

House Engrossed

AHCCCS; waivers; American Indians; services

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HOUSE BILL 2177

AN ACT

AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY
ADDING SECTION 36-2903.18; AMENDING SECTION 36-2907, ARIZONA REVISED
STATUTES; RELATING TO THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 36, chapter 29, article 1, Arizona Revised
3 Statutes, is amended by adding section 36-2903.18, to read:

4 36-2903.18. Waivers; annual submittal; American Indians and
5 Alaskan natives; covered services

6 A. ON OR BEFORE MARCH 30 OF EACH YEAR, THE DIRECTOR SHALL APPLY TO
7 THE CENTERS FOR MEDICARE AND MEDICAID SERVICES FOR WAIVERS OR AMENDMENTS
8 TO THE CURRENT SECTION 1115 WAIVER TO AUTHORIZE THIS STATE TO MAKE
9 PAYMENTS FOR COVERED SERVICES THAT ARE PROVIDED TO AMERICAN INDIAN OR
10 ALASKA NATIVE MEMBERS BY PARTICIPATING INDIAN HEALTH SERVICES FACILITIES
11 OR PARTICIPATING FACILITIES OPERATED BY TRIBES OR TRIBAL ORGANIZATIONS
12 UNDER THE INDIAN SELF-DETERMINATION AND EDUCATION ASSISTANCE ACT
13 (P.L. 93-638; 88 STAT. 2203; 25 UNITED STATES CODE CHAPTER 46) AND THAT
14 WERE ELIMINATED FROM, REDUCED OR LIMITED IN THE STATE PLAN ON OR AFTER
15 SEPTEMBER 2010, INCLUDING PAYMENTS FOR MEDICALLY NECESSARY DIAGNOSTIC,
16 THERAPEUTIC AND PREVENTATIVE DENTAL SERVICES.

17 B. IN ANY YEAR, THE DIRECTOR SHALL APPLY PURSUANT TO SUBSECTION A
18 OF THIS SECTION FOR ONLY THE WAIVERS OR AMENDMENTS TO THE CURRENT SECTION
19 1115 WAIVER THAT HAVE NOT BEEN APPROVED AND ARE NOT IN EFFECT.

20 Sec. 2. Section 36-2907, Arizona Revised Statutes, is amended to
21 read:

22 36-2907. Covered health and medical services; modifications;
23 related delivery of service requirements; rules;
24 definitions

25 A. Subject to the limits and exclusions specified in this section,
26 contractors shall provide the following medically necessary health and
27 medical services:

28 1. Inpatient hospital services that are ordinarily furnished by a
29 hospital to care for and treat inpatients and that are provided under the
30 direction of a physician or a primary care practitioner. For the purposes
31 of this section, inpatient hospital services exclude services in an
32 institution for tuberculosis or mental diseases unless authorized under an
33 approved section 1115 waiver.

34 2. Outpatient health services that are ordinarily provided in
35 hospitals, clinics, offices and other health care facilities by licensed
36 health care providers. Outpatient health services include services
37 provided by or under the direction of a physician or a primary care
38 practitioner, including occupational therapy.

39 3. Other laboratory and X-ray services ordered by a physician or a
40 primary care practitioner.

41 4. Medications that are ordered on prescription by a physician or a
42 dentist who is licensed pursuant to title 32, chapter 11. Persons who are
43 dually eligible for title XVIII and title XIX services must obtain
44 available medications through a medicare licensed or certified medicare
45 advantage prescription drug plan, a medicare prescription drug plan or any

1 other entity authorized by medicare to provide a medicare part D
2 prescription drug benefit.

3 5. Medical supplies, durable medical equipment, insulin pumps and
4 prosthetic devices ordered by a physician or a primary care practitioner.
5 Suppliers of durable medical equipment shall provide the administration
6 with complete information about the identity of each person who has an
7 ownership or controlling interest in their business and shall comply with
8 federal bonding requirements in a manner prescribed by the administration.

9 6. For persons who are at least twenty-one years of age, treatment
10 of medical conditions of the eye, excluding eye examinations for
11 prescriptive lenses and the provision of prescriptive lenses.

12 7. Early and periodic health screening and diagnostic services as
13 required by section 1905(r) of title XIX of the social security act for
14 members who are under twenty-one years of age.

15 8. Family planning services that do not include abortion or
16 abortion counseling. If a contractor elects not to provide family
17 planning services, this election does not disqualify the contractor from
18 delivering all other covered health and medical services under this
19 chapter. In that event, the administration may contract directly with
20 another contractor, including an outpatient surgical center or a
21 noncontracting provider, to deliver family planning services to a member
22 who is enrolled with the contractor that elects not to provide family
23 planning services.

24 9. Podiatry services that are performed by a podiatrist who is
25 licensed pursuant to title 32, chapter 7 and ordered by a primary care
26 physician or primary care practitioner.

27 10. Nonexperimental transplants approved for title XIX
28 reimbursement.

