

REFERENCE TITLE: 2026-2027; health care

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

SB 1838

Introduced by
Senators Farnsworth: Kavanagh (with permission of Committee on Rules)

AN ACT

AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY
ADDING SECTIONS 36-2903.18 AND 36-2903.19; APPROPRIATING MONIES; RELATING
TO HEALTH CARE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Title 36, chapter 29, article 1, Arizona Revised Statutes, is amended by adding sections 36-2903.18 and 36-2903.19, to read:

36-2903.18. Data matching agreements; review of member eligibility information; quarterly eligibility redetermination; waiver requests

A. THE ADMINISTRATION SHALL ENTER INTO A DATA MATCHING AGREEMENT WITH THE DEPARTMENT OF REVENUE TO IDENTIFY MEMBERS WHO HAVE LOTTERY OR GAMBLING WINNINGS OF \$3,000 OR MORE. THE ADMINISTRATION SHALL REVIEW THIS INFORMATION ON AT LEAST A MONTHLY BASIS. IF A MEMBER FAILS TO DISCLOSE WINNINGS OF \$3,000 OR MORE AND IS IDENTIFIED THROUGH THE DATABASE MATCH, THE ADMINISTRATION SHALL CONSIDER THE MEMBER'S FAILURE TO DISCLOSE THE INFORMATION A VIOLATION OF THE SYSTEM'S TERMS OF ELIGIBILITY.

B. ON AT LEAST A MONTHLY BASIS, THE ADMINISTRATION SHALL:

1. RECEIVE AND REVIEW DEATH RECORDS INFORMATION FROM THE DEPARTMENT OF HEALTH SERVICES CONCERNING MEMBERS AND SHALL ADJUST SYSTEM ELIGIBILITY ACCORDINGLY.

2. REVIEW INFORMATION CONCERNING MEMBERS THAT INDICATES A CHANGE IN CIRCUMSTANCES THAT MAY AFFECT ELIGIBILITY, INCLUDING POTENTIAL CHANGES IN RESIDENCY AS IDENTIFIED BY OUT-OF-STATE ELECTRONIC BENEFIT TRANSFER CARD TRANSACTIONS.

C. ON A QUARTERLY BASIS, THE ADMINISTRATION SHALL REDETERMINE THE ELIGIBILITY OF ABLE-BODIED ADULTS WHO ARE ELIGIBLE PURSUANT TO SECTION 36-2901, 36-2901.01 OR 36-2901.07 AND WHO ARE NOT AMERICAN INDIANS OR ALASKAN NATIVES. FOR THE PURPOSES OF THE REDETERMINATION PROCESS, THE ADMINISTRATION SHALL RECEIVE AND REVIEW INFORMATION FROM BOTH:

1. THE DEPARTMENT OF REVENUE CONCERNING MEMBERS THAT INDICATES A CHANGE IN CIRCUMSTANCES THAT MAY AFFECT ELIGIBILITY FOR THE SYSTEM, INCLUDING POTENTIAL CHANGES IN INCOME, WAGES OR RESIDENCY AS IDENTIFIED BY TAX RECORDS.

2. THE DEPARTMENT OF ECONOMIC SECURITY CONCERNING MEMBERS THAT INDICATES A CHANGE IN CIRCUMSTANCES THAT MAY AFFECT ELIGIBILITY, INCLUDING CHANGES TO UNEMPLOYMENT BENEFITS, EMPLOYMENT STATUS OR WAGES.

D. UNLESS REQUIRED BY FEDERAL LAW, THE ADMINISTRATION MAY NOT ACCEPT SELF-ATTESTATION OF INCOME, RESIDENCY, AGE, HOUSEHOLD COMPOSITION, CARETAKER OR RELATIVE STATUS OR RECEIPT OF OTHER HEALTH INSURANCE COVERAGE WITHOUT INDEPENDENT VERIFICATION BEFORE ENROLLMENT. THE ADMINISTRATION MAY NOT REQUEST AUTHORITY TO WAIVE OR DECLINE TO PERIODICALLY CHECK ANY AVAILABLE INCOME-RELATED DATA SOURCES TO VERIFY ELIGIBILITY.

