

REFERENCE TITLE: **health care; 2026-2027.**

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

SB 1853

Introduced by
Senator Farnsworth (with permission of Committee on Rules)

AN ACT

AMENDING SECTION 36-798.51, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2920.01; AMENDING SECTIONS 38-651 AND 38-654, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 4, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-655; APPROPRIATING MONIES; RELATING TO HEALTH CARE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 36-798.51, Arizona Revised Statutes, is amended
3 to read:

4 36-798.51. Overdose and disease prevention programs;
5 requirements; standards; prohibition on use of
6 opioid settlement monies

7 A. A city, town, county or nongovernmental organization, including
8 a local health department or an organization that promotes scientifically
9 proven ways of mitigating health risks associated with drug use and other
10 high-risk behaviors, or any combination of these entities, may establish
11 and operate an overdose and disease prevention program. A program
12 established pursuant to this section shall have all of the following
13 objectives:

14 1. To reduce the spread of viral hepatitis, HIV and other
15 bloodborne diseases in this state.

16 2. To reduce needle-stick injuries to law enforcement officers and
17 other emergency personnel.

18 3. To encourage individuals who inject drugs to enroll in
19 evidence-based treatment.

20 4. To increase proper disposal of used syringes.

21 5. To reduce the occurrence of skin and soft tissue wounds and
22 infections related to injection drug use.

23 B. A program established pursuant to this section shall offer all
24 of the following:

25 1. Disposal of used needles and hypodermic syringes.

26 2. Needles, hypodermic syringes and other injection supply items at
27 no cost and in quantities sufficient to ensure that needles, hypodermic
28 syringes and other injection supply items are not shared or reused.

29 3. Educational materials on all of the following:

30 (a) Overdose prevention.

31 (b) Peer support services.

32 (c) The prevention of HIV, viral hepatitis transmission and the
33 incidence of skin and soft tissue wounds and infections.

34 (d) Treatment for mental illness, including treatment referrals.

35 (e) Treatment for substance use disorder, including referrals for
36 substance use disorder treatment.

37 4. Access to kits that contain naloxone hydrochloride or any other
38 opioid antagonist that is approved by the United States food and drug
39 administration to treat a drug overdose, or referrals to programs that
40 provide access to naloxone hydrochloride or any other opioid antagonist
41 that is approved by the United States food and drug administration to
42 treat a drug overdose.

5. For each individual who requests services, personal consultations from a program employee or volunteer concerning mental health or substance use disorder treatment or referrals for evidence-based substance use disorder treatment, as appropriate.

C. A program established pursuant to this section shall develop standards for distributing and disposing of needles and hypodermic syringes based on scientific evidence and best practices. The number of needles and hypodermic syringes disposed of through a program shall be at least equivalent to the number of needles and hypodermic syringes distributed through the program.

D. A CITY, TOWN OR COUNTY MAY NOT USE MONIES RECEIVED THROUGH THE FINAL ONE ARIZONA DISTRIBUTION OF OPIOID SETTLEMENT FUNDS AGREEMENT TO PROVIDE OR TO GRANT MONIES TO A NONGOVERNMENTAL ORGANIZATION TO PROVIDE SAFER SMOKING EQUIPMENT. FOR THE PURPOSES OF THIS SUBSECTION, "SAFER SMOKING EQUIPMENT" MEANS STERILE, DURABLE AND SPECIALIZED TOOLS INTENDED TO REDUCE THE HEALTH RISKS ASSOCIATED WITH INHALING DRUGS, SUCH AS COCAINE BASE, METHAMPHETAMINE OR OPIOIDS.

Sec. 2. Title 36, chapter 29, article 1, Arizona Revised Statutes, is amended by adding section 36-2920.01, to read:

36-2920.01. Arizona rural health transformation fund; public meetings

A. THE ARIZONA RURAL HEALTH TRANSFORMATION FUND IS ESTABLISHED CONSISTING OF MONIES RECEIVED BY THIS STATE THROUGH THE RURAL HEALTH TRANSFORMATION PROGRAM PRESCRIBED IN SECTION 71401 OF PUBLIC LAW 119-21. THE ADMINISTRATION SHALL ADMINISTER THE FUND. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED.

