






Arizona Health Care Cost Containment System

36-Month Followup of Sunset Review Report 22-112

The September 2022 Arizona Health Care Cost Containment System (AHCCCS) Performance Audit and Sunset Review was the third of 3 audit reports we issued as part of AHCCCS' sunset review.¹ Our performance audit and sunset review found that AHCCCS contracts with health plans to provide healthcare services to members in the State but has not timely investigated fraud or abuse incidents and reviewed health plans, correctly made all eligibility determinations, ensured health plans oversee providers in 2 key areas, and established all Housing Program and Administrator oversight processes. We made **25** recommendations to AHCCCS.

AHCCCS's status in implementing 25 recommendations

Implementation status	Number of recommendations
 Implemented	8 recommendations
 Implemented in a different manner	1 recommendation
 In process	13 recommendations
 In process in a different manner	2 recommendations
 Not implemented	1 recommendation

We will conduct another followup with AHCCCS on the status of the recommendations that have not yet been implemented.

¹ The first performance audit found that AHCCCS terminated health insurance coverage for some Native American children contrary to regulations and failed to timely disenroll members from healthcare coverage who were no longer eligible, resulting in unnecessary spending. The second performance audit found that AHCCCS reported providing behavioral health services to more than 583,000 members in fiscal year 2021 and has contracted for assessments of its behavioral health performance and various services but did not ensure all peer specialists met qualification and supervision requirements, potentially jeopardizing the quality of services provided to members. For more information on these 2 performance audits we issued as part of AHCCCS' sunset review, including any applicable followup reports, see Report 22-103 and Report 22-111.

Recommendations to AHCCCS

Finding 1: AHCCCS has taken more than 1 year to initiate and/or complete its preliminary investigation of more than half of potential fraud or abuse incidents open as of May 2022, potentially resulting in unnecessary payments and difficulty investigating cases

1. AHCCCS should conduct a workload/cost analysis to evaluate whether its funding and staffing level is sufficient for investigating potential provider and member fraud or abuse incidents within its established time frames and work with the Legislature to revise its appropriations, as needed.

► Status: **Implementation in process.**

In March 2023, AHCCCS conducted a workload/cost analysis of its behavioral health fraud or abuse incident backlog and determined it would prioritize behavioral health potential fraud or abuse incidents in response to information related to alleged sober living facility fraud by realigning a majority of its staff to focus on these incidents. The March 2023 workload analysis did not include a review of all potential provider and member fraud or abuse incidents. AHCCCS reported that in February 2024, it concluded this focus on behavioral health incidents and completed a full reorganization of its investigative staff.

As of September 2025, it has yet to conduct a full workload/cost analysis for all potential provider and member fraud or abuse incidents and determine whether it needs additional staff to timely investigate and process all potential fraud or abuse incidents. However, according to AHCCCS' fiscal year 2025 budget request, it requested an additional 200 positions across the agency, including within the Office of Inspector General, to address fraud, waste, and abuse. According to the Arizona Joint Legislative Budget Committee's Fiscal Year 2025 Appropriations Report, AHCCCS was appropriated an additional 101 full-time equivalent (FTE) positions.

Additionally, as part of its fiscal year 2027 budget request that it submitted to the Governor's Office in September 2025, AHCCCS requested 92 additional FTE positions for various AHCCCS divisions, including the Office of General Counsel, Human Resources, Finance, and the Office of Inspector General. AHCCCS reported that 7 of these positions and associated appropriations were requested for the Office of Inspector General to address federal requirements for reducing fraud and improving enrollment processes. We will further assess AHCCCS' implementation of its policy during our next followup.

2. AHCCCS should develop and implement policies and procedures, including time frames, for prioritizing and completing potential provider fraud or abuse incidents to help ensure that at a minimum, high-priority incidents are preliminarily investigated within 3 months.