E. THE ADMINISTRATION MAY NOT ACCEPT ELIGIBILITY DETERMINATIONS FOR THE SYSTEM FROM AN EXCHANGE ESTABLISHED PURSUANT TO 42 UNITED STATES CODE SECTION 18041(c). THE ADMINISTRATION MAY ACCEPT ASSESSMENTS FROM AN EXCHANGE ESTABLISHED PURSUANT TO 42 UNITED STATES CODE SECTION 18041(c)

1 BUT SHALL INDEPENDENTLY VERIFY ELIGIBILITY AND MAKE ELIGIBILITY
2 DETERMINATIONS.

3 F. IF THE ADMINISTRATION RECEIVES INFORMATION CONCERNING A MEMBER
4 THAT INDICATES A CHANGE IN THE MEMBER'S CIRCUMSTANCES THAT MAY AFFECT
5 ELIGIBILITY, THE ADMINISTRATION SHALL REVIEW THE MEMBER'S ELIGIBILITY.

6 G. THE ADMINISTRATION MAY EXECUTE A MEMORANDUM OF UNDERSTANDING
7 WITH ANY OTHER DEPARTMENT OF THIS STATE FOR INFORMATION REQUIRED TO BE
8 SHARED PURSUANT TO THIS SECTION. THE ADMINISTRATION MAY CONTRACT WITH ONE
9 OR MORE INDEPENDENT VENDORS TO PROVIDE ADDITIONAL DATA OR INFORMATION THAT
10 MAY INDICATE A CHANGE IN CIRCUMSTANCES AND AFFECT AN INDIVIDUAL'S
11 ELIGIBILITY.

12 H. ON OR BEFORE APRIL 1, 2027, THE ADMINISTRATION SHALL SUBMIT TO
13 THE CENTERS FOR MEDICARE AND MEDICAID SERVICES ANY WAIVER REQUESTS
14 NECESSARY TO IMPLEMENT THIS SECTION.

15 36-2903.19. Presumptive eligibility; limits; standards;
16 notification; training

17 A. THE ADMINISTRATION SHALL REQUEST APPROVAL FROM THE CENTERS FOR
18 MEDICARE AND MEDICAID SERVICES FOR A SECTION 1115 WAIVER TO ALLOW THE
19 ADMINISTRATION TO ELIMINATE MANDATORY HOSPITAL PRESUMPTIVE ELIGIBILITY AND
20 RESTRICT PRESUMPTIVE ELIGIBILITY DETERMINATIONS TO CHILDREN AND PREGNANT
21 WOMEN ELIGIBILITY GROUPS. IF APPROVAL FOR THE SECTION 1115 WAIVER IS
22 DENIED, THE ADMINISTRATION SHALL RESUBMIT A SUBSEQUENT REQUEST FOR
23 APPROVAL WITHIN TWELVE MONTHS AFTER EACH DENIAL.

24 B. UNLESS REQUIRED BY FEDERAL LAW, THE ADMINISTRATION MAY NOT
25 DESIGNATE ITSELF AS A QUALIFIED HEALTH ENTITY FOR THE PURPOSE OF MAKING
26 PRESUMPTIVE ELIGIBILITY DETERMINATIONS OR FOR ANY PURPOSE NOT EXPRESSLY
27 AUTHORIZED BY STATE LAW.

28 C. WHEN MAKING PRESUMPTIVE ELIGIBILITY DETERMINATIONS, A QUALIFIED
29 HOSPITAL SHALL DO ALL OF THE FOLLOWING:

30 1. NOTIFY THE ADMINISTRATION OF EACH PRESUMPTIVE ELIGIBILITY
31 DETERMINATION WITHIN FIVE WORKING DAYS AFTER THE DATE THE DETERMINATION IS
32 MADE.

33 2. ASSIST INDIVIDUALS WHO ARE DETERMINED PRESUMPTIVELY ELIGIBLE
34 UNDER THE SYSTEM WITH COMPLETING AND SUBMITTING A FULL APPLICATION FOR
35 SYSTEM ELIGIBILITY.