B. BEFORE THE EXECUTIVE BRANCH MAY SPEND ANY OF THE MONIES IN THE ARIZONA RURAL HEALTH TRANSFORMATION FUND, THE ADMINISTRATION SHALL HOLD THREE PUBLIC MEETINGS IN EACH OF THE LARGEST METROPOLITAN AREAS IN NORTHERN, CENTRAL AND SOUTHERN ARIZONA TO RECEIVE INPUT AND FEEDBACK REGARDING HOW THE MONIES SHOULD BE SPENT AND SHALL SUBMIT A REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE DETAILING ITS EXPENDITURE PLAN FOR THE MONIES RECEIVED THROUGH THE RURAL HEALTH TRANSFORMATION PROGRAM PRESCRIBED IN SECTION 71401 OF PUBLIC LAW 119-21.

Sec. 3. Section 38-651, Arizona Revised Statutes, is amended to read:

38-651. Expenditure of monies for health and accident coverage; definition

A. The department of administration may ~~expend~~ SPEND public monies appropriated for such purpose to procure health and accident coverage for full-time officers and employees of this state and its departments and agencies. The department of administration may adopt rules that provide that if an employee dies while the employee's surviving spouse's health insurance is in force, the surviving spouse is entitled to ~~no~~ NOT more than thirty-six months of extended coverage at one hundred two ~~per cent~~

1 PERCENT of the group rates by paying the premiums. Except as provided by
 2 sections 38-1114 and 38-1141, ~~no~~ public monies may NOT be ~~expended~~ SPENT
 3 to pay all or any part of the premium of health insurance continued in
 4 force by the surviving spouse. The department of administration, IN
 5 CONSULTATION WITH THE HEALTH INSURANCE TRUST FUND OVERSIGHT BOARD
 6 ESTABLISHED BY SECTION 38-655, shall seek a variety of plans, including
 7 indemnity health insurance, hospital and medical service plans, dental
 8 plans and health maintenance organizations. On ~~a~~ THE recommendation of
 9 the department of administration and the review of the joint legislative
 10 budget committee, the department of administration may self-insure for the
 11 purposes of this subsection. If the department of administration
 12 self-insures, the department, FOLLOWING APPROVAL BY THE HEALTH INSURANCE
 13 TRUST FUND OVERSIGHT BOARD, may contract directly with preferred provider
 14 organizations, physician and hospital networks, indemnity health insurers,
 15 hospital and medical service plans, dental plans and health maintenance
 16 organizations. If the department self-insures, the department shall
 17 provide that the self-insurance program include all health coverage
 18 benefits that are mandated pursuant to title 20. The self-insurance
 19 program shall include provisions to provide for the protection of the
 20 officers and employees, including grievance procedures for claim or
 21 treatment denials, creditable coverage determinations, dissatisfaction
 22 with care and access to care issues. The department of administration, by
 23 rule AND FOLLOWING APPROVAL BY THE HEALTH INSURANCE TRUST FUND OVERSIGHT
 24 BOARD, shall designate and adopt performance standards, including cost
 25 competitiveness, utilization review issues, network development and
 26 access, conversion and implementation, report timeliness, quality outcomes
 27 and customer satisfaction for qualifying plans. The qualifying plans for
 28 which the standards are adopted include indemnity health insurance,
 29 hospital and medical service plans, closed panel medical and dental plans
 30 and health maintenance organizations, and for eligibility of officers and
 31 employees to participate in such plans. Any indemnity health insurance or
 32 hospital and medical service plan designated as a qualifying plan by the
 33 department of administration AND APPROVED BY THE HEALTH INSURANCE TRUST
 34 FUND OVERSIGHT BOARD must be open for enrollment to all permanent
 35 full-time state employees, except that any plan established ~~prior to~~
 36 BEFORE June 6, 1977 may be continued as a separate plan. Any closed panel
 37 medical or dental plan or health maintenance organization designated as
 38 the qualifying plan by the department of administration AND APPROVED BY
 39 THE HEALTH INSURANCE TRUST FUND OVERSIGHT BOARD must be open for
 40 enrollment to all permanent full-time state employees residing within the
 41 geographic area or area to be served by the plan or organization.
 42 Officers and employees may select coverage under the available options.