► Status: **Implementation in process.**

AHCCCS has developed a policy and procedure to preliminarily investigate potential provider fraud and abuse incidents, including those determined to be a high priority, within 90 days. The policy and procedure includes steps for triaging potential provider fraud or abuse incidents and requires AHCCCS to assign potential provider fraud or abuse incidents as a high priority for investigation when they involve immediate quality of care concerns, neglect, or acts of violence. Additionally, AHCCCS uses a tracking program to assign each incident to an investigator and to monitor the incident investigation, including key information such as incident receipt date, investigation status, investigative notes, and date the preliminary investigation is completed. Further, AHCCCS supervisors conduct monthly reviews of each investigator's caseload, including reviewing the number of investigations assigned, the date each investigation was assigned to the investigator, the priority level of each investigation, and the status of each investigation.

According to AHCCCS' tracker for incidents received and preliminarily investigated between January 1, 2024 and October 31, 2024, AHCCCS preliminarily investigated all 10 high-priority incidents and 980 of 1,018 low- and medium-priority incidents, or more than 96%, within 90 days. According to this tracker, the remaining 38 low- and medium-priority incidents were preliminarily investigated in between 91 and 355 days. To help ensure AHCCCS continues to preliminarily investigate provider fraud or abuse incidents within 90 days, we will further assess AHCCCS' implementation of its policy during our next followup.

Sunset Factor 2: The extent to which AHCCCS has met its statutory objective and purpose and the efficiency with which it has operated

3. AHCCCS should develop and implement a risk-based approach to sample and review denied eligibility determinations and disenrollment decisions to ensure these decisions are appropriate.

► Status: **Implementation in process in a different manner.**

AHCCCS has developed policies and procedures that require tracking and reviewing a sample of denied eligibility determinations and disenrollment decisions to ensure these determinations and decisions are appropriate. AHCCCS indicated it plans to review a sample of denied eligibility determinations and disenrollment decisions each month but has not developed any procedures for its sampling approach, including whether its sampling will be risk-based.

Our review of AHCCCS' automatically generated tracker of 330 denied eligibility determinations and disenrollment decisions sampled for review by AHCCCS staff in April 2024 and July 2024 found that:

- AHCCCS confirmed the appropriateness of 251 of 330, or approximately 76%, of these denied eligibility determinations and disenrollment decisions.
- AHCCCS determined that 10 of 330 denied eligibility determinations and disenrollment decisions were incorrect. As of July 2025, AHCCCS staff had corrected 8 of these determinations and decisions, in accordance with its policy. AHCCCS reported it requested additional information from the applicant or member for the other 2 determinations and decisions but that the applicant or member did not respond to this request for additional information, and AHCCCS upheld the denial.
- AHCCCS determined that 30 of 330 denied eligibility determinations and disenrollment decisions had a minor data entry error. However, AHCCCS reported it does not take further action on these determinations and decisions because the data entry error did not affect the eligibility determination or disenrollment decision. Therefore, the applicant or member would still be denied or disenrolled even if the identified errors were addressed. Instead, AHCCCS reported using these errors as training opportunities for its staff.
- AHCCCS reported it did not assign 39 of 330 denied eligibility determinations and disenrollment decisions for review. AHCCCS further reported that as of January 2025, it modified its process of assigning determinations and decisions and has since reviewed all sampled denied eligibility determinations and disenrollment decisions.

We will further assess AHCCCS' implementation of this recommendation during our next followup.

4. AHCCCS should ensure that the Arizona Department of Economic Security (ADES) develops and implements a process for reviewing its eligibility-determination decisions, including denials and disenrollments, and monitor this process, as required by its intergovernmental agreement (IGA) with ADES.

► Status: **Implementation in process.**

According to AHCCCS policies and procedures and its IGA with ADES, ADES is required to review a stratified random sample of 350 eligibility determinations, including 50 denials and disenrollments, each month. The IGA further requires ADES to focus its review on eligibility factors that have yielded high error rates as determined by federal and State audit findings, such as denial reason, income, and income deductions.

Additionally, AHCCCS has developed and began implementing a process to monitor ADES' monthly review of eligibility determinations, including denials and disenrollments, in accordance with its IGA with ADES. Specifically, this process requires AHCCCS to conduct a monthly review of a stratified random sample of at least 10% of the 350 eligibility determinations ADES reviewed the previous month. If AHCCCS identifies any errors, the IGA requires it to inform ADES of these errors.

