

Senate Engrossed

traditional healing services; AHCCCS

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SENATE BILL 1776

AN ACT

AMENDING SECTIONS 36-2907 AND 36-2939, 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
45 delivering all other covered health and medical services under this

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

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

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

11 11. Dental services as follows:

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

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

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

22 13. Hospice care.

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

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

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

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

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

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

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

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

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

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

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

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

10 (b) The traditional healing service is delivered by or through the
11 Indian health service, [AN URBAN INDIAN ORGANIZATION](#) or a tribal facility.

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

14 1. Circumcision of newborn males is not a covered health and
15 medical service.

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

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

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

21 (c) Durable medical equipment is limited to items covered by
22 medicare.

23 (d) Nonexperimental transplants do not include pancreas-only
24 transplants.

25 (e) Bariatric surgery procedures, including laparoscopic and open
26 gastric bypass and restrictive procedures, are not covered health and
27 medical services.

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

31 D. The director shall adopt rules necessary to limit, to the extent
32 possible, the scope, duration and amount of services, including maximum
33 limits for inpatient services that are consistent with federal regulations
34 under title XIX of the social security act (P.L. 89-97; 79 Stat. 344;
35 42 United States Code section 1396 (1980)). To the extent possible and
36 practicable, these rules shall provide for the prior approval of medically
37 necessary services provided pursuant to this chapter.

38 E. The director shall make available home health services in lieu
39 of hospitalization pursuant to contracts awarded under this article. For
40 the purposes of this subsection, "home health services" means the
41 provision of nursing services, home health aide services or medical
42 supplies, equipment and appliances that are provided on a part-time or
43 intermittent basis by a licensed home health agency within a member's
44 residence based on the orders of a physician or a primary care

1 practitioner. Home health agencies shall comply with the federal bonding
2 requirements in a manner prescribed by the administration.

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

15 G. The director shall adopt rules providing for transportation
16 services and rules providing for copayment by members for transportation
17 for other than emergency purposes. Subject to approval by the centers for
18 medicare and medicaid services, nonemergency medical transportation shall
19 not be provided except for stretcher vans and ambulance transportation.
20 Prior authorization is required for transportation by stretcher van and
21 for medically necessary ambulance transportation initiated pursuant to a
22 physician's direction. Prior authorization is not required for medically
23 necessary ambulance transportation services rendered to members or
24 eligible persons initiated by dialing telephone number 911 or other
25 designated emergency response systems.

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

31 I. If the director does not receive bids within the amounts
32 budgeted or if at any time the amount remaining in the Arizona health care
33 cost containment system fund is insufficient to pay for full contract
34 services for the remainder of the contract term, the administration, on
35 notification to system contractors at least thirty days in advance, may
36 modify the list of services required under subsection A of this section
37 for persons defined as eligible other than those persons defined pursuant
38 to section 36-2901, paragraph 6, subdivision (a). The director may also
39 suspend services or may limit categories of expense for services defined
40 as optional pursuant to title XIX of the social security act (P.L. 89-97;
41 79 Stat. 344; 42 United States Code section 1396 (1980)) for persons
42 defined pursuant to section 36-2901, paragraph 6, subdivision (a). Such
43 reductions or suspensions do not apply to the continuity of care for
44 persons already receiving these services.

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

3 1. Emergency services and specialty services provided pursuant to
4 section 36-2908.

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

16 K. Covered outpatient services shall be subcontracted by a primary
17 care physician or primary care practitioner to other licensed health care
18 providers to the extent practicable for purposes including, but not
19 limited to, making health care services available to underserved areas,
20 reducing costs of providing medical care and reducing transportation
21 costs.

22 L. The director shall adopt rules that prescribe the coordination
23 of medical care for persons who are eligible for system services. The
24 rules shall include provisions for transferring patients and medical
25 records and initiating medical care.

