ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

July 30, 2026

Members of the Arizona Legislature

The Honorable Katie Hobbs, Governor

Interim Director Harrison
Arizona Health Care Cost Containment System

Director Wisehart
Arizona Department of Economic Security

Transmitted herewith is the report *Special Audit of the Arizona Parents as Paid Caregivers Service Delivery Model.* This audit was conducted by the independent firm Sjoberg Evashenk Consulting under contract with the Arizona Auditor General. This report is in response to Laws 2025, Ch. 93, §4, and was conducted under the authority vested in the Auditor General by Arizona Revised Statutes §41-1279.03. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in its response, the Arizona Health Care Cost Containment System disagrees with all 4 findings directed to it but plans to implement or implement in a different manner all 11 recommendations directed to it. Further, as outlined in its response, the Department of Economic Security agrees with 3 of the findings directed to it and disagrees with 1 of the findings directed to it and plans to implement or implement in a different manner all but 5 of the 20 recommendations directed to it. My Office has contracted with Sjoberg Evashenk Consulting to follow up with the Arizona Health Care Cost Containment System and the Department of Economic Security in 6 months to assess their progress in implementing the recommendations. I express my appreciation to Interim Director Harrison, Director Wisehart, and the Arizona Health Care Cost Containment System and the Department of Economic Security staff for their cooperation and assistance throughout the audit.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

SJOBERG EVASHENK
CONSULTING, INC

July 29, 2026

Lindsey A. Perry, CPA, CFE
Arizona Auditor General
2910 N. 44th Street, Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

Sjoberg Evashenk Consulting is pleased to submit our report containing the results of the 2026 Special Audit of the Arizona Parents as Paid Caregivers Service Delivery Model. We conducted this audit on behalf of the Arizona Auditor General pursuant to Laws 2025, Chapter 93.

The purpose of this audit was to review the implementation of the new standardized assessment tool required by Arizona Revised Statute (A.R.S.) §36-2970.01, which was developed and overseen by the Arizona Health Care Cost Containment System (AHCCCS) under the Arizona Long Term Care Services (ALTCS) program for persons with certain developmental disabilities (ALTCS-DD) and administered by the Arizona Department of Economic Security (Department). This audit also included a comparison of Arizona's Parents as Paid Caregivers Service Delivery Model components to best practices of similar service models in other states, as well as our recommendations for improvement.

We appreciate the professionalism and cooperation exhibited throughout the course of this audit by AHCCCS and Department management and staff. Also, we thank you for the opportunity to serve the Arizona Auditor General, and it has been our pleasure to work with you and your staff.

Respectfully submitted,

George J Skiles

George Skiles, Partner
Sjoberg Evashenk Consulting, Inc.

Arizona Auditor General

Special Audit of the Arizona Parents as Paid Caregivers Service Delivery Model

July 2026

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REPORT HIGHLIGHTS

Special Audit of the Arizona Parents as Paid Caregivers (PPCG) Service Delivery Model

Despite continued cost increases for the Arizona Long Term Care Services (ALTCS) program, which includes the Parents as Paid Caregivers service delivery model, the Arizona Health Care Cost Containment System (AHCCCS) and the Arizona Department of Economic Security (Department) have not fully implemented all cost-control requirements of Laws 2025, Chapter 93, such as not implementing a new standardized assessment tool by October 1, 2025, and not initiating action to enforce the 40-hour limit on parent-provided care until April 2026

Audit purpose

To review the implementation of the new standardized assessment tool required by Laws 2025, Chapter 93 and to compare Arizona's PPCG model components to best practices of similar service models in other states.[1]

Key findings

- AHCCCS suspended implementation of the new standardized assessment tool required by State law, and as a result did not realize a potential cost reduction of between $133 million to $493 million in fiscal year 2026.[2]
- AHCCCS and the Department did not fully implement all required cost-control measures, such as oversight processes for ensuring parents reside in Arizona for at least 6 months before being paid caregivers, prohibiting payment for parent-provided services between 10 p.m. and 6 a.m., and prohibiting payment when the child is not in the home. Further, AHCCCS and the Department did not initiate action to enforce the 40-hour limit on parent-provided paid care until April 2026 despite State law requiring it since July 2025.
- Other states have developed common cost-control measures, such as member enrollment caps, that could help contain costs in the State but would require additional legislative changes and CMS approval.
- Department did not maintain some assessment records we reviewed as required by State law, nor did it ensure the accuracy of some member assessments that were used to authorize services.

Key recommendations

- AHCCCS and the Department should develop and implement all required cost controls, including the new standardized assessment tool, and oversight processes to ensure the cost controls are working.
- AHCCCS should identify if there are additional cost-control measures that could be implemented in order to support greater long-term fiscal sustainability of the ALTCS program, which includes the PPCG service delivery model, and work with the Governor's Office, CMS, and other key stakeholders as needed to determine what steps would be needed to implement these controls.
- Department should revise and implement procedures to help ensure all assessments are retained and that assessed hours are accurately calculated, consistently recorded, and properly reflected in the system before service authorizations are finalized.

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[1] Sjoberg Evashenk Consulting, under contract with the Arizona Auditor General, conducted this special audit of the Parents as Paid Caregivers Service Delivery Model pursuant to Laws 2025, Chapter 93.

[2] AHCCCS initially implemented the new standardized assessment tool on October 1, 2025, but then ordered that the tool stop being used on October 16, 2025, due to threat of litigation.

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Introduction

On behalf of the Arizona Auditor General, Sjoberg Evashenk Consulting, Inc., has completed a special audit of the Arizona Parents as Paid Caregivers (PPCG) service delivery model developed and overseen by the Arizona Health Care Cost Containment System (AHCCCS) under the Arizona Long Term Care Services (ALTCS) program for persons with certain developmental disabilities (ALTCS-DD) and administered by the Arizona Department of Economic Security (Department).[3] This special audit was conducted pursuant to Laws 2025, Chapter 93. The purpose of this audit is to review the Department's implementation of the new standardized assessment tool required by Arizona Revised Statute (A.R.S.) §36-2970.01, including a comparison of Arizona's PPCG service delivery model components to best practices of similar service models in other states.

AHCCCS and the Department share responsibilities related to providing long-term care services for developmentally disabled minor children

AHCCCS is Arizona's Medicaid agency, and is responsible for overseeing the ALTCS program which provides services to developmentally disabled individuals, including minor children

AHCCCS functions as Arizona's Medicaid agency and is responsible for designing Medicaid program frameworks in accordance with federal Centers for Medicare and Medicaid Services (CMS) requirements.[4] AHCCCS' responsibilities include defining covered benefits, eligibility categories, and authorized service delivery models under a CMS-approved State plan and any CMS-approved waiver authorities.[5] AHCCCS is responsible for developing and issuing Medicaid program policies, manuals, and operational guidance governing member eligibility, service authorization, provider participation, reimbursement methodologies, and member protections. In addition, AHCCCS structured its Medicaid programs through a managed care model and, therefore, is responsible for distributing federal and State Medicaid monies to managed care organizations contracted to deliver covered services. Finally, AHCCCS is responsible for ensuring consistent service delivery, appropriate use of Medicaid monies, and alignment of program operations with federal and State requirements. AHCCCS has established several Medicaid programs through which eligible members may receive services.

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[3] AHCCCS serves 2 primary populations through its ALTCS program, individuals with developmental disabilities (ALTCS-DD) and individuals who are elderly and/or physically disabled (ALTCS-EPD). This audit focused on the PPCG service delivery model within the ALTCS-DD program. The impact of Laws 2025, Chapter 93 extends beyond the ALTCS-DD PPCG service delivery model, but the broader scope of this impact was not included in the scope of this audit.

[4] Medicaid is a healthcare coverage program administered by states within broad federal guidelines. CMS provides federal oversight, funding, and approval for how states operate their Medicaid programs. CMS and states share Medicaid programs' costs.

[5] Waivers and state plans are federal Medicaid authorities that allow states to use Medicaid funds to cover specific services, serve specific populations, and deliver services in approved ways. State plans reflect the state's standard Medicaid program, while CMS-approved waivers allow a state to waive or modify certain standard Medicaid requirements. Waivers may allow states to cover specific services or populations, use different service delivery approaches, or operate certain parts of their Medicaid programs in ways that would not otherwise be allowed under the regular Medicaid state plan.

One of AHCCCS' primary Medicaid programs is the ALTCS program. ALTCS provides long-term care services at little or no cost to eligible Arizona residents, including minor children and individuals who are elderly, blind, disabled, or have a developmental disability and require nursing level of care.[6] To be eligible for ALTCS, members must be an Arizona resident, a U.S. citizen or qualified non-citizen, have a valid Social Security number, have certain functional limitations, be at risk of institutionalization, and meet income and asset limitation requirements.

AHCCCS contracts with the Department to administer ALTCS-DD services to eligible members with a developmental disability, including minor children.

The Department is contractually responsible for administering the ALTCS-DD program for members with developmental disabilities

The Department is statutorily responsible for establishing, operating, and overseeing statewide programs and services providing care for individuals with developmental disabilities.[7] Pursuant to State law, individuals must have 1 of 5 qualifying diagnoses that manifested before the age of 18 and are likely to continue indefinitely and have documented substantial functional limitations in 3 or more of 7 daily life skills to be eligible to receive services from the Department's Division of Developmental Disabilities (DDD) (see Exhibit 1). The Department refers to individuals who have applied for and been determined eligible to receive DDD services as "members."

EXHIBIT 1. THE DEPARTMENT REQUIRES ONE OF THE FOLLOWING DIAGNOSES AND A SUBSTANTIAL FUNCTIONAL LIMITATION THAT IMPACTS DAILY LIVING OR BEING UNDER THE AGE OF SIX AND AT RISK OF HAVING A DEVELOPMENTAL DISABILITY

Required Diagnoses and Daily Life Skills	
Qualifying Life Diagnoses	**Daily Life Skills**
Autism	Receptive and expressive language
Cerebral palsy	Learning
Epilepsy	Self-direction
Cognitive/intellectual disability	Self-care
Down syndrome	Mobility
	Capacity for independent living
	Economic self-sufficiency

Source: Audit staff summary of A.R.S. §36-551 and DDD April 2025 Eligibility Packet.

Once the Department determines individuals are eligible for DDD services, they are required by State law to also apply to ALTCS-DD. To be eligible for ALTCS-DD, members must have certain functional limitations, be at risk for institutionalization, and meet income and asset limitation requirements. Once

[6] Nationwide, long-term care services for many developmentally disabled individuals, including minor children, are funded through Medicaid, similar to Arizona.

[7] A.R.S. §36-554.

members are deemed eligible for ALTCS-DD, they can receive most services provided by the Department.[8] Pursuant to its contract with AHCCCS, the Department receives compensation from AHCCCS for ALTCS-DD member services through a monthly per member capitated payment amount that AHCCCS sets annually.

Department support coordinators assist ALTCS-DD members with developmental disabilities in obtaining various home and community-based services through a network of contracted service providers

All DDD members who are enrolled in the ALTCS-DD program receive assistance from a DDD support coordinator, who assesses the member's needs. For DDD members who are enrolled in the ALTCS-DD program, support coordinators also assist members in obtaining home and community-based services (HCBS) through a network of contracted service providers.[9] These services include attendant care; habilitation; day treatment and training for minor children and adults; home health aide and home health nursing; hospice care; housekeeping, chore, and homemaker services; non-emergency transportation; occupational, physical, respiratory, and speech/hearing therapies; personal care; respite services; and supported employment. Attendant care and habilitation care services are the primary services that legally responsible parents or legal guardians (herein generally referred to as "parents") of minor children with disabilities can be paid to provide (see textbox).[10] Additional HCBS definitions are provided in Appendix B.

SERVICE DEFINITIONS

Attendant Care: Assisting minor children who are DDD members enrolled in ALTCS - DD with personal cleanliness and activities of daily living that the member would not be able to perform independently.

Habilitation: Training minor children who are DDD members enrolled in ALTCS-DD to increase self-sufficiency by developing life skills, such as meal preparation or money management.

Source: Audit staff review of the Social Security Act §1915(c) and AHCCCS policies.

To authorize these services, AHCCCS and the Department use multiple assessment and planning tools that serve different purposes, including the Uniform Assessment Tool, the old standardized assessment tool, and the Person-Centered Service Plan (PCSP) (see Exhibit 2 for each tool's purpose and when it is completed or reviewed).[11] For example, the Uniform Assessment Tool determines a DDD member's level of care need in order to help inform what services may be offered. Once the member's level of care need is determined, the old standardized assessment tool identifies the type and amount of attendant care or

[8] ALTCS-DD members who receive residential services may be required to pay some portion of the cost for these services based on their income.

[9] The Department also contracts with health plans and other vendors to provide medical care and long-term residential care, as applicable, to DDD members who are enrolled in the ALTCS-DD program.

[10] Parents of children under age 18 may also be paid to provide home health aide services if the parent is a licensed nursing assistant employed by a Medicare-certified home health agency.

[11] AHCCCS Medical Policy Manual (AMPM), policy 1620-B, states "The Case Manager shall complete a Uniform Assessment Tool (UAT) based on information from the member's PCSP to determine the member's current level of care."

habilitation services the member needs, measured in service hours.[12] Finally, for members receiving ALTCS-DD services, the PCSP documents the member's needs, preferences, providers, and authorized services.

EXHIBIT 2. AHCCCS AND THE DEPARTMENT UTILIZE 3 KEY ASSESSMENT AND PLANNING TOOLS FOR ALTCS-DD MEMBERS RECEIVING ANY OF DDD'S SERVICES, INCLUDING THOSE LISTED IN APPENDIX B

Uniform Assessment Tool (UAT)	Person-Centered Service Plan (PCSP)	Old Standardized Assessment Tool
Level of Care Determination	**Overall Member Service Plan**	**Attendant Care and Habilitation Determination**
Determines the necessary and appropriate level of care for members.	Documents the member's needs, goals, preferences, providers, and authorized services.	Determines the type and amount of attendant care and habilitation services the member is qualified to receive.
When document is completed: ✓ Completed / reviewed at least annually, or sooner if member's condition changes.	**When document is completed:** ✓ Before attendant care and habilitation services are authorized. ✓ Reviewed at least every 90 days for members receiving HCBS	**When document is completed:** ✓ Reviewed at each PCSP review, including 90-day, 180-day, and post-discharge/placement reviews. ✓ When reassessment is requested by member or family.
Completed by: ✓ AHCCCS ALTCS-DD Case Managers	**Completed by:** ✓ DDD Support Coordinators	**Completed by:** ✓ DDD Support Coordinators

Source: Auditor staff summary of AHCCCS Medical Policy Manual, AMPM Policy 1620-B and AMPM Exhibits 1620-10, 1620-17, and 1620-3.

As of May 2026, the Department reported it had a network of service providers that included approximately 989 contracted agencies (i.e., contracted providers) and 332 individual independent providers to deliver services to members.[13]

[12] For clarity, although AHCCCS and the Department formally refer to this assessment as the "HCBS Needs Tool," we refer to it as the "old standardized assessment tool" when discussing the version in place before the modifications required by Laws 2025, Chapter 93. Because Laws 2025, Chapter 93 required AHCCCS and the Department to develop and implement a standardized assessment tool with new requirements, we use "new standardized assessment tool" to refer to the modified version and "old standardized assessment tool" to refer to the unmodified version. Both terms refer to the same underlying standardized assessment tool, but distinguish between the versions before and after the required modifications.

[13] Individual independent providers are people who have an individual service agreement with the Department to directly provide approved DDD services, such as attendant care or habilitation. Contracted agencies are provider organizations that contract with the Department to provide HCBS and other DDD-contracted services, often through direct care workers they employ or manage. The Section 1115 demonstration CMS approved that allowed AHCCCS to use the PPCG service delivery model, requires that all parents be employed through a contracted agency. Thus, no parents in the PPCG service delivery model are individual independent providers.

AHCCCS received temporary CMS approval to establish PPCG as a service delivery model during the COVID-19 pandemic and later received additional CMS approval to make it a permanent model under the ALTCS-DD program

Historically, the Department provided care to qualified minors with developmental disabilities through professional direct care workers who worked for contracted agencies certified by the Department to provide HCBS to eligible members. While the Department paid agencies for the work of professional direct care workers, parents were not eligible to be paid to provide such services to their own minor children. However, AHCCCS and the Department reported that during the COVID-19 pandemic public health emergency, the Department's contracted provider network experienced a shortage of direct care workers available to provide HCBS, and families were reluctant to invite additional people into their homes. Because of these issues, in April 2020, AHCCCS, without first receiving approval by the Arizona Legislature, applied for and was granted a Section 1115 demonstration by CMS to allow legally responsible parents of minor children enrolled in ALTCS-DD to receive compensation for providing certain services to enrolled minor children through the end of the public health emergency.[14,15] Based on this waiver approval, AHCCCS established PPCG as a new service delivery model and adopted related policies. The Department then administered the service model for eligible DDD members who are enrolled in the ALTCS-DD program by applying those policies, authorizing services, and working through contracted providers that employed parents. In September 2023, AHCCCS sought and CMS provided permanent federal approval for the PPCG service delivery model effective February 2024 (see Appendix A, pages 47 and 48 for a timeline of the various AHCCCS requests, Department operational actions, and CMS approvals that led to establishment of PPCG as a permanent service delivery model). According to the Department, by Fall 2025 approximately 49% of ALTCS-DD members under 18 with a disability who received attendant care and habilitation services were PPCG members.[16]

The PPCG service delivery model allows parents of minor children enrolled in the ALTCS-DD program to receive compensation for providing certain services to their minor children

CMS's approval of the PPCG service delivery model authorized AHCCCS to compensate parents of minor children enrolled in ALTCS-DD for providing attendant care and habilitation services. To receive payment for providing services to a child enrolled in ALTCS, parents must be affiliated with a registered provider

[14] A Section 1115 demonstration is a type of federal Medicaid authority that allows states to test approaches that differ from certain federal Medicaid rules, if approved by CMS and intended to further Medicaid program objectives. For example, states may use these waivers to change how services are delivered, adjust eligibility for certain populations, or cover services that Medicaid would not otherwise allow. See Appendix D for additional information on Medicaid federal authorities.

[15] According to AHCCCS, it discussed the planned Section 1115 demonstration with the Governor's Office multiple times and received approval from the Governor's Office to submit it to CMS. However, AHCCCS did not discuss the waiver with, or receive approval from, the Arizona Legislature.

[16] The Department manually captured some data on parent-provided attendant care or habilitation services under PPCG prior to April 2025, but did not begin to reliably capture or track utilization of parent-provided care under PPCG until Spring 2026, after Laws 2025, Chapter 93 required it to do so.

agency—either as employees or contractors—and must successfully complete required direct care worker competency testing if providing attendant care services.[17]

The Department is responsible for authorizing the level of attendant care and habilitation services that minor ALTCS-DD members may receive and approving payments to third-party contracted providers that employ or contract with professional direct care workers or parents authorized under the PPCG service delivery model and who meet AHCCCS direct care provider requirements.[18] Specifically, the Department uses the standardized assessment tool to determine the type and amount of attendant care and habilitation services a member needs, measured in authorized service hours. As part of the assessment, the support coordinator documents the member's support needs, the specific tasks requiring assistance—such as bathing, feeding, or other daily activities—and the amount of time needed to provide those services.[19,20] This information is then incorporated into the member's Person-Centered Service Plan. See Questions and Answers, Question 1, page 11, for information on legislation that required AHCCCS and the Department to develop a new standardized assessment tool.

The PPCG service delivery model was initially funded entirely by federal Medicaid monies, but as of April 1, 2025, the State was required to pay approximately 35% of the ALTCS-DD program costs, including PPCG costs

To pay for DDD member services provided to ALTCS-DD members, the Department receives a monthly per-member capitation payment determined by AHCCCS. The capitation payments AHCCCS makes to the

[17] Contracted providers are required to enroll with AHCCCS as authorized providers of attendant care and habilitation services, after which the Department reimburses those agencies for approved service hours delivered by their employees or contracted providers, including parents. The Department does not employ parents directly because its vendor contracts are intended to provide mechanisms to hold vendors accountable for compliance with applicable policies and requirements. Parents are paid the same rate as nonparent direct care workers employed by the same qualified vendor agency.

[18] The Department administers payment for approved services by reimbursing authorized vendors for care delivered to DDD members who are enrolled in the ALTCS-DD program. Parents who provide services under PPCG must do so through employment or contractual arrangements with an approved vendor. The Department authorizes and reimburses services for all DDD members who are enrolled in the ALTCS-DD program, regardless of whether care is provided by a parent or by another qualified direct care worker.

[19] During the temporary COVID-19 authorization for PPCG, there was no limit on the number of service hours a parent could be paid for service delivery to an ALTCS-DD member, other than the total number of hours assessed to the minor ALTCS-DD member(s) for which the parent provided care. After CMS approved the continuation of PPCG beyond its temporary COVID-19 authorization, there continued to be no limit on the total service hours a member could receive in practice, though AHCCCS did plan to limit the number of hours incrementally over time.

[20] This standardized assessment tool does not capture whether a parent will provide paid care. In Fall 2025, AHCCCS and the Department developed a separate Acknowledgement of Understanding to document whether a parent would provide the paid care, and incorporated into the Electronic Visit Verification (EVV) system caregiver relationship information.

Department consist of both federal and State monies.[21,22] However, the PPCG service delivery model, as part of the ALTCS-DD program, was initially funded solely with federal COVID-19 monies, with that funding scheduled to end on April 1, 2025, following the termination of CMS' final extension of PPCG's temporary authorization. During this initial period, AHCCCS applied ARPA funds to cover the portion of capitation payments attributable to PPCG that would normally require a State financial contribution. After April 1, 2025, the Joint Legislative Budget Committee indicated that the PPCG program would shift to the standard Medicaid financing approach, under which expenditures would be jointly funded by federal and state sources, with approximately 65% financed federally and approximately 35% financed by the State.