29 11. Dental services as follows:

30 (a) Except as provided in subdivision (b) of this paragraph, for
31 persons who are at least twenty-one years of age, emergency dental care
32 and extractions in an annual amount of not more than \$1,000 per member.

33 (b) Subject to approval by the centers for medicare and medicaid
34 services, for persons treated at an Indian health service or tribal
35 facility, adult dental services that are eligible for a federal medical
36 assistance percentage of one hundred percent and that exceed the limit
37 prescribed in subdivision (a) of this paragraph.

38 12. Ambulance and nonambulance transportation, except as provided
39 in subsection G of this section.

40 13. Hospice care.

41 14. Orthotics, if all of the following apply:

42 (a) The use of the orthotic is medically necessary as the preferred
43 treatment option consistent with medicare guidelines.

44 (b) The orthotic is less expensive than all other treatment options
45 or surgical procedures to treat the same diagnosed condition.

1 (c) The orthotic is ordered by a physician or primary care
2 practitioner.

3 15. Subject to approval by the centers for medicare and medicaid
4 services, medically necessary chiropractic services that are performed by
5 a chiropractor who is licensed pursuant to title 32, chapter 8 and that
6 are ordered by a primary care physician or primary care practitioner
7 pursuant to rules adopted by the administration. The primary care
8 physician or primary care practitioner may initially order up to twenty
9 visits annually that include treatment and may request authorization for
10 additional chiropractic services in that same year if additional
11 chiropractic services are medically necessary.

12 16. For up to ten program hours annually, diabetes outpatient
13 self-management training services, as defined in 42 United States Code
14 section 1395x, if prescribed by a primary care practitioner in either of
15 the following circumstances:

16 (a) The member is initially diagnosed with diabetes.

17 (b) For a member who has previously been diagnosed with diabetes,
18 either:

19 (i) A change occurs in the member's diagnosis, medical condition or
20 treatment regimen.

21 (ii) The member is not meeting appropriate clinical outcomes.

22 17. Pursuant to the terms and conditions that are approved by the
23 centers for medicare and medicaid services and subject to available
24 funding, traditional healing services, if both of the following apply:

25 (a) The member qualifies for services through the Indian health
26 service or a tribal facility pursuant to the conditions of participation
27 outlined in 42 Code of Federal Regulations section 136.12.

28 (b) The traditional healing service is delivered by or through the
29 Indian health service or a tribal facility.

30 B. The limits and exclusions for health and medical services
31 provided under this section are as follows:

32 1. Circumcision of newborn males is not a covered health and
33 medical service.

34 2. For eligible persons who are at least twenty-one years of age:

35 (a) Prosthetic devices do not include hearing aids, dentures or
36 bone-anchored hearing aids. Prosthetic devices, except prosthetic
37 implants, may be limited to \$12,500 per contract year.

38 (b) Percussive vests are not covered health and medical services.

39 (c) Durable medical equipment is limited to items covered by
40 medicare.

41 (d) Nonexperimental transplants do not include pancreas-only
42 transplants.

43 (e) Bariatric surgery procedures, including laparoscopic and open
44 gastric bypass and restrictive procedures, are not covered health and
45 medical services.

1 C. The system shall pay noncontracting providers only for health
2 and medical services as prescribed in subsection A of this section and as
3 prescribed by rule.

4 D. The director shall adopt rules necessary to limit, to the extent
5 possible, the scope, duration and amount of services, including maximum
6 limits for inpatient services that are consistent with federal regulations
7 under title XIX of the social security act (P.L. 89-97; 79 Stat. 344;
8 42 United States Code section 1396 (1980)). To the extent possible and
9 practicable, these rules shall provide for the prior approval of medically
10 necessary services provided pursuant to this chapter.

11 E. The director shall make available home health services in lieu
12 of hospitalization pursuant to contracts awarded under this article. For
13 the purposes of this subsection, "home health services" means the
14 provision of nursing services, home health aide services or medical
15 supplies, equipment and appliances that are provided on a part-time or
16 intermittent basis by a licensed home health agency within a member's
17 residence based on the orders of a physician or a primary care
18 practitioner. Home health agencies shall comply with the federal bonding
19 requirements in a manner prescribed by the administration.

20 F. The director shall adopt rules for the coverage of behavioral
21 health services for persons who are eligible under section 36-2901,
22 paragraph 6, subdivision (a). The administration acting through the
23 regional behavioral health authorities shall establish a diagnostic and
24 evaluation program to which other state agencies shall refer children who
25 are not already enrolled pursuant to this chapter and who may be in need
26 of behavioral health services. In addition to an evaluation, the
27 administration acting through regional behavioral health authorities shall
28 also identify children who may be eligible under section 36-2901,
29 paragraph 6, subdivision (a) or section 36-2931, paragraph 5 and shall
30 refer the children to the appropriate agency responsible for making the
31 final eligibility determination.