Our review of ADES and AHCCCS documentation found that in July 2024, ADES reviewed a stratified random sample of 505 eligibility determinations it performed, including 94 denials and disenrollments. Based on ADES' review of the 505 eligibility determinations, AHCCCS reviewed a stratified random sample of 52 eligibility determinations, including 10 denials and disenrollments. According to AHCCCS documentation, AHCCCS staff identified that 11 of 52, or approximately 20%, of these eligibility determinations had errors. These errors included ADES staff not documenting verification of an applicant's income and inaccurate case notes.

AHCCCS' policies and procedures outline steps for notifying ADES of identified errors, and in September 2024, AHCCCS sent ADES a report of the 11 determinations with errors. Additionally, the IGA requires ADES to develop and implement corrective action plans to address identified errors and submit the plan to AHCCCS. However, neither AHCCCS policies and procedures nor its IGA with ADES require AHCCCS to ensure ADES addresses these errors. We will further assess AHCCCS' implementation of this recommendation during our next followup.

5. AHCCCS should conduct performance reviews of its contracted health plans once every 3 years, as required by federal regulations and its policies.

► Status: **Implemented at 36 months.**

Our May 2025 review of AHCCCS' 11 current contracted health plans found that all 11 had a performance review completed between calendar years 2022 and 2024.² AHCCCS reported that it expects to complete the next round of performance reviews by the end of 2027, including 2 reviews that it expects to complete by the end of calendar year 2025.

6. AHCCCS should develop and implement a risk-based approach for ensuring that its contracted health plans verify their providers have met required performance measures prior to reimbursing its contracted health plans for provider incentive payments.

► Status: **Implemented in a different manner at 36 months.**

Instead of developing a risk-based approach for ensuring its contracted health plans verify their providers have met required performance measures, AHCCCS has retained an external contractor to verify that all contracted health plan providers have met required performance measures prior to reimbursing its contracted health plans for provider incentive payments. Specifically, AHCCCS has developed policies and procedures that require an external contractor to annually verify that contracted health plan providers have met the required performance measures reported by their contracted health plans and to develop and provide a report to AHCCCS on its findings.

² At the time of our September 2022 Performance Audit and Sunset Review, 14 contracted health plans accounted for a total of 22 performance reviews between 2016 and 2021. Since the performance review, AHCCCS has terminated contracts with 2 health plans, and they no longer receive performance reviews. Additionally, it combined 2 health plans that now only receive 1 performance review. Therefore, as of May 2025, AHCCCS is responsible for completing performance reviews of 11 contracted health plans.

According to AHCCCS' external contractor's April 2023, April 2024, and April 2025 reports for calendar years 2021, 2022, and 2023, respectively, the contracted health plans' providers met the required performance measures for each of those years. Our review of these reports found that the external contractor interviewed staff from each contracted health plan about their processes for calculating and reporting the performance measures; requested and reviewed applicable documentation; and audited each contracted health plan's eligibility and enrollment data systems, medical services data systems, and data-integration processes to verify that the contracted health plan providers met the required performance measures. Based on the external contractor's determination, AHCCCS distributed calendar year 2021 provider incentive payments in September 2024 and reported that it expects to distribute provider incentive payments for calendar years 2022 and 2023 in September 2025 and September 2026, respectively.

7. AHCCCS should implement and use its action plan to guide its efforts in establishing written Information Technology (IT) and data security procedures in line with Arizona Strategic Enterprise Technology office (ASET) requirements and credible industry standards.³

► Status: **Implementation in process.**

AHCCCS has developed draft IT and data security policies and procedures that are consistent with some State IT requirements and credible industry standards. Specifically, these draft policies and procedures require AHCCCS IT staff to monitor IT network and system use, help ensure that all agency data is accessed through and stored on AHCCCS' protected network, detect and identify attacks on AHCCCS' IT systems, and implement patch management guidelines. However, the draft policies and procedures do not include State-required procedures for how frequently AHCCCS staff should monitor data logs. By not having these procedures, AHCCCS cannot ensure its staff timely review IT system logs to identify critical and improper actions on its IT systems such as unauthorized access to its network. AHCCCS reported that it does not expect to finalize its draft policies and procedures until December 2025 because it has prioritized the completion of other projects. We will further assess AHCCCS' implementation of this recommendation during our next followup.⁴

³ Effective September 24, 2022, Laws 2022, Ch. 50, transferred the responsibility for State agency IT and data security oversight from the Arizona Department of Administration—Arizona Strategic Enterprise Technology Office to the Arizona Department of Homeland Security.