43 B. The department of administration may ~~expend~~ SPEND public monies
 44 appropriated for such purpose to procure health and accident coverage for
 45 the dependents of full-time officers and employees of this state and its

1 departments and agencies. The department of administration shall seek a
2 variety of plans, including indemnity health insurance, hospital and
3 medical service plans, dental plans and health maintenance organizations.
4 On ~~a~~ THE recommendation of the department of administration and the
5 review of the joint legislative budget committee, the department of
6 administration may self-insure for the purposes of this subsection. If
7 the department of administration self-insures, the department, FOLLOWING
8 APPROVAL BY THE HEALTH INSURANCE TRUST FUND OVERSIGHT BOARD, may contract
9 directly with preferred provider organizations, physician and hospital
10 networks, indemnity health insurers, hospital and medical service plans,
11 dental plans and health maintenance organizations. If the department
12 self-insures, the department shall provide that the self-insurance program
13 include all health coverage benefits that are mandated pursuant to
14 title 20. The self-insurance program shall include provisions to provide
15 for the protection of the officers and employees, including grievance
16 procedures for claim or treatment denials, creditable coverage
17 determinations, dissatisfaction with care and access to care issues. The
18 department of administration, by rule AND FOLLOWING APPROVAL BY THE HEALTH
19 INSURANCE TRUST FUND OVERSIGHT BOARD, shall designate and adopt
20 performance standards, including cost competitiveness, utilization review
21 issues, network development and access, conversion and implementation,
22 report timeliness, quality outcomes and customer satisfaction for
23 qualifying plans. The qualifying plans for which the standards are
24 adopted include indemnity health insurance, hospital and medical service
25 plans, closed panel medical and dental plans and health maintenance
26 organizations, and for eligibility of the dependents of officers and
27 employees to participate in such plans. Any indemnity health insurance or
28 hospital and medical service plan designated as a qualifying plan by the
29 department of administration AND APPROVED BY THE HEALTH INSURANCE TRUST
30 FUND OVERSIGHT BOARD must be open for enrollment to all permanent
31 full-time state employees, except that any plan established ~~prior to~~
32 BEFORE June 6, 1977 may be continued as a separate plan. Any closed panel
33 medical or dental plan or health maintenance organization designated as a
34 qualifying plan by the department of administration AND APPROVED BY THE
35 HEALTH INSURANCE TRUST FUND OVERSIGHT BOARD must be open for enrollment to
36 all permanent full-time state employees residing within the geographic
37 area or area to be served by the plan or organization. Officers and
38 employees may select coverage under the available options.

39 C. The department of administration, FOLLOWING APPROVAL BY THE
40 HEALTH INSURANCE TRUST FUND OVERSIGHT BOARD, may designate the Arizona
41 health care cost containment system established by title 36, chapter 29 as
42 a qualifying plan for the provision of health and accident coverage to
43 full-time state officers and employees and their dependents. The Arizona
44 health care cost containment system shall not be the exclusive qualifying

1 plan for health and accident coverage for state officers and employees
2 either on a statewide or regional basis.

3 D. Except as provided in section 38-652, public monies ~~expended~~
4 ~~SPENT~~ pursuant to this section each month shall not exceed:

5 1. ~~Five hundred dollars~~ \$500 multiplied by the number of officers
6 and employees who receive individual coverage.

7 2. ~~One thousand two hundred dollars~~ \$1,200 multiplied by the number
8 of married couples if both members of the couple are either officers or
9 employees and each receives individual coverage or family coverage.

