

House Engrossed

AHCCCS; mild obstructive sleep apnea

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

HOUSE BILL 2726

AN ACT

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. Section 36-2907, Arizona Revised Statutes, is amended to
3 read:

4 36-2907. Covered health and medical services; modifications;
5 related delivery of service requirements; rules;
6 definitions

7 A. Subject to the limits and exclusions specified in this section,
8 contractors shall provide the following medically necessary health and
9 medical services:

10 1. Inpatient hospital services that are ordinarily furnished by a
11 hospital to care for and treat inpatients and that are provided under the
12 direction of a physician or a primary care practitioner. For the purposes
13 of this section, inpatient hospital services exclude services in an
14 institution for tuberculosis or mental diseases unless authorized under an
15 approved section 1115 waiver.

16 2. Outpatient health services that are ordinarily provided in
17 hospitals, clinics, offices and other health care facilities by licensed
18 health care providers. Outpatient health services include services
19 provided by or under the direction of a physician or a primary care
20 practitioner, including occupational therapy.

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

23 4. Medications that are ordered on prescription by a physician or a
24 dentist who is licensed pursuant to title 32, chapter 11. Persons who are
25 dually eligible for title XVIII and title XIX services must obtain
26 available medications through a medicare licensed or certified medicare
27 advantage prescription drug plan, a medicare prescription drug plan or any
28 other entity authorized by medicare to provide a medicare part D
29 prescription drug benefit.

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

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

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

42 8. Family planning services that do not include abortion or
43 abortion counseling. If a contractor elects not to provide family
44 planning services, this election does not disqualify the contractor from

1 delivering all other covered health and medical services under this
2 chapter. In that event, the administration may contract directly with
3 another contractor, including an outpatient surgical center or a
4 noncontracting provider, to deliver family planning services to a member
5 who is enrolled with the contractor that elects not to provide family
6 planning services.

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

10 10. Nonexperimental transplants approved for title XIX
11 reimbursement.

12 11. Dental services as follows:

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

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

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

23 13. Hospice care.

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

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

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

29 (c) The orthotic is ordered by a physician or primary care
30 practitioner.

31 15. Subject to approval by the centers for medicare and medicaid
32 services, medically necessary chiropractic services that are performed by
33 a chiropractor who is licensed pursuant to title 32, chapter 8 and that
34 are ordered by a primary care physician or primary care practitioner
35 pursuant to rules adopted by the administration. The primary care
36 physician or primary care practitioner may initially order up to twenty
37 visits annually that include treatment and may request authorization for
38 additional chiropractic services in that same year if additional
39 chiropractic services are medically necessary.

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

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

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

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

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

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

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

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

14 18. DIAGNOSIS AND TREATMENT OF MILD OBSTRUCTIVE SLEEP APNEA,
15 INCLUDING PATIENT SCREENING AND THE USE OF A NEUROMUSCULAR TONGUE MUSCLE
16 STIMULATOR TO REDUCE SNORING AND OBSTRUCTIVE SLEEP APNEA THAT CONSISTS OF
17 A REMOVABLE INTRAORAL MOUTHPIECE THAT USES ELECTRODES TO DELIVER
18 NEUROMUSCULAR STIMULATION TO THE TONGUE TO STRENGTHEN TONGUE MUSCULATURE
19 AND THAT IS A UNITED STATES FOOD AND DRUG ADMINISTRATION-AUTHORIZED
20 PRESCRIPTION DEVICE PROVIDED THROUGH A DURABLE MEDICAL EQUIPMENT BENEFIT.

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

23 1. Circumcision of newborn males is not a covered health and
24 medical service.

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

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

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

30 (c) Durable medical equipment is limited to items covered by
31 medicare.

32 (d) Nonexperimental transplants do not include pancreas-only
33 transplants.

34 (e) Bariatric surgery procedures, including laparoscopic and open
35 gastric bypass and restrictive procedures, are not covered health and
36 medical services.

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

40 D. The director shall adopt rules necessary to limit, to the extent
41 possible, the scope, duration and amount of services, including maximum
42 limits for inpatient services that are consistent with federal regulations
43 under title XIX of the social security act (P.L. 89-97; 79 Stat. 344;
44 42 United States Code section 1396 (1980)). To the extent possible and

1 practicable, these rules shall provide for the prior approval of medically
2 necessary services provided pursuant to this chapter.

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

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

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

35 H. The director may adopt rules to allow the administration, at the
36 director's discretion, to use a second opinion procedure under which
37 surgery may not be eligible for coverage pursuant to this chapter without
38 documentation as to need by at least two physicians or primary care
39 practitioners.

40 I. If the director does not receive bids within the amounts
41 budgeted or if at any time the amount remaining in the Arizona health care
42 cost containment system fund is insufficient to pay for full contract
43 services for the remainder of the contract term, the administration, on
44 notification to system contractors at least thirty days in advance, may

1 modify the list of services required under subsection A of this section
2 for persons defined as eligible other than those persons defined pursuant
3 to section 36-2901, paragraph 6, subdivision (a). The director may also
4 suspend services or may limit categories of expense for services defined
5 as optional pursuant to title XIX of the social security act (P.L. 89-97;
6 79 Stat. 344; 42 United States Code section 1396 (1980)) for persons
7 defined pursuant to section 36-2901, paragraph 6, subdivision (a). Such
8 reductions or suspensions do not apply to the continuity of care for
9 persons already receiving these services.

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

12 1. Emergency services and specialty services provided pursuant to
13 section 36-2908.

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

25 K. Covered outpatient services shall be subcontracted by a primary
26 care physician or primary care practitioner to other licensed health care
27 providers to the extent practicable for purposes including, but not
28 limited to, making health care services available to underserved areas,
29 reducing costs of providing medical care and reducing transportation
30 costs.

31 L. The director shall adopt rules that prescribe the coordination
32 of medical care for persons who are eligible for system services. The
33 rules shall include provisions for transferring patients and medical
34 records and initiating medical care.

35 M. Pursuant to the terms and conditions that are approved by the
36 centers for medicare and medicaid services and subject to available
37 funding, the director shall implement limited benefit coverage prerelease
38 services to eligible incarcerated individuals and committed youth for up
39 to ninety days immediately before ~~the individuals~~ EACH INDIVIDUAL'S or
40 committed youth's expected date of release from a prison, jail, secure
41 care facility or tribal correctional facility.

- 1 N. Notwithstanding section 36-2901.08, monies from the hospital
2 assessment fund established by section 36-2901.09 may not be used to
3 provide any of the following:
- 4 1. Chiropractic services as prescribed in subsection A, paragraph
5 15 of this section.
 - 6 2. Diabetes outpatient self-management training services as
7 prescribed in subsection A, paragraph 16 of this section.
 - 8 3. Speech therapy provided in an outpatient setting to eligible
9 persons who are at least twenty-one years of age.
 - 10 4. Cochlear implants to eligible persons who are at least
11 twenty-one years of age.
- 12 0. For the purposes of this section:
- 13 1. "Ambulance" has the same meaning prescribed in section 36-2201.
 - 14 2. "Tribal facility" has the same meaning prescribed in section
15 36-2981.