⁴ According to a September 2025 AHCCCS press release, in August 2025, AHCCCS reported it had a data breach that resulted in the disclosure of limited protected health information. As part of our continued work related to recommendation 7, we will assess AHCCCS' actions related to this reported data breach during our next followup.

8. AHCCCS should develop and implement policies and procedures for overseeing its contracted health plan's process for ensuring that its service providers address identified deficiencies and recommendations resulting from the 3 reviews and/or assessments of behavioral health services provided to members with a Serious Mental Illness (SMI) in Maricopa County, such as ensuring the contracted health plan requires its service providers to develop and implement corrective actions, reviews and monitors the corrective actions, and verifies the implementation of corrective actions or reported improvements.

► Status: **Implementation in process in a different manner.**

AHCCCS contracts with external consultants to conduct 3 annual reviews of its contracted health plan's behavioral health services provided to members with an SMI in Maricopa County.⁵ These annual reviews identify deficiencies with the services provided and make recommendations to this contracted health plan to address these deficiencies. AHCCCS has developed policies and procedures that require its contracted health plan to work with its service providers to address the identified deficiencies and recommendations resulting from the annual reviews. After an annual review is published, AHCCCS policies and procedures require the contracted health plan to meet on a monthly basis with AHCCCS staff to provide updates on the status of deficiencies identified in the annual reports and for AHCCCS staff to complete quarterly monitoring reports on the contracted health plan's progress in implementing the recommendations. Further, the policies and procedures require its contracted health plan to complete a corrective action plan if the annual review identifies repeated issues, findings that are inconsistent with the reports from the contracted health plan, or findings of negligence that could threaten the wellbeing of members.

Our review of the 3 fiscal year 2024 annual reports completed by AHCCCS' external consultant found that it made 12 recommendations to the contracted health plan regarding behavioral health services provided to members with an SMI in Maricopa County. These recommendations included ensuring that staff training, including new employee and ongoing training, addresses how staff should appropriately identify and prioritize mental health services for members; continuing efforts to address recruitment and retention of peer support specialists, family mentors, and case managers; and continuing efforts to monitor the timely completion of annual member assessments and individual service plans. According to AHCCCS' documentation, 7 of 12 recommendations identified by the external consultants resulted from repeated issues and 5 recommendations resulted from new issues. AHCCCS reported that the contracted health plan developed corrective action plans and AHCCCS provided ongoing technical assistance and close monitoring of the contracted health plan's efforts to implement recommendations and improve member outcomes. We will further assess AHCCCS' implementation of this recommendation during our next followup.

⁵ AHCCCS contracts with 1 external consultant to assess whether the delivery of specific behavioral health services by a contracted health plan adhere to the federal standards and contracts with another external consultant to perform 2 additional reviews that assess the provision, quality, and availability of specific behavioral health services to members with an SMI in Maricopa County.

9. AHCCCS should, consistent with its plans, develop and implement policies and procedures for overseeing its Housing Program and Housing Administrator by periodically inspecting a sample of housing units and reviewing a random sample of participant files; and requiring the Housing Administrator to take action to address deficiencies, such as through the development and implementation of corrective action plans.

► Status: **Implementation in process.**

AHCCCS has developed policies and procedures to oversee both its Housing Program and Statewide Housing Administrator (SHA). Specifically, the policies and procedures require the SHA to conduct annual onsite inspections of properties that are a part of its Housing Program and provide its findings to AHCCCS annually. Additionally, the policies and procedures require AHCCCS to annually inspect a random sample of 5% of housing units. These policies and procedures also require AHCCCS staff to document the results of inspections on spreadsheets and provide its inspection results, including any identified deficiencies, to the contractors responsible for the housing units it inspected. Finally, these policies and procedures require AHCCCS to provide feedback to the contractors responsible for the housing units that need to take corrective action on additional required actions and time frames for completing these actions.