10 3. ~~One thousand two hundred dollars~~ \$1,200 multiplied by the number
11 of officers or employees who receive family coverage if the spouses of the
12 officers or employees are not officers or employees.

13 E. Subsection D of this section:

14 1. Establishes a total maximum expenditure of public monies
15 pursuant to this section.

16 2. Does not establish a minimum or maximum expenditure for each
17 individual officer or employee.

18 F. In order to ensure that an officer or employee does not suffer a
19 financial penalty or receive a financial benefit based on the officer's or
20 employee's age, gender or health status, the department of administration,
21 ~~IN CONSULTATION WITH AND ON APPROVAL BY THE HEALTH INSURANCE TRUST FUND~~
22 ~~OVERSIGHT BOARD~~, shall consider implementing the following:

23 1. Requests for proposals for health insurance that specify that
24 the carrier's proposed premiums for each plan be based on the expected
25 age, gender and health status of the entire pool of employees and officers
26 and their family members enrolled in all qualifying plans and not on the
27 age, gender or health status of the individuals expected to enroll in the
28 particular plan for which the premium is proposed.

29 2. Recommendations from a legislatively established study group on
30 risk adjustments relating to a system for reallocating premium revenues
31 among the contracting qualifying plans to the extent necessary to adjust
32 the revenues received by any carrier to reflect differences between the
33 average age, gender and health status of the enrollees in that carrier's
34 plan or plans and the average age, gender and health status of all
35 enrollees in all qualifying plans.

36 G. Each officer or employee shall certify on the initial
37 application for family coverage that the officer or employee is not
38 receiving more than the contribution for which eligible pursuant to
39 subsection D of this section. Each officer or employee shall also provide
40 the certification on any change of coverage or marital status.

41 H. If a qualifying health maintenance organization is not available
42 to an officer or employee within fifty miles of the officer's or
43 employee's residence and the officer or employee is enrolled in a
44 qualifying plan, the officer or employee shall be offered the opportunity
45 to enroll with a health maintenance organization when the option becomes

1 available. If a health maintenance organization is available within fifty
2 miles and ~~it is determined by~~ the department of administration DETERMINES
3 that there is an insufficient number of medical providers in the
4 organization, the department may provide for a change in enrollment from
5 plans designated by the director when additional medical providers join
6 the organization.

7 I. Notwithstanding subsection H of this section, officers and
8 employees who enroll in a qualifying plan and reside outside the area of a
9 qualifying health maintenance organization shall be offered the option to
10 enroll with a qualified health maintenance organization offered through
11 their provider under the same premiums as if they lived within the area
12 boundaries of the qualified health maintenance organization, if:

13 1. All medical services are rendered and received at an office
14 designated by the qualifying health maintenance organization or at a
15 facility referred by the health maintenance organization.

16 2. All nonemergency or nonurgent travel, ambulatory and other
17 expenses from the residence area of the officer or employee to the
18 designated office of the qualifying health maintenance organization or the
19 facility referred by the health maintenance organization are the
20 responsibility of and at the expense of the officer or employee.

21 3. All emergency or urgent travel, ambulatory and other expenses
22 from the residence area of the officer or employee to the designated
23 office of the qualifying health maintenance organization or the facility
24 referred by the health maintenance organization are paid pursuant to any
25 agreement between the health maintenance organization and the officer or
26 employee living outside the area of the qualifying health maintenance
27 organization.

28 J. The department of administration shall allow any school district
29 in this state that meets the requirements of section 15-388, a charter
30 school in this state that meets the requirements of section 15-187.01 or a
31 city, town, county, community college district, special taxing district,
32 authority or public entity organized pursuant to the laws of this state
33 that meets the requirements of section 38-656 to participate in the health
34 and accident coverage prescribed in this section, except that
35 participation is only allowed in a health plan that is offered by the
36 department and that is subject to title 20, chapter 1, article 1. A
37 school district, a charter school, a city, a town, a county, a community
38 college district, a special taxing district, an authority or any public
39 entity organized pursuant to the laws of this state rather than this state
40 shall pay directly to the benefits provider the premium for its employees.