36 3. NOTIFY EACH APPLICANT IN WRITING AND ON ALL RELEVANT FORMS WITH
37 PLAIN LANGUAGE AND LARGE PRINT THAT IF THE APPLICANT DOES NOT FILE A FULL
38 APPLICATION FOR SYSTEM ELIGIBILITY WITH THE ADMINISTRATION BEFORE THE LAST
39 DAY OF THE FOLLOWING MONTH, PRESUMPTIVE ELIGIBILITY COVERAGE WILL END ON
40 THE LAST DAY OF THE FOLLOWING MONTH.

41 4. NOTIFY EACH APPLICANT THAT IF THE APPLICANT FILES A FULL
42 APPLICATION FOR SYSTEM ELIGIBILITY WITH THE ADMINISTRATION BEFORE THE LAST
43 DAY OF THE FOLLOWING MONTH, PRESUMPTIVE ELIGIBILITY COVERAGE WILL CONTINUE
44 UNTIL AN ELIGIBILITY DETERMINATION IS MADE ON THE APPLICATION THAT IS
45 FILED.

1 D. THE ADMINISTRATION SHALL APPLY THE FOLLOWING STANDARDS TO
2 ESTABLISH AND ENSURE THAT ACCURATE PRESUMPTIVE ELIGIBILITY DETERMINATIONS
3 ARE MADE BY EACH QUALIFIED HOSPITAL:

4 1. WHETHER THE QUALIFIED HOSPITAL SUBMITTED TO THE ADMINISTRATION
5 THE PRESUMPTIVE ELIGIBILITY CARD WITHIN FIVE WORKING DAYS AFTER THE
6 DETERMINATION DATE.

7 2. WHETHER A FULL APPLICATION FOR SYSTEM ELIGIBILITY WAS RECEIVED
8 BY THE ADMINISTRATION BEFORE THE EXPIRATION OF THE PRESUMPTIVE ELIGIBILITY
9 PERIOD.

10 3. IF A FULL APPLICATION WAS RECEIVED BY THE ADMINISTRATION,
11 WHETHER THE INDIVIDUAL WAS FOUND TO BE ELIGIBLE UNDER THE SYSTEM.

12 E. IF THE ADMINISTRATION DETERMINES THAT A QUALIFIED HOSPITAL FAILS
13 TO MEET ANY OF THE STANDARDS ESTABLISHED UNDER SUBSECTION D OF THIS
14 SECTION FOR ANY PRESUMPTIVE ELIGIBILITY DETERMINATION THAT THE QUALIFIED
15 HOSPITAL MADE, THE ADMINISTRATION SHALL NOTIFY THE QUALIFIED HOSPITAL IN
16 WRITING WITHIN FIVE DAYS AFTER THE DETERMINATION. THE NOTICE MUST
17 INCLUDE:

18 1. FOR THE FIRST VIOLATION, BOTH OF THE FOLLOWING:

19 (a) A DESCRIPTION OF THE STANDARD THAT WAS NOT MET AND AN
20 EXPLANATION OF WHY IT WAS NOT MET.

21 (b) CONFIRMATION THAT A SECOND FINDING WILL REQUIRE THAT ALL
22 APPLICABLE HOSPITAL STAFF PARTICIPATE IN MANDATORY TRAINING BY THE
23 ADMINISTRATION ON HOSPITAL PRESUMPTIVE ELIGIBILITY RULES.

24 2. FOR THE SECOND VIOLATION, ALL OF THE FOLLOWING:

25 (a) A DESCRIPTION OF THE STANDARD THAT WAS NOT MET AND AN
26 EXPLANATION OF WHY IT WAS NOT MET.

27 (b) CONFIRMATION THAT ALL APPLICABLE HOSPITAL STAFF WILL BE
28 REQUIRED TO PARTICIPATE IN MANDATORY TRAINING BY THE ADMINISTRATION ON
29 HOSPITAL PRESUMPTIVE ELIGIBILITY RULES, INCLUDING THE DATE, TIME AND
30 LOCATION OF THE TRAINING AS DETERMINED BY THE ADMINISTRATION.

31 (c) A DESCRIPTION OF AVAILABLE APPEALS PROCEDURES BY WHICH A
32 QUALIFIED HOSPITAL MAY DISPUTE THE FINDING AND REMOVE THE FINDING FROM THE
33 QUALIFIED HOSPITAL'S RECORD BY PROVIDING CLEAR AND CONVINCING EVIDENCE
34 THAT THE STANDARD WAS MET.