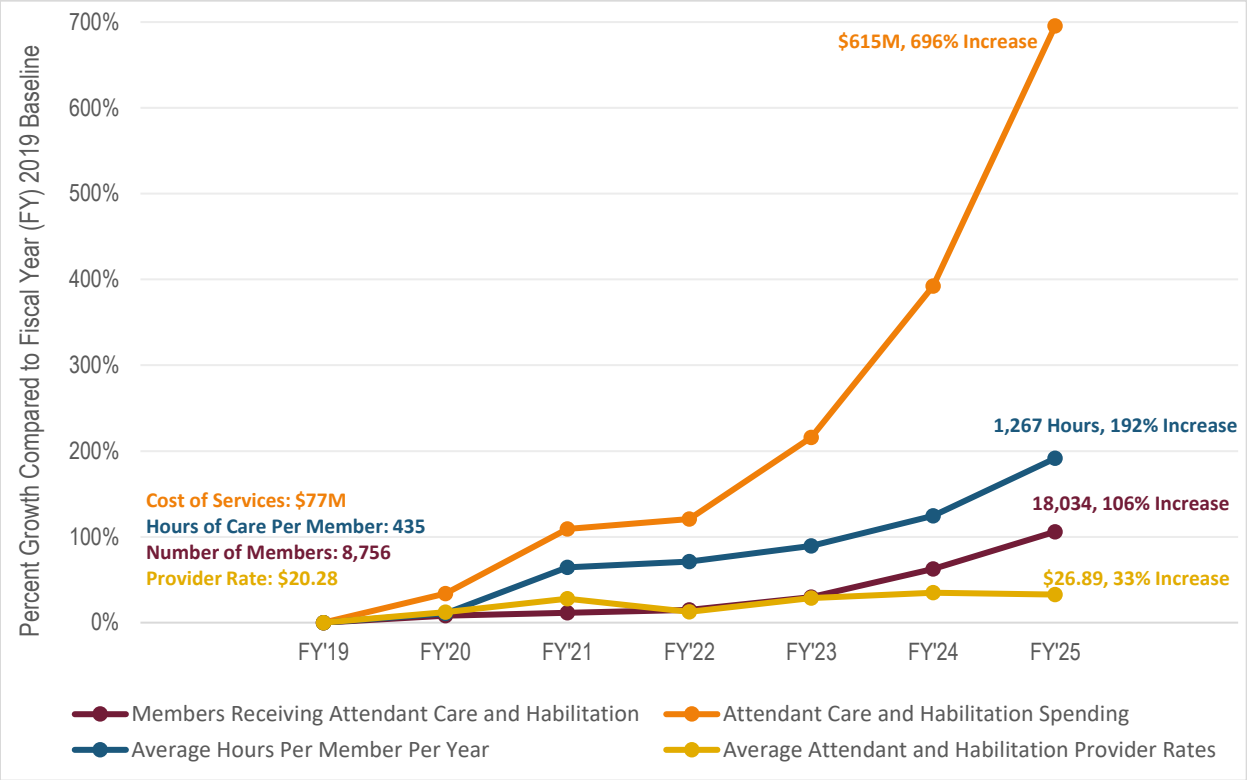
ALTCS-DD attendant care and habilitation services and utilization expenditures have increased between fiscal years 2019 and 2025

Between fiscal years 2019 and 2025, utilization and spending for attendant care and habilitation services for ALTCS-DD members increased substantially, reflecting rapid ALTCS-DD program expansion. As shown in Exhibit 3, the number of members receiving attendant care and habilitation services and the average number of hours per week provided to each member increased steadily during this period. At the same time, the overall cost of providing ALTCS-DD attendant care and habilitation services increased significantly between fiscal years 2019 and 2025, with growth accelerating at an increased rate between fiscal years 2023 and 2025. Exhibit 3 does not break down cost and membership specific to the PPCG service delivery model because the Department did not historically identify or track members that received services from a paid parent caregiver. However, Laws 2025, Chapter 93 required the Department update its EVV system to track this information. Accordingly, AHCCCS required all providers, including the Department, to begin using an updated EVV Aggregator system on October 1, 2025, which requires providers to have their own systems and share data with AHCCCS through the EVV Aggregator system. The exhibit demonstrates concurrent upward trends in service utilization and expenditures for DDD members under the age of 18 who are enrolled in the ALTCS-DD program, reflecting the combined effects of increased enrollment, expanded use of attendant care and habilitation services, and rising per-member costs (see Chapter 1, pages 15 through 20, for additional details regarding AHCCCS' suspension of the required new standardized assessment tool, which contributed to increased program costs; Chapter 2, pages 21 through 27, for additional details regarding AHCCCS' and the Department's delay in implementing other cost-control measures required by Laws 2025, Chapter 93; and Chapter 4, pages 32 through 36, for additional details on cost-control measures other states incorporate in order to contain costs).

[21] The Department transfers State monies appropriated to it for the DDD budget to AHCCCS to pay for the State's portion of the capitation, which is needed to secure federal matching monies. AHCCCS pays capitation rates to the DDD Health Plan monthly based on DDD membership using the State and Federal Funds. After the close of the fiscal year, any unused portion of these State monies are returned to the Department for reversion.

[22] AHCCCS pays the Department fixed per-member amounts, known as capitation rates, to provide covered services to eligible ALTCS-DD members. These rates are set prospectively and are generally adjusted based on expected service costs, enrollment, utilization, and other factors. AHCCCS sets capitated payment amounts annually.

EXHIBIT 3. ALTCS-DD ATTENDANT CARE AND HABILITATION SERVICES MEMBERSHIP, UTILIZATION, AND COSTS RELATED TO MINOR MEMBERS INCREASED BETWEEN FISCAL YEARS 2019 AND 2025[1]



Source: Generated by audit staff based on data received from AHCCCS and the Department.

Note: [1]This exhibit reflects total costs related to ALTCS-DD attendant care and habilitation services provided by the Department to enrolled minor children. The Department did not separately track PPCG-specific costs associated with minor children who received care from a PPCG eligible parent, guardian, or family member, nor did it have a process in place to identify all such members. Laws 2025, Chapter 93 required the Department to update its EVV system to separately track this information and, by October 1, 2025, AHCCCS began requiring agencies to report this information through the newly updated system, though both AHCCCS and the Department acknowledged this information remained incomplete until approximately April 2026. Between April 2025, when the Legislature adopted Laws 2025, Chapter 93, and April 2026, AHCCCS had focused on upgrading its EVV system to incorporate specific identifiers for parent-providers, and the Department required contracted providers to begin recording parent-provider information in the system and began vetting recorded data to ensure parent and vendor compliance with this requirement. According to AHCCCS and the Department, it was not until April 2026 that both found that parent-provider information was generally complete within the EVV system. The process of ensuring complete parent-provider information in the system will remain ongoing as enrollment changes over time. Therefore, we do not have the necessary information to report the number of parent providers, minor children participating in PPCG, or amounts paid to parent providers before fiscal year 2025.

Several factors contributed to the increase. First, DDD enrollment grew faster than in prior years, especially among minors, which increased overall funding obligations. Specifically, between fiscal years 2019 and 2025, the number of minor ALTCS-DD members receiving attendant care or habilitation services increased by 106%.[23] Second, during this same period, use of these services also rose sharply, particularly among minor ALTCS-DD members, as annual attendant care and habilitation hours per member increased by

[23] Minor ALTCS-DD members with developmental disabilities receiving attendant care or habilitation services increased from 8,756 in fiscal year 2019 to 18,034 in fiscal year 2025.

192%.[24] More members received services and members received substantially more services during this period. Third, costs increased because contracted provider rates increased 33% between 2019 and 2025. These 3 factors increased the State funding needed to support the PPCG service delivery model and contributed to the Governor's request for $109 million in supplemental fiscal year 2025 state funding, and $83 million in supplemental fiscal year 2026 state funding.

[24] Average attendant care and habilitation hours per member increased from 435 hours per year in fiscal year 2019 to 1,267 hours per year in fiscal year 2025.

Key questions and answers about Arizona's ALTCS-DD program and the PPCG service delivery model

Between fiscal years 2019 and 2025, ALTCS-DD attendant care and habilitation expenditures increased by over $537 million. Prior to 2025, the Department used federal funding to cover these growing costs, but with this funding expiring on March 31, 2025, the Department requested $109 million in supplemental State funding to provide additional ALTCS-DD services for fiscal year 2025. In April 2025, the Legislature enacted Laws 2025, Chapter 93, which provided approximately $512 million to address the Department's developmental disabilities Medicaid program expenses and established several new PPCG service delivery model requirements that applied to parents and members under this model.

The following Questions and Answers section provides additional information on these changes, AHCCCS' and the Department's implementation of the requirements, the potential cost reductions associated with the new standardized assessment tool, and how Arizona's PPCG service delivery model compares to similar models in other states.

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Question 8: **14**

- Which other types of cost-control measures have other states developed that Arizona has not implemented?

Questions and answers

Question 1: What did Laws 2025, Chapter 93, which became effective on April 24, 2025, require AHCCCS and the Department to do?

As a result of the growing attendant care and habilitation service costs observed between 2019 and 2025, and the Department's increased reliance on State funding, Laws 2025, Chapter 93 required AHCCCS and the Department to implement specific cost controls and guardrails. This included requiring AHCCCS to develop and the Department to implement, by October 1, 2025, the new standardized assessment tool to determine whether attendant care and habilitation services for minor ALTCS-DD members constituted "extraordinary care." The tool was in effect from October 1 through October 16, 2025, and was part of broader cost-control and programmatic oversight measures.[25] These other cost-control measures included a 40-hour weekly cap on the number of hours a parent can be paid under the PPCG service delivery model; restrictions on billing for attendant care and habilitation services provided while a child participating in PPCG was in school or a clinical setting, or outside the hours of 6:00 a.m. to 10:00 p.m.; a 6-month Arizona residency requirement for parents paid under PPCG; limiting parents paid under PPCG to employment with 1 contracted provider agency; and reporting requirements and electronic verification requirements applicable to AHCCCS and the Department. See Appendix C, pages 51 through 52 for additional details regarding the changes to the ALTCS-DD program required by State law.

Question 2: As of May 2026, did AHCCCS and the Department implement all cost controls and guardrails required by Laws 2025, Chapter 93, by the required deadlines?

No. As of May 2026, AHCCCS and the Department had not fully implemented key cost-control requirements for parent-provided paid care required by State law. Although AHCCCS developed and the Department implemented the new standardized assessment tool on October 1, 2025, AHCCCS suspended its use on October 16, 2025. According to AHCCCS, it suspended implementation of the new standardized assessment tool due to the threat of litigation. Because the new standardized assessment tool included age-based restrictions designed to help ensure the Department could identify care beyond what parents typically provide for a child of the same age without a disability and AHCCCS' policies do not include most of these restrictions, suspending its use also suspended implementation of this requirement.[26] Further, as of May 2026, although AHCCCS and the Department adopted policies and supporting forms that relied on self-attestation to formalize billing restrictions for services provided in school or clinical settings, services provided outside 6:00 a.m. to 10:00 p.m., services provided in excess of 40 hours per week, and the 6-

[25] CMS defines "extraordinary" care as care "exceeding the range of activities that a legally responsible individual would ordinarily perform in the household on behalf of a person without a disability or chronic illness of the same age, and which are necessary to assure the health and welfare of the participant and avoid institutionalization."

[26] AHCCCS and the Department adopted policy and incorporated this requirement into the required new standardized assessment tool.

month Arizona residency requirement, neither had developed monitoring procedures sufficient to prevent or detect noncompliance.[27] See Exhibit 5 (Chapter 2, page 22) for additional details regarding the cost controls required by Laws 2025, Chapter 93, and the status of implementation as of May 2026.

Question 3: What potential cost reductions could the required new standardized assessment tool have achieved had it remained implemented?

The new standardized assessment tool could have reduced the Department's annual attendant care and habilitation service costs by approximately $133 million to $493 million, based on projected fiscal year 2026 cost data.[28] That estimate reflects average reductions of about 30.5% in attendant care hours and 45.4% in habilitation hours among the sampled reassessments we reviewed from the time period during which the new standardized assessment tool was in use.[29]

Question 4: Is the estimated $133 million to $493 million in potential annual reductions from the required new standardized assessment tool sufficient to curtail the rapidly growing costs associated with attendant care and habilitation services, and what are the limitations of those potential cost reductions?

The projected $133 million to $493 million in annual cost reductions from the new standardized assessment tool would have been enough to significantly offset attendant care and habilitation service costs for minor ALTCS-DD members and return spending for these services closer to fiscal year 2025 levels, but the reductions would not be sufficient on their own to address longer-term growth and future shortfalls because its effect would diminish over time as membership and service costs continue to rise.[30] See Chapter 4, pages 32 through 36, for additional details regarding the insufficiency of the new standardized assessment tool to curtail rapidly growing program costs.

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[27] AHCCCS and the Department adopted policy and used a supporting HCBS Scheduling form to address restrictions on billing for services provided in school or clinical settings and services provided outside 6:00 a.m. to 10:00 pm. The new standardized assessment tool was designed to enhance control over the assessment of hours during restricted hours and settings, and was intended to be used in conjunction with the HCBS Scheduling form. The suspension of the new standardized assessment tool meant this enhanced control was no longer available to support coordinators. According to the Department, it is awaiting AHCCCS direction and implementation of the revised standardized assessment tool before it can fully implement this cost-control measure. For the 6-month Arizona residency requirement, AHCCCS and the Department adopted policy and created a separate Acknowledgement of Understanding form, which continues to be used and was not suspended with the new standardized assessment tool.

[28] Since audit work was completed before the end of fiscal year 2026, we estimated the new standardized assessment tool's potential impact using fiscal year 2025 data, the most recent complete fiscal year available. Although the estimate provides useful context for the tool's potential fiscal impact, it should be viewed as an estimate with limitations, not as a precise measure of actual cost reductions.

[29] See Appendix G, Scope and Methodology, for additional details on the methodological approach taken to arrive at these results.

[30] From fiscal years 2023 through 2025, the Department experienced a 71.75% increase in attendant care hours and a 42.11% increase in habilitation hours. Applying these growth rates to project fiscal year 2026 service hours, we estimated that total expenditures for attendant care and habilitation services could reach approximately $969 million in fiscal year 2026. Based on this projection, the new standardized assessment tool could have resulted in estimated cost reduction of approximately $223 million and $493 million, reducing projected fiscal year 2026 attendant care and habilitation service costs to between $836 million and $476 million. AHCCCS' August 2025 actuarial report estimated $133 million in potential savings; therefore, we report a range of approximately $133 million to $493 million.

Question 5: What is the status of reimplementing the required new standardized assessment tool?

As of May 2026, the new standardized assessment tool remained suspended while AHCCCS continued efforts to develop an Extraordinary Care Review Process following the Governor's Office October 2025 press release informing the public of direction provided to AHCCCS to allow exceptions for extraordinary care (see next question for more details). Specifically, on November 10, 2025, AHCCCS posted rules related to the emergency Extraordinary Care Review Process rules it developed for public comment. In December 2025, CMS indicated that the originally proposed Extraordinary Care Review Process outlined in rule, which AHCCCS posted for public comment, was unallowable under CMS requirements and would need to be modified to fit within existing federal Medicaid managed care requirements for benefit authorization and appeals.[31] As of May 2026, AHCCCS reported that, based on this CMS feedback, it had revised its originally proposed Extraordinary Care Review process rules to fit within the existing benefit authorization process, in alignment with CMS' directive. AHCCCS also reported that it was undergoing rulemaking related to this modified Extraordinary Care Review process and the revised standardized assessment tool and held a public comment period ending May 19, 2026.[32] See Chapter 1, pages 15 through 20, for additional details regarding the status of the new standardized assessment tool.

Question 6: What is the Extraordinary Care Review Process that AHCCCS is developing?

Starting October 16, 2025, AHCCCS began developing the Extraordinary Care Review Process to allow members or their families to request reconsideration when they disagree with the attendant care and habilitation services hours authorized through the yet-to-be implemented revised standardized assessment tool. AHCCCS reported that, under this process, a reconsideration request would automatically trigger a secondary review by an assigned clinician. See Chapter 1, pages 15 through 20, for additional details regarding the Extraordinary Care Review process AHCCCS has been in the process of developing.

Question 7: How many other states have a service delivery model similar to Arizona's PPCG service delivery model?

Thirty-nine other states have similarly received CMS authorization to use Medicaid monies to pay parents for providing services for their minor children with disabilities in some form. However, the specific model structures vary, with states differing in the types of services they pay for, the eligibility requirements for parents to receive payment, and the cost-control measures they use to limit utilization and spending.[33] See Chapter 4, pages 31 through 36, for additional details regarding other states with similar PPCG models, and Appendix E, pages 54 through 56 for a comparison of key elements among other states.

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[31] Federal Medicaid managed care requirements establish standards for service authorization decisions, notices, appeals, grievances, and State fair hearings when services are denied, reduced, suspended, or terminated. See 42 CFR 438.210 and 42 CFR 438.400, 438.402-438.406.

[32] AHCCCS reported that the new Extraordinary Care Review process was now structured appropriately within existing federal Medicaid regulations. However, as of June 2026, AHCCCS had not provided evidence that CMS approved its current Extraordinary Care Review process.

[33] States pay parents to provide different types of services to their minor children with disabilities, including attendant care, personal care, habilitation, respite, home health aide services, nursing-related supports, and other home- and community-based services that support children at home and in the community.

Question 8: Which other types of cost-control measures have other states developed that Arizona has not implemented?

There are 39 other states that pay parents to provide care for their minor children with disabilities and many of these states have developed cost-control measures, including enrollment caps, expenditure caps, and supplemental eligibility requirements that Arizona has not implemented. In order to implement these additional cost-control measures, Arizona would need legislative changes and/or CMS approval. In addition, as of May 2026, other cost-control measures required in Arizona were either suspended or had not been implemented. AHCCCS had suspended implementation of its new standardized assessment tool, which included additional cost controls used in other states, such as enhanced age-based restrictions and restrictions on parents billing for tasks that would ordinarily be performed by a parent of a child without a disability. An example of another state that has implemented supplemental eligibility requirements is Nebraska, which requires a separate assessment of minor members seeking care from a paid parent to determine whether they need extraordinary care. For age-based restrictions, Ohio does not allow parents to provide paid attendant oral hygiene care for members under age 5. See Chapter 4, pages 32 through 36, for additional details regarding other states with similar PPCG service delivery models.

Chapter 1. AHCCCS did not implement the new standardized assessment tool required by Laws 2025, Chapter 93, and as a result, did not realize potential cost reduction of $133 million to $493 million in fiscal year 2026

Although AHCCCS and the Department implemented the required new standardized assessment tool on October 1, 2025, as required by State law, AHCCCS halted the use of the tool within 16 days of its implementation and then directed providers to reverse the decisions made under the new tool

On October 1, 2025, AHCCCS and the Department implemented a new standardized assessment tool to determine the need for "extraordinary care" for minor children, along with supporting policies and documentation intended to address additional requirements in Laws 2025, Chapter 93. Exhibit 4 summarizes the key changes included in the new standardized assessment tool.[34] This new standardized assessment tool was similar to the prior version, but incorporated age-based restrictions for certain attendant care and habilitation tasks, additional fields to identify voluntary informal supports, and a revised habilitation assessment section with space for comments. For example, unlike the old tool, under the new standardized assessment tool, attendant care hours for providing housekeeping and cleaning services could not be authorized for members under age 18. Further, the additional fields to identify voluntary informal supports are intended to identify situations in which care from a parent or other direct care worker is not needed, and the revised habilitation assessment section with space for comments is intended to enable support coordinators to describe the amount and type of care needed and document the rationale for providing it. In addition, AHCCCS developed an Acknowledgement of Understanding form to formally document parental consent to participate in the PPCG service delivery model and to confirm parents' awareness of applicable PPCG requirements, conditions, and limitations.

[34] AHCCCS does not have a separate eligibility pathway for PPCG members because PPCG is a service delivery model, not a distinct eligibility program. Therefore, the new standardized assessment tool does not determine whether a member is eligible for PPCG; rather, it assesses the type and amount of attendant care and habilitation services the member may receive. Because of this structure, the new standardized assessment applies to all ALTCS-DD members receiving DDD attendant care and habilitation services, regardless of whether the paid provider is a parent or a direct care professional who is not the parent. As a result, there is not a clear before-and-after eligibility distinction based solely on PPCG status.

EXHIBIT 4: AHCCCS' NEW STANDARDIZED ASSESSMENT TOOL ADDRESSED KEY STATE LAW REQUIREMENTS FROM OCTOBER 1 THROUGH OCTOBER 16, 2025

What Changed	Before October 1, 2025	Starting October 1, 2025	Why the Changes Matter
 **Age-based restrictions for some attendant care and habilitation tasks**	The old standardized assessment tool did not include age-based restrictions. As a result, parents could be paid to provide some attendant care services, such as housekeeping and cleaning, for members under age 18.	The new standardized assessment tool added age-based restrictions for certain tasks. For example, housekeeping and cleaning hours could not be authorized for members under age 18.	Help limit payment for tasks that may be closer to routine parenting responsibilities than extraordinary care.
 **Fields to identify voluntary informal supports**	The old standardized assessment tool included a comments field where a support coordinator is required to note, among other information, whether individuals were willing to voluntarily provide care without payment, such as a grandparent helping with supervision, daily routines, or other care needs without billing for those hours.	The new standardized assessment tool formalized the way this information was documented by adding specific fields to identify when an individual would voluntarily provide care without payment, and the amount of time they could provide.	Helps identify whether or how much unpaid informal support is available before authorizing paid care and provides a place to document these discussions.
 **Revised habilitation assessment section**	The prior habilitation section provided less structure for explanation.	The new standardized assessment tool revised the habilitation section and added space for support coordinators to document the rationale for authorizing more minutes than the recommended amount of time.	Allows support coordinators to describe the care needed and document the rationale for authorizing additional habilitation minutes, helping ensure hours are authorized in a more intentional and clearly justified way.
 **Acknowledgement of Understanding form**	There was not a separate form specifically designated to formally document parental understanding of PPCG participation requirements.	AHCCCS required parents to sign an Acknowledgement of Understanding to document their consent to participate in the PPCG service delivery model and confirm their awareness of applicable requirements, conditions, and limitations.	Makes requirements clearer and formally documents that parents understand and agree to follow PPCG service delivery model requirements.

Source: Audit staff review of AHCCCS and Department policies and documentation.

However, on October 16, 2025, AHCCCS suspended use of the new standardized assessment tool and directed providers to reverse any decisions made using the new standardized assessment tool.[35] At this

[35] During the suspension, only the Acknowledgement of Understanding form remained in effect; the age-based restrictions, voluntary informal support fields, and revised habilitation assessment section were also suspended.

time, AHCCCS initiated emergency rulemaking and began developing an Extraordinary Care Review Process through which parents could request reconsideration of assessed hours.