32 G. The director shall adopt rules providing for transportation
33 services and rules providing for copayment by members for transportation
34 for other than emergency purposes. Subject to approval by the centers for
35 medicare and medicaid services, nonemergency medical transportation shall
36 not be provided except for stretcher vans and ambulance transportation.
37 Prior authorization is required for transportation by stretcher van and
38 for medically necessary ambulance transportation initiated pursuant to a
39 physician's direction. Prior authorization is not required for medically
40 necessary ambulance transportation services rendered to members or
41 eligible persons initiated by dialing telephone number 911 or other
42 designated emergency response systems.

43 H. The director may adopt rules to allow the administration, at the
44 director's discretion, to use a second opinion procedure under which
45 surgery may not be eligible for coverage pursuant to this chapter without

1 documentation as to need by at least two physicians or primary care
2 practitioners.

3 I. If the director does not receive bids within the amounts
4 budgeted or if at any time the amount remaining in the Arizona health care
5 cost containment system fund is insufficient to pay for full contract
6 services for the remainder of the contract term, the administration, on
7 notification to system contractors at least thirty days in advance, may
8 modify the list of services required under subsection A of this section
9 for persons defined as eligible other than those persons defined pursuant
10 to section 36-2901, paragraph 6, subdivision (a). The director may also
11 suspend services or may limit categories of expense for services defined
12 as optional pursuant to title XIX of the social security act (P.L. 89-97;
13 79 Stat. 344; 42 United States Code section 1396 (1980)) for persons
14 defined pursuant to section 36-2901, paragraph 6, subdivision (a). Such
15 reductions or suspensions do not apply to the continuity of care for
16 persons already receiving these services.

17 J. All health and medical services provided under this article
18 shall be provided in the geographic service area of the member, except:

19 1. Emergency services and specialty services provided pursuant to
20 section 36-2908.

21 2. That the director may allow the delivery of health and medical
22 services in other than the geographic service area in this state or in an
23 adjoining state if the director determines that medical practice patterns
24 justify the delivery of services or a net reduction in transportation
25 costs can reasonably be expected. Notwithstanding the definition of
26 physician as prescribed in section 36-2901, if services are procured from
27 a physician or primary care practitioner in an adjoining state, the
28 physician or primary care practitioner shall be licensed to practice in
29 that state pursuant to licensing statutes in that state that are similar
30 to title 32, chapter 13, 15, 17 or 25 and shall complete a provider
31 agreement for this state.

32 K. Covered outpatient services shall be subcontracted by a primary
33 care physician or primary care practitioner to other licensed health care
34 providers to the extent practicable for purposes including, but not
35 limited to, making health care services available to underserved areas,
36 reducing costs of providing medical care and reducing transportation
37 costs.

38 L. The director shall adopt rules that prescribe the coordination
39 of medical care for persons who are eligible for system services. The
40 rules shall include provisions for transferring patients and medical
41 records and initiating medical care.

42 M. Pursuant to the terms and conditions that are approved by the
43 centers for medicare and medicaid services and subject to available
44 funding, the director shall implement limited benefit coverage prerelease
45 services to eligible incarcerated individuals and committed youth for up

1 to ninety days immediately before ~~the individuals~~ EACH INDIVIDUAL'S or
2 committed youth's expected date of release from a prison, jail, secure
3 care facility or tribal correctional facility.

4 N. ON APPROVAL BY THE CENTERS FOR MEDICARE AND MEDICAID SERVICES,
5 THE ADMINISTRATION MAY MAKE PAYMENTS FOR COVERED SERVICES THAT ARE
6 PROVIDED TO AMERICAN INDIAN OR ALASKA NATIVE MEMBERS BY PARTICIPATING
7 INDIAN HEALTH SERVICES FACILITIES OR PARTICIPATING FACILITIES OPERATED BY
8 TRIBES OR TRIBAL ORGANIZATIONS UNDER THE INDIAN SELF-DETERMINATION AND
9 EDUCATION ASSISTANCE ACT (P.L. 93-638; 88 STAT. 2203; 25 UNITED STATES
10 CODE CHAPTER 46) AND THAT WERE ELIMINATED FROM, REDUCED OR LIMITED IN THE
11 STATE PLAN ON OR AFTER SEPTEMBER 2010, INCLUDING PAYMENTS FOR MEDICALLY
12 NECESSARY DIAGNOSTIC, THERAPEUTIC AND PREVENTATIVE DENTAL SERVICES.

13 ~~N.~~ O. Notwithstanding section 36-2901.08, monies from the hospital
14 assessment fund established by section 36-2901.09 may not be used to
15 provide any of the following:

16 1. Chiropractic services as prescribed in subsection A, paragraph
17 15 of this section.

18 2. Diabetes outpatient self-management training services as
19 prescribed in subsection A, paragraph 16 of this section.

20 3. Speech therapy provided in an outpatient setting to eligible
21 persons who are at least twenty-one years of age.

22 4. Cochlear implants to eligible persons who are at least
23 twenty-one years of age.

24 ~~O.~~ P. For the purposes of this section:

25 1. "Ambulance" has the same meaning prescribed in section 36-2201.

26 2. "Tribal facility" has the same meaning prescribed in section
27 36-2981.