According to its tracker of properties inspected between January 2024 and November 2024, AHCCCS monitored 38 properties and did not identify any deficiencies or issue any corrective action plans to the contractors. AHCCCS further reported it plans to monitor 46 properties between March 2025 and December 2025.

Similar to its review of the Housing Program, AHCCCS policies and procedures require it to review a random sample of 5% of the participant files for the SMI Housing Trust Funds and subsidies managed by its SHA.⁶ Additionally, these policies and procedures require AHCCCS to use these participant files to conduct an annual review of the SHA against established benchmarks to identify deficiencies, recommend corrective actions, and establish time frames to address identified areas of concern.⁷

According to AHCCCS' February 2024 evaluation of the SHA for fiscal year 2023, the SHA scored at least 92% on 13 of 15 performance measures reviewed, but 58% and 63% on the remaining 2 measures.⁸ Following this review, AHCCCS submitted a letter to the SHA summarizing its findings and outlining corrective action steps and time frames for the SHA to implement these corrective actions. According to a March 2024 SHA letter, the SHA reported it had implemented the corrective actions within the required time frames. AHCCCS subsequently informed the SHA that it had approved most of the implemented corrective actions and recommended the SHA take 2 further actions to enhance its waitlist procedures.

⁶ These subsidies are provided to members with an SMI to help these members gain and maintain housing. These subsidies are funded by Arizona Non-Title XIX/XXI funding, primarily State General SMI Housing and Supported Housing funds.

⁷ See recommendation 10 for more information on these established benchmarks.

⁸ AHCCCS reported it reviewed over 100 participant files as part of its evaluation.

We will further assess AHCCCS' implementation of its policies and procedures, including its procedures related to issuing and following up on corrective actions, during our next followup.

10. AHCCCS should, consistent with its plans, finalize and implement benchmarks for evaluating the performance of its Housing Administrator based on established performance measures.

► Status: **Implemented at 36 months.**

In November 2022, AHCCCS finalized and began using benchmarks to evaluate the performance of the SHA based on 11 established performance measures. These benchmarks are based on Section 8 Management Assessment Program (SEMAP) criteria and include ensuring that the SHA accurately calculates the tenant share of rent for at least 85% of participants, that 98% of units meet Housing Quality Standards prior to participants entering a lease, and that 98% of landlords and tenants are promptly informed of identified housing deficiencies that require correction.⁹

11. AHCCCS should develop and implement policies and procedures for monitoring Housing Administrator performance against its established benchmarks and requiring the Housing Administrator to take action to address performance that falls below the benchmarks, such as through the development and implementation of corrective action plans.

► Status: **Implementation in process.**

AHCCCS has developed policies, procedures, and contract requirements for monitoring the SHA. According to its contract, the SHA is required to quarterly perform a self-review of its performance based on established benchmarks and provide this information to AHCCCS.¹⁰ AHCCCS policies and procedures then require AHCCCS to review this information and provide a summary of its findings to the SHA. This summary should include identified deficiencies, AHCCCS-prescribed corrective actions, and time frames for completing the corrective actions. According to its policies and procedures, AHCCCS may also issue a formal corrective action plan to the SHA to address deficiencies. Our review of the August 2023 *AHCCCS Housing Program Benchmark Performance* report found that AHCCCS reviewed the SHA's self-review of its performance against all 11 established benchmarks. According to this report, the SHA complied with 9 benchmarks but did not comply with 2 benchmarks. Although this report included corrective actions the SHA should take to address its performance related to these 2 benchmarks, it did not specify time frames for doing so.

Additionally, our review of 2 self-review reports for the January through March quarters of 2024 and 2025 found that the SHA reported problems it encountered during the reporting period, suggested solutions, and updates to earlier identified problems and solutions. In response to these reports and consistent with its policies, AHCCCS

⁹ SEMAP is a U.S. Department of Housing and Urban Development (HUD) program that establishes criteria to assess housing agencies providing HUD housing vouchers across 14 key areas, including the timeliness of inspections and the accuracy of rent determinations.