AHCCCS reported that it halted implementation due to the threat of litigation and instead of implementing the policies it created it decided to engage in emergency rulemaking

On October 16, 2025, AHCCCS ordered that the new standardized assessment tool stop being used and then on October 29, 2025, informed providers that any decisions made using the new standardized assessment tool should be reversed. This decision was announced via a press release issued by the Governor's Office.[36] AHCCCS cited a letter from 3 legal advocacy organizations asserting that broad service-hour limits could not be imposed through policy alone and that Arizona's Administrative Procedure Act required the policies to be adopted in administrative rule. AHCCCS reported that it decided to proceed with emergency rulemaking due to the probability of imminent litigation and the possibility of an adverse court ruling that may have resulted in further delay in implementation of the new standardized assessment tool and inability to achieve cost savings.

However, we identified 3 fundamental flaws in AHCCCS' approach to implementing State law and legislative intent, and these flaws contributed to further delays in achieving the cost reductions that could have been realized by implementing the new standardized assessment tool. Specifically:

- First, based on the Governor's Office's press release, the primary problem with the new standardized assessment tool was that it did not include a mechanism for parents to request additional consideration for extraordinary care needs, including escalating disagreements with support coordinator assessments for secondary review by the Department. While developing the ALTCS-DD policies, AHCCCS had considered including an exceptions process, but ultimately determined not to include such an exception review process because of concerns that the costs of such a review could be unsustainable. AHCCCS reported that, although those concerns remain, it now considers these costs necessary to help ensure required services are provided and the needs of families served by PPCG are met.

- Second, while developing the Extraordinary Care Review process in rule, AHCCCS initially proposed an exceptions process that was prohibited by CMS. Specifically, CMS already prescribes an appeals process that allows individuals who received an adverse benefit determination to appeal the decision, including when services are denied, reduced, suspended, or terminated.[37] As a result, any exceptions process for the PPCG service delivery model needs to operate within these existing federal authorization and due process frameworks. Yet, AHCCCS' policy did not

[36] Arizona Office of the Governor, *Governor Katie Hobbs Directs AHCCCS to Create Exception Process for DDD Members, DES to Delay Hour Reductions for DDD Families*, news release, October 16, 2025, accessed December 24, 2025, https://azgovernor.gov/office-arizona-governor/news/2025/10/governor-katie-hobbs-directs-ahcccs-create-exception-process. The press release stated that Governor Katie Hobbs directed AHCCCS to ensure that the new standardized assessment tool allowed exceptions for extraordinary care and that DDD would delay further reductions to attendant care and habilitation services while members and families had the opportunity to pursue the exception process.

[37] Federal Medicaid managed care requirements also establish member notice, appeal, grievance, and State fair hearing protections when services are denied, reduced, suspended, or terminated. See footnote 31.

initially incorporate such a review process, and its draft policy developed after it halted implementation of the new standardized assessment tool proposed the Extraordinary Care Review process as a review pathway separate from the determination window required by CMS. According to AHCCCS, an External Quality Review Organization notified AHCCCS that this was not permissible, and, upon seeking confirmation with CMS in December 2025, CMS informed AHCCCS that its proposal to establish a separate Extraordinary Care Review after the CMS-required benefit determination period did not comply with federal regulations. This led to AHCCCS abandoning its plan and instead AHCCCS is in the process of revising its plan to require the Extraordinary Care Review to occur within the CMS-required benefit determination period. AHCCCS remains in the process of designing the Extraordinary Care Review and, as of May 2026, has yet to finalize a draft of this plan. This shift in policy has contributed to further delays in implementing the requirements imposed by State law and realizing cost reductions.

- Third, while AHCCCS originally believed incorporating PPCG requirements in policy was an appropriate course of action, AHCCCS reported it did not seek legal counsel regarding its decision to implement programmatic changes via policy in lieu of a formal rulemaking process until after it finished developing the new policies. Upon further consideration, AHCCCS concluded that rulemaking was the preferred course of action in this case. This audit did not identify any substantive information available to AHCCCS in October 2025, when it decided rulemaking was the preferred course of action, that was not already available to it in April 2025, when it decided a policy update was the appropriate course of action. If it is the position of AHCCCS that rulemaking was necessary, this could have been determined 6 months earlier than it was, and this delay has continued to cost the State hundreds of millions of dollars.

By suspending the use of the new standardized assessment tool and reversing the decisions made during the brief period it was in use, the State did not realize potential cost reductions of between $133 million to $493 million and the Department had to request an $83 million supplemental appropriation for the ALTCS-DD program in fiscal year 2026

In August 2025, AHCCCS issued an actuarial report indicating potential cost reductions resulting from the pending implementation of its updated policies and the new standardized assessment tool were expected to be approximately $133 million. However, based on our analysis, the potential cost reductions may have exceeded this estimate. Specifically, between October 1 and October 16, 2025, the Department reassessed approximately 2,500 minor ALTCS-DD members using the new standardized assessment tool, of which 769 assessments were finalized and incorporated into the members' Person-Centered Service Plan before it was suspended. Our review of a sample of 50 of the 769 completed minor ALTCS-DD members' reassessments compared to their prior annual assessments conducted using the old standardized assessment tool found that under the new standardized assessment tool, authorized hours declined by approximately 30.5% for attendant care services and 45.4% for habilitation services for the

members we reviewed.[38,39] Based on the observed reductions in approved service hours, projected fiscal year 2026 paid hours, and applicable hourly rates, we estimated that implementation of the new standardized assessment tool could have avoided approximately $223 million to $493 million in projected fiscal year 2026 costs for attendant care and habilitation services for minor children.[40] However, because AHCCCS suspended use of the new standardized assessment tool and cancelled the resulting hour determinations, the State could not realize the estimated reduction in costs. Regardless of whether AHCCCS' actuary cost reductions or our estimated cost reductions are used, both estimates show that suspending implementation of the tool resulted in missed savings.

In addition, the Governor's January 2026 proposed fiscal year 2027 budget included approximately $122 million in supplemental State funding for the Department for fiscal year 2026 to pay for unanticipated increases in ALTCS-DD services, of which $83 million was appropriated, demonstrating that program growth and related funding requests are continuing. Given the new standardized assessment tool's estimated potential cost reductions, sustained implementation may have reduced or eliminated the need for the Governor's supplemental funding request.

Recommendations to AHCCCS

1. Implement, as soon as possible, the new standardized assessment tool as required by State law.
2. Continue developing a formally documented Extraordinary Care Review process that is consistent with CMS requirements and that, when warranted, occurs during the annual assessment period.

[38] According to AHCCCS, internal actuarial evaluations of DDD's authorization data for this period suggests a reduction of approximately 25-30% for attendant care and only 32-36% for habilitation services.

[39] Since audit work was completed before the end of fiscal year 2026, we estimated the new standardized assessment tool's potential impact using fiscal year 2025 data, the most recent complete fiscal year available. Although the estimate provides useful context for the tool's potential fiscal impact, it should be viewed as an estimate with limitations, not as a precise measure of actual cost reductions.

[40] This estimate is based on applying the observed reduction in hours authorized from the sampled members to projected fiscal year 2026 attendant care and habilitation hours. As a result, the estimate is subject to limitations, including whether the sampled members are representative of the broader population and whether similar reductions would have occurred across all members. We calculated projected fiscal year 2026 potential savings by applying the estimated reduction in authorized attendant care and habilitation service hours observed in the 50 sample cases to the total billed attendant care and habilitation service hours projected for fiscal year 2026. We then multiplied the resulting reduced hours by the average support coordinator rate for each service to estimate projected fiscal year 2026 costs after the reductions, and compared those estimated costs to the original projected fiscal year 2026 attendant care and habilitation hours. Based on this analysis, the estimated potential cost reductions ranged from approximately $223.4 million to $493.1 million. Because our estimate was based on a sample, we calculated a 90% confidence interval, with a finite population correction, around the estimated average reduction in hours for each service. The estimated cost avoidance range reflects applying the lower and upper bounds of those confidence intervals to projected fiscal year 2026 hours and multiplying the resulting hours by the applicable provider rates. The resulting confidence intervals exceeded our target precision level of a 5% relative margin of error. Therefore, while the analysis indicates that the new standardized assessment tool could materially reduce projected fiscal year 2026 costs, the estimate should be interpreted with caution because the sampled results may not precisely represent the broader population. See Appendix G, Scope and Methodology, for additional details regarding the methodological approach taken to arrive at these results.

3. Develop and implement a procedure to seek legal counsel prior to developing and implementing programmatic changes to determine, in a timely manner, whether the change is most appropriately memorialized in agency policy or administrative rule.

AHCCCS' response

As outlined in its **response**, AHCCCS disagrees with the finding, but will implement the recommendations.

Chapter 2. Despite attendant care and habilitation services costs increasing by $371 million in 2 years, of which approximately $130 million would have been subject to the State General fund match, and the Department seeking 2 supplemental appropriations to address budget shortfalls, AHCCCS and the Department had not fully implemented required cost-control measures for PPCG, risking additional cost increases and shortfalls

AHCCCS is required to develop and implement Medicaid cost-control measures for the PPCG service delivery model

AHCCCS, as the State's Medicaid agency, is responsible for developing and implementing cost-control measures for Medicaid programs, including the PPCG service delivery model. For example, in September 2023, AHCCCS committed to CMS that, if CMS approved its application to make the PPCG model permanent, it would make necessary policy changes to define legally responsible parents, clarify which individuals could qualify to provide care under the service delivery model, and establish criteria for determining when attendant care and habilitation services would be considered "extraordinary" care. When CMS approved AHCCCS' request to make the PPCG service delivery model permanent in February 2024, CMS also required AHCCCS to implement key cost-control measures, including a 40-hour weekly limit and 16-hour daily limit on parent-provided paid care, a limitation allowing payment only for extraordinary care that exceeds ordinary parental responsibilities, and prohibiting payment for parent-provided care ordinarily performed by parents for same-age children without disabilities.[41] In its application to CMS and in subsequent reports submitted to CMS, AHCCCS informed CMS that the implementation of these measures would take place over the first 1 or 2 years of the waiver. Further, State law, effective April 2025, requires the implementation of a new standardized assessment tool, requiring parents receiving compensation for ALTCS-DD services to be Arizona residents for at least 6 months, prohibiting payment for parent-provided services between 10:00 p.m. and 6:00 a.m. (or overnight services), and prohibiting payment when the child is not in the home, including while at school or in a clinical setting.

AHCCCS and the Department had not, as of May 2026, fully implemented all required cost-control measures for the PPCG service delivery model

CMS required AHCCCS to start the process of developing and implementing cost-control measures for the PPCG service delivery model beginning in February 2024. Between February 2024, when CMS approved the State's waiver, and April 2025, when State Laws 2025, Chapter 93 became effective, AHCCCS reported engaging in community outreach regarding CMS-required cost controls, reviewing national research to help develop tools for operationalizing the waiver requirements, and initiating changes with its previous EVV vendor with the intent to develop its own EVV Aggregator system. During this time, AHCCCS

[41] Although CMS also required other programmatic controls, we focus here only on the required cost controls.

worked on strategies for implementation, including considering ratcheting down the number of hours parents could be paid, from up to 80 hours per week and down incrementally over time to 40 hours per week. Once State law became effective, between April and October 2025, AHCCCS worked to update policies and develop the new standardized assessment tool in response to State law, and the Department implemented the "Parents as Paid Caregivers Service Model Acknowledgement of Understanding and Agreement to Follow Service Model Requirements" form (herein referred to the Acknowledgement of Understanding form) which became effective October 1, 2025. This Acknowledgement of Understanding form includes numerous requirements required by State law, that paid parent caregivers must agree to comply with, such as agreeing not to be paid for more than 40 hours of services per week, overnight, or when the minor ALTCS-DD member is not present. However, as of May 2026, both AHCCCS and the Department still had not fully implemented procedures designed to prevent or detect noncompliance. Exhibit 5 outlines the cost controls required by Laws 2025, Chapter 93, and illustrates the steps taken by both AHCCCS and the Department.

EXHIBIT 5. AHCCCS AND THE DEPARTMENT HAD NOT FULLY IMPLEMENTED ALL KEY COST CONTROLS REQUIRED IN LAWS 2025, CHAPTER 93 AS OF MAY 2026[1]

Statute Requirement	Policies and/or Supplemental Forms	Cost-Control Status	AHCCCS Policy and Oversight Actions	Department Enforcement and Verification Actions
1. Requiring a new standardized assessment tool to determine extraordinary care needs.	**Developed and Adopted**	**Cost-Control Implementation Started but Suspended**	AHCCCS developed the new standardized assessment tool and established the policy requirement; however, AHCCCS later suspended its use on October 16, 2025, and has been engaged in related rulemaking for its implementation.	The Department began implementing the new standardized assessment tool on October 1, 2025, as required, but ceased its use as directed by AHCCCS on October 16, 2025.
2. Prohibiting payment for parent-provided care ordinarily performed by parents for same-age children without disabilities.	**Developed and Adopted**	**Cost-Control Implementation Started but Suspended**	CMS required states to demonstrate extraordinary care if paying parents during the public health emergency. AHCCCS added age-based restrictions and other controls to the new standardized assessment tool that were designed to prohibit payment for parent-provided care ordinarily performed by parents for same-age children without disabilities but suspended its use on October 16, 2025.	The Department began implementing the new standardized assessment tool on October 1, 2025, as required, but ceased its use as directed by AHCCCS on October 16, 2025. According to the Department, it will be implemented when AHCCCS finalizes and implements its revised standardized assessment tool for determining extraordinary care requirements and ECR process.

Statute Requirement	Policies and/or Supplemental Forms	Cost-Control Status	AHCCCS Policy and Oversight Actions	Department Enforcement and Verification Actions
3. Prohibiting parents from being paid for more than 40 hours of care per child per week.	**Developed and Adopted**	**Cost Control Not Fully Implemented**	AHCCCS established policy effective since July 1, 2025, prohibiting parents paid under the PPCG service delivery model from billing more than 40 hours per week per child, and has been in the process of developing processes to monitor Department compliance, but such processes have not been implemented as of May 2026.	Starting in October 2025, the Department required parents to sign an Acknowledgement of Understanding form, informing them of this requirement, and began implementing enforcement procedures in April 2026. While such measures included notifying contracted vendors of noncompliance and requiring corrective action plans, the Department continued to compensate for excessive hours and as of May 2026 has not required contracted agencies to reimburse the State for unauthorized payments.
4. Requiring parents to reside in Arizona for at least 6 months before being eligible to serve as paid caregivers.	**Developed and Adopted**	**Cost Control Not Implemented**	AHCCCS established policy and an Acknowledgement of Understanding form effective October 1, 2025, to establish the 6-month Arizona residency requirement, and has been in the process of implementing procedures to monitor Department compliance, but these have not been implemented as of May 2026.	The Department required parents to self-attest to Arizona residency as part of the Acknowledgement of Understanding form, but as of May 2026 had not established procedures to verify eligibility, such as obtaining residency verification documentation (e.g., government issued identification, utility bills, lease or mortgage documentation, etc.), or procedures to identify contracted vendor noncompliance. See footnote 42.

Statute Requirement	Policies and/or Supplemental Forms	Cost-Control Status	AHCCCS Policy and Oversight Actions	Department Enforcement and Verification Actions
5. Prohibiting payment for parent-provided services between 10:00 p.m. and 6:00 a.m.	**Developed and Adopted**	**Cost Control Not Implemented**	AHCCCS adopted policy, the Acknowledgement of Understanding, and the HCBS Scheduling form effective October 1, 2025, to implement the nighttime service restriction. While AHCCCS suspended use of the new standardized assessment tool, on October 16, 2025, the policy prohibiting payment for overnight services and HCBS Scheduling form have remained in effect through May 2026. According to AHCCCS, it directed DDD to document, absent of the new standardized assessment tool, in case notes in the member's record, the rationale provided regarding overnight service provision.	The new standardized assessment tool was designed to enhance control over the assessment of hours during restricted hours and locations, and was intended to be used in conjunction with the HCBS Scheduling form by limiting hours that could be assessed based on age and other factors. The suspension of the new standardized assessment tool meant this enhanced control was no longer available to support coordinators. According to the Department, it is awaiting AHCCCS direction and implementation of the revised standardized assessment tool before it can fully implement this cost-control measure. This reduced the Department's ability to account for time-of-day restrictions when completing the new standardized assessment tool or auditing EVV time-of-service records.
6. Prohibiting payment when the child is not in the home, including while at school or in a clinical setting.	**Developed and Adopted**	**Cost Control Not Implemented**	AHCCCS adopted policy, the Acknowledgement of Understanding, and the HCBS Scheduling form prohibiting payment when the child is not in the home, including while at school or in a clinical setting effective October 1, 2025. Further, AHCCCS has been in the process of developing tools to monitor Department compliance, but such tools have not been implemented as of May 2026.	

Source: Auditor analysis of Laws 2025, Chapter 93, and AHCCCS and Department policies.

Notes: [1]Throughout this report, we define cost-control implementation as not only developing policies but also developing and consistently using the processes and tools to monitor and ensure compliance within intended cost limits. Consequently, although AHCCCS and the Department developed policies and supporting forms to address these requirements, they did not implement adequate cost-control processes to ensure compliance.

As Exhibit 5 shows, as of May 2026, AHCCCS and the Department implemented policy requirements, but had not fully implemented key cost controls designed to prevent or detect activity that violates requirements set forth in State law or these policies. Although AHCCCS developed and the Department implemented the new standardized assessment tool on October 1, 2025, AHCCCS directed the Department to suspend its

use following the Governor's Office's press release informing the public that AHCCCS is pursuing emergency rulemaking to allow exceptions for extraordinary care. Because the new standardized assessment tool included age-based restrictions to help the Department identify care beyond what parents typically provide for a child of the same age without a disability, and AHCCCS' policies do not include all of these restrictions, AHCCCS' suspension also suspended the Department's implementation of this requirement. According to the Department, with the new standardized assessment tool, hours for parent-provided care ordinarily performed by parents for same-age children without disabilities will not be assessed and authorized, which means payments will not occur for this type of care. Further, although AHCCCS and the Department adopted policy and supporting forms effective October 2025 to establish billing restrictions for services provided in school or clinical settings, services provided outside 6:00 a.m. to 10:00 p.m., and the 6-month Arizona residency requirement, neither had developed a process to detect and prevent noncompliance.[42]

AHCCCS' and the Department's lack of fully implemented cost-control measures risks additional attendant care and habilitation services cost increases beyond the increases already seen since fiscal year 2019 and could contribute to the potential need for additional supplemental appropriations in the future

ALTCS-DD program costs for all minor and adult members with developmental disabilities rose from approximately $2 billion in fiscal year 2019 to nearly $4 billion in fiscal year 2025—an increase of approximately 92%. During this same period, costs related to attendant care and habilitation services provided to minors with developmental disabilities, the 2 services for which parents can be paid as part of the PPCG service delivery model, increased from approximately $77 million in fiscal year 2019 to nearly $615 million in fiscal year 2025, an increase of nearly $538 million or 696%.[43,44] By fiscal year 2023, costs related to attendant care and habilitation services had increased to over $243 million, but rose sharply in fiscal years 2024 and 2025 to over $614 million—an increase of nearly $371 million or 152%, of which approximately $130 million of this increase would have been subject to the State General fund match.[45] Delays in implementing cost-control measures could lead to further cost increases.

According to AHCCCS, between 2020 and 2025, this increase in ALTCS-DD program costs was covered through short-term federal American Rescue Plan Act of 2021 (ARPA) dollars. After the public health emergency ended, the authority to expend ARPA funds ended on March 31, 2025, and the State was required to fund the state match portion of ALTCS-related expenses attributable to PPCG that it was not

[42] AHCCCS adopted policies and supporting forms that relied on self-attestation and did not require the Department to enforce vendor compliance. Similarly, the Department's corresponding policies and forms relied on self-attestation and did not require vendors to validate compliance with these requirements.

[43] As described in the Introduction (pages 7 through 9) neither AHCCCS nor the Department tracked PPCG membership or utilization in a systematic and reliable manner prior to the Laws 2025, Chapter 93 requiring it to track this information.

[44] According to the Department, approximately 49% of ALTCS-DD members under age 18 are served by a paid parent caregiver.

[45] Because Arizona used ARPA HCBS funds to cover the State match portion of capitation rates attributable to PPCG for fiscal year 2024 and part of fiscal year 2025, we provide the amount of the increase in PPCG expenditures from fiscal years 2023 through 2025 that would otherwise have been attributable to the State General Fund.

previously required to fund.[46] In this same year, the Department requested and the Governor proposed and approved $109 million in supplemental State funding from the Legislature to support the Department's ALTCS-DD program in fiscal year 2025.[47] AHCCCS' new standardized assessment tool was intended to curtail future cost increases, but its suspension in October 2025 likely contributed to the Department's request and the Governor's January 2026 budget seeking another $83 million in supplemental State funding from the Legislature to support the Department's ALTCS-DD program in fiscal year 2026.[48] Continued delays in implementing cost-control measures could contribute to the need for supplemental budget appropriations in the future.

AHCCCS cited a lack of access to key data needed to timely anticipate PPCG service delivery model growth, but evidence suggests AHCCCS was slow to implement cost-control measures

According to AHCCCS, the design and implementation of cost-control measures remained a priority since CMS approved its waiver in February 2024, and that it included moving from its vendor-hosted EVV system to an in-house EVV Aggregator system and developing 13 policy and guidance documents, which required collaboration with various stakeholders, including CMS. However, implementation of key cost-control measures has not occurred in a timely manner. For example, implementation of the new standardized assessment tool has been delayed because, in part, rulemaking was not initiated when it could have been; development of an Extraordinary Care Review process that complies with CMS requirements contributed to further delays, as described in Chapter 1 (see pages 15 through 20); AHCCCS' planned phased-in approach to limit paid parent caregivers to 40 hours per week was never implemented, and once AHCCCS did impose the 40-hour cap in policy, its planned oversight of contracted vendor compliance with this 40-hour limit was still being developed as of May 2026.

AHCCCS also pointed to data-related problems as a reason it did not timely implement cost controls. While AHCCCS reported that the Department complies with contractually required reporting requirements, it relied on Department data that reflects services only after claims had already been paid and this data can lag by 6 to 9 months.[49] The data AHCCCS received also did not include key operational information, such as service authorizations, Person-Centered Service Plans, or changes in approved service hours. This information would have helped AHCCCS identify the need for cost controls sooner and provide more timely monitoring and oversight. As a result, AHCCCS did not have timely or complete information to identify utilization trends as they occurred and instead relied on ad hoc emails, memoranda, and manual data

[46] ARPA provided funds to Arizona to enhance, expand, and strengthen HCBS including PPCG. Arizona used ARPA HCBS funds to cover the state match portion of capitation rates attributable to PPCG through March 31, 2025, when the ARPA HCBS program ended. After March 31, 2025, the State used state sources of funds to cover the state match attributable to PPCG.