41 K. The department of administration shall determine the actual
42 administrative and operational costs associated with school districts,
43 charter schools, cities, towns, counties, community college districts,
44 special taxing districts, authorities and public entities organized
45 pursuant to the laws of this state participating in ~~the~~ state health and

1 accident insurance coverage. These costs shall be allocated to each
2 school district, charter school, city, town, county, community college
3 district, special taxing district, authority and public entity organized
4 pursuant to the laws of this state based on the total number of employees
5 participating in the coverage. This subsection only applies to a health
6 plan that is offered by the department and that is subject to title 20,
7 chapter 1, article 1.

8 L. Insurance providers contracting with this state shall separately
9 maintain records that delineate claims and other expenses attributable to
10 participation of a school district, charter school, city, town, county,
11 community college district, special taxing district, authority and public
12 entity organized pursuant to the laws of this state in ~~the~~ state health
13 and accident insurance coverage and, by November 1 of each year, shall
14 report to the department of administration the extent to which state costs
15 are impacted by participation of school districts, charter schools,
16 cities, towns, counties, community college districts, special taxing
17 districts, authorities and public entities organized pursuant to the laws
18 of this state in ~~the~~ state health and accident insurance coverage. By
19 December 1 of each year, the director of the department of administration
20 shall submit a report to the president of the senate, ~~and~~ the speaker of
21 the house of representatives **AND THE HEALTH INSURANCE TRUST FUND OVERSIGHT**
22 **BOARD** detailing the information provided to the department by the
23 insurance providers and including any recommendations for possible
24 legislative action.

25 M. Notwithstanding subsection J of this section, any school
26 district in this state that meets the requirements of section 15-388, a
27 charter school in this state that meets the requirements of section
28 15-187.01 or a city, town, county, community college district, special
29 taxing district, authority or public entity organized pursuant to the laws
30 of this state that meets the requirements of section 38-656 may apply to
31 the department of administration to participate in the self-insurance
32 program that is provided ~~by~~ **PURSUANT TO** this section pursuant to rules
33 adopted by the department. A participating entity shall reimburse the
34 department for all premiums and administrative or other insurance costs.
35 The department shall actuarially prescribe the annual premium for each
36 participating entity to reflect the actual cost of each participating
37 entity.

38 N. Any person that submits a bid to provide health and accident
39 coverage pursuant to this section shall disclose any court or
40 administrative judgments or orders issued against that person within the
41 last ten years before the submittal.

42 **O. SUBJECT TO APPLICABLE STATE AND FEDERAL LAW, THE HEALTH**
43 **INSURANCE TRUST FUND OVERSIGHT BOARD SHALL DEVELOP REQUIREMENTS FOR THE**
44 **SHARING OF ANONYMIZED AND AGGREGATED CLAIM AND TREND DATA WITH EMPLOYERS**

1 THAT PARTICIPATE IN HEALTH BENEFIT PROGRAMS FUNDED BY THE SPECIAL EMPLOYEE
2 HEALTH INSURANCE TRUST FUND ESTABLISHED BY SECTION 38-654.

3 ~~0.~~ P. For the purposes of this section, "dependent" means a spouse
4 under the laws of this state, a child who is under twenty-six years of age
5 or a child who ~~was disabled~~ HAD A DISABILITY before reaching nineteen
6 years of age, who continues to ~~be disabled~~ HAVE A DISABILITY under 42
7 United States Code section 1382c and for whom the employee had custody
8 before ~~reaching~~ THE CHILD REACHED nineteen years of age.

9 Sec. 4. Section 38-654, Arizona Revised Statutes, is amended to
10 read:

11 38-654. Special employee health insurance trust fund;
12 purpose; investment of monies; use of monies;
13 exemption from lapsing; report

14 A. The special employee health insurance trust fund is established
15 to administer the state employee health insurance benefit plans. The fund
16 shall consist of legislative appropriations, monies collected from the
17 employer and employees for the health insurance benefit plans and
18 investment earnings on monies collected from employees. The fund shall be
19 administered by the director of the department of administration. Monies
20 in the fund that are determined by the legislature to be for
21 administrative expenses of the department of administration, including
22 monies authorized by subsection C, paragraph 4 of this section, are
23 subject to legislative appropriation.