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

33 N. Notwithstanding section 36-2901.08, monies from the hospital
34 assessment fund established by section 36-2901.09 may not be used to
35 provide any of the following:

36 1. Chiropractic services as prescribed in subsection A, paragraph
37 15 of this section.

38 2. Diabetes outpatient self-management training services as
39 prescribed in subsection A, paragraph 16 of this section.

40 3. Speech therapy provided in an outpatient setting to eligible
41 persons who are at least twenty-one years of age.

42 4. Cochlear implants to eligible persons who are at least
43 twenty-one years of age.

44 0. For the purposes of this section:

45 1. "Ambulance" has the same meaning prescribed in section 36-2201.

1 2. "Tribal facility" has the same meaning prescribed in section
2 36-2981.

3 3. "URBAN INDIAN ORGANIZATION" MEANS AN URBAN INDIAN ORGANIZATION
4 IN THIS STATE THAT RECEIVES INDIAN HEALTH SERVICES FUNDING PURSUANT TO 25
5 UNITED STATES CODE CHAPTER 18.

6 Sec. 2. Section 36-2939, Arizona Revised Statutes, is amended to
7 read:

8 36-2939. Long-term care system services; definitions

9 A. The following services shall be provided by the program
10 contractors to members who are determined to need institutional services
11 pursuant to this article:

12 1. Nursing facility services other than services in an institution
13 for tuberculosis or mental disease.

14 2. Notwithstanding any other law, behavioral health services if
15 these services are not duplicative of long-term care services provided as
16 of January 30, 1993 under this subsection and are authorized by the
17 program contractor through the long-term care case management system. If
18 the administration is the program contractor, the administration may
19 authorize these services.

20 3. Hospice services. For the purposes of this paragraph, "hospice"
21 means a program of palliative and supportive care for terminally ill
22 members and their families or caregivers.

23 4. Case management services as provided in section 36-2938.

24 5. Health and medical services as provided in section 36-2907.

25 6. Dental services as follows:

26 (a) Except as provided in subdivision (b) of this paragraph, in an
27 annual amount of not more than \$1,000 per member.

28 (b) Subject to approval by the centers for medicare and medicaid
29 services, for persons treated at an Indian health service or tribal
30 facility, adult dental services that are eligible for a federal medical
31 assistance percentage of one hundred percent and that are in excess of the
32 limit prescribed in subdivision (a) of this paragraph.

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

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

39 (b) The traditional healing service is delivered by or through the
40 Indian health service, AN URBAN INDIAN ORGANIZATION or a tribal facility.

41 B. In addition to the services prescribed in subsection A of this
42 section, the department, as a program contractor, shall provide the
43 following services if appropriate to members who have a developmental
44 disability as defined in section 36-551 and who are determined to need
45 institutional services pursuant to this article:

1 1. Intermediate care facility services for a member who has a
2 developmental disability as defined in section 36-551. For purposes of
3 this article, a facility shall meet all federally approved standards and
4 may only include the Arizona training program facilities, a state owned
5 and operated service center, state owned or operated community residential
6 settings and private facilities that contract with the department.

7 2. Home and community based services that may be provided in a
8 member's home, at an alternative residential setting as prescribed in
9 section 36-591 or at other behavioral health alternative residential
10 facilities licensed by the department of health services and approved by
11 the director of the Arizona health care cost containment system
12 administration and that may include:

13 (a) Home health, which means the provision of nursing services,
14 licensed health aide services, home health aide services or medical
15 supplies, equipment and appliances, that are provided on a part-time or
16 intermittent basis by a licensed home health agency within a member's
17 residence based on a physician's or allowed practitioner's orders and in
18 accordance with federal law. Physical therapy, occupational therapy, or
19 speech and audiology services provided by a home health agency may be
20 provided in accordance with federal law. Home health agencies shall
21 comply with federal bonding requirements in a manner prescribed by the
22 administration.

23 (b) Licensed health aide services, which means a home health agency
24 service provided pursuant to subsection G of this section that is ordered
25 by a physician or an allowed practitioner on the member's plan of care and
26 provided by a licensed health aide who is licensed pursuant to title 32,
27 chapter 15.

