Sjoberg Evashenk Consulting's comments on AHCCCS' and the Department's responses

The Joint Legislative Audit Committee requires all agencies to respond to whether they agree with the findings and plan to implement the recommendations. We appreciate AHCCCS' and the Department's responses, including their agreement to implement or implement in a different manner many recommendations. However, both AHCCCS and the Department included certain statements in their responses that necessitate the following clarification. Specifically:

Chapter 2

In its response to Chapter 2, AHCCCS stated that it disagreed with the audit's statement that AHCCCS and the Department have not fully implemented required cost-control measures for PPCG, arguing that several cost-control measures required by Laws 2025, Chapter 93, were implemented in July and October of 2025. Further, although the Department acknowledged in its response to Chapter 2 that the new standardized assessment tool was suspended as directed by AHCCCS, it stated that it has implemented all other cost control measures required by Laws 2025, Chapter 93.

As reported in Chapter 2 (see pages 21 through 27), we acknowledge AHCCCS and the Department have developed policies, parent acknowledgement forms, and other supplemental forms related to the required cost-control measures; however, policies and forms on their own are insufficient to prevent or detect noncompliance and ensure the cost controls are operating as intended and designed. Specifically, as stated in the report and illustrated in Exhibit 5, page 22, AHCCCS and the Department have developed policies and forms designed to implement the new standardized assessment tool and a variety of statutorily required restrictions (including the 40-hour limit for parents, residency requirements, and time and place restrictions), but controls designed to prevent and detect instances of noncompliance with these requirements were not in place as of May 2026. The Department also lacked sufficiently reliable data to ensure compliance with these requirements prior to this time. AHCCCS has not yet developed sufficiently reliable data reporting to monitor the Department's performance, and the Department only started requiring noncompliant vendors to submit corrective action plans in April 2026, and as of May 2026 the Department still continued to pay for hours in excess of 40 hours. Given these issues, neither AHCCCS nor the Department could demonstrate that they had implemented an adequate system of internal controls sufficient to prevent payments in excess of 40-hours per week and only to eligible paid-parent caregivers for allowable time periods, or to reliably and timely detect and correct noncompliance, including fraud, waste, and abuse.

Additionally, AHCCCS stated in its response that CMS guidance prohibits the measures that the finding faults AHCCCS for not adopting in 2023. The finding does not fault AHCCCS for not adopting cost-control measures in 2023. Instead, Chapter 2 acknowledges the steps AHCCCS took through 2024 and focuses on cost-control measures required by Laws 2025, Chapter 93, that had not been fully implemented as of May 2026, including the new standardized assessment tool required to be implemented by October 1, 2025.

Chapter 3

The Department stated in its response to Chapter 3 that it disagrees with the audit statement that no action was taken to enforce the 40-hour limit. As described in Chapter 3, pages 29 through 31, the report acknowledges that the Department demonstrated that it periodically conducted reviews of parents potentially billing excess hours as early as May 2025 and in April 2026 started requiring noncompliant vendors to submit corrective action plans; however, as of May 2026 the Department still continued to pay for hours in excess of 40 hours and had not required contracted vendors to reimburse the State.

Chapter 4

In its response to Chapter 4, AHCCCS stated that it does not agree that the experience of other States can be directly applied to Arizona without recognizing the significant legal, operational, and programmatic differences which preclude adoption of such practices in Arizona at present and in the near future. The report does not suggest that AHCCCS could adopt any of the practices identified in other states in the near future. In fact, the report explicitly states that AHCCCS does not currently have statutory and/or CMS authority to implement some of the measures identified (see Chapter 4, pages 32 through 36). The examples raised in Chapter 4 illustrate steps other states have taken to help contain costs, and such measures are worthy of consideration, regardless of whether CMS, the Legislature, and/or Governor ultimately determine to accept or reject such measures within the State. This is why the recommendation is to work with CMS, the Governor's Office, and other key stakeholders to determine what steps would be needed to implement additional cost controls in order to support greater long-term fiscal sustainability for the ALTCS-DD program.

Further, Laws 2025, Chapter 93, required that this special audit compares Arizona's PPCG components to best practices in other states of similar programs. As stated in the report, the ALTCS-DD attendant care and habilitation services membership, utilization, and costs related to minor members increased between fiscal years 2019 and 2025. Our analysis indicates that the new standardized assessment tool required by Laws 2025, Chapter 93, is unlikely to be able to contain these costs long term. This audit identifies common practices used in other states for controlling costs. Although AHCCCS does not have the statutory authority or CMS approval to implement the common cost-controls used in other states, should the Governor and the Legislature seek to create greater long-term fiscal sustainability for the ALTCS-DD program, Arizona should consider the measures used by other states. AHCCCS, as the State's Medicaid agency, is best positioned to be able to conduct an analysis and provide the Governor and the Legislature further information about these possible measures, including information about the potential benefits and drawbacks of implementing various measures and the statutory changes and CMS approval that would be needed to effectuate such changes.

Chapters 5 and 6

In its responses to Chapters 5 and 6, the Department stated that the audit used a narrow sample of 57 assessments which cannot be projected to reflect the Department's overall compliance rate. However, the audit report does not use the 57 selected member assessments to conclude on the Department's overall compliance rate. Instead, as explained in Chapter 5 and Chapter 6, pages 38 through 42, our review of the 57 selected member assessments revealed weaknesses in the Department's system of internal controls that if left uncorrected, could lead to additional issues, like those found in the 57 cases we observed.

Specifically, our review identified 7 instances in which the Department failed to retain records, and numerous instances in which the assessments used to populate Person-Centered Service Plans were not signed by support coordinators or where the number of authorized hours were inaccurately calculated. Because the assessment forms are used to authorize the number of service hours a member can receive, if the forms are inaccurate, members may receive more or fewer hours than they are authorized to receive, which can cause the State to incur unnecessary costs or impact the members' ability to remain appropriately supported in their home and community. The observed missing assessment forms, unsigned assessment forms, or incorrect assessment totals within the selected sample are sufficient and appropriate evidence that the systems of controls employed by the Department did not function as intended when the new standardized assessment tool was implemented, and warrants acknowledgement and corrective action by the Department.