%
SSIWO	634,771	\$1,386.39	\$1,483.77	\$ 880,038,800	\$ 941,853,300	7.0%
ESA	4,581,949	\$707.73	\$728.19	\$ 3,242,794,700	\$ 3,336,549,200	2.9%
NEA	749,944	\$544.81	\$628.99	\$ 408,573,400	\$ 471,707,600	15.5%
Delivery	28,571	\$7,081.43	\$6,884.41	\$ 202,323,500	\$ 196,694,400	(2.8%)
Total	19,433,554	\$460.40	\$486.50	\$ 8,947,256,700	\$ 9,454,473,900	5.7%

ACC-RBHA	CYE 26 Proj MMs	CYE 25 Rates	CYE 26 Rates	Projected Expenditures – CYE 26 Proj MMs		Total Change from CYE 25 Rates
				CYE 25 Rates	CYE 26 Rates	
SMI	564,538	\$2,564.46	\$2,721.18	\$ 1,447,736,800	\$ 1,536,211,500	6.1%
Crisis	21,009,541	\$9.76	\$10.64	\$ 204,988,400	\$ 223,578,800	9.1%
Total	21,009,541	\$78.67	\$83.76	\$ 1,652,725,200	\$ 1,759,790,300	6.5%

DCS CHP	CYE 26 Proj MMs	CYE 25 Rates	CYE 26 Rates	Projected Expenditures – CYE 26 Proj MMs		Total Change from CYE 25 Rates
				CYE 25 Rates	CYE 26 Rates	
Integrated Rate	84,099	\$1,716.13	\$1,884.14	\$ 144,325,300	\$ 158,454,500	9.8%

ALTCS-EPD	CYE 26 Proj MMs	CYE 25 Rates	CYE 26 Rates	Projected Expenditures		Total Change from CYE 25 Rates
				CYE 25 Rates	CYE 26 Rates	
Dual	266,248	\$4,671.47	\$4,836.31	\$ 1,243,767,800	\$ 1,287,655,400	3.5%
Non-Dual	58,225	\$9,959.52	\$10,306.98	\$ 579,888,000	\$ 600,118,800	3.5%
Total	324,472	\$5,620.38	\$5,817.99	\$ 1,823,655,800	\$ 1,887,774,200	3.5%

AHCCCS TOTAL	20,406,664			\$ 12,567,963,000	\$ 13,260,492,900	5.51%
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DES/DDD	CYE 26 Proj MMs	CYE 25 Rates	CYE 26 Rates	Projected Expenditures – CYE 26 Proj MMs		Total Change from CYE 25 Rates
				CYE 25 Rates	CYE 26 Rates	
ALTCS-DD	578,175	\$7,521.50	\$7,842.36	\$ 4,348,748,800	\$ 4,534,261,600	4.3%
Targeted Case Mgmt	102,591	\$231.13	\$227.99	\$ 23,712,200	\$ 23,389,400	(1.4%)
DES/DDD Total	680,766	\$6,422.85	\$6,694.88	\$ 4,372,461,000	\$ 4,557,651,000	4.24%

AHCCCS & DES/DDD TOTAL	20,984,839			\$ 16,940,424,000	\$ 17,818,143,900	5.18%
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Appendix Table 1C
CYE 2026 Capitation Rate Change by Component

Program	Component					All
	Rebase, Trend, Acuity	Fee Schedule Changes	HB 2945	Program and Pharmacy Changes	Admin, Case/Care Mgmt	Total
ACC	6.2%	0.8%	0.0%	(1.3%)	(0.0%)	5.7%
ACC-RBHA	4.8%	0.1%	0.0%	2.2%	(0.7%)	6.5%
DCS CHP	7.2%	0.5%	0.0%	(0.6%)	2.6%	9.8%
ALTCS-EPD	2.5%	0.8%	0.0%	(0.1%)	0.3%	3.5%
AHCCCS Total %	6.36%	0.67%	0.00%	(1.49%)	(0.02%)	5.51%
<i>AHCCCS \$ (Millions)</i>	\$688.5	\$86.6	\$0.0	(\$79.5)	(\$3.0)	\$692.7
DES/DDD Total %	9.19%	(0.41%)	(3.14%)	(0.30%)	(1.10%)	4.24%
<i>DES/DDD \$ (Millions)</i>	\$401.8	(\$18.1)	(\$137.3)	(\$12.9)	(\$48.2)	\$185.2
All Programs %	7.09%	0.39%	(0.81%)	(1.18%)	(0.30%)	5.18%
<i>Total \$ (Millions)</i>	\$1,090.3	\$68.4	(\$137.3)	(\$92.4)	(\$51.1)	\$877.8

Appendix Table 2
 AHCCCS Complete Care (ACC) Program
 CYE 2026 Capitation Rate Development