[47] Laws 2025, Chapter 93, appropriated $109.2 million from the prescription drug rebate fund to the Department for fiscal year 2025 developmental disabilities Medicaid program expenses, an additional $13.1 million from the same fund for a developmental disabilities cost-effectiveness study and client services, for a combined total of $122.3 million in State funds, and an additional $403 million in federal Medicaid expenditure authority.

[48] Laws 2025, Chapter 233, appropriated $83 million from the State general fund to the Department for fiscal year 2026 developmental disabilities Medicaid program expenses and an additional $216 million in federal Medicaid expenditure authority.

[49] According to AHCCCS, this is a standard protocol for all health plans. AHCCCS' contracts with managed care organizations make them responsible for paying claims directly, and AHCCCS receives claim payment data through an "encounters" form, which inherently will have a lag time.

compilation. These limitations made timely analysis more difficult and reduced AHCCCS' ability to support predictive budgeting, proactive oversight, and take corrective action. According to AHCCCS, it recognizes the value of obtaining more timely visibility into certain assessment, utilization, and authorization information to support proactive monitoring activities, and will evaluate opportunities to work with the Department to enhance reporting and oversight processes, including the use of operational, assessment, authorization, and utilization data available prior to encounter submission.

Recommendations to AHCCCS

4. Develop and implement all required cost controls and oversight processes to ensure the cost controls are working, including those that AHCCCS committed to CMS it would implement in September 2023, those CMS required in its waiver approval in February 2024, and those required by Laws 2025, Chapter 93 in June and October 2025.
5. Update monitoring procedures to ensure timely oversight of the Department's compliance with contractual and statutory obligations related to its ALTCS-DD program and PPCG service delivery model, and all provisions related to Laws 2025, Chapter 93.
6. Require the Department to provide timely access to utilization and vendor payment records and utilize this information to improve monitoring of Department compliance and program utilization and costs.

AHCCCS' Response

As outlined in its **response**, AHCCCS disagrees with the finding, but will implement recommendations 4 and 5, and will implement recommendation 6 in a different manner.

Recommendations to the Department

1. Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payments for parent-provided care ordinarily performed by parents for same-age children without disabilities.
2. Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing parents from being paid for more than 40 hours of care per child per week.
3. Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payments to parents who have not resided in Arizona for at least 6 months, including requiring eligibility review that includes a review of documentation proving 6 months of residency, such as government issued identification, lease or mortgage statements, utility bills, etc., before designating any parent as eligible to serve as paid caregivers. In doing so, it should reassess all parents who self-attested compliance with residency requirements beginning with parents paid for services beginning July 1, 2025.
4. Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payment for parent-provided services between 10:00 p.m. and 6:00 a.m., subject to a Person-Centered Service Plan.

5. Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payment when the child is not in the home, including when the child is at school, being homeschooled, in inpatient care, or in a clinical setting.

Department's Response

As outlined in its **response**, the Department agrees with the finding and will implement recommendations 1, 4, and 5 in a different manner, but will not implement recommendations 2 and 3.

Chapter 3. AHCCCS and the Department did not initiate action to enforce the 40-hour limit on parent-provided paid care until April 2026 despite State law requiring this beginning July 2025, contributing to the Department inappropriately overpaying some parents

As of May 2026, AHCCCS and the Department continued to pay parents for providing more than 40 hours of care to their minor child, despite requirements prohibiting parents from being paid for more than 40 hours of care, which led to the Department inappropriately overpaying some parents

Although AHCCCS and the Department were required by both CMS and State law to limit paid parent-provided care to no more than 40 hours per week per minor child, as of May 2026, AHCCCS and the Department continued to pay parents for providing more than 40 hours of attendant care and habilitation services to their minor children per week. Specifically, in CMS' February 2024 approval of AHCCCS' request to make the PPCG service delivery model permanent, CMS stipulated that AHCCCS must implement a 40-hour weekly limit on parent-provided paid care, but permitted AHCCCS to phase the implementation over time. AHCCCS planned to gradually introduce weekly hour limits—starting with an 80-hour cap in February 2024, then reducing it to 60 hours in June 2024, and ultimately reaching the 40-hour weekly maximum by October 2024. AHCCCS explained in its waiver request that this phased approach was intended to give families and contracted providers sufficient time to adjust to the 40-hour standard. In addition, Laws 2025, Chapter 93, required AHCCCS and the Department to implement by June 30, 2025, the 40-hour weekly limit on parent-provided paid care.

AHCCCS developed a policy limiting parent-provided paid care to 40 hours that was effective October 1, 2025. Also, effective October 1, 2025, the Department implemented the Acknowledgement of Understanding form, which informs parent caregivers that they may not be paid for providing care in excess of 40 hours per week.

However, as of May 2026, almost a year after, AHCCCS and the Department still have not enforced the limit. Specifically, the Department has not consistently monitored whether parents were complying with the 40-hour limit and on the occasions that the Department did research the number of hours parents used, it only referred vendors that employed parents who used more than 50 hours for Corrective Action Plans. For example, for the week of March 8, 2026, the Department identified 257 parents who worked more than 40 hours in a week. The Department reimbursed approximately $51,000 to 72 agencies these parents were employed or contracted with for the extra 1,926 hours of parent-provided care above the 40-hour week.[50] If parents overbilled this amount consistently for 52 weeks, AHCCCS and the Department could have

[50] According to the Department, contracted vendors may not all follow the same 7-day week for billing and claims submission, including payroll for their employees. The Department must review to determine whether identified violations are truly violations and not a difference in calculated work weeks. By January 2026, the Department had obtained information from contracted vendors regarding alternate work schedules that may fall outside of the Sunday through Saturday review period for which the Department utilizes when reviewing EVV reports. This helped identify discrepancies between true noncompliance (i.e., 40-hour violations) and variations in qualified vendors' work weeks and staff schedules.

overpaid parents approximately $2.7 million in 1 year. In April 2026, the Department started notifying contracted vendors of their noncompliance and requiring the vendors to submit corrective action plans, but 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.

AHCCCS and the Department, despite lacking the authority to do so, delayed enforcing the requirement because it sought to increase compliance through an educational and not punitive approach

AHCCCS reported that it delayed monitoring whether the Department was enforcing the 40-hour weekly limit because it was focusing on updating its data system to help ensure it is receiving timely and accurate data. In addition, AHCCCS reported it has not enforced compliance because it sought to increase compliance through an educational, and not punitive, approach. According to AHCCCS, this was done in consultation with the Governor's Office, which did not want an immediately punitive approach, an approach that AHCCCS stated is in alignment with all new programmatic initiatives that are implemented—the first phase is education before formal actions are taken in almost all instances. Consistent with this, the Department notified contracted vendors that instances of noncompliance were identified, seeking information relating to the instances, and reminding the vendors that State law and their contracts with the Department prohibit such payments. Further, while the Department demonstrated that it periodically conducted reviews of parents potentially billing in excess of this limit as early as May 2025, the Department opted to flag parent providers that exceeded 50 hours per week as potential violations, rather than those that exceeded 40 hours per week, because each contracted vendor has its own employment rules, such as when work weeks begin and end, and there could be reasons why a parent may work more than 40 hours between a given Sunday through Saturday period while not working more than 40 hours in a single work week, as defined by the employer. However, because the Department only took corrective action when the hours worked were in excess of 50 hours between Sunday and Saturday of a given week, it allows noncompliance to occur unenforced.

Recommendations to AHCCCS

7. Develop and implement procedures to regularly assess the Department's enforcement of the 40-hour-per-week limit per minor child.
8. Establish corrective action requirements for instances when the Department does not enforce or adequately monitor the 40-hour weekly limit per minor child.

AHCCCS' Response

As outlined in its **response**, AHCCCS disagrees with the finding but will implement the recommendations.

Recommendations to the Department

6. Develop, document, and implement a formal and routine system to monitor parent-member hours to identify providers/vendors that are not complying with the 40-hour weekly limit.
7. Require corrective action plans from contracted vendors that exceed the 40-hour weekly limit and track whether corrective actions are implemented.

8. Develop and implement procedures to identify, review, and recover past overpayments resulting from parent-provided paid care that exceeded the 40-hour weekly limit, beginning June 30, 2025, through current, including those we identified.
9. Coordinate with AHCCCS to share monitoring results and support AHCCCS' oversight and review processes.

Department's Response

As outlined in its **response**, the Department disagrees with the finding, and will implement recommendation 9 and implement recommendation 8 in a different manner, but will not implement recommendations 6 and 7.

Chapter 4. The State's new standardized assessment tool is unlikely to contain costs long term on its own, but other states have developed common cost-control measures that could help contain costs in the State, but would require additional legislative changes and CMS approval

The State's new standardized assessment tool is unlikely to sufficiently contain costs long term

As described in Chapter 1, applying the new standardized assessment tool's reductions to projected fiscal year 2026 service hours could have resulted in roughly $223 million to $493 million in cost reductions for fiscal year 2026. This is significantly more than AHCCCS' projected $133 million in potential cost reductions estimated prior to the implementation of AHCCCS' revised policies and new standardized assessment tool. This projected reduction would keep total authorized hours and associated expenditures closer to those observed in fiscal year 2025, when attendant care and habilitation expenditures were nearly $615 million, or a 696% increase over fiscal year 2019 expenditure levels. Although these estimated savings are substantial and would keep authorized hours and related expenditures closer to fiscal year 2025 levels, their effect would diminish over time if service use and costs continue to grow. Specifically, after accounting for both the average annual growth in total authorized attendant care and habilitation hours per year between fiscal years 2023 and 2025—72% and 42%, respectively—and the new standardized assessment tool's projected reductions in authorized hours, our analysis indicates that the estimated reductions of $223 million to $493 million would offset approximately 63% to 139% of the projected increase in fiscal year 2026. The conservative estimated cost reductions would offset most of the increase; the higher estimate would more than fully offset it. However, while the new standardized assessment tool could substantially reduce near-term utilization costs, long-term growth in membership and service delivery costs could erode those cost reductions over time. Without additional cost-control measures, the Department may be at increased risk of future shortfalls and may need additional emergency supplemental appropriation requests.

Other states have developed additional cost-control measures that could further help contain costs, but would require additional legislative changes and CMS approval

The new standardized assessment tool included many cost-control measures used by the 39 other states that pay parents to provide care for their minor children with disabilities, such as age-based restrictions, time of day restrictions, and location-based restrictions (see Appendix E, pages 53 through 56 for additional information on cost-control measures authorized in Arizona's ALTCS-DD program). However, in addition to

these types of cost-control measures, other states also implemented additional common controls not used for Arizona's ALTCS-DD program.[51,52] Specifically:

- ✓ AHCCCS does not currently have the authority to impose enrollment caps for ALTCS-DD members with developmental disabilities[53]—However,12 of 39 states we reviewed limit participation in some of their ALTCS-comparable Medicaid waiver programs that pay parents to care for their disabled minor children through enrollment caps.[54] For example, CMS-approved 2025 waivers show that Utah capped its Community Supports Waiver at 6,400 members, while Wyoming capped its Comprehensive Waiver at 1,840 members. Both waivers serve individuals with developmental disabilities and allow parents to be paid for providing long-term care services, such as attendant care, respite, or supported living.[55,56,57]

[51] These comparisons are intended to provide context, rather than direct equivalency, because Arizona's PPCG service delivery model operates under ALTCS, which is administered through a single integrated Section 1115 demonstration serving multiple populations. In contrast, most other states use 1 or more Section 1915(c) HCBS waivers, with individual waivers often targeted to specific Medicaid populations and service needs. See Appendix E for more information on the differences between Section 1115 demonstration and 1915(c) HCBS waivers.

[52] Our benchmarking identified 39 states, excluding Arizona, that authorize payment to parents to provide care to minor children with disabilities, and our benchmarking results are based only on waivers that allow parents to be paid to provide care for minor children with disabilities.

[53] AHCCCS currently does not have authority to implement enrollment caps because CMS requires states seeking changes to an existing Section 1115 demonstration to submit those changes to CMS for review and approval before implementation and AHCCCS' current waiver does not include these enrollment caps. See 42 CFR 431.412(c)(2) and 431.412(d).

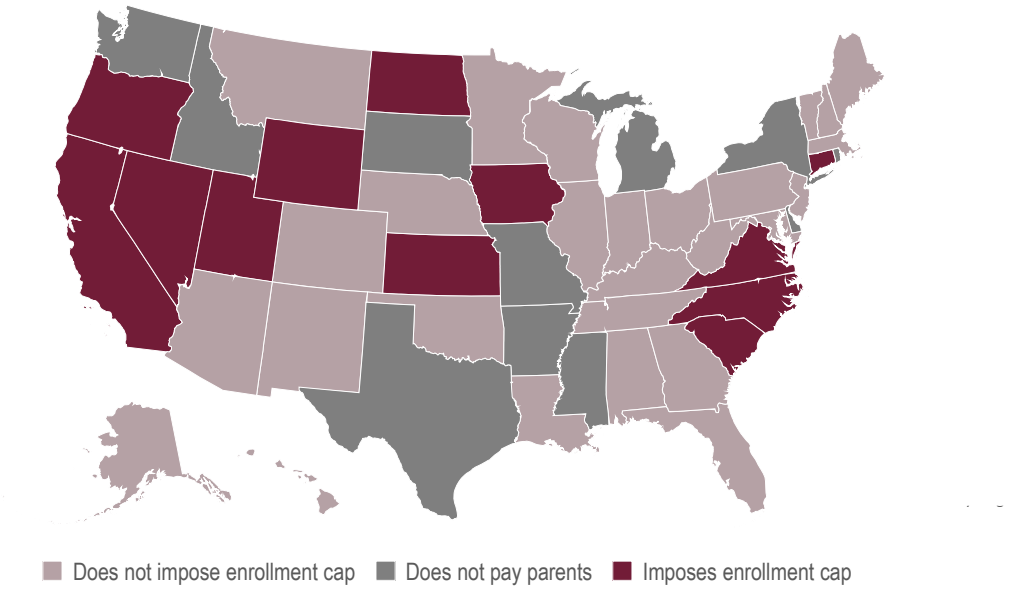
[54] A.R.S. §36-2901.01A states "neither the executive department nor the legislature may establish a cap on the number of eligible persons who may enroll in the system."

[55] Although some states operate multiple waivers serving individuals with disabilities, we focused on waivers that authorize payments to parents for providing long-term care services to their minor children with disabilities.

[56] States can use 1915(c) HCBS waivers to provide targeted long-term care services to specific populations and to establish limits on the number of waiver participants served. This structure allows a state to design waiver services and capacity limits for defined groups, rather than applying the same services or limits across an entire Medicaid long-term care program. Section 1115 demonstrations can also be used to test targeted approaches for specific subpopulations, but they are broader demonstration authorities and are not limited to HCBS services or waiver-specific enrollment caps.

[57] Utah's Community Supports Waiver provides long-term care services to individuals with intellectual disabilities or other related conditions who have functional impairments in 3 or more major life activities, meet ICF/ID level-of-care and Medicaid financial eligibility requirements, and can live safely in the community with waiver supports. The waiver has no age restriction; however, the qualifying condition must have occurred before age 18 for individuals with intellectual disabilities or before age 22 for individuals with other related conditions, and it must not be primarily attributable to mental illness. Wyoming's Comprehensive Waiver provides long-term care services to Medicaid-eligible individuals with developmental or intellectual disabilities who meet institutional level-of-care and other clinical eligibility requirements and either have assessed service needs that exceed the Supports Waiver cost limit or meet specified emergency or reserved-capacity criteria.

EXHIBIT 6. 12 STATES IMPOSE ENROLLMENT CAPS



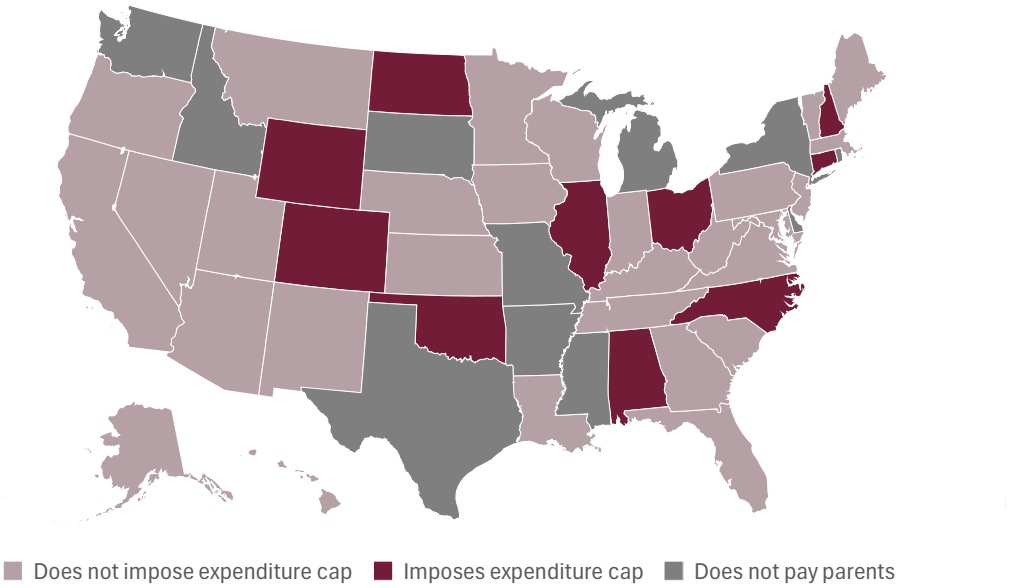
Source: Auditor analysis of CMS-approved Medicaid waiver documents, state Medicaid program materials, and benchmarking results for states that authorize payment to parents of minor children with disabilities.

- ✓ AHCCCS does not currently have the authority to impose expenditure caps for ALTCS-DD members with developmental disabilities[58]—However, 10 of 39 states we reviewed limit expenditures in their ALTCS-comparable Medicaid waiver programs by setting maximum allowable amounts for either total waiver spending or per-member spending. These expenditure caps apply to all minor children under the Medicaid waiver program regardless of the provider. For example, Colorado applied a maximum per-member waiver spending limit of $61,176.74 for 1 of its Medicaid waivers that authorizes parent payments and Connecticut applied an annual per-member expenditure limit of $165,000.[59]

[58] AHCCCS currently does not have authority to implement expenditure caps because CMS requires states seeking changes to an existing Section 1115 demonstration to submit those changes to CMS for review and approval before implementation and AHCCCS' current waiver does not include these expenditure caps. See 42 CFR 431.412(c)(2) and 431.412(d).

[59] The Individual and Family Support Waiver is Connecticut's Section 1915(c) HCBS waiver that provides in-home, employment/vocational, and family support services for eligible individuals with intellectual or developmental disabilities who live in their own home, a family home, or licensed settings.

EXHIBIT 7. 10 STATES IMPOSE EXPENDITURE CAPS



Source: Auditor analysis of CMS-approved Medicaid waiver documents, state Medicaid program materials, and benchmarking results for states that authorize payment to parents of minor children with disabilities.

- ✓ AHCCCS does not currently have the authority to impose supplemental eligibility requirements when a member requests care from a paid parent[60]—However, 22 of 39 states we reviewed require separate eligibility requirements for members requesting services from a paid parent, in addition to the standard waiver eligibility requirements.[61,62] For example, New Hampshire requires members to demonstrate needs beyond those of similarly developmentally disabled peers and show either a lack of available in-home support or that the child's care needs affect the parent's ability to maintain employment. Ohio also requires a separate assessment to determine whether a

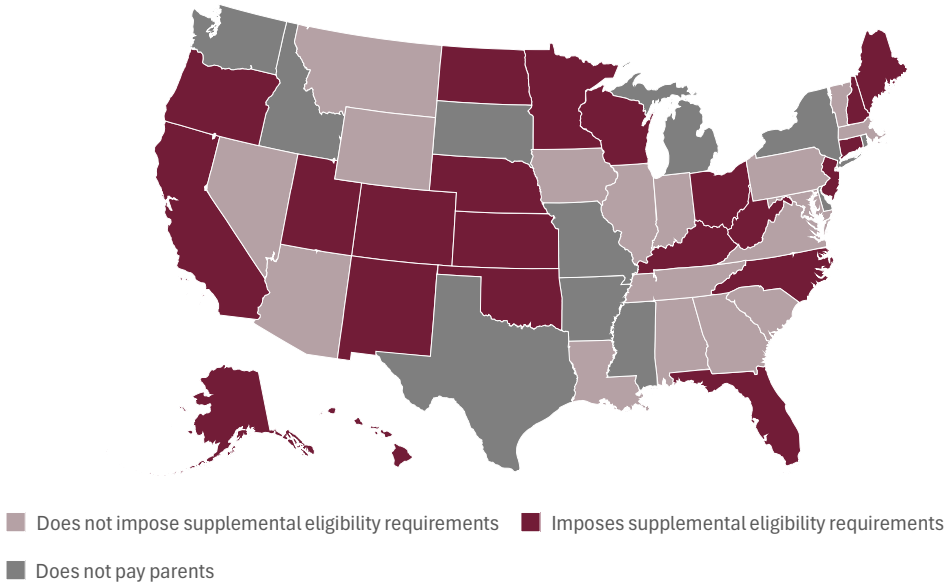
[60] AHCCCS currently does not have authority to implement supplemental eligibility requirements because CMS requires states seeking changes to an existing Section 1115 demonstration to submit those changes to CMS for review and approval before implementation and AHCCCS' current waiver does not include these supplemental eligibility requirements. See 42 CFR 431.412(c)(2) and 431.412(d).

[61] Standard waiver eligibility requirements vary by waiver and state, but generally include criteria related to Medicaid eligibility, institutional level of care, the waiver's defined target population, HCBS setting eligibility, and needs compatible with a Person-Centered Service Plan.