¹⁰ See recommendation 10 for more information on these benchmarks.

reported discussing a reporting discrepancy within the 2025 report during a meeting with the SHA. However, despite our request, AHCCCS did not provide documentation of this discussion with the SHA or having discussed other identified problems indicated in the 2025 report. Although AHCCCS policies indicate that identified problems do not always require a discussion and further followup, the policies do not specify the types of identified problems that should require discussion and followup or how to document this discussion and followup. We will further assess AHCCCS' continued implementation of this recommendation during our next followup.

12. AHCCCS should, as required by Arizona Revised Statutes (A.R.S.) §36-3432, prepare and submit an annual report on its annual system plan that provides information on the development and implementation of a comprehensive behavioral health service system for children, including the identification of services, estimated number of members, and an appropriations request. If AHCCCS determines that it cannot meet all or some portions of this reporting requirement, it should work with the Legislature to modify statute, as applicable.

► Status: **Implementation in process.**

Despite our September 2022 Performance audit and Sunset Review indicating that AHCCCS had not submitted the statutorily required annual report since 2017, it did not prepare and submit an annual report on its system plan until March 2025. Our review of the March 2025 report found that it provided all statutorily required information related to AHCCCS' annual system plan that provides information on the development and implementation of a comprehensive behavioral health service system for children, including the identification of services, estimated number of members, and an appropriations request for fiscal year 2026. However, the Department issued the report in March 2025, 4 months after the statutory deadline of November 1. AHCCCS reported that unexpected results led to delays in finalizing and publishing this report. AHCCCS reported that it expects to publish its next annual report by the November 1, 2025 deadline. We will further assess AHCCCS' implementation of this recommendation during our next followup.

13. AHCCCS should, as required by A.R.S. §36-3405(D), prepare and submit a monthly report that has all required elements, including units of service, amount of monies provided for member services for each Regional Behavioral Health Agreement (RBHA), by Medicaid and non-Medicaid categories, and RBHA administration and case management expenses. If AHCCCS determines that it cannot meet portions of this reporting requirement, it should work with the Legislature to modify statute, as applicable.

► Status: **Implementation in process.**

Although AHCCCS initially anticipated needing to work with the Legislature regarding potential changes to this reporting requirement, it indicated that it no longer needs to pursue statutory changes and instead intends to prepare and submit these monthly reports with the required information.

Our review of 6 monthly reports AHCCCS issued between February and July 2025 found that all 6 reports were submitted to the required parties and included required information on the number of persons served by Medicaid and non-Medicaid categories. However, the 6 reports did not include required information on units of service, amount of monies provided for member services for each RHBA, or RBHA administration and case management expenses. AHCCCS reported that draft reports with all statutorily required information are undergoing management review and approval, and it expects to finalize and begin issuing reports with all required information by November 2025. We will further assess AHCCCS' implementation of this recommendation during our next followup.

Sunset Factor 3: The extent to which AHCCCS serves the entire State rather than specific interests

- 14.** AHCCCS should implement its plans to comply with State conflict-of-interest requirements and recommended practices by:
 - a.** Ensuring all staff complete the current Arizona Department of Administration conflict-of-interest disclosure form, including requiring its staff to disclose whether they or a relative have a substantial interest in any decision of a public agency.
 - ▶ Status: **Implemented at 36 months.**

AHCCCS has developed and implemented policies and procedures that require all staff to complete conflict-of-interest disclosure forms. Our December 2024 review of a stratified random sample of 21 of 1,477 AHCCCS staff found that all 21 had a completed disclosure form for fiscal year 2025. Additionally, our review of AHCCCS' fiscal year 2024 conflict-of-interest tracker found that 1,456 of 1,477 staff, or approximately 99%, had completed the required conflict-of-interest disclosure form.
 - b.** Developing and implementing a process for reminding employees to annually complete a disclosure form when their circumstances change.
 - ▶ Status: **Implemented at 36 months.**

In January 2024 and January 2025, AHCCCS emailed all active AHCCCS employees to remind them to complete conflict-of-interest disclosure forms if their circumstances changed and to complete AHCCCS' annual conflict-of-interest training, in accordance with AHCCCS policies and procedures.
 - c.** Developing and implementing a special file for substantial disclosures and making this file available for public inspection.
 - ▶ Status: **Implemented at 36 months.**

AHCCCS has developed an electronic special file that contains conflict-of-interest disclosure forms with a disclosed substantial interest and makes this file available to the public at its office through online requests. Our December 2024 review of a

judgmental sample of 7 disclosure forms with a disclosed substantial interest found that all 7 disclosure forms were stored in the special file.¹¹

d. Developing and implementing annual conflict-of-interest training.