Most Recent Average CYE 2025 Rate	PMPM	
	\$460.40	
CYE 2026 Adjustments	PMPM Change	% Change
Rebase	\$27.73	6.02%
Acuity, Churn, and PPC Adjustments	(\$4.33)	(0.94%)
Trend	\$5.06	1.10%
Fee Schedule Changes, NonFQHC	\$0.59	0.13%
Fee Schedule Changes, FQHC	\$2.99	0.65%
HB2945	\$0.00	0.00%
Other Program Changes	(\$0.84)	(0.18%)
Pharmacy Changes and Rx Rebates	(\$5.05)	(1.10%)
Administrative, Case Management, and Care Management	(\$0.03)	(0.01%)
CYE 2026 Adjustments	\$26.11	5.67%
Average CYE 2026 Rate	\$486.51	5.67%

Appendix Table 3
 AHCCCS Complete Care - Regional Behavioral Health Agreement
 (ACC-RBHA) Program
 CYE 2026 Capitation Rate Development

Most Recent Average CYE 2025 Rate	PMPM	
	\$78.67	
	PMPM	%
CYE 2026 Adjustments	Change	Change
Rebase	\$4.08	5.18%
Acuity, Churn, and PPC Adjustments	(\$0.14)	(0.18%)
Trend	(\$0.13)	(0.17%)
Fee Schedule Changes, NonFQHC	(\$0.07)	(0.09%)
Fee Schedule Changes, FQHC	\$0.15	0.19%
HB2945	\$0.00	0.00%
Other Program Changes	\$1.68	2.14%
Pharmacy Changes and Rx Rebates	\$0.07	0.10%
Administrative, Case Management, and Care Management	(\$0.54)	(0.69%)
CYE 2026 Adjustments	\$5.10	6.48%
Average CYE 2026 Rate	\$83.76	6.48%

Appendix Table 4
Comprehensive Health Plan (CHP) Program
CYE 2026 Capitation Rate Development

Average CYE 2025 Rate	<u>PMPM</u>	
	\$1,716.13	
CYE 2026 Adjustments	<u>PMPM</u>	<u>%</u>
	<u>Change</u>	<u>Change</u>
Rebase	\$154.14	8.98%
Acuity, Churn, and PPC Adjustments	\$0.00	0.00%
Trend	(\$29.92)	(1.74%)
Fee Schedule Changes, NonFQHC	\$4.09	0.24%
Fee Schedule Changes, FQHC	\$4.94	0.29%
HB2945	\$0.00	0.00%
Other Program Changes	\$0.15	0.01%
Pharmacy Changes and Rx Rebates	(\$10.61)	(0.62%)
Administrative, Case Management, and Care Management	\$45.21	2.63%
CYE 2026 Adjustments	\$168.01	9.79%
Average CYE 2026 Rate	\$1,884.14	9.79%

Appendix Table 5
Arizona Long Term Care System - Elderly and Physical Disability
(ALTCS-EPD) Program
CYE 2026 Capitation Rate Development

Average CYE 2025 Rate	<u>PMPM</u>	
	\$5,620.38	
<u>CYE 2026 Adjustments</u>	<u>PMPM</u>	<u>%</u>
	<u>Change</u>	<u>Change</u>
Rebase	\$265.38	4.72%
Acuity, Churn, and PPC Adjustments	\$0.00	0.00%
Trend	(\$125.95)	(2.24%)
Fee Schedule Changes, NonFQHC	\$41.97	0.75%
Fee Schedule Changes, FQHC	\$3.28	0.06%
HB2945	\$0.00	0.00%
Other Program Changes	\$6.54	0.12%
Pharmacy Changes and Rx Rebates	(\$9.54)	(0.17%)
Administrative, Case Management, and Care Management	\$15.92	0.28%
CYE 2026 Adjustments	\$197.61	3.52%
Average CYE 2026 Rate	\$5,817.99	3.52%

Appendix Table 6
Arizona Long Term Care System - Developmental Disabilities (ALTCS-DD) Program
CYE 2026 Capitation Rate Development

	Regular DD		Targeted Case Management	
	PMPM		PMPM	
Most Recent Average CYE 2025 Rate	\$7,521.50		\$231.13	
	PMPM Change	% Change	PMPM Change	% Change
CYE 2026 Adjustments				
Rebase	\$702.42	9.34%	\$0.00	0.00%
Acuity, Churn, and PPC Adjustments	\$0.00	0.00%	\$0.00	0.00%
Trend	(\$7.54)	(0.10%)	\$0.00	0.00%
Fee Schedule Changes, NonFQHC	(\$34.24)	(0.46%)	\$0.00	0.00%
Fee Schedule Changes, FQHC	\$2.86	0.04%	\$0.00	0.00%
HB2945	(\$237.50)	(3.16%)	\$0.00	0.00%
Other Program Changes	(\$20.50)	(0.27%)	\$0.00	0.00%
Pharmacy Changes and Rx Rebates	(\$1.84)	(0.02%)	\$0.00	0.00%
Administrative, Case/Care Management	(\$82.79)	(1.10%)	(\$3.15)	(1.36%)
CYE 2026 Adjustments	\$320.86	4.27%	(\$3.15)	(1.36%)
Average CYE 2026 Rate	\$7,842.36	4.27%	\$227.99	(1.36%)