[62] A supplemental eligibility requirement is a substantive criterion used to determine whether, or at what level, a parent provider may be paid to provide care for their child under age 18. AHCCCS' and the Department's Acknowledgement of Understanding form is administrative in nature and does not constitute a supplemental eligibility requirement. The form confirms that a parent who intends to provide paid services to their child understands the terms and expectations of doing so. It does not assess or evaluate any additional criteria (such as the child's care needs, the parent's capacity, or extraordinary circumstances) that would determine or affect eligibility.

member has extraordinary care needs and qualifies for parent-provided services before determining the type and amount of care authorized (see Appendix F for additional information).[63]

EXHIBIT 8. 22 STATES IMPOSE SUPPLEMENTAL ELIGIBILITY REQUIREMENTS FOR PAID PARENT CAREGIVERS



Source: Auditor analysis of CMS-approved Medicaid waiver documents, state Medicaid program materials, and benchmarking results for states that authorize payment to parents of minor children with disabilities.

Taken together, these benchmarking results show that there are other potential cost controls that could help contain the growing costs of the ALTCS-DD program. However, because Arizona is not currently authorized in State law or in its CMS-approved waiver authority to implement several of these cost-control measures used by other states, AHCCCS is limited in its ability to further contain costs for the ALTCS-DD program.

Recommendations to AHCCCS

9. Work with the Governor's Office to conduct an analysis to identify if there are additional cost-control measures that could be implemented in order to support greater long-term fiscal sustainability for the ALTCS-DD program.
10. If AHCCCS determines that additional cost-control measures are needed, work with the Governor's Office, CMS, and other key stakeholders as needed 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.
11. Notify the Legislature of the results of its analysis and whether it plans to implement additional cost controls.

[63] Only members who meet the scoring threshold are eligible for up to 40 hours of parent-provided services. Members may still receive services beyond the 40-hour limit for parent providers from a nonparent direct care professional.

AHCCCS' Response

As outlined in its **response**, AHCCCS disagrees with the finding, but will implement recommendation 11 and will implement recommendations 9 and 10 in a different manner.

Chapter 5. Department did not maintain some assessment records we reviewed as required by State law, which could result in unsupported service authorizations and impair oversight of payments

Department is statutorily required to maintain member records for at least 6 years, but did not always do so

Arizona statute requires State agencies to maintain adequate and proper documentation of their organization, functions, policies, decisions, procedures, and essential transactions. State law further requires agencies to maintain an effective records management system, including systematic controls over records and information from the point at which they are created or received through final disposition or archival retention, including distribution, use, storage, retrieval, protection, and preservation.[64] In addition, State agencies may not destroy or otherwise dispose of records unless the Arizona State Library has determined that the records no longer have administrative, legal, fiscal, research, or historical value.[65]

Consistent with records retention schedules required in State law, the Department's records retention schedules submitted to the Arizona State Library require the Department to retain DDD member records for at least 6 years, depending on the type of record and the age of the member.[66] In addition, AHCCCS policy requires case managers to maintain complete and comprehensive case file documentation for each member. At a minimum, the case file should include the Uniform Assessment Tool completed at least annually, as well as the Person-Centered Service Plan.

Despite these requirements, and although the Department recorded assessment results in its system, it did not consistently retain the assessment documentation used to support service authorizations for some assessments we reviewed. For example, the Department could not locate or provide the October 2025 assessments for 7 of 57 members we requested assessments for in February 2026.

Although AHCCCS suspended use of the new standardized assessment tool and reversed any assessments made between October 1 and 16, 2025, the Department's failure to maintain assessments reveals an internal control weakness that, if not corrected, could limit the Department's ability to support PPCG decision-making, monitoring, and cost-reimbursements

Failure to retain member assessments impairs the Department's ability to support PPCG decisions affecting members and weakens its oversight of service authorizations. Specifically, the assessment is a key document used to identify a member's needs, determine the amount and type of services to be authorized, and support the resulting service plan. When that documentation is missing, the Department

[64] A.R.S. §41-151.14(A)(2) and (D)

[65] A.R.S. §41-151.15(C)

[66] The Arizona State Library, Archives, and Public Records makes available statutorily required record retention schedules on its website (see https://arizona-cwa.zasiocloud.com/retweb/retention/schedules.asp and https://azlibrary.gov/media/161), retrieved 07/23/2026.

cannot fully demonstrate that authorized hours were based on appropriate assessment information or that member needs were evaluated consistently.

In addition, without member assessments, the Department risks reimbursing parents or guardians for providing unauthorized services or for more hours than approved.

Further, absent documentation supporting assessed hours, the Department's ability to proactively identify utilization trends, evaluate whether service levels are appropriate, and respond to emerging fiscal pressures, including potential future budget deficits, is limited.

Department lacks sufficient oversight processes to help ensure completed assessments are retained

The Department lacked sufficient oversight processes in the initial 2 weeks of the implementation of the new standardized assessment tool to help ensure that completed assessments were timely uploaded, retained, and incorporated into the official member record. For example, the Department reported that 3 of the 7 missing documents resulted from support coordinator error, specifically a failure to follow required documentation procedures. According to the Department, the remaining 4 missing documents were attributable to other factors, including support coordinators leaving their positions before uploading the assessments, technical issues, and family requests to discontinue habilitation services. DDD policy requires support coordinators to upload assessment forms to the case file within 10 calendar days of the assessment, and the Department's Program Improvement Unit is responsible for auditing case files on a sample basis to ensure compliance.[67] These reviews, however, may occur several months after the assessments are completed, increasing the potential that any missing records may not be recoverable. To mitigate this concern, the Department reported developing new procedures, increasing training, and researching automated tools to facilitate more timely and comprehensive reviews of case files going forward.

Recommendations to the Department

10. Establish an off-boarding process to ensure support coordinators finish and upload assessments prior to leaving the agency or moving into a different position within the agency.
11. Revise and implement procedures to ensure all assessments performed are recorded and maintained in member records in a timely manner, and that supervisory review procedures ensure proper record keeping.
12. Consider developing and implementing system functionality that automatically flag cases with missing records or files.

[67] Because the missing assessment documents were nullified as part of AHCCCS' suspension of the new standardized assessment tool, and thus were not used in members' Person-Centered Service Plans, the Department's Program Improvement Unit may not have evaluated these assessment documents as part of their case file audits.

Department's Response

As outlined in its **response**, the Department agrees with the finding and will implement the recommendations in a different manner.

Chapter 6. Department did not ensure the accuracy of some member assessments we reviewed used to authorize services, which could result in incorrect payments, potential waste, and service authorizations that do not match members' needs

Department support coordinators are required to accurately complete and sign annual assessments, but our review of assessments for 50 members revealed they did not always do so, which could result in incorrect service authorizations and payments that do not align with approved service levels

AHCCCS policies require DDD support coordinators to maintain complete and comprehensive documentation in each member's file and to ensure that the member's Person-Centered Service Plan contains adequate support for the assessment and the service hours authorized.[68,69,70,71,72] In addition, assessment documentation should be signed and dated to demonstrate that the support coordinator completed and approved the assessment and that the authorized services reflected in the member record are supported by the assessment documentation.[73]

However, we found that support coordinators did not ensure the total authorized hours were accurately reflected in the annual assessments for 13 of the 50 members we sampled.[74] In some cases, assessed hours were overstated and in other cases the hours were understated. For example, in 1 pre-October 2025 assessment we reviewed, the support coordinator documented that the member needed 7 hours of

[68] References to this assessment include assessments completed using either the old standardized assessment tool or the new standardized assessment tool. Both terms refer to the same underlying standardized assessment tool, but distinguish between the tool before and after the required modifications.

[69] AHCCCS Medical Policy Manual Exhibit 1620-17 states, "There shall be adequate documentation in the member's Person-Centered Services Plan to support the assessment and hours authorized. There shall be consistency between the Person-Centered Service Plan, the HCBS Needs Tool (standardized assessment tool), and the Uniform Assessment Tool."

[70] The standardized assessment tool is used to assess a member's functional need for specific HCBS supports, including direct care and habilitation services, whereas the Uniform Assessment Tool is used to determine a member's level of care.

[71] 42 CFR 441.301(c)(2)(ix) requires Person-Centered Service Plans to be finalized, agreed to with the individual's informed written consent, and signed by all individuals and providers responsible for implementing the plan. Further, AHCCCS indicated that the support coordinator signature applies to the old and new standardized assessment tool as a whole and documents that the support coordinator completed the old or new standardized assessment tool in accordance with policy requirements.

[72] DDD support coordinators are Department employees who coordinate services for DDD members and are overseen by DDD employees.

[73] AHCCCS Medical Policy Manual 1620-L states, "Upon completion, the case manager is required to sign and date the HNT (old or new standardized assessment tool) and must attest that 'I have contacted the IFS/s (informal support) named above (top of Page 1) and s/he voluntarily agree/s to provide the services indicated, with no compensation' by checking the box above the signature line." AHCCCS Medical Policy Manual Exhibit 1620-17 states, "Case Managers shall complete the HCBS Needs Tool (old or new standardized assessment tool) to determine the amount of service hours a member needs when Attendant Care, Personal Care, Homemaker, Habilitation, and/or Respite services will be authorized for members living at home." This requirement was in place both before and after the policy revisions related to the assessment changes.

[74] Specifically, of the 13 instances identified, this occurred in 3 instances for assessments completed before October 2025 and in 10 instances for assessments completed between October 1 and October 16, 2025.

attendant care per week but approved an estimated 16 hours, which was 9 more hours than the documentation supported. In another case, for an assessment conducted after October 1, 2025, the support coordinator documented that the member needed 9 hours of habilitation per week but approved an estimated 8.5 hours, which was 0.5 hours less than documentation supported. In addition, in 30 cases we reviewed the support coordinator did not sign the assessment, as required by AHCCCS.

Inaccuracies increase the risk that members may receive service authorizations that do not reflect their actual assessed needs or that are not adequately supported by a documented review and approval. If authorized hours are overstated, members may receive more services than intended and the State may incur unnecessary costs or otherwise waste public monies that could instead be used on another ALTCS-DD member in need. If authorized hours are understated, members may receive fewer services than intended, which could affect their health, safety, and ability to remain appropriately supported in the home and community.

Further, missing support coordinator signatures also limit the Department's ability to demonstrate that responsible staff reviewed and approved the assessments before services were authorized, or hold individuals accountable for assessments that do not accurately reflect member needs. According to AHCCCS policy, support coordinators must sign the assessment before authorizing services. This creates an increased risk that unauthorized benefits could be assigned to an individual without a clear link to the support coordinator assigning the benefits, and could contribute to improper payments.

These inaccuracies and documentation gaps impair oversight by limiting the Department's ability to rely on assessment data for utilization monitoring, fiscal analysis, and evaluation of whether service authorization decisions are being implemented as intended.

Department did not believe signatures were necessary and lacked appropriate controls to help ensure support coordinators accurately completed and signed annual assessments

The Department's Program Improvement Unit is responsible for conducting regular case file reviews to ensure support coordinator compliance with established policies. However, the Department believed that support coordinator signatures on completed assessment forms were only required when the coordinator has verified that an individual has affirmed that they will voluntarily provide services without compensation, which is 1 of many elements support coordinators verify during annual assessments. Because of this, the Department lacked appropriate controls to help ensure support coordinators consistently and accurately completed and signed member annual assessments. Specifically, the Department did not appropriately train support coordinators on completing assessment forms. Further, the Department explained that the volume of case files is so large that the Program Improvement Unit is often only able to review case files months after assessments have been performed and recorded in case files. This could allow erroneous recording of hours, inconsistent categorization of service hours, lack of support coordinator signatures, and incomplete assessment documentation to remain unidentified and uncorrected before service authorizations are finalized.

Recommendations to the Department

13. Revise and implement data quality assurance review procedures to ensure that assessed hours are accurately calculated, consistently recorded, and properly reflected in the system before service authorizations are finalized.
14. Consult with AHCCCS to clarify the purpose and intent of support coordinator signatures on assessment forms.
15. Implement training for support coordinators to promote consistency and accuracy in completing assessment records, including proper categorization of service hours and required signatures.
16. Ensure, as part of the Department's Program Improvement Unit's case file reviews, the review of completed assessments to identify and correct mathematical errors, missing signatures, and inconsistencies between assessment documentation and authorized service hours.
17. Consider developing and implementing automated tools to supplement the Program Improvement Unit's manual review process to better ensure more timely identification of missing documents or errors in case file records.
18. Periodically review the results of these reviews to identify recurring errors or training needs and use the results to strengthen oversight of the assessment process.
19. Implement system controls within the revised standardized assessment tool, such as locked formulas and validation checks, to reduce the risk that technical errors result in miscalculated service hours.
20. Work with the FOCUS system developer to create a weekly approved-hours field that aligns with the revised standardized assessment tool's weekly calculations, reduces the need for manual calculations when recording approved hours, and helps prevent miscalculations or inconsistent recording.

Department's response

As outlined in its **response**, the Department agrees with the finding and will implement recommendations 14 and 15, will implement recommendations 13, 17, 18, 19, and 20 in a different manner, and will not implement recommendation 16.

Sjoberg Evashenk Consulting makes 11 recommendations to AHCCCS and 20 recommendations to the Department

Recommendations to AHCCCS

1. Implement, as soon as possible, the new standardized assessment tool as required by State law.
2. Continue developing a formally documented Extraordinary Care Review process that is consistent with CMS requirements and that, when warranted, occurs during the annual assessment period.
3. Develop and implement a procedure to seek legal counsel prior to developing and implementing programmatic changes to determine, in a timely manner, whether the change is most appropriately memorialized in agency policy or administrative rule.
4. Develop and implement all required cost controls and oversight processes to ensure the cost controls are working, including those that AHCCCS committed to CMS it would implement in September 2023, those CMS required in its waiver approval in February 2024, and those required by Laws 2025, Chapter 93 in June and October 2025.
5. Update monitoring procedures to ensure timely oversight of the Department's compliance with contractual and statutory obligations related to its ALTCS-DD program and PPCG service delivery model, and all provisions related to Laws 2025, Chapter 93.
6. Require the Department to provide timely access to utilization and vendor payment records and utilize this information to improve monitoring of Department compliance and program utilization and costs.
7. Develop and implement procedures to regularly assess the Department's enforcement of the 40-hour-per-week limit per minor child.
8. Establish corrective action requirements for instances when the Department does not enforce or adequately monitor the 40-hour weekly limit per minor child.
9. Work with the Governor's Office to conduct an analysis to identify if there are additional cost-control measures that could be implemented in order to support greater long-term fiscal sustainability for the ALTCS-DD program.
10. If AHCCCS determines that additional cost-control measures are needed, work with the Governor's Office, CMS, and other key stakeholders as needed 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.
11. Notify the Legislature of the results of its analysis and whether it plans to implement additional cost controls.

Recommendations to the Department

1. Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payments for parent-provided care ordinarily performed by parents for same-age children without disabilities.
2. Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing parents from being paid for more than 40 hours of care per child per week.
3. Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payments to parents who have not resided in Arizona for at least 6 months, including requiring eligibility review that includes a review of documentation proving 6 months residency, such as government issued identification, lease or mortgage statements, utility bills, etc., before designating any parent as eligible to serve as paid caregivers. In doing so, it should reassess all parents who self-attested compliance with residency requirements beginning with parents paid for services beginning July 1, 2025.
4. Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payment for parent-provided services between 10:00 p.m. and 6:00 a.m., subject to a Person-Centered Service Plan.
5. Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payment when the child is not in the home, including when the child is at school, being homeschooled, in inpatient care, or in a clinical setting.
6. Develop, document, and implement a formal and routine system to monitor parent-member hours to identify providers/vendors that are not complying with the 40-hour weekly limit.
7. Require corrective action plans from contracted vendors that exceed the 40-hour weekly limit and track whether corrective actions are implemented.
8. Develop and implement procedures to identify, review, and recover past overpayments resulting from parent-provided paid care that exceeded the 40-hour weekly limit, beginning June 30, 2025, through current, including those we identified.
9. Coordinate with AHCCCS to share monitoring results and support AHCCCS' oversight and review processes.
10. Establish an off-boarding process to ensure support coordinators finish and upload assessments prior to leaving the agency or moving into a different position within the agency.
11. Revise and implement procedures to ensure all assessments performed are recorded and maintained in member records in a timely manner, and that supervisory review procedures ensure proper record keeping.
12. Consider developing and implementing system functionality that automatically flag cases with missing records or files.

13. Revise and implement data quality assurance review procedures to ensure that assessed hours are accurately calculated, consistently recorded, and properly reflected in the system before service authorizations are finalized.
14. Consult with AHCCCS to clarify the purpose and intent of support coordinator signatures on assessment forms.
15. Implement training for support coordinators to promote consistency and accuracy in completing assessment records, including proper categorization of service hours and required signatures.
16. Ensure, as part of the Department's Program Improvement Unit's case file reviews, the review of completed assessments to identify and correct mathematical errors, missing signatures, and inconsistencies between assessment documentation and authorized service hours.
17. Consider developing and implementing automated tools to supplement the Program Improvement Unit's manual review process to better ensure more timely identification of missing documents or errors in case file records.
18. Periodically review the results of these reviews to identify recurring errors or training needs and use the results to strengthen oversight of the assessment process.
19. Implement system controls within the revised standardized assessment tool, such as locked formulas and validation checks, to reduce the risk that technical errors result in miscalculated service hours.
20. Work with the FOCUS system developer to create a weekly approved-hours field that aligns with the revised standardized assessment tool's weekly calculations, reduces the need for manual calculations when recording approved hours, and helps prevent miscalculations or inconsistent recording.

Appendix A. Timeline of PPCG-related events

To provide context, this appendix summarizes major events affecting the PPCG service delivery model in chronological order. The timeline is divided into 2 sections to distinguish between events that occurred before July 1, 2025, when key provisions of Laws 2025, Chapter 93, went into effect, and those that followed.

EXHIBIT 9. TIMELINE OF MAJOR PPCG EVENTS BEFORE LAWS 2025, CHAPTER 93, THROUGH JUNE 2025

Source: Auditor staff review of CMS approvals, Laws 2025, Chapter 93, and AHCCCS and Department policy materials; AHCCCS and the Department confirmed key dates.

EXHIBIT 9. TIMELINE OF MAJOR PPCG EVENTS AFTER LAWS 2025, CHAPTER 93, THROUGH DECEMBER 2026

Source: Auditor staff review of CMS approvals, Laws 2025, Chapter 93, and AHCCCS and Department policy materials; AHCCCS and the Department confirmed key dates.

Appendix B. Service types eligible for payment to parent and nonparent providers, as of April 2020, when CMS authorized payments to parents

This appendix defines services available through the ALTCS-DD program and summarizes which services are eligible for payment when provided by nonparent direct care workers compared to parents. CMS authorized AHCCCS to allow the Department to pay parents for providing care through the ALTCS-DD program in April 2020 because of the COVID-19 public health emergency, see the Introduction (pages 1 through 9) for additional details regarding the impetus of the PPCG service delivery model.

EXHIBIT 10. ALTCS-DD PROGRAM SERVICES AND PARENT-PROVIDED SERVICE PAYMENT ELIGIBILITY

Services Eligible for Payment	Definition	Nonparent Providers	Parent Providers
Attendant Care[1]	Provides a trained direct care worker to assist a member to create or maintain safe and healthy living conditions. Assistance includes support with homemaking, general supervision, and personal care. Personal care includes bathing, skin care, oral hygiene, ambulation, toileting, grooming, dressing, nail care, feeding, use of assistive devices, and caring for other physical needs. Per CMS guidance, a parent could only be paid for providing such services when such care would not typically be age-appropriate for the child.	✓	✓
Habilitation[1]	Training in independent living skills or special developmental skills, sensory-motor development, orientation and mobility and behavior intervention.	✓	✓
Home Health Aide[2]	Medically necessary health maintenance, treatment, or monitoring provided under a physician-established and periodically reviewed plan of care by a trained, Secretary-approved home health aide through a certified home health agency.	✓	✗
Respite Services	Provides a family member or other person caring for an ALTCS-DD member a period of rest or relief.	✓	✗
Homemaking or Housekeeping	Providing assistance in the performance of activities related to routine household maintenance at a client's residence but does not include any direct care for the client.	✓	✗
Day Treatment & Training for Children	Provides training, supervision, and activities to a member to develop skills. It is intended to help members learn safety skills and socialize.	✓	✗
Home Health Nurse	Skilled nursing services provided by or under the supervision of a registered professional nurse.	✓	✗
Hospice Care	Hospice care is a coordinated set of medical, nursing, supportive, and counseling services provided to a terminally ill individual under a physician-directed written plan of care established and reviewed by the hospice interdisciplinary team.	✓	✗

Services Eligible for Payment	Definition	Nonparent Providers	Parent Providers
Non-Emergency Transportation	Transportation services when a member is not able to find his/her own transportation.	✓	✗
Occupational Therapy	Medically prescribed treatment provided by or under the supervision of a licensed occupational therapist, to restore or improve an individual's ability to perform tasks required for independent functioning.	✓	✗
Physical Therapy	Treatment services to restore or improve muscle tone, joint mobility, or physical function provided by or under the supervision of a registered physical therapist.	✓	✗
Respiratory Therapy	Treatment services to restore, maintain, or improve respiratory functions that are provided by, or under the supervision of, a licensed respiratory therapist.	✓	✗
Speech & Hearing Therapy	Medically prescribed diagnostic and treatment services provided by or under the supervision of a certified speech or hearing therapist.	✓	✗
Supported Employment	Provides on-the-job training and coaching. The member is hired by a company and paid just like any other employee.	✓	✗

Source: Audit staff analysis of Arizona Administrative Code R6-6-1501.

Notes:

[1] Prior to Laws 2025, Chapter 93, parents under the PPCG service delivery model could be paid to provide the service for their minor children with a disability for unlimited number of hours. After Laws 2025, Chapter 93, parents could only bill for these services for 40 hours per week.

[2] A parent of a child under age 18 may also be paid to deliver home health aide services if the parent is a licensed nursing assistant (LNA) working for a Medicare-certified home health agency.

Appendix C. Key changes to AHCCCS' ALTCS-DD program and the PPCG service delivery model made by Laws 2025, Chapter 93

Laws 2025, Chapter 93, required AHCCCS to develop and implement a new standardized assessment tool to determine whether services provided to minor ALTCS-DD members constituted "extraordinary care," along with other cost-control measures. These included 40-hour weekly caps per child; restrictions on billable service hours between 10:00 p.m. and 6:00 a.m.; a requirement that parents be Arizona residents for at least 6 months prior to being eligible to be a paid caregiver; a limitation restricting parent employment to a single agency; reporting requirements; and EVV requirements designed to distinguish services provided by parents from those provided by nonparent providers. Exhibit 11 summarizes these key changes in requirements before and after the passage of Laws 2025, Chapter 93.

