

JLBC Fiscal Note

BILL # SB 1776

TITLE: traditional healing services; AHCCCS

SPONSOR: Gonzales

PREPARED BY: Chandler Coiner

STATUS: Senate Engrossed

Description

The bill would authorize the Arizona Health Care Cost Containment System (AHCCCS) to reimburse Urban Indian Organizations (UIOs) for providing traditional healing services.

Estimated Impact

We estimate the bill would increase AHCCCS General Fund costs by \$282,200 (\$1.1 million Total Funds) to reimburse traditional healing services to 4 UIOs across the state. This would require an amendment to the state's current federal waiver on traditional healing services. This estimate is primarily based on current traditional healing service utilization data provided by the UIOs.

AHCCCS estimates the bill would increase its General Fund costs by \$421,000 (\$1.6 million Total Funds). We believe AHCCCS' estimate may overstate the share of members that would receive services in an individual setting as opposed to a group setting. Individual settings would be billed at a higher rate.

Analysis

Our estimate assumes the following:

- 1) AHCCCS currently covers traditional healing services when delivered at an Indian Health Service (IHS) or Tribal 638 facility at a 100% federal match rate. Traditional healing services when delivered at a UIO, however, are excluded from coverage (except in cases where the UIO is contracted with the IHS facility and the member is referred to the UIO for these services).
- 2) This bill would require an amendment to the state's current federal waiver on traditional healing services.
- 3) If the waiver amendment is approved, the federal government would match the state at the regular rate of 36% state/64% federal (or 10% state/90% federal in cases of Medicaid expansion adults).
- 4) The 4 UIOs currently provide approximately 3,500 instances of traditional healing services annually.
- 5) According to the UIOs, these services are already provided as uncompensated care in most cases. As a result, we assume that AHCCCS coverage would not materially impact utilization levels.
- 6) The reimbursement rate depends on whether the service is delivered in an individual or group setting. Based on data from the UIOs, we assume the 3,500 services would be reimbursed at the following rates:
 - 92% would be in a group setting and billed at the AHCCCS fee-for-service rate of \$290.
 - 8% would be in an individual setting and billed at the Federally Qualified Health Center (FQHC) Prospective Payment System rate of \$542 (weighted average across the 4 UIOs).
- 7) The total cost of the services would be \$1.1 million ($3,500 \times 92\% \times \$290 + 3,500 \times 8\% \times \542).
- 8) The blended match rate would be 26% state/74% federal based on AHCCCS' estimate of the mix of expansion/non-expansion members, resulting in a General Fund cost of \$282,200.

4/7/26