28 (c) Home health aide, which means a service that provides
29 intermittent health maintenance, continued treatment or monitoring of a
30 health condition and supportive care for activities of daily living
31 provided within a member's residence.

32 (d) Homemaker, which means a service that provides assistance in
33 the performance of activities related to household maintenance within a
34 member's residence.

35 (e) Personal care, which means a service that provides assistance
36 to meet essential physical needs within a member's residence.

37 (f) Day care for persons with developmental disabilities, which
38 means a service that provides planned care supervision and activities,
39 personal care, activities of daily living skills training and habilitation
40 services in a group setting during a portion of a continuous
41 twenty-four-hour period.

1 (g) Habilitation, which means the provision of physical therapy,
2 occupational therapy, speech or audiology services or training in
3 independent living, special developmental skills, sensory-motor
4 development, behavior intervention, and orientation and mobility in
5 accordance with federal law.

6 (h) Respite care, which means a service that provides short-term
7 care and supervision available on a twenty-four-hour basis.

8 (i) Transportation, which means a service that provides or assists
9 in obtaining transportation for the member.

10 (j) Other services or licensed or certified settings approved by
11 the director.

12 C. In addition to services prescribed in subsection A of this
13 section, home and community based services may be provided in a member's
14 home, in an adult foster care home as prescribed in section 36-401, in an
15 assisted living home or assisted living center as defined in section
16 36-401 or in a level one or level two behavioral health alternative
17 residential facility approved by the director by program contractors to
18 all members who do not have a developmental disability as defined in
19 section 36-551 and are determined to need institutional services pursuant
20 to this article. Members residing in an assisted living center must be
21 provided the choice of single occupancy. The director may also approve
22 other licensed residential facilities as appropriate on a case-by-case
23 basis for traumatic brain injured members. Home and community based
24 services may include the following:

25 1. Home health, which means the provision of nursing services, home
26 health aide services or medical supplies, equipment and appliances, that
27 are provided on a part-time or intermittent basis by a licensed home
28 health agency within a member's residence based on a physician's or
29 allowed practitioner's orders and in accordance with federal
30 law. Physical therapy, occupational therapy, or speech and audiology
31 services provided by a home health agency may be provided in accordance
32 with federal law. Home health agencies shall comply with federal bonding
33 requirements in a manner prescribed by the administration.

34 2. Licensed health aide services, which means a home health agency
35 service provided pursuant to subsection G of this section that is ordered
36 by a physician or an allowed practitioner on the member's plan of care and
37 provided by a licensed health aide who is licensed pursuant to title 32,
38 chapter 15.

39 3. Home health aide, which means a service that provides
40 intermittent health maintenance, continued treatment or monitoring of a
41 health condition and supportive care for activities of daily living
42 provided within a member's residence.

1 4. Homemaker, which means a service that provides assistance in the
2 performance of activities related to household maintenance within a
3 member's residence.

4 5. Personal care, which means a service that provides assistance to
5 meet essential physical needs within a member's residence.

6 6. Adult day health, which means a service that provides planned
7 care supervision and activities, personal care, personal living skills
8 training, meals and health monitoring in a group setting during a portion
9 of a continuous twenty-four-hour period. Adult day health may also
10 include preventive, therapeutic and restorative health related services
11 that do not include behavioral health services.

12 7. Habilitation, which means the provision of physical therapy,
13 occupational therapy, speech or audiology services or training in
14 independent living, special developmental skills, sensory-motor
15 development, behavior intervention, and orientation and mobility in
16 accordance with federal law.

17 8. Respite care, which means a service that provides short-term
18 care and supervision available on a twenty-four-hour basis.

19 9. Transportation, which means a service that provides or assists
20 in obtaining transportation for the member.

21 10. Home delivered meals, which means a service that provides for a
22 nutritious meal that contains at least one-third of the recommended
23 dietary allowance for an individual and that is delivered to the member's
24 residence.