EXHIBIT 11. KEY CHANGES TO THE ALTCS-DD PROGRAM AND THE PPCG SERVICE DELIVERY MODEL MADE BY LAWS 2025, CHAPTER 93

Requirement	Key Requirement Changes	
	Prior to Laws 2025, Chapter 93 (Prior to April 24, 2025)	*After Laws 2025, Chapter 93 (April 24, 2025) with varying Effective Dates[1]*
Weekly care limits per child	There were no hourly caps on the services a parent could provide.	A 40-hour weekly limit per child for parent-provided paid care was required, effective beginning July 1, 2025.[2,3]
Billing	Statute did not prohibit parents from billing for activities considered typical parental responsibilities for a nondisabled child.	Parents prohibited from billing for tasks that would ordinarily be performed by a parent of a nondisabled child; for attendant care between 10 p.m. and 6 a.m.; or for time when the child is not at home.
Arizona residency	No minimum duration of Arizona residency was required.	Parents must meet a 6-month Arizona residency requirement to qualify as paid parent caregivers.
Parental employment	Parents had to be hired through a third-party qualified vendor agency registered with AHCCCS, with no rule preventing employment or contracting with more than 1 agency.[4]	Parents must be employed by only 1 qualified provider agency to serve as a paid parent caregiver.[4]
New Standardized Assessment Tool	Although a standardized assessment tool was in use, it did not include age-based task guidelines or time standards that support coordinators could reference. As a result, members could be authorized service hours for tasks without regard to the member's age or whether the tasks reflected typical household or parental responsibilities.	By October 1, 2025, AHCCCS was required to establish, and the Department to implement, a new standardized assessment tool to evaluate the level of care needed for minors participating in the PPCG service delivery model that is "extraordinary" in nature.
EVV System	The EVV policy did not require data to be able to identify a parent providing services and, therefore, the EVV systems used by providers were not required to send this data to AHCCCS. Thus, the Department relied on a manual process to identify parents serving as paid parent caregivers, which produced an incomplete list.	The Department requires vendors to send EVV data that identifies whether or not the direct care worker is a parent.[5]

Requirement	Key Requirement Changes	
	Prior to Laws 2025, Chapter 93 (Prior to April 24, 2025)	*After Laws 2025, Chapter 93 (April 24, 2025) with varying Effective Dates*[1]
Reporting	Statute did not require AHCCCS and the Department to submit reports to Joint Legislative Budget Committee on PPCG utilization, growth, or budget estimates.	Beginning June 2025, AHCCCS and the Department are required to submit quarterly reports to Joint Legislative Budget Committee on PPCG utilization, including data on annual PPCG growth and the duration of ALTCS-DD enrollment for members receiving services through the PPCG service delivery model. Budget estimates must also be submitted annually in September.

Source: Auditor staff review of Laws 2025, Chapter 93, PPCG service delivery model documentation, interviews, and adaptation of information from the Arizona Auditor General report 25-116 *Arizona Department of Economic Security*

Notes:

[1] Laws 2025, Chapter 93, took effect on April 24, 2025.

[2] AHCCCS explained that its plan was to gradually impose a 40-hour limit on hours that parents could be paid, in anticipation of CMS' requirement imposed in the February 2024 approved waiver. Specifically, before January 2024, the PPCG service delivery model did not impose a cap on the number of hours a parent could be paid for providing care. Beginning January 31, 2024, AHCCCS planned to gradually introduce weekly hour limits—starting with an 80-hour cap in February 2024, then reducing it to 60 hours in June 2024, and ultimately reaching the 40-hour weekly maximum by October 2024. AHCCCS explained in its waiver request that this phased approach was intended to give families and contracted providers sufficient time to adjust to the 40-hour standard. Despite this plan, as of May 2026, although AHCCCS and the Department had adopted a policy prohibiting parents from being paid for more than 40 hours per week and began requiring parent attestations of compliance, it had not developed a process to consistently monitor whether parents complied with the policy or to prevent or detect payments that exceeded the 40-hour weekly limit.

[3] The Department assesses the level of support needed for DDD members who are enrolled in the ALTCS-DD program. When a minor enrolled in ALTCS-DD is determined to require more than 40 hours of care per week, the additional hours may be delivered by a nonparent caregiver, who can be reimbursed for providing that care.

[4] Parents are hired as direct care workers by third-party qualified vendor agencies, and the Department reimburses these agencies for the hours billed by parents.

[5] In correspondence to Joint Legislative Budget Committee dated July 2025, AHCCCS indicated that modifications to the EVV system are expected to be completed by December 31, 2025.

Appendix D. Key terms related to Medicaid authorities

This appendix explains key terms and Medicaid authorities relevant to how states may authorize payments to parents who provide care to their minor children.

State Plan: A state plan is the state's standard Medicaid agreement with the federal government. It describes who is covered, what services are covered, how providers are paid, and how the Medicaid program operates. Changes to the state plan are made through state plan amendments and generally must follow regular federal Medicaid rules.

Waiver: A waiver is federal permission for a state to depart from certain normal Medicaid rules. Waivers let states do things that would not normally be allowed under the state plan, such as testing new service models, limiting certain services to specific populations, offering services in home and community settings instead of institutions, or changing how care is delivered or paid for.

1115 Demonstration: Lets states conduct pilot programs to test potential changes to Medicaid-funded programs federal rules would not normally allow, such as different eligibility, benefits, or service delivery approaches.

1915(c) HCBS Waiver: Lets states provide long-term care services at home or in the community instead of in an institution and limits those services to specific groups.

1915(j) Self-Directed Services State Plan Option: Lets eligible members manage certain personal assistance services themselves, such as choosing providers and directing how services are delivered.

1915(k) Community First Choice State Plan Option: Adds attendant care and related supports to the Medicaid state plan for people who need institutional-level care; because it is in the state plan, it generally must be available statewide to all eligible members.

1915(i) HCBS State Plan Option: Adds HCBS to the Medicaid state plan for people who meet state needs-based criteria, without requiring them to need institutional-level care.

Appendix E. Additional key benchmarking results

This appendix provides additional detail on the cost controls and programmatic measures we identified when comparing Arizona's PPCG service delivery model with similar models in other states. These comparisons have limitations because Arizona's PPCG service delivery model operates under ALTCS, which is administered through a single integrated Section 1115 demonstration that serves multiple populations, while most other states use 1 or more Section 1915(c) HCBS waivers, often for separate Medicaid populations.[75] We provide these state comparisons for context, but they should be considered with these structural differences in mind. Our analysis was also limited to comparing model design features and did not assess the success or effectiveness of other states' PPCG service delivery models.

EXHIBIT 12. BENCHMARKING MEASURES IDENTIFIED IN OTHER STATES' PPCG-TYPE SERVICE DELIVERY MODELS COMPARED TO ARIZONA, AS OF MAY 2026

Comparison Measure	Other States Using Measure	Arizona Authorized Measure	Description
Paid Parent Service Delivery Model	39	Yes	A service-delivery approach that allows a parent of a minor to be paid to provide certain Medicaid-covered direct care services that would otherwise be delivered by a non-paid parent caregiver. Payment is typically limited to authorized services and subject to additional safeguards to distinguish reimbursable care from ordinary parenting responsibilities.
Enrollment Caps	12 of 39	No	A fixed limit on how many people may participate in a service delivery model within a defined period or at 1 time. Once the cap is reached, otherwise eligible individuals may be placed on a waiting list or not enrolled until capacity opens.
Expenditure Caps	10 of 39	No	A maximum dollar amount that may be spent on a participant's covered services in a year (or other set period). This functions as an individual budget ceiling and may constrain the authorized service package unless an exception is permitted.
Explicit Age Restrictions	17 of 39	Yes	Rules that cap or exclude certain tasks or hours based on typical age-appropriate functioning or developmental expectations. They are used to distinguish reimbursable supports from assistance considered ordinary caregiving for a child of the same age.
Location & Setting Restrictions	33 of 39	Yes	Rules that limit where a service may be delivered and still be reimbursable (e.g., home, community, school, facility). Services provided outside approved settings are not payable even if otherwise authorized.

[75] In addition to Section 1115 demonstrations and 1915(c) HCBS waivers, some states also provide similar benefits through the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), often referred to as the Katie Beckett option or eligibility pathway, or offer state-based programs.

Comparison Measure	Other States Using Measure	Arizona Authorized Measure	Description
Time of Day Restrictions	9 of 39	Yes	Rules that limit when services may be delivered and reimbursed during the day (e.g., only between specified hours or not during overnight periods). These restrictions may also prohibit payment during specific time blocks such as school hours or other scheduled programs, even if services are otherwise authorized.
Supplemental Eligibility Requirements	22 of 39	No	A supplemental eligibility requirement is a substantive criterion used to determine whether, or at what level, a parent provider may be paid to provide care for their child under age 18. These requirements assess factors beyond the standard eligibility determination and may include additional documentation or verification steps used only with members that are requesting services from a paid parent.
Paid Parent Single Agency Employment Requirements	0 of 39	Yes	A requirement that a paid parent caregiver be employed or contracted through an approved direct care agency rather than serving as an independent provider. The single-agency rule further limits the parents to working for only 1 agency for paid caregiving services.
Duration of State Residency Requirement	0 of 39	Yes	A rule requiring a paid parent caregiver to have lived in the state for a minimum period before becoming eligible to provide reimbursable services. This requirement is typically used to strengthen verification and program integrity.
Paid Parent Reimbursement Maximums	26 of 39	Yes	Paid parent caregivers are only reimbursed for up to 40 hours per week for services provided.
	1 of 39	No	Paid parent caregivers can be reimbursed for more than 40 hours per week for services provided.
	6 of 39	No	Paid parent caregivers' maximum reimbursement for services provided is less than 40 hours per week.
Extraordinary Care Review Process	12 of 39	No	States use an exceptions process for minors who need more direct care or habilitation hours than the new standardized assessment tool would otherwise allow due to age-based limits. The process is intended to let the member's planning team request and document an "extraordinary care" need to review whether additional hours are warranted beyond the standard parameters.
Reimbursable Service Type Restrictions	27 of 39	Yes	A defined list of service categories that a paid parent may bill (e.g., attendant care, personal care, habilitation), based on service delivery model design.
Paid Parent Training Requirements	1 of 39	No	Training standards that paid parent caregivers must complete to qualify for payment when those requirements do not apply to nonparent caregivers. These standards may include baseline direct care training, parent-specific modules, or competency checks, and are intended to ensure parents can safely provide authorized services and comply with program requirements.

Comparison Measure	Other States Using Measure	Arizona Authorized Measure	Description
Supplemental Paid Parent Model Record Requirements	3 of 39	Yes	Additional documentation requirements specific to paid parent caregivers beyond standard provider recordkeeping (e.g., attestations, added timesheet detail, or extra service notes). These records are used to support oversight, verify services were delivered as authorized, and address program integrity risks.
Program Specific Monitoring and Oversight	6 of 39	No	Monitoring and compliance activities that apply to a specific program or service delivery model, beyond general Medicaid provider oversight. These requirements define who conducts reviews, how often reviews occur, and what documentation or verification is used to ensure services are appropriate, delivered as authorized, and paid accurately.
CMS Authority Used	3 of 39	Yes	The state is authorized to pay a parent to provide direct care services under a Section 1115 demonstration.
	31 of 39	No	The state is authorized to pay a parent to provide direct care services under a Section 1915(c) HCBS waiver.
	4 of 39	No	The state is authorized to pay a parent to provide direct care services under a Section 1915(j) self-directed services state plan option.

Source: Publicly available Medicaid program documentation issued by state Medicaid agencies and state health and human services departments supplemented by survey responses provided by representatives of state Medicaid agencies.

This analysis focused on Medicaid waivers that authorized states to operate PPCG-type service delivery models, and revealed that Arizona differs from many states because it primarily operates its long-term care program, ALTCS, through its statewide Section 1115 demonstration. States can use 1915(c) HCBS waivers to provide targeted long-term care services to specific populations and to establish limits on the number of waiver participants served. This structure allows a state to design services and capacity limits for defined groups, rather than applying the same services or limits across an entire Medicaid long-term care program. Section 1115 demonstrations can also be used to test targeted approaches for specific subpopulations, but they are broader demonstration authorities and are not limited to HCBS services or waiver-specific enrollment caps. This means that other states take a more nuanced approach to their Medicaid programs, creating challenges to like-to-like comparisons between states. See Exhibit 13 for the key differences between Section 1115 demonstrations and 1915(c) HCBS waivers. See also the Introduction, page 5, for additional details regarding Arizona's 1115 demonstration; Chapter 4, pages 32 through 36, for additional details regarding comparisons between states; and Appendix D, page 53, for additional details regarding Medicaid authorities.

EXHIBIT 13. KEY DIFFERENCES BETWEEN CMS-APPROVED SECTION 1115 DEMONSTRATIONS AND 1915(C) HCBS WAIVERS

Area	Section 1115 Demonstration	1915(c) HCBS Waiver
Main purpose	Allows states to conduct pilot programs to test potential changes to Medicaid-funded programs.	Allows states to provide HCBS-based long-term care services instead of institutional care.
Scope	Broader; can affect eligibility, benefits, delivery systems, payments, managed care, long-term services and supports, or other Medicaid policies.	More targeted; generally focused on HCBS for people who would otherwise need institutional-level care.
Populations served	Can apply to broader or different populations, depending on CMS approval and the demonstration's terms.	Often targeted to specific groups, such as older adults, people with physical disabilities, or people with intellectual/developmental disabilities.
Program limits	Can allow broader exceptions to Medicaid rules, but the specific flexibilities depend on CMS approval and the waiver's special terms and conditions.	Can allow states to target specific populations and limit waiver capacity, such as through enrollment caps or waiting lists.

Source: Staff review of CMS authority guidelines.

AHCCCS reported that using a Section 1115 demonstration allows AHCCCS to consolidate many of the state's programs and models, including long-term care and managed care, into a single authority rather than relying on several separate 1915(c) HCBS waivers that commonly have narrower population and service parameters with differing administrative requirements.

Appendix F. Ohio's extraordinary care determination tool

On the following page is an excerpt of the first page of Ohio's Extraordinary Care Instrument, an example of a supplemental assessment another state uses before authorizing parent-provided paid care.[76,77] This differs from Arizona's new standardized assessment tool, which assesses members' HCBS service needs and service hours regardless of provider.

[76] The first page of the Ohio's Extraordinary Care Instrument is provided for illustrative purposes only, accessed January 26, 2026. The complete document is available here: https://dam.assets.ohio.gov/image/upload/medicaid.ohio.gov/Resources/Publications/Forms/ODM10372Fillx.pdf

[77] In Ohio, a care coordinator completes this assessment, which is a role comparable to Arizona's support coordinator.

EXHIBIT 14. OHIO'S SUPPLEMENTAL ASSESSMENT FOR AUTHORIZING PARENT-PROVIDED PAID CARE

Ohio Department of Medicaid

OHIO EXTRAORDINARY CARE INSTRUMENT

Individual's First Name	Individual's Last Name	Assessor's Name
Date of Birth	Age at Assessment	Date Completed

INSTRUCTIONS

The purpose of this tool is to fulfill the extraordinary care criteria requirement as defined in OAC 5160-44-32.

Using the Rating Scale, the assessing agency will assign one value that indicates the greatest level of support required by the individual to meet each need. All needs must be assessed and may be completed in any order. Medical documentation is not required to meet the standard of Extraordinary Care for any of the needs below. Please note that there is an age range presumed as not applicable for some needs. For those needs, score as a **(0)**. Authorization requires meeting both a standard of extraordinary care and applicable provider certification rule requirements.

Refer to Ohio Extraordinary Care Instrument — Definitions for additional instructions.

RATING SCALE

Independent or N/A **(0)** Sometimes Requires Physical/Verbal Support **(2)**	Requires Assistive Device **(1)** Always Requires Physical/Verbal Support **(3)**

Need	Score	Need	Score
Feeding Assistance	0	Seizure Protocol	0
Respiratory/Pulmonary Care	0	Catheter or Ostomy Care	0
Turning/Positioning *Enter (0) for ages 8 months and younger*	0	Ambulation *Enter (0) for ages 17 months and younger*	0
Transfer Assistance *Enter (0) for ages 17 months and younger*	0	Oral Hygiene *Enter (0) for ages 4 years and younger*	0
Dressing *Enter (0) for ages 4 years and younger*	0	Toileting *Enter (0) for ages 4 years and younger*	0
Behavioral Support *Enter (0) for ages 4 years and younger*	0	Bathing *Enter (0) for ages 6 years and younger*	0
Hair, Nail, and/or Skin Care *Enter (0) for ages 9 years and younger*	0	Communication *Enter (0) for ages 15 years and younger*	0
Basic Purchases *Enter (0) for ages 15 years and younger*	0	Basic Meal Preparation *Enter (0) for ages 15 years and younger*	0
Basic Household Chores *Enter (0) for ages 15 years and younger*	0	Laundry *Enter (0) for ages 15 years and younger*	0
Accessing Transportation *Enter (0) for ages 15 years and younger*	0	Accessing Personal Funds *Enter (0) for ages 15 years and younger*	0
Cognition/Decision Making *Enter (0) for ages 15 years and younger*	0	Medication Administration *Enter (0) for ages 17 years and younger*	0

OHIO EXTRAORDINARY CARE INSTRUMENT RESULTS

If the individual scores a **(3)** in at least three of the items above, then the individual meets the standard of extraordinary care as defined by OAC 5160-44-32.			
Are there at least three ratings of **(3)** for the items listed above?	☐ Yes ☐ No	Does the individual meet the standard of extraordinary care as defined by OAC 5160-44-32?	☐ Yes ☐ No

Source: Ohio Department of Medicaid Extraordinary Care Instrument and related guidance.

Appendix G. Scope and methodology

Sjoberg Evashenk Consulting conducted this special audit pursuant to Laws 2025, Chapter 93, and under the authority vested in the Auditor General by A.R.S. §41-1279.03. The purpose of this audit was to review the Department's implementation of the new standardized assessment tool, adopted by AHCCCS as required by A.R.S. §36-2970.01, and to provide an analysis comparing Arizona's PPCG service delivery model with comparable approaches and best practices used by other states.[78]

As part of our methodology, we conducted the following data collection activities. We obtained and reviewed relevant statute, rules, regulations, and publicly available information related to the 2 agencies included in this audit—AHCCCS and the Department. This review also encompassed documents related to eligibility verification records, procedural guidance, operational instructions, and other materials associated with the PPCG service delivery model. In addition, we attended AHCCCS and Department sponsored trainings and public forum meetings on the ALTCS-DD program and PPCG service delivery model, and the development and implementation of revised policies required by Laws 2025, Chapter 93, and conducted interviews with staff from AHCCCS and the Department. We also requested and reviewed ALTCS-DD membership and assessment data, along with related supporting documentation, from auditees.

Based on the information collected, we applied the following methods:

- To determine whether AHCCCS adopted the new standardized assessment tool, we reviewed AHCCCS and Department policies, guidance, public notices, communications, and staff explanations related to the new standardized assessment tool's October 1, 2025, implementation and October 16, 2025, suspension, including actions taken to reverse hour determinations made while it was in use.

  To estimate the new standardized assessment tool's potential fiscal year 2026 cost reductions, we selected a simple random sample of 50 cases from the population of 769 finalized reassessments completed between October 1 and October 16, 2025.[79] We compared each member's reassessment completed using the new standardized assessment tool to the member's prior annual assessment completed under the old standardized assessment tool.

  This comparison showed that, for the sampled members, prior assessments authorized an average of 18.6 attendant care and 15.6 habilitation hours per member per week. In comparison, reassessments completed using the new standardized assessment tool authorized an average of 12.9 attendant care and 8.5 habilitation service hours per member per week. This represented average reductions in authorized hours of 30.5% for attendant care and 45.4% for habilitation services. This estimate is

[78] AHCCCS serves 2 primary populations through its ALTCS program, individuals with developmental disabilities (DD) and individuals who are elderly and/or physically disabled (EPD). This audit focused on the PPCG service delivery model within the ALTCS-DD program. The impact of Laws 2025, Chapter 93 extends beyond the ALTCS-DD PPCG service delivery model, but the broader scope of this impact was not included in the scope of this audit.

[79] The Department reassessed approximately 2,500 minor ALTCS-DD children using the new standardized assessment tool, of which 769 assessments were finalized and incorporated into the members' Person-Centered Service Plan before the new standardized assessment tool was suspended.

based on applying the observed reduction in hours authorized from the sampled members to projected fiscal year 2026 attendant care and habilitation hours. As a result, the estimate is subject to limitations, including whether the sampled members are representative of the broader population and whether similar reductions would have occurred across all members.

We then projected fiscal year 2026 attendant care and habilitation billed hours using the average annual growth in paid hours from fiscal years 2023 through 2025, which was 71.7% for attendant care and 42.1% for habilitation, and calculated projected fiscal year 2026 potential savings by applying the estimated reduction in authorized attendant care and habilitation service hours observed in the 50 sample cases to the projected billed attendant care and habilitation service hours for fiscal year 2026. We then multiplied the resulting reduced hours by the average provider rate for each service to estimate projected fiscal year 2026 costs after the reductions, and compared those estimated costs to the original projected fiscal year 2026 attendant care and habilitation hours. Based on this analysis, we estimated potential fiscal year 2026 cost avoidance ranging from approximately $223 million to $493 million.

Because our estimate was based on a sample, we calculated a 90% confidence interval, with a finite population correction, around the estimated average reduction in hours for each service. The estimated cost avoidance range reflects applying the lower and upper bounds of those confidence intervals to projected fiscal year 2026 hours and multiplying the resulting hours by the applicable provider rates. The resulting confidence intervals exceeded our target precision level of a 5% relative margin of error. Therefore, while the analysis indicates that the new standardized assessment tool could materially reduce projected fiscal year 2026 costs, the estimate should be interpreted with caution because the sampled results may not precisely represent the broader population.

- To assess AHCCCS' implementation of CMS-required cost-control measures, we reviewed CMS Medicaid authority approval documentation, AHCCCS' Medicaid authority submissions, Laws 2025, Chapter 93, AHCCCS and Department policies, and related PPCG service delivery documentation. We then compared the required cost-control measures with the dates AHCCCS and the Department implemented related policies and procedures. To determine the increase in attendant care and habilitation costs, we obtained utilization and expenditure data for fiscal years 2019 through 2025, combined total attendant care and habilitation expenditures for fiscal year 2019, and compared that amount to combined expenditures for fiscal year 2025. We calculated the dollar increase by subtracting fiscal year 2019 expenditures from fiscal year 2025 expenditures and calculated the percentage increase by dividing the dollar increase by fiscal year 2019 expenditures, resulting in an increase of approximately $537 million, or 696%.