35 (d) CONFIRMATION THAT IF THE QUALIFIED HOSPITAL SUBSEQUENTLY FAILS
36 TO MEET ANY STANDARD FOR PRESUMPTIVE ELIGIBILITY FOR ANY DETERMINATION,
37 THE QUALIFIED HOSPITAL WILL NO LONGER BE QUALIFIED TO MAKE PRESUMPTIVE
38 ELIGIBILITY DETERMINATIONS UNDER THE SYSTEM.

39 3. FOR THE THIRD VIOLATION, ALL OF THE FOLLOWING:

40 (a) A DESCRIPTION OF THE STANDARD THAT WAS NOT MET AND AN
41 EXPLANATION OF WHY IT WAS NOT MET.

42 (b) A DESCRIPTION OF AVAILABLE APPEALS PROCEDURES BY WHICH A
43 QUALIFIED HOSPITAL MAY DISPUTE THE FINDING AND REMOVE THE FINDING FROM THE
44 QUALIFIED HOSPITAL'S RECORD BY PROVIDING CLEAR AND CONVINCING EVIDENCE
45 THAT THE STANDARD WAS MET.

(c) CONFIRMATION THAT, EFFECTIVE IMMEDIATELY, THE QUALIFIED HOSPITAL IS NO LONGER QUALIFIED TO MAKE PRESUMPTIVE ELIGIBILITY DETERMINATIONS UNDER THE SYSTEM.

Sec. 2. ALTCS; county contributions; fiscal year 2026-2027

A. Notwithstanding section 11-292, Arizona Revised Statutes, county contributions for the Arizona long-term care system for fiscal year 2026-2027 are as follows:

1. Apache	\$ 792,400
2. Cochise	\$ 8,055,900
3. Coconino	\$ 2,378,900
4. Gila	\$ 3,365,400
5. Graham	\$ 2,320,400
6. Greenlee	\$ 138,200
7. La Paz	\$ 756,100
8. Maricopa	\$298,895,000
9. Mohave	\$ 12,022,500
10. Navajo	\$ 3,279,800
11. Pima	\$ 68,282,000
12. Pinal	\$ 19,662,800
13. Santa Cruz	\$ 3,204,100
14. Yavapai	\$ 8,793,400
15. Yuma	\$ 13,867,000

B. If the overall cost for the Arizona long-term care system exceeds the amount specified in the general appropriations act for fiscal year 2026-2027, the state treasurer shall collect from the counties the difference between the amount specified in subsection A of this section and the counties' share of the state's actual contribution. The counties' share of the state's contribution must comply with any federal maintenance of effort requirements. The director of the Arizona health care cost containment system administration shall notify the state treasurer of the counties' share of the state's contribution and report the amount to the director of the joint legislative budget committee. The state treasurer shall withhold from any other monies payable to a county from whatever state funding source is available an amount necessary to fulfill that county's requirement specified in this subsection. The state treasurer may not withhold distributions from the Arizona highway user revenue fund pursuant to title 28, chapter 18, article 2, Arizona Revised Statutes. The state treasurer shall deposit the amounts withheld pursuant to this subsection and amounts paid pursuant to subsection A of this section in the long-term care system fund established by section 36-2913, Arizona Revised Statutes.

Sec. 3. AHCCCS: disproportionate share payments: fiscal year
2026-2027

A. Disproportionate share payments for fiscal year 2026-2027 made pursuant to section 36-2903.01, subsection O, Arizona Revised Statutes, include:

1. \$28,474,900 for the Arizona state hospital. The Arizona state hospital shall provide a certified public expense form for the amount of qualifying disproportionate share hospital expenditures made on behalf of this state to the Arizona health care cost containment system administration on or before March 31, 2027. The administration shall assist the Arizona state hospital in determining the amount of qualifying disproportionate share hospital expenditures. Once the administration files a claim with the federal government and receives federal financial participation based on the amount certified by the Arizona state hospital, the administration shall deposit the entire amount of federal financial participation in the state general fund. If the certification provided is for an amount less than \$28,474,900, the administration shall notify the governor, the president of the senate and the speaker of the house of representatives and shall deposit the entire amount of federal financial participation in the state general fund. The certified public expense form provided by the Arizona state hospital must contain both the total amount of qualifying disproportionate share hospital expenditures and the amount limited by section 1923(g) of the social security act.