25 11. Other services or licensed or certified settings approved by
26 the director.

27 D. The amount of monies expended by program contractors on home and
28 community based services pursuant to subsection C of this section shall be
29 limited by the director in accordance with the federal monies made
30 available to this state for home and community based services pursuant to
31 subsection C of this section. The director shall establish methods for
32 allocating monies for home and community based services to program
33 contractors and shall monitor expenditures on home and community based
34 services by program contractors.

35 E. Notwithstanding subsections A, B, C, F and G of this section, a
36 service may not be provided that does not qualify for federal monies
37 available under title XIX of the social security act or the section 1115
38 waiver.

39 F. In addition to services provided pursuant to subsections A, B
40 and C of this section, the director may implement a demonstration project
41 to provide home and community based services to special populations,
42 including persons with disabilities who are eighteen years of age or
43 younger, are medically fragile, reside at home and would be eligible for
44 supplemental security income for the aged, blind or disabled or the state
45 supplemental payment program, except for the amount of their parent's

1 income or resources. In implementing this project, the director may
2 provide for parental contributions for the care of their child.

3 G. Consistent with the services provided pursuant to subsections A,
4 B, C and F of this section and subject to approval by the centers for
5 medicare and medicaid services, the director shall implement a program
6 under which licensed health aide services may be provided to members who
7 are under twenty-one years of age, who are eligible pursuant to section
8 36-2934, including members with developmental disabilities as defined in
9 chapter 5.1, article 1 of this title, and who require continuous skilled
10 nursing or skilled nursing respite care services. The licensed health
11 aide services may be provided only by a parent, guardian or family member
12 who is a licensed health aide employed by a medicare-certified home health
13 agency service provider. Not later than sixty days after the approval of
14 the rules implementing section 32-1645, subsection C, the director shall
15 request any necessary approvals from the centers for medicare and medicaid
16 services to implement this subsection and to qualify for federal monies
17 available under title XIX of the social security act or the section 1115
18 waiver. The reimbursement rate for services provided under this
19 subsection shall reflect the special skills needed to meet the health care
20 needs of these members and shall exceed the reimbursement rate for home
21 health aide services.

22 H. Subject to section 36-562, the administration by rule shall
23 prescribe a deductible schedule for programs provided to members who are
24 eligible pursuant to subsection B of this section, except that the
25 administration shall implement a deductible based on family income. In
26 determining deductible amounts and whether a family is required to have
27 deductibles, the department shall use adjusted gross income. Families
28 whose adjusted gross income is at least four hundred percent and less than
29 or equal to five hundred percent of the federal poverty guidelines shall
30 have a deductible of two percent of adjusted gross income. Families whose
31 adjusted gross income is more than five hundred percent of adjusted gross
32 income shall have a deductible of four percent of adjusted gross income.
33 Only families whose children are under eighteen years of age and who are
34 members who are eligible pursuant to subsection B of this section may be
35 required to have a deductible for services. For the purposes of this
36 subsection, "deductible" means an amount a family, whose children are
37 under eighteen years of age and who are members who are eligible pursuant
38 to subsection B of this section, pays for services, other than
39 departmental case management and acute care services, before the
40 department will pay for services other than departmental case management
41 and acute care services.

1 I. For the purposes of this section:

2 1. "Allowed practitioner" means a nurse practitioner who is
3 certified pursuant to title 32, chapter 15, a clinical nurse specialist
4 who is certified pursuant to title 32, chapter 15 or a physician assistant
5 who is certified pursuant to title 32, chapter 25.

6 2. "Tribal facility" has the same meaning prescribed in section
7 36-2981.

8 3. "URBAN INDIAN ORGANIZATION" MEANS AN URBAN INDIAN ORGANIZATION
9 IN THIS STATE THAT RECEIVES INDIAN HEALTH SERVICES FUNDING PURSUANT TO 25
10 UNITED STATES CODE CHAPTER 18.