- To assess whether AHCCCS and the Department timely monitored and enforced the 40-hour weekly limit, we reviewed State law and CMS requirements, AHCCCS and Department policies, parent attestation materials, monitoring documentation, and Department corrective action letters. We also interviewed AHCCCS and Department staff and compared monitoring and enforcement dates to the applicable requirement effective dates. To identify instances in which parents exceeded the 40-hour weekly limit, we reviewed the Department's monitoring reports from October 2025 through March 2026

and selected the week of March 8, 2026, for analysis.[80] For that week, the Department identified 257 parents who worked more than 40 hours. To estimate payments for hours exceeding the 40-hour weekly limit, we calculated the total hours each member received above the limit, resulting in 1,926 hours above the 40-hour limit. We then multiplied those hours by the applicable average parent provider rates, resulting in an estimated $51,000 in potential overpayments across 72 providers.[81] Finally, we annualized this amount by multiplying it by 52 weeks, resulting in an estimated $2.7 million in potential annual overpayments if similar overpayments occurred consistently throughout the year.

- To identify cost-control measures used by other states, we reviewed CMS-approved documents, state Medicaid program materials, publicly available state guidance, AHCCCS benchmarking research, relevant national publications, and online resources.[82,83] We identified 39 states, excluding Arizona, that authorize payments to parents of minor children with disabilities and compared those states' program design features with Arizona's PPCG service delivery model. In addition, we developed and distributed a questionnaire to all 49 states, other than Arizona, and the District of Columbia to determine if they operated a similar PPCG service delivery models and to solicit information not readily available through these sources, and received 18 responses, which were used to corroborate, supplement and strengthen our benchmarking analysis.[84,85]

- To assess whether the Department maintained required assessment records, we reviewed Arizona records retention requirements, Department retention schedules, AHCCCS policy requirements, and Department assessment documentation. We requested October 2025 assessments for our 50 sampled members and found the Department could not locate records supporting 7 service authorizations. For each assessment in our sample that the Department was unable to locate, we selected a replacement for inclusion in our sample, for a total of 57 members receiving assessments between October 1 and October 16, 2025. We also interviewed Department staff about missing records and retention processes.

[80] We selected this week because the Department's monitoring reports contained inconsistencies and other reporting periods had incomplete data. Based on our review, the week of March 8, 2026, appeared to be more consistent with AHCCCS EVV data reports than the other weeks reviewed.

[81] The average fiscal year 2026 provider rates were $25.15 for attendant care and $29.12 for habilitation. These rates were calculated by dividing the fiscal year 2026 attendant care and habilitation costs $86 million and $78 million respectively by 3.4 million and 2.7 million hours, based on data provided by DDD, by the total number of service hours for each service.

[82] Relevant publications included publications from the National Association of State Directors of Developmental Disabilities Services. Retrieved on 08/18/2025 from https://www.nasddds.org/wp-content/uploads/2023/07/Caring-Families_final-0713.2023tss.pdf.

[83] These resources included the Kids' Waiver online resource an independent research project compiling information on state PPCG-type programs, to identify and gather information on comparable public programs in other states that reimburse and/or compensate parents of developmentally disabled minor children for providing care. Retrieved on 10/06/2025 from https://www.kidswaivers.org.

[84] We received 18 responses, resulting in a 36% response rate.

[85] Our benchmarking analysis compared program design features and did not assess the fiscal impact or effectiveness of other states' programs.

- To assess assessment accuracy and completeness, we reviewed the 50 sampled October 2025 assessments and the prior annual assessments for those members, including whether support coordinators accurately calculated assessed attendant care and habilitation hours, documented support for authorized hours, and completed required signatures or attestations.[86] We also reviewed AHCCCS assessment policy requirements and interviewed Department staff about training, supervisory review, and quality assurance processes.

We selected our audit sample(s) to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We thank AHCCCS and Department leadership and staff for their cooperation and assistance throughout the audit.

[86] Our review included testing whether assessment documentation supported authorized hours, whether assessed attendant care and habilitation hours were accurately calculated, and whether required signatures or attestations were completed.

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 recently reported implementing routine and systemic compliance monitoring activity, which began at the very end of audit fieldwork. 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.

AHCCCS' response

The subsequent pages were written by AHCCCS to provide a response to each of the findings and to indicate its intention regarding implementation of each of the recommendations directed to AHCCCS resulting from the audit conducted by Sjoberg Evashenk Consulting, Inc.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

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KATIE HOBBS
GOVERNOR

ROBERTA HARRISON
INTERIM DIRECTOR

July 22, 2026

George Skiles, Partner
Sjoberg Evashenk Consulting, Inc.
455 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Mr. Skiles:

Enclosed is the Arizona Health Care Cost Containment System's (AHCCCS) response to the special audit of the Arizona Parents as Paid Caregiver (PPCG) model.

Independent audits play an important role in promoting accountability, transparency, and the effective administration of public programs, and we value the opportunity to provide additional context regarding the complexities associated with implementing recent statutory, federal, and operational changes affecting PPCG.

As reflected in our response, AHCCCS has already implemented a variety of cost-control and oversight measures, including those required by State law, and is committed to implementing the audit recommendations. Our response also explains areas where we respectfully disagree with certain findings, including circumstances involving federal Medicaid requirements, legal and procedural considerations, data limitations, and implementation timelines that affected the Agency's actions. We believe this context is important to understanding both the challenges and the progress associated with administering this rapidly evolving program.

AHCCCS remains committed to strengthening program oversight, implementing the HCBS Needs Tool and Extraordinary Care Review Process through the authority provided by the Legislature, enhancing monitoring and compliance activities, and evaluating additional strategies to support the long-term sustainability of services for Arizona families.

Thank you for the opportunity to review and respond to the audit report. We will continue ensuring effective stewardship of public resources while meeting the needs of the members we serve.

Sincerely,

Roberta Harrison
Interim Director

Chapter 1: AHCCCS did not implement the new standardized assessment tool required by Laws 2025, Chapter 93, and as a result did not realize potential cost reduction of $133 million to $493 million in fiscal year 2026.

AHCCCS response: The finding is not agreed to.

Response explanation: AHCCCS implemented the new standardized assessment tool on October 1, 2025, however, it discontinued use of the tool with the effective date of the emergency HNT rulemaking on October 15, 2025. AHCCCS suspended the strengthened standardized assessment tool required by Laws 2025, Chapter 93 and proceeded with rulemaking due to the probability of imminent litigation and the possibility of an adverse court ruling that may have resulted in further delay in implementation of the new assessment tool and inability to achieve cost savings.

AHCCCS does not agree that it could have reasonably anticipated that implementing Laws 2025, Chapter 93 required Administrative Procedure Act rulemaking before October 2025 as noted in the report. The HCBS Needs Tool has historically existed in AHCCCS policy manuals at AMPM Policy 1600.

AHCCCS generally adopts and amends its policies through its published policy process and not through Administrative Procedure Act (APA) rulemaking which has been a successful approach by which this agency has administered the Arizona Medicaid program for decades. AHCCCS has and continues to generally administer the AHCCCS Medical Policy Manual (AMPM), AHCCCS Contractor Operational Manual (ACOM), and other manuals through policy, not formal rulemaking. When promulgating policy, AHCCCS posts detailed policies for public comment, and subsequent consideration by the Agency. Advocates are familiar with this process and actively use this mechanism. AHCCCS therefore did not overlook, in April 2025, something it discovered in October 2025. Rather, no party asserted that the policies at issue required formal rulemaking, despite substantial public engagement, until September 29, 2025, in a letter which carried a litigation demand. Due to the probability of imminent litigation first communicated to AHCCCS and DES two days before the October 1 implementation date and due to the risk of a potentially adverse court ruling resulting in a more extensive delay of the tool's implementation, the strengthened standardized assessment tool was suspended. Even had AHCCCS promptly initiated formal rulemaking for Laws 2025, Chapter 93 which was enacted in April 2025, it is unlikely that the strengthened assessment tool would have been adopted as final rules and implemented in October 2025 due to the extensive procedural requirements of Title 41 Chapter 6, including the public comment processes mandated by the APA, the possibility of supplemental rulemaking, and the required proceedings before the Governor's Regulatory Review Council. Moreover, actual implementation of the strengthened assessment tool would entail several additional months subsequent to the rule's effective date due to the critical prerequisite for effective training of Department and other staff before "going live." As a result, the initially projected cost savings based upon an October implementation date would likely not have been realized.

Ultimately, the Legislature reached a similar conclusion by resolving the rulemaking question prospectively in Section 19 of Laws 2026, Chapter 132. It did not direct AHCCCS to conduct a full APA rulemaking and instead exempted the Agency from the rulemaking requirements of Title 41 Chapter 6 of the APA for the 2026-2027 fiscal year, authorizing

exempt rulemaking along with a minimum 30-day public comment period prior to implementation of such rules and policies.

Recommendation 1: Implement, as soon as possible, the new standardized assessment tool as required by State law.

AHCCCS response: The audit recommendation will be implemented.

Response explanation: AHCCCS paused the tool in October 2025 because imposing service hour limitations through the ordinary policy process, with the threat of imminent and likely protracted litigation, presented an unreasonable and unacceptable operational and financial risk to the State. The Legislature's actions support the Agency's perspective by approving language in the budget reconciliation bill that exempted AHCCCS from formal rulemaking requirements related to these reforms for fiscal year 2026-2027.

Section 19 of Laws 2026, Chapter 132, exempts the rules and the policies at issue from the APA for Fiscal Year 2026-2027 and provides for adoption through exempt rulemaking. AHCCCS will adopt the HCBS Needs Tool and the Extraordinary Care Review process under the exempt rulemaking authority and implement statewide in 2026. The remaining steps are exempt rulemaking notice and comment, final exempt rule and policy adoption, DDD and health plan readiness, support coordinator training, and member notice.

Recommendation 2: Continue developing a formally documented Extraordinary Care Review process that is consistent with CMS requirements and that, when warranted, occurs during the annual assessment period.

AHCCCS response: The audit recommendation will be implemented.

Response explanation: AHCCCS continues to work with CMS and other stakeholders to develop an Extraordinary Care Review (ECR) process that is consistent with Federal Medicaid requirements and applicable authorization and due process standards.

During development of the ECR process, questions arose regarding how an extraordinary care review could operate within existing federal managed care authorization and timeliness requirements. Following consultation with its External Quality Review Organization and CMS, AHCCCS determined that additional federal authority may be necessary to implement an Extraordinary Care Review process that allows for individualized review of requests that exceed established service parameters while remaining compliant with federal requirements.

AHCCCS explored multiple options with CMS to address these concerns, including requesting CMS to opine that an extraordinary care review was distinct from a prior authorization and therefore outside the timeliness rule, but CMS was unable to give that opinion. AHCCCS also requested a short-term exemption from the timeliness rule for the first ninety days of implementation, however, CMS formally denied that request in April 2026. As a result, AHCCCS is working to pursue authority through its upcoming Section 1115 demonstration waiver renewal and amendment process, which will be submitted to CMS on or before September 30, 2026.

AHCCCS remains committed to developing and implementing an Extraordinary Care Review process that is compliant with federal requirements and provides an appropriate mechanism for the review of extraordinary care needs. While AHCCCS will continue refining the process design, implementation is dependent in part upon receipt of necessary federal approvals, which are outside of AHCCCS' unilateral control.

Recommendation 3: Develop and implement a procedure to seek legal counsel prior to developing and implementing programmatic changes to determine, in a timely manner, whether the change is most appropriately memorialized in agency policy or administrative rule.

AHCCCS response: The audit recommendation will be implemented.

Response explanation: While AHCCCS maintains that its longstanding policy process, in general, was the established mechanism for adopting and amending manuals and policies rather than rulemaking, the Agency agrees that a more formalized legal review procedure will strengthen documentation, potentially support timely identification of implementation risks, and may help ensure that future programmatic changes are implemented through the appropriate State and federal process.

AHCCCS will develop and implement a documented procedure that requires early consultation with legal counsel and relevant subject matter experts to assess the appropriate implementation vehicle, including whether the change requires rulemaking for any significant programmatic changes that affect member benefits, service limitations, contractor obligations, or other areas with potential State or Federal legal implications.

Chapter 2: Despite attendant care and habilitation costs increasing by $371 million in 2 years, of which approximately $130 million would have been subject to the State General fund match, and the Department seeking 2 supplemental appropriations to address budget shortfalls, AHCCCS and the Department had not fully implemented required cost-control measures for PPCG, risking additional cost increases and shortfalls.

AHCCCS response: The finding is not agreed to.

Response explanation: AHCCCS disagrees with the overly broad statement that, ”AHCCCS and the Department have not fully implemented required cost-control measures for PPCG." Several cost-control measures required by Laws 2025, Chapter 93 were implemented 7/1/2025 and 10/1/2025. Additionally, AHCCCS does not agree that the finding appropriately distinguishes between measures that were implemented and those that were delayed due to federal mandates, considerable litigation risk, and operational considerations. Specific provisions of Laws 2025, Chapter 93, were implemented as required, while other reforms were delayed due to federal mandates, mitigation of substantial litigation risk, and operational demands.

It is critical to recognize that the referenced $371 million increase was almost exclusively attributable to factors which took place prior to Laws 2025, Chapter 93. This statute took

effect April 24, 2025, and its cost-control provisions became effective on and after June 2025 whereas the $371 million increase occurred between fiscal years 2023 and 2025.

AHCCCS also lacked authority to impose service restrictions for much of the period the finding covers. Under section 9817 of the American Rescue Plan Act and CMS guidance in SMD 21-003, a state claiming the enhanced HCBS match could not impose stricter eligibility standards, methodologies, or procedures than were in place on April 1, 2021, could not reduce the amount, duration, or scope of covered HCBS in effect on that date, and could not reduce provider payment rates below those in effect on that date. That CMS guidance prohibits the measures that the finding faults AHCCCS for not adopting in 2023.

While CMS requires what is outlined in the waiver, including the terms and conditions, CMS does not require or expect that States implement their waiver authorities immediately upon approval. CMS' February 16, 2024 approval letter confirms that states are not required under federal statute or regulation to define limitations on the circumstances under which legally responsible individuals may be paid providers, including a cap on weekly hours. CMS approved Arizona's phased approach and set no implementation date.

AHCCCS agrees that the increase in attendant care and habilitation services costs between 2023 and 2025 was $371 million Total Fund, of which approximately $112 million represents General Fund dollars for these services. Additionally, DDD program membership experienced unprecedented growth between 2023 and 2025, and continues to increase, which contributes considerably to total spend.

In addition, the supplemental appropriations referenced were the result of growth in membership, and in multiple service lines in addition to the PPCG service delivery model, such as Applied Behavior Analysis (ABA) services, which the Agency has been working to reform and will be implementing reforms for in the coming months. Arizona's forthcoming ABA reforms have been praised by members, providers, and health plans as some of the most thoughtful in the nation.

Recommendation 4: Develop and implement all required cost controls and oversight processes to ensure the cost controls are working, including those that AHCCCS committed to CMS it would implement in September 2023, those CMS required in its waiver approval in February 2024, and those required by Laws 2025, Chapter 93 in June and October 2025.

AHCCCS response: The audit recommendation will be implemented.

Response explanation: AHCCCS has implemented several of the cost control measures required by Laws 2025, Chapter 93, and will continue to work toward full implementation of cost controls it committed to in consultation with CMS. While AHCCCS was required to pause the implementation of the strengthened assessment tool in the face of legal challenges, it has continued to work to implement those reforms and will do so in 2026. AHCCCS will continue to implement cost control measures and incorporate them into its existing oversight processes to assess compliance with contractual, statutory, policy, and Federal and State requirements and to identify and address additional opportunities when appropriate.

Recommendation 5: Update monitoring procedures to ensure timely oversight of the Department's compliance with contractual and statutory obligations related to its ALTCS-DD program and PPCG service delivery model, and all provisions related to Laws 2025, Chapter 93.

AHCCCS response: The audit recommendation will be implemented.

Response explanation: AHCCCS will continue to enhance its monitoring procedures to support timely oversight of the Department's compliance with contractual, statutory, and policy requirements related to the ALTCS-DD program, including PPCG. Consistent with its existing oversight, AHCCCS will incorporate available utilization, operational, and compliance information into its monitoring activities to identify potential compliance concerns and implement appropriate follow-up actions when warranted.

Recommendation 6: Require the Department to provide timely access to utilization and vendor payment records and utilize this information to improve monitoring of Department compliance and program utilization and costs.

AHCCCS response: The audit recommendation will be implemented in a different manner.

Response explanation: AHCCCS agrees that timely access to information is important for effective program oversight and monitoring. However, AHCCCS does not agree that the Department is failing to provide utilization or vendor payment records within required timeframes. Data generally has delays in Medicaid programs, particularly in managed care programs like ALTCS-DD, due to claims payment and encounter processing requirements. The Department is subject to the same contractual encounter reporting requirements as other AHCCCS health plans and is currently meeting those requirements.

While AHCCCS does not plan to modify existing encounter reporting timeframes, it will continue working with the Department to evaluate opportunities to enhance reporting and oversight processes, including the use of operational, authorization, assessment, and utilization information available prior to encounter submission. AHCCCS will incorporate available information into its existing monitoring and auditing framework to support proactive oversight of compliance, utilization trends, and program costs.

Chapter 3: AHCCCS and the Department did not initiate action to enforce the 40-hour limit on parent-provided paid care until April 2026 despite State law requiring this beginning July 2025, contributing to the Department inappropriately overpaying some parents.

AHCCCS response: The finding is not agreed to.

Response explanation: AHCCCS does not agree that it did not initiate action to enforce the 40-hour limit on parent-provided paid care until April 2026. In its approval letter, CMS approved the State's phased-in approach to reducing hours to the 40-hour limit for parent-provided paid care, and AHCCCS and DDD began enforcing the 40-hour limit in a phased, education-forward approach. This education-forward approach includes training AHCCCS-registered provider agencies, who are responsible for paying parent caregivers, as well as providing technical assistance when instances of noncompliance arise.

Although the provider agencies may have continued to pay some parents for providing more than 40 hours of care to their minor child, the Department had been using an education-forward process rather than punitive action, which is a standard approach when implementing a new service model. Regardless of the caregiver, it is important to recognize that assessed services in excess of 40 hours are still covered for the minor child by a non-parent provider because the services were determined to be medically necessary. The hours assessed for the member as medically necessary are not determined by the individual provider who delivers the service. When a parent provider is capped at 40 hours, the balance of the member's authorized hours is delivered by a non-parent direct care worker. The State's obligation to cover the authorized service does not disappear. The 40-hour limit is a program integrity and conflict of interest control feature and strategy. It was not designed as, and does not function as, a cost-reduction mechanism. The Department is developing and implementing additional oversight processes of its provider agencies which will include punitive action, as necessary, to ensure continued adherence to the 40-hour parent-provided care requirement. Please refer to the Department's response to this Finding and its recommendations.

Enforcement of the 40-hour limit also required data that did not exist at the time. Until AHCCCS moved from its vendor-hosted electronic visit verification (EVV) system to an in-house EVV Aggregator effective October 1, 2025, the system could not reliably distinguish parent providers from other direct care workers. AHCCCS directed its vendor-hosted EVV users to begin reporting live-in caregiver data in March 2025, required providers contracting directly with an EVV vendor to implement the new indicators between July and September 2025, and required all providers to use the in-house Aggregator beginning October 1, 2025. Parent-provider data was not confirmed to be generally complete and accurate until approximately April 2026, a fact the report acknowledges in the note to Exhibit 4. For the remaining handful of providers who are out of compliance, the health plans, including the Department, began compliance actions in April 2026.

Recommendation 7: Develop and implement procedures to regularly assess the Department's enforcement of the 40-hour-per-week limit per minor child.

AHCCCS response: The audit recommendation will be implemented.

Response explanation: AHCCCS will continue to develop its procedures for regularly assessing the Department's enforcement of the 40-hour-per-week limit on parent-provided care per minor child. The development of these procedures is consistent with AHCCCS' existing monitoring and auditing processes, which relies on the availability of complete and reliable data to support effective oversight activities. As noted in the Finding 3 response, implementation of monitoring activities was dependent on the availability of data necessary to accurately identify parent providers and track hours across service settings and providers. As the necessary parent-provider and utilization data became available, AHCCCS began incorporating this information into its oversight activities.

AHCCCS will continue to incorporate the 40-hour limit review into its existing oversight framework and develop monitoring and auditing procedures comparable to those used for other health plan compliance activities, including DDD compliance with contractual, statutory, and policy requirements. These procedures will support routine auditing,

identification of potential noncompliance, and implementation of corrective actions through existing oversight processes when appropriate.

Recommendation 8: Establish corrective action requirements for instances when the Department does not enforce or adequately monitor the 40-hour weekly limit per minor child.

AHCCCS response: The audit recommendation will be implemented.

Response explanation: AHCCCS already has longstanding established processes for issuing administrative actions for instances of noncompliance, including corrective action plans, to its health plans, which includes DDD. The Managed Care Organization (MCO) Compliance Committee is the body responsible for evaluating AHCCCS staff recommendations for MCO Administrative Actions and determining the appropriate action after consideration of relevant factors related to MCO contract noncompliance. As a managed care organization, DDD falls within the scope of the MCO Compliance Committee.

AHCCCS is currently working to enhance its monitoring procedures for the 40-hour-per-week limit on parent-provided care per minor child as explained in the response to Recommendation 7 above. If monitoring or auditing identifies deficiencies in the Department's enforcement of the 40-hour limit, AHCCCS will use its existing compliance governance processes to determine and implement an appropriate response. Appropriate responses may include technical assistance, Notice of Concern, Mandated Corrective Action Plan, Notice to Cure, sanction, or other improvement strategy, depending on the facts and circumstances of the deficiency and consistent with the MCO Compliance Committee's established decision-making factors.

Chapter 4: The State's new standardized assessment tool is unlikely to contain costs long term on its own, but other states have developed common cost-control measures that could help contain costs in the State, but would require additional legislative changes and CMS approval.

AHCCCS response: The finding is not agreed to.

Response explanation: AHCCCS does not agree that the strengthened standardized assessment tool on its own is unlikely to contribute to long-term cost containment. The HCBS Needs Tool was developed to improve consistency in assessments, strengthen the determination of member needs, and support more standardized service authorization decisions. In light of these features, the strengthened standardized assessment tool will contribute to long-term cost containment. Because full implementation has not yet occurred, it is premature to evaluate the precise impact that the tool will have on long term cost containment.

