

JLBC Fiscal Note

BILL # SB 1086

TITLE: AHCCCS; noncontracting providers; reimbursement

SPONSOR: Finchem

PREPARED BY: Brian Belakovsky

STATUS: Senate Engrossed

REVISED

Explanation of Revision

Prior to the publication of the original fiscal note on March 30, we had asked the Arizona Health Care Cost Containment System (AHCCCS) for a fiscal estimate and cost data associated with changes to diagnostic services, including prior authorization and reimbursement rates. AHCCCS provided a cost estimate and analysis of the bill on April 14. As a result, we have revised our analysis to include the agency's perspective.

Description

The bill would prohibit AHCCCS 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-contracting providers and increased utilization of diagnostic services that would otherwise require prior authorization. AHCCCS estimates a General Fund cost of \$6.9 million General Fund (\$43.0 million Total Funds) annually as a result of changes to prior authorization. Although we agree that costs will increase under this bill, we consider the agency's fiscal estimate to be speculative, as it is based on national-level data that may not apply to changes in state-specific service utilization.

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) AHCCCS estimates that prior authorization results in the denial of 12.5% of claims, based on data from the Kaiser Family Foundation, that it would otherwise incur for pathology, laboratory, and radiology services. Under current policy, these diagnostic services cost approximately \$344 million Total Funds during Contract Year 2024. The agency therefore assumes that the bill would result in a corresponding 12.5% increase in claims for such services, generating a cost of \$43.0 million Total Funds. As this rate applies to all Medicaid services nationally, it is not specific to diagnostic services in Arizona and may not properly account for changes in prior authorization for these services.
- 3) Costs for non-contracting laboratory services could change to the extent that reimbursement for such services is typically lower than what is paid to a contracting provider. However, it is likely that such increases in non-contracting provider rates could result in contracted rates increasing, due to changed incentives for contracting providers' network participation.

4/21/26