▶ Status: **Implemented at 36 months.**

AHCCCS has developed and implemented an annual conflict-of-interest training for its employees that provides information on State conflict-of-interest requirements. As explained in recommendation 14b, in January 2024 and 2025, AHCCCS reminded its employees to complete this training. As of May 2025, our review of AHCCCS' training completion tracker found that 1,236 of 1,261 employees, or approximately 98%, had completed the training for fiscal year 2025.

Sunset Factor 4: The extent to which rules adopted by AHCCCS are consistent with the legislative mandate

- 15.** AHCCCS should work with the Legislature to either revise or remove A.R.S. §36-2905.06, which requires it to adopt rules requiring members to be fingerprinted at the time the member is enrolled in a healthcare coverage program.

▶ Status: **Not implemented.**

As explained in our September 2022 Performance Audit and Sunset Review, AHCCCS reported that it had not adopted the required rules because the Centers for Medicaid and Medicare Services did not approve adding a fingerprint requirement for members and stated that it would withdraw federal matching funds if AHCCCS proceeded with this requirement. Although AHCCCS developed a legislative proposal to repeal A.R.S. §36-2905.06 in October 2022, this proposal was not submitted to the Legislature for consideration in the 2023 legislative session. As of September 2025, AHCCCS reported intending to work with the Legislature to either revise or remove this statutory requirement during the 2026 legislative session. We will further assess AHCCCS' implementation of its policy and procedures during our next followup.

- 16.** AHCCCS should adopt rules for excluding providers who have been convicted of certain crimes, as required by A.R.S. §36-2930.05, once litigation surrounding this requirement is resolved.

▶ Status: **Implemented at 36 months.**

Effective June 26, 2024, AHCCCS adopted rules that exclude providers that have been convicted of certain crimes from participating in AHCCCS, as required by statute.

¹¹ As explained in recommendation 14a, we reviewed a stratified random sample of 21 of 1,477 AHCCCS staff and found all 21 staff had a completed disclosure form for fiscal year 2024. We further assessed whether 7 of 21 forms that disclosed a conflict were stored in AHCCCS' special file.

Sunset Factor 5: The extent to which AHCCCS has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public

- 17.** AHCCCS should enhance the demographic and expenditure information on its website, such as providing demographic information by subpopulations and expenditure information by county and service.

► Status: **Implemented at 36 months.**

As of May 2025, AHCCCS enhanced the demographic and expenditure information on its website by implementing interactive dashboards that allow users to see demographic and expenditure information by subpopulations, county, and service. For example, the interactive dashboards show demographic and expenditure information for hospital inpatient admissions, eligibility determinations, emergency department visits, and telehealth programs. AHCCCS updates the information included in the interactive dashboards on a monthly basis.

Sunset Factor 6: The extent to which AHCCCS has been able to investigate and resolve complaints that are within its jurisdiction and the ability of AHCCCS to timely investigate and resolve complaints within its jurisdiction

- 18.** AHCCCS should establish processes requiring its Division of Member and Provider Services (DMPS) to forward eligibility appeals to the Office of the General Counsel (OGC) immediately upon receipt to help ensure these appeals are reviewed and processed within 90 days of receipt.

► Status: **Implementation in process.**

AHCCCS has developed policy and procedures that require DMPS and OGC staff to review and process eligibility appeals within 90 days of receipt. The policy and procedures specify DMPS and OGC staff roles and responsibilities for processing eligibility appeals daily, including documenting receipt of eligibility appeals on a shared hearing tracker, reviewing the appeal requests, contacting the parties that appealed, scheduling hearings with the Office of Administrative Hearings (OAH), and sending appeal case notices and files to the OAH. DMPS and OGC staff use the shared hearing tracker to document the progress of eligibility appeals, including updating the tracker daily as required reviews are completed.