2. \$884,800 for private qualifying disproportionate share hospitals. The Arizona health care cost containment system administration shall make payments to hospitals consistent with this appropriation and the terms of the state plan, but payments are limited to those hospitals that either:

(a) Meet the mandatory definition of disproportionate share qualifying hospitals under section 1923 of the social security act.

(b) Are located in Yuma county and contain at least three hundred beds.

B. After the distributions made pursuant to subsection A of this section, the allocations of disproportionate share hospital payments made pursuant to section 36-2903.01, subsection P, Arizona Revised Statutes, shall be made available in the following order to qualifying private hospitals that are:

1. Located in a county with a population of less than four hundred thousand persons.

2. Located in a county with a population of at least four hundred thousand persons but less than nine hundred thousand persons.

3. Located in a county with a population of at least nine hundred thousand persons.

Sec. 4. AHCCCS transfer: counties: federal monies: fiscal year 2026-2027

On or before December 31, 2027, notwithstanding any other law, for fiscal year 2026-2027, the Arizona health care cost containment system administration shall transfer to the counties the portion, if any, as may be necessary to comply with section 10201(c)(6) of the patient protection and affordable care act (P.L. 111-148), regarding the counties' proportional share of this state's contribution.

Sec. 5. County acute care contributions: fiscal year 2026-2027: intent

A. Notwithstanding section 11-292, Arizona Revised Statutes, for fiscal year 2026-2027 for the provision of hospitalization and medical care, the counties shall contribute the following amounts:

1. Apache	\$ 268,800
2. Cochise	\$ 2,214,800
3. Coconino	\$ 742,900
4. Gila	\$ 1,413,200
5. Graham	\$ 536,200
6. Greenlee	\$ 190,700
7. La Paz	\$ 212,100
8. Maricopa	\$14,417,300
9. Mohave	\$ 1,237,700
10. Navajo	\$ 310,800
11. Pima	\$14,951,800
12. Pinal	\$ 2,715,600
13. Santa Cruz	\$ 482,800
14. Yavapai	\$ 1,427,800
15. Yuma	\$ 1,325,100

B. If a county does not provide funding as specified in subsection A of this section, the state treasurer shall subtract the amount owed by the county to the Arizona health care cost containment system fund and the long-term care system fund established by section 36-2913, Arizona Revised Statutes, from any payments required to be made by the state treasurer to that county pursuant to section 42-5029, subsection D, paragraph 2, Arizona Revised Statutes, plus interest on that amount pursuant to section 44-1201, Arizona Revised Statutes, retroactive to the first day the funding was due. If the monies the state treasurer withholds are insufficient to meet that county's funding requirements as specified in subsection A of this section, the state treasurer shall withhold from any other monies payable to that county from whatever state funding source is available an amount necessary to fulfill that county's requirement. The state treasurer may not withhold distributions from the Arizona highway user revenue fund pursuant to title 28, chapter 18, article 2, Arizona Revised Statutes.

1 C. Payment of an amount equal to one-twelfth of the total amount
2 determined pursuant to subsection A of this section shall be made to the
3 state treasurer on or before the fifth day of each month. On request from
4 the director of the Arizona health care cost containment system
5 administration, the state treasurer shall require that up to three months'
6 payments be made in advance, if necessary.

7 D. The state treasurer shall deposit the amounts paid pursuant to
8 subsection C of this section and amounts withheld pursuant to subsection B
9 of this section in the Arizona health care cost containment system fund
10 and the long-term care system fund established by section 36-2913, Arizona
11 Revised Statutes.

12 E. If payments made pursuant to subsection C of this section exceed
13 the amount required to meet the costs incurred by the Arizona health care
14 cost containment system for the hospitalization and medical care of those
15 persons defined as an eligible person pursuant to section 36-2901,
16 paragraph 6, subdivisions (a), (b) and (c), Arizona Revised Statutes, the
17 director of the Arizona health care cost containment system administration
18 may instruct the state treasurer either to reduce remaining payments to be
19 paid pursuant to this section by a specified amount or to provide to the
20 counties specified amounts from the Arizona health care cost containment
21 system fund and the long-term care system fund established by section
22 36-2913, Arizona Revised Statutes.