AHCCCS further 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 more significant cost-control measures highlighted in the report are not currently available to AHCCCS under Arizona law or existing federal authority. For example, A.R.S. § 36-2901.01(A) provides that neither the executive department nor the Legislature may establish a cap on the number of eligible persons who may enroll in the system. Other

measures discussed in the report, including expenditure caps or additional eligibility restrictions, would require legislative action, federal approval, amendments to Arizona's State Plan or Section 1115 demonstration, or some combination thereof. The report also compares Arizona's ALTCS program to programs operating under different federal authorities, including Section 1915(c) waiver programs that permit enrollment limitations not available under Arizona's integrated Section 1115 demonstration authority. While additional sweeping cost-containment strategies, like those referenced in the report, are possible, they would require legislative action, Federal authority, or both.

However, AHCCCS agrees that long-term fiscal sustainability will require continuous evaluation of program operations and potential future policy options. Prior to issuance of this audit, AHCCCS and DDD had already developed plans to engage members, families, providers, advocates, and other stakeholders through a community-informed process to evaluate additional strategies for supporting long-term program sustainability. Those efforts were temporarily paused while the agencies focused on implementation of the HCBS Needs Tool and development of the Extraordinary Care Review process. AHCCCS remains committed to resuming stakeholder engagement processes and working with policymakers, CMS, and other interested parties to thoughtfully evaluate potential future options that are consistent with Arizona law, federal requirements, and member needs.

Recommendation 9: Work with the Governor's Office to conduct an analysis to identify if there are additional cost-control measures that could be implemented in order to support greater long-term fiscal sustainability for the ALTCS-DD program.

AHCCCS response: The audit recommendation will be implemented in a different manner.

Response explanation: AHCCCS will continue to evaluate potential opportunities to support the long-term fiscal sustainability of the ALTCS-DD program. As part of this effort, AHCCCS will leverage existing analyses and continue working with DDD to assess potential policy, operational, and programmatic options for consideration.

Consistent with the approach described in the response to Finding 4, AHCCCS intends to engage members, families, providers, advocates, and other stakeholders through a community-informed process to evaluate potential strategies and their associated impacts. This work will help inform an analysis of available options, including considerations related to member access, quality of care, operational feasibility, State law, and federal requirements. AHCCCS will provide the results of its analysis to the Governor's Office for consideration.

Recommendation 10: If AHCCCS determines that additional cost-control measures are needed, work with the Governor's Office, CMS, and other key stakeholders as needed 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.

AHCCCS response: The audit recommendation will be implemented in a different manner.

Response explanation: AHCCCS will continue to identify additional cost-control measures that warrant further consideration. As indicated in the report, many of the additional PPCG cost control measures utilized in other States would require legislative action. For such measures, if directed by policymakers, AHCCCS will work with CMS

and other relevant stakeholders to evaluate and pursue legislative, regulatory, contractual, State Plan, or waiver actions required for implementation.

Recommendation 11: Notify the Legislature of the results of its analysis and plan to implement additional cost controls.

AHCCCS/Department response: The audit recommendation will be implemented.

Response explanation: AHCCCS will communicate the results of its analysis to the Legislature. Proactive engagement with policymakers will support informed decision-making regarding any potential future cost-control measures and associated legislative, federal, or operational considerations.

Department's response

The subsequent pages were written by the Department to provide a response to each of the findings and to indicate its intention regarding implementation of each of the recommendations directed to the Department resulting from the audit conducted by Sjoberg Evashenk Consulting, Inc.

Katie Hobbs
Governor

ARIZONA
DEPARTMENT OF
ECONOMIC SECURITY

Michael Wisehart
Director

July 21, 2026

George J. Skiles
Partner
Sjoberg Evashenk Consulting
455 Capitol Mall, Suite #700
Sacramento, CA 95814

RE: Auditor General's Report, Division of Developmental Disabilities, Parents as Paid Caregivers Performance Audit

Dear Mr. Skiles:

The Arizona Department of Economic Security (Department) has reviewed the Auditor General's report and plans to implement select recommendations contained herein.

The Department is dedicated to cultivating a culture of excellence, accountability, and innovation. Our commitment to continuous improvement is integral to our operations, guiding us in the refinement of internal processes and the enhancement of service quality. The Department will persist in evaluating its performance, soliciting feedback, and implementing modifications that advance our mission to better serve the citizens of Arizona.

The Department acknowledges and appreciates the diligence and collaboration demonstrated by the staff of the Office of the Auditor General and Sjoberg Evashenk Consulting throughout the Parents as Paid Caregivers Performance Audit.

If you have any questions, please contact Zane Garcia Ramadan, Assistant Director, Division of Developmental Disabilities, at (602) 542-0068 or zramadan@azdes.gov.

Sincerely,

Michael Wisehart
Director

Attachment

Chapter 2:

Despite attendant care and habilitation costs increasing by $371 million in 2 years, of which approximately $130 million would have been subject to the State General fund match, and the Department seeking 2 supplemental appropriations to address budget shortfalls, AHCCCS and the Department had not fully implemented required cost-control measures for PPCG, risking additional cost increases and shortfalls.

Department response: The finding is agreed to.

Response explanation: The Department acknowledges that implementation of the new standardized assessment tool occurred between October 1 and October 16, 2025 and was then suspended as directed by AHCCCS. The Department implemented all other measures as required in House Bill 2945. The Department will implement the updated Home and Community Based Services (HCBS) Needs Tool (HNT) and Extraordinary Care Review (ECR) policies once finalized and directed by AHCCCS.

Following assessment, members are authorized for services that are medically necessary. The amount of authorized hours remains the same regardless of who provides the service. Members have the right to select their preferred provider—whether a Direct Support Professional (DSP) or a parent—with no impact on the overall cost of the service. The Fiscal Year 2025 supplemental budget request was needed because the original state budget estimated member growth at 3.8% and capitation rate growth of 4.5%; actual member growth was 5.7% and capitation rate growth was 9.2%. In instances like this, the Division needs to request supplemental funding to ensure all services can continue to be paid. The Department received sufficient supplemental funding for FY 2026 in the final amount appropriated of $82,818,700 through Laws 2026, Chapter 126 (SB 1847).

Recommendation 1: Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payments for parent-provided care ordinarily performed by parents for same-age children without disabilities.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Division of Developmental Disabilities, through a contract with AHCCCS, is a Managed Care Organization (MCO) that offers health care coverage to members who are eligible for the Arizona Long Term Care System (ALTCS). As such, DDD must follow the contract requirements, policies, and rules set by AHCCCS. The Department stands ready to implement the HNT/ECR process when it is finalized and directed by AHCCCS. With the new tool, hours for parent-provided care ordinarily performed by parents for same-age children without disabilities will not be assessed and authorized, which means payments will not occur for this type of care.

Recommendation 2: Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing parents from being paid for more than 40 hours of care per child per week.

Department response: The audit recommendation will not be implemented.

Response explanation: The Department respectfully disagrees with the finding that this requirement and subsequent monitoring and compliance processes have not been developed and implemented. The Department implemented a *Parents as Paid Caregivers Service Model Acknowledgement of Understanding and Agreement for Follow Service Model Requirements* form

(DDD-2368A), which is required to be reviewed and signed by all PPCGs prior to providing services and receiving payment. This form addresses requirements for adhering to the 40-hour weekly limit.

In May 2025, DDD's Provider Network Support (PNS) team began developing weekly data to identify Qualified Vendors (QVs) that had PPCGs working over 40 hours or working for more than one QV. With the available data, PNS contacted QVs through emails and phone calls to require compliance plans to address any noncompliance with HB2945 requirements. These outreach activities included technical assistance to answer any questions and ensure compliance plans were submitted. Technical assistance is a Division-initiated intervention action designed to correct noncompliance.

As the report noted, QVs do not all follow the same 7-day week for billing and claims submission, including payroll for QV employees. DDD must review to determine whether identified violations are truly violations and not a difference in calculated work weeks. PNS obtained information from QVs regarding alternate work schedules that may fall outside of the Sunday through Saturday review period DDD utilizes when reviewing EVV reports. This helped identify discrepancies between true noncompliance (i.e., 40-hour violations) and variations in QVs' work weeks and staff schedules.

Again, this compliance plan monitoring has been in place since May 2025, with the exception of October 2025 when AHCCCS implemented its own EVV aggregator. The Department established and executed initial processes to monitor compliance of QVAs. DDD continues to enhance PPCG reporting as data continues to become available and more reliable. Corrective Action Plans (CAPs) have been issued to QVs with identified violations starting in April 2026. To date, the Division has sent over 200 CAPS and approximately 10% of CAPs have been rescinded due to work week and billing calendar differences that inaccurately showed as violationsQVs who do not address CAPs and continue to be non-compliant are elevated to DDD's Contract Action Unit. As higher-quality and more granular data becomes readily available, the Department is actively updating and refining these monitoring mechanisms to enhance oversight.

Recommendation 3: Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payments to parents who have not resided in Arizona for at least 6 months, including requiring eligibility review that includes a review of documentation proving 6 months residency, such as government issued identification, lease or mortgage statements, utility bills, etc., before designating any parent as eligible to serve as paid caregivers. In doing so, it should reassess all parents who self-attested compliance with residency requirements beginning with parents paid for services beginning July 1, 2025.

Department response: The audit recommendation will not be implemented.

Response explanation: Following assessment, members are authorized for services that are medically necessary. The amount of authorized hours remains the same regardless of who provides the service. Members have the right to select their preferred provider—whether a Direct Support Professional (DSP) or a parent—with no impact on the overall cost of the service. The Department implemented a *Parents as Paid Caregivers Service Model Acknowledgement of Understanding and Agreement for Follow Service Model Requirements* form (DDD-2368A), which is required to be reviewed and signed by all PPCGs prior to providing services and receiving payment. This form requires parents participating in the PPCG service model to confirm their understanding that they must be an Arizona resident for at least 6 months prior to participating in the PPCG service model and to enter the month, date, year since which they have resided in the State of Arizona. This form also includes the understanding that at any time the parent may be

asked to provide proof of residency. Failure to provide such proof may result in a fraud referral to the Office of the Inspector General and/or the Attorney General's Office.

As part of the initial eligibility process, DDD requires documentation proving Arizona residency (e.g., state ID, rent or mortgage bill showing address). Once an individual is determined eligible as a DDD member, they then go through the ALTCS eligibility process. Once granted ALTCS eligibility (which is the only DDD eligibility category approved to receive the PPCG-provided services), a Support Coordinator schedules an initial meeting with the member. Subsequently the assessment may be completed. Given the process described above, which already verifies residency, combined with the Acknowledgement of Understanding form confirming 6 months of residency, the Division considers the current verification controls sufficient and believes allocating additional resources to a third layer of review would not be cost-effective.

Recommendation 4: Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payment for parent-provided services between 10:00 p.m. and 6:00 a.m., subject to a Person-Centered Service Plan.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Department implemented a *Parents as Paid Caregivers Service Model Acknowledgement of Understanding and Agreement for Follow Service Model Requirements* form (DDD-2368A) on 10/1/2025, which is required to be reviewed and signed by all PPCGs prior to providing services and receiving payment. This form addresses the requirement that services are not to be provided during overnight hours in accordance with A.R.S. § 36-2970.02. As higher-quality and more granular data becomes readily available, the Department is actively updating and refining its monitoring and enforcement mechanisms to enhance oversight.

Recommendation 5: Working with AHCCCS as needed, develop and implement procedures, in addition to the Acknowledgement of Understanding form, for preventing payment when the child is not in the home, including when the child is at school, being homeschooled, in inpatient care, or in a clinical setting.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: As part of the planning process, Support Coordinators complete a daily schedule with the planning team and responsible person. This helps identify the flow of a child's day but also times they are engaged in other service delivery systems. Parents that home school and don't receive any public funding provide the Support Coordinator information about when they teach the required core subjects each day/week. Additionally, AHCCCS Policy 1240 A states: "The attendant care and the personal care services shall not be authorized by the Contractor or Tribal ALTCS while the member is engaging in, participating in, or receiving provided privately or publicly funded K-12 educational services, programs or grants." This means that a Support Coordinator may not assess for Attendant Care or hourly Habilitation services during these times. DDD is also in the process of procuring data analytics software to enhance the Department's monitoring and enforcement efforts.

Chapter 3: AHCCCS and the Department did not initiate action to enforce the 40-hour limit on parent-provided paid care until April 2026 despite State law requiring this beginning July 2025, contributing to the Department inappropriately overpaying some parents.

Department response: The finding is not agreed to.

Response explanation: The Department respectfully disagrees with the finding that no action was taken to enforce the policy limiting parent-provided paid care to 40 hours. Following assessment, members are authorized for services that are medically necessary. The amount of authorized hours remains the same regardless of who provides the service. Members have the right to select their preferred provider—whether a Direct Support Professional (DSP) or a parent—with no impact on the overall cost of the service.

As outlined above, in May 2025, DDD's Provider Network Support (PNS) team began developing weekly data to identify Qualified Vendors that had PPCGs working over 40 hours or working for more than one Qualified Vendor. With the available data, PNS contacted Qualified Vendors through emails and phone calls to require compliance plans to address any noncompliance with HB2945 requirements. These outreach activities included technical assistance to answer any questions and ensure compliance plans were submitted. Technical assistance is a Division-initiated intervention action designed to correct noncompliance.

Again, this compliance plan monitoring has been in place since May 2025, with the exception of October 2025 when AHCCCS implemented its own EVV aggregator. The Department established and executed initial processes to monitor compliance of QVAs. DDD continues to enhance PPCG reporting as data continues to become available and more reliable. Corrective Action Plans (CAPs) have been issued to Qualified Vendors with identified violations starting in April 2026. To date, the Division has sent over 200 CAPS and approximately 10% of CAPs have been rescinded due to work week and billing calendar differences that inaccurately showed as violations.Qualified Vendors who do not address CAPs and continue to be non-compliant are elevated to DDD's Contract Action Unit. As higher-quality and more granular data becomes readily available, the Department is actively updating and refining these monitoring mechanisms to enhance oversight.

Recommendation 6: Develop, document, and implement a formal and routine system to monitor parent-member hours to identify providers/vendors that are not complying with the 40-hour weekly limit.

Department response: The audit recommendation will not be implemented.

Response explanation: The Department respectfully disagrees with the finding that this requirement and subsequent monitoring and enforcement processes have not been implemented, as described above. As higher-quality and more granular data becomes readily available, the Department is actively updating and refining these monitoring mechanisms to enhance oversight.

Recommendation 7: Require corrective action plans from contracted vendors that exceed the 40-hour weekly limit and track whether corrective actions are implemented.

Department response: The audit recommendation will not be implemented.

Response explanation: The Department respectfully disagrees with the finding that this requirement and subsequent monitoring processes have not been implemented, as described above. The Department is already issuing Corrective Action Plans (CAPs) to Qualified Vendors with identified violations. To date, the Division has sent over 200 CAPS and approximately 10% of CAPs have been rescinded due to work week and billing calendar differences that inaccurately showed as violations.Qualified Vendors who do not address CAPs and continue to be non-compliant are elevated to DDD's Contract Action Unit.

Recommendation 8: Develop and implement procedures to identify, review, and recover past overpayments resulting from parent-provided paid care that exceeded the 40-hour weekly limit, beginning June 30, 2025, through current, including those we identified.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Department has updated the standard work to include how to elevate Vendor non-compliance or sustained compliance for further review and other actions, including referral to the Contract Actions Unit. DDD is also in the process of procuring data analytics software to enhance the Department's monitoring and enforcement efforts.

Recommendation 9: Coordinate with AHCCCS to share monitoring results and support AHCCCS' oversight and review processes.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will share monitoring results with AHCCCS.

Chapter 5: Department did not maintain some assessment records we reviewed as required by State law, which could result in unsupported service authorizations and impair oversight of payments.

Department response: The finding is agreed to.

Response explanation: The Department readied and trained over 1,200 team members to utilize the new assessment tool and to reassess each member under the age of 18 who received attendant care or habilitation services. During the new assessment implementation period (October 1-16, 2025) the Department assessed over 2,500 members and was then subsequently directed to pause reassessments. The Department communicated the pause to its Support Coordinators and implemented a methodology to revert all authorizations based on the new tool to pre-10/1/2025 levels. The Department agrees with the importance of maintaining assessments and case file documentation for members. The auditors used a narrow sample of 57 assessments which cannot be projected to reflect our overall compliance rate. However, the Department views this as an opportunity for continuous improvement, and will be implementing additional, mandatory training for all relevant staff regarding these specific documentation requirements in alignment with the updated HNT implementation.

Recommendation 10: Establish an off-boarding process to ensure support coordinators finish and upload assessments prior to leaving the agency or moving into a different position within the agency.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: DDD Policy 1620-D requires a full copy of the Planning Document upon initial development and upon updates to be provided and a copy maintained in the case file within 10 calendar days. The Planning Document includes all supplemental documents (e.g., the HNT). The Planning Document and supplemental documents are accessed and completed through SimpliGov, which enables Support Coordinators to complete workflows for each member assigned to their caseloads and track documentation progress in the system. If signed in SimpliGov, the documents are automatically uploaded to OnBase. The Support Coordinator must also update the person's case file, utilizing the *Post-Meeting Case File Update Checklist*, which includes the requirement to upload the planning document and all associated supplemental documents into OnBase if not completed in SimpliGov (Procedure SC-100). The Department is

committed to strengthening its separation protocols. Support Coordination will review and update relevant off-boarding procedures as necessary.

Recommendation 11: Revise and implement procedures to ensure all assessments performed are recorded and maintained in member records in a timely manner, and that supervisory review procedures ensure proper record keeping.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Department's Program Improvement Unit completes regular case file reviews. This includes reviewing the assessment of Activities of Daily Living consistent with the details of the members functional abilities listed in the member profile section, MLOC, HCBS Member Needs Tool and the H-NAT; documentation regarding assessment of the member's paid and unpaid caregiver resources; and, whether the HCBS Needs Assessment Tool is in OnBase. HNT assessments are an emphasis for case file reviews for members who live at home and receive services.

Recommendation 12: Consider developing and implementing system functionality that automatically flag cases with missing records or files.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: Included in the Division's strategic plan is a system-wide objective to use technological innovation to improve program efficiency and effectiveness. The Department is actively developing current PDF forms into SimpliGov, which once completed, will automatically upload into OnBase for retention.

Chapter 6: Department did not ensure the accuracy of some member assessments we reviewed used to authorize services, which could result in incorrect payments, potential waste, and service authorizations that do not match members' needs

Department response: The finding is agreed to.

Response explanation: During October 1 to October 16, 2025, the Department conducted over 2,500 new assessments, and the auditors used a narrow sample of 57 assessments which cannot fully reflect our overall compliance rate. However, the Department views this as an opportunity for continuous improvement. The Department will be implementing additional, mandatory training for all relevant staff regarding these specific documentation requirements in alignment with the updated HNT rollout, which will include signature requirements. Additionally, the Department developed and implemented a new Standard Work in February 2026 which details requirements for updating authorizations utilizing uniform methodology for all Support Coordinators. All applicable personnel have been trained on this new Standard Work, which ensures alignment of completed assessments and associated service authorizations.

Recommendation 13: Revise and implement data quality assurance review procedures to ensure that assessed hours are accurately calculated, consistently recorded, and properly reflected in the system before service authorizations are finalized

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: When the Division's IT staff update the HNT, approximately 50 Support Coordination staff are expected to conduct testing. Any issues identified through testing will be

corrected prior to implementation. Additionally, the Department developed and implemented a new Standard Work in February 2026 which details requirements for updating authorizations utilizing uniform methodology for all Support Coordinators. All applicable personnel have been trained on this new Standard Work, which ensures alignment of completed assessments and associated service authorizations. The Department's Program Improvement Unit also completes regular case file reviews, as described above.

Recommendation 14: Consult with AHCCCS to clarify the purpose and intent of support coordinator signatures on assessment forms.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will consult with AHCCCS.

Recommendation 15: Implement training for support coordinators to promote consistency and accuracy in completing assessment records, including proper categorization of service hours and required signatures.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will be implementing additional, mandatory training for all relevant staff regarding these specific documentation requirements in alignment with the updated HNT rollout.

Recommendation 16: Ensure, as part of the Department's Program Improvement Unit's case file reviews, the review of completed assessments to identify and correct mathematical errors, missing signatures, and inconsistencies between assessment documentation and authorized service hours.

Department response: The audit recommendation will not be implemented.

Response explanation: The Department's Program Improvement Unit completes regular case file reviews, as described above. Program Improvement Specialists already review services assessed compared to the service plan, whether all service amounts (hours) are accurately documented, and reviews if files are located in OnBase as appropriate. Additionally, the Department developed and implemented a new Standard Work in February 2026 which details requirements for updating authorizations utilizing uniform methodology for all Support Coordinators. All applicable personnel have been trained on this new Standard Work, which ensures alignment of completed assessments and associated service authorizations.

Recommendation 17: Consider developing and implementing automated tools to supplement the Program Improvement Unit's manual review process to better ensure more timely identification of missing documents or errors in case file records.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: Included in the Division's strategic plan is a system-wide objective to use technological innovation to improve program efficiency and effectiveness. The Department will review use cases for different technologies.

Recommendation 18: Periodically review the results of these reviews to identify recurring errors or training needs and use the results to strengthen oversight of the assessment process.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Department's Program Improvement Unit completes regular case file reviews, which are already used for tracking and trending of training topics.

Recommendation 19: Implement system controls within the revised standardized assessment tool, such as locked formulas and validation checks, to reduce the risk that technical errors result in miscalculated service hours.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: When the Division's IT staff update the HNT, approximately 50 Support Coordination staff are expected to conduct testing. Any issues identified through testing will be corrected prior to implementation.

Recommendation 20: Work with the FOCUS system developer to create a weekly approved-hours field that aligns with the revised standardized assessment tool's weekly calculations, reduces the need for manual calculations when recording approved hours, and helps prevent miscalculations or inconsistent recording.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Department developed and implemented a new Standard Work in February 2026 which details requirements for updating authorizations utilizing uniform methodology for all Support Coordinators. All applicable personnel have been trained on this new Standard Work, which ensures alignment of completed assessments and associated service authorizations. Additionally, when the Division's IT staff update the HNT, approximately 50 Support Coordination staff are expected to conduct testing. Any issues identified through testing will be corrected prior to implementation.