

# JLBC Fiscal Note

**BILL #** SB 1122

**TITLE:** AHCCCS; prior authorization; behavioral health

**SPONSOR:** Werner

**PREPARED BY:** Brian Belakovsky

**STATUS:** Senate Engrossed

## REVISED

### Explanation of Revision

Prior to the publication of the original fiscal note on February 20, we had asked the Arizona Health Care Cost Containment System (AHCCCS) for a fiscal estimate and cost data associated with changes to pre-payment review and corrective action plans. In their March 10 and 18 responses, AHCCCS provided a cost estimate and analysis of the bill. As a result, we have revised our analysis to include the agency's perspective.

### Description

The bill would prohibit AHCCCS from mandating 100% pre-payment review for behavioral health providers when delivering services to tribal healthcare members, unless the healthcare provider is noncompliant or otherwise not engaged with an implemented corrective action plan.

### Estimated Impact

We estimate that the bill would increase AHCCCS administrative costs. AHCCCS estimates the bill would increase its costs by \$210,000 General Fund (\$760,000 Total Funds) in FY 2027, and \$420,000 General Fund (\$1.5 million Total Funds) each year thereafter, for the hiring of 14 staff. We consider this fiscal estimate to be speculative, as changes to administrative workloads would depend upon future provider behavior and agency implementation choices.

### Analysis

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

- 1) The bill may impact AHCCCS' administrative workload to the extent that AHCCCS implements and manages additional corrective action plans and reviews fewer behavioral health claims compared to the agency's current practice. It may also impact the costs of AHCCCS' fee-for-service (FFS) program to the extent that pre-payment review reduces the total amount of claims paid.
- 2) Under the current guidelines of the FFS provider billing manual, AHCCCS may impose sanctions due to "fraudulent or abusive conduct" or other violations "on the part of the provider." AHCCCS has the discretion to institute 100% pre-payment review as a sanction as part of this policy. While under 100% pre-payment review, every claim submitted by a provider to AHCCCS is reviewed by the Division of Fee for Service Management (DFSM) before being paid.
- 3) Currently, AHCCCS has approximately 600 providers on pre-payment review lists, which AHCCCS estimates would be equivalent to the number of providers it would audit annually under the bill.
- 4) AHCCCS estimates that it would take 25 hours per provider for auditing purposes, including time to implement and manage corrective action plans when appropriate. AHCCCS assumes that half of the providers would require corrective action plans within this average figure.
- 5) Based on AHCCCS's assumptions, a staff person could complete 1,380 hours of auditing work per year, resulting in an approximate need of 11 DFSM provider review staff. AHCCCS states that this staff component would require a further 2 managers and an administrator, resulting in a total need of 14 FTE and a Total Funds cost of \$1.5 million.

3/23/26