23 F. The legislature intends that the Maricopa county contribution
24 pursuant to subsection A of this section be reduced in each subsequent
25 year according to the changes in the GDP price deflator. For the purposes
26 of this subsection, "GDP price deflator" has the same meaning prescribed
27 in section 41-563, Arizona Revised Statutes.

28 Sec. 6. Department of administration; state employee health
29 insurance; premiums; intent

30 A. Notwithstanding sections 38-651, 38-651.01 and 38-654, Arizona
31 Revised Statutes, for the health insurance benefit plan year 2027 the
32 department of administration shall implement a ten percent increase to the
33 health insurance premium contributions paid by full-time officers and
34 employees of this state and by former employees who worked for this state
35 and who opt on retirement to enroll or continue enrollment in the group
36 health and accident coverage for active employees working for this state.

37 B. The legislature intends that for the health insurance benefit
38 plan years 2028 and 2029 the department of administration implement in
39 each plan year a five percent increase to the health insurance premium
40 contributions paid by full-time officers and employees of this state and
41 by former employees who worked for this state and who opt on retirement to
42 enroll or continue enrollment in the group health and accident coverage
43 for active employees working for this state.

Sec. 7. AHCCCS; mental health medication utilization; report; definition

A. Not later than January 31, 2027, the Arizona health care cost containment system administration shall prepare and issue a report to the governor, the chairpersons of the house of representatives and senate health and human services committees, or their successor committees, the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting that includes information about the costs and aggregate spending on and aggregate utilization of mental health medications during contract year 2024-2025. The administration shall provide a copy of the report to the secretary of state.

B. The report required by subsection A of this section shall include the annual aggregate gross amount spent for each mental health medication class and the annual aggregate net amount spent by this state for each mental health medication class after rebates without disclosing any information about manufacturer-negotiated supplemental rebate agreements for any specific drug. The report shall also include the average annual cost by class for generic and nongeneric mental health medications. Without disclosing any information about manufacturer-negotiated supplemental rebate agreements that could compromise the competitive or proprietary nature of these agreements, for antipsychotic and antidepressant medications, the report shall include the total number of prior authorizations submitted for nonpreferred antipsychotic and nonpreferred antidepressant medications, the percentage of prior authorization approvals and denials, the generic antipsychotic and generic antidepressant medication utilization percentages and the total amount of antipsychotic and antidepressant medication claims.

C. For purposes of this section, "mental health medication" means the following medications:

1. Antipsychotics.
2. Antidepressants.
3. Anxiolytics.
4. Stimulants.
5. Sedative hypnotics.

Sec. 8. Proposition 204 administration; exclusion; county expenditure limitations

County contributions for the administrative costs of implementing sections 36-2901.01 and 36-2901.04, Arizona Revised Statutes, that are made pursuant to section 11-292, subsection 0, Arizona Revised Statutes, are excluded from the county expenditure limitations.

Sec. 9. Competency restoration; exclusion; county expenditure limitations

County contributions made pursuant to section 13-4512, Arizona Revised Statutes, are excluded from the county expenditure limitations.

1 Sec. 10. AHCCCS: risk contingency rate setting

2 Notwithstanding any other law, for the contract year beginning
3 October 1, 2026 and ending September 30, 2027, the Arizona health care
4 cost containment system administration may continue the risk contingency
5 rate setting for all managed care organizations and the funding for all
6 managed care organizations administrative funding levels that were imposed
7 for the contract year beginning October 1, 2010 and ending
8 September 30, 2011.

9 Sec. 11. Legislative intent; implementation of program

10 The legislature intends that for fiscal year 2026-2027 the Arizona
11 health care cost containment system administration implement a program
12 within the available appropriation.

13 Sec. 12. Effective date

14 Sections 36-2903.18 and 36-2903.19, Arizona Revised Statutes, as
15 added by this act, are effective from and after December 31, 2026.