AHCCCS has also developed guidance for calculating the 90-day time frame for resolving appeals. This guidance specifies when days may be excluded from the overall 90-day time frame, such as when an appeal involves another agency such as the OAH. We will further assess AHCCCS' implementation of its policy and procedures during our next followup.

- 19.** AHCCCS should train staff in the Division of Member and Provider Services who receive applications for appeals on the process and time frames for submitting eligibility appeals to the Office of the General Counsel.

► Status: **Implementation in process.**

As explained in recommendation 18, AHCCCS has developed a policy and procedures to help ensure DMPS and OGC staff review and process eligibility appeals within 90 days of receipt. In August 2022, AHCCCS trained 7 DMPS staff on the appeals process, including time frames for submitting eligibility appeals, and entering new appeals into the hearing tracker. Additionally, AHCCCS reported training a new DMPS staff member who started employment in March 2025 on the appeals process through onboarding and on-the-job training and provided training on the appeals process to all DMPS staff in August 2025. Although AHCCCS provided dates for these reported training activities, despite our requests, it did not provide documentation of providing the trainings. We will further assess AHCCCS' implementation of its policy during our next followup.

- 20.** AHCCCS should develop and implement additional appeal-handling procedures, such as monitoring and review procedures, to help ensure that eligibility appeals are timely resolved in compliance with State regulations.

► Status: **Implementation in process.**

See explanation for recommendation 18.

- 21.** AHCCCS should develop and implement policies and procedures for reviewing and resolving grievances and appeals it receives from Arizona State Hospital (ASH) patients, including procedures that specify when corrective action plans should be developed, and require AHCCCS staff to review and follow up on corrective action plans, and verify corrective actions taken to ensure that ASH has addressed identified concerns.

► Status: **Implementation in process.**

AHCCCS has developed policy and procedures for reviewing and resolving ASH patient grievances and appeals that are consistent with State regulations. Specifically, AHCCCS' policy requires it to review the appropriateness of ASH's decision and associated outcome within 15 days of receiving a grievance or appeal. If AHCCCS determines that the decision and associated outcome was inappropriate and corrective action is needed, AHCCCS' policy and procedures require ASH to develop and implement a corrective action plan. AHCCCS' policy also outlines steps with associated time frames for notifying ASH and ASH patients of its determination and the patient's right to appeal the determination and potentially request an administrative hearing. Additionally, AHCCCS' policy and procedures require AHCCCS staff to review and follow up on corrective action plans and verify corrective actions taken to ensure that ASH has addressed identified concerns. Finally, AHCCCS reported it uses a spreadsheet and database to track its review of appeals, any necessary followup, and verification of any required corrective actions. We will further assess AHCCCS' implementation of its policy during our next followup.

- 22.** AHCCCS should continue developing and implementing policies and procedures for handling appeals from members receiving services from its Housing Program.

► Status: **Implementation in process.**

AHCCCS has developed policies and procedures for handling appeals related to Housing Program services. The policies and procedures require staff from AHCCCS' Critical Resolution Unit (CRU) to review concerns regarding Housing Program services submitted by AHCCCS members and determine whether the SHA or AHCCCS' Housing Team should review and address the concern. If the SHA has yet to review the member's concern, CRU directs the member to work through the SHA's grievance process. If the member is dissatisfied with the SHA's resolution of their grievance, the SHA is required to escalate the grievance to AHCCCS' Housing Team for review. Finally, AHCCCS policies and procedures include steps directing the Housing Team's review and determination regarding appeals of SHA decisions. Although AHCCCS reported receiving 5 Housing Program concerns from members between January 1, 2024 and October 31, 2024, as of September 2025, AHCCCS reported that all 5 were referred to the SHA and were resolved through the SHA's grievance process. AHCCCS reported that none of these concerns were appealed to AHCCCS. We will further assess AHCCCS' implementation of its policies and procedures during our next followup.