

JLBC Fiscal Note

BILL # SB 1086

TITLE: AHCCCS; noncontracting providers; reimbursement

SPONSOR: Finchem

PREPARED BY: Brian Belakovsky

STATUS: Senate Engrossed

Description

The bill would prohibit the Arizona Health Care Cost Containment System's (AHCCCS's) contractors from requiring prior authorization for diagnostic services. The bill would also mandate that AHCCCS contractors reimburse non-contracting providers for laboratory services. The reimbursement rate for non-contracting providers could not exceed the maximum rate for contracting providers.

Estimated Impact

We expect the bill to generate additional costs due to increased reimbursement for non-contracted providers and increased utilization of diagnostic services that would otherwise require prior authorization, but we are unable to estimate the magnitude without additional data from the agency.

We have asked AHCCCS for an estimate of the bill's fiscal impact, but we have not yet received a response.

Analysis

Our estimated impact is based on the following assumptions and data sources:

- 1) Although most diagnostic procedures are covered by AHCCCS without prior authorization requirements, AHCCCS's Medical Policy Manual lists several services that still require such authorization, such as genetic and biomarker testing. If prior authorization is eliminated for these services or other diagnostic services, utilization and costs would likely increase.
- 2) Costs for non-contracted laboratory services could increase to the extent that reimbursement for such services is typically lower than what would be paid to a contracted provider. Moreover, it is possible that such increases in non-contracted provider costs could result in contracted rates increasing, due to changed incentives for contracted providers.
- 3) Based on AHCCCS testimony from the Senate Health and Human Services Committee, the elimination of prior authorization for diagnostic services may impact the state's Payment Error Rate Measurement (PERM) in Medicaid, because the Centers for Medicare and Medicaid Services (CMS) may conclude that Arizona lacks adequate documentation of medical necessity for such services.

3/30/26