24 B. On notice from the department of administration, the state
25 treasurer shall invest and divest monies in the fund as provided by
26 section 35-313, and monies earned from investment shall be credited to the
27 fund. There shall be a separate accounting of monies contributed by the
28 employer, monies collected from state employees and investment earnings on
29 monies collected from employees. Monies collected from state employees
30 for health insurance benefit plans shall be ~~expended~~ SPENT before
31 expenditure of monies contributed by the employer.

32 C. Monies in the fund shall be used by the department of
33 administration for the following purposes for the benefit of officers and
34 employees who participate in a health insurance benefit plan pursuant to
35 this article:

36 1. To administer a health insurance benefit program for state
37 officers and employees.

38 2. To pay health insurance premiums, claims costs and related
39 administrative expenses.

40 3. To apply against future premiums, claims costs and related
41 administrative expenses.

42 4. To apply the equivalent of not more than \$1.50 for each employee
43 for each month to administer applicable federal and state laws relating to
44 health insurance benefit programs and to design, implement and administer
45 improvements to the employee health insurance or benefit program AS

1 APPROVED BY THE HEALTH INSURANCE TRUST FUND OVERSIGHT BOARD ESTABLISHED BY
2 SECTION 38-655.

3 D. Subsection C of this section does not require that all monies in
4 the special employee health insurance trust fund be used within any one or
5 more fiscal years. Any person who is no longer a state employee or an
6 employee who is no longer a participant in a health insurance plan under
7 contract with the department of administration shall have no claim on
8 monies in the fund.

9 E. Monies deposited in or credited to the fund are exempt from the
10 provisions of section 35-190 relating to lapsing of appropriations.

11 ~~F. The department of administration shall submit an annual report~~
12 ~~on the financial status of the special employee insurance trust fund to~~
13 ~~the governor, the president of the senate, the speaker of the house of~~
14 ~~representatives, the chairpersons of the house and senate appropriations~~
15 ~~committees and the joint legislative budget committee staff by July 1. The~~
16 ~~department shall make the report available to officers and employees who~~
17 ~~have paid premiums under one of the insurance plans from which monies were~~
18 ~~received for deposit in the trust account since the inception of the~~
19 ~~health and accident coverage program or since the department submitted the~~
20 ~~last report, whichever is later. The report shall include:~~

21 ~~1. The actuarial assumptions and a description of the methodology~~
22 ~~used to set premiums and reserve balance targets for the health insurance~~
23 ~~benefit program for the current plan year.~~

24 ~~2. An analysis of the actuarial soundness of the health insurance~~
25 ~~benefit program for the previous plan year.~~

26 ~~3. An analysis of the actuarial soundness of the health insurance~~
27 ~~benefit program for the current plan year, based on both year-to-date~~
28 ~~experience and total expected experience.~~

29 ~~4. A preliminary estimate of the premiums and reserve balance~~
30 ~~targets for the next plan year, including the actuarial assumptions and a~~
31 ~~description of the methodology used.~~

32 ~~5. The required and actual performance standards for the prior plan~~
33 ~~year for the contracted health plans, including indemnity health~~
34 ~~insurance, hospital and medical service plans, dental plans and health~~
35 ~~maintenance organizations.~~

36 ~~6.~~ F. The department shall submit a report to the joint
37 legislative budget committee detailing any changes APPROVED BY THE HEALTH
38 INSURANCE TRUST FUND OVERSIGHT BOARD to the type of benefits offered under
39 the plan and associated costs at least forty-five days before making the
40 change. The report shall include:

41 1. An estimate of the cost or saving associated with the change.

42 2. An explanation of why the change was implemented before the next
43 plan year.

1 Sec. 5. Title 38, chapter 4, article 4, Arizona Revised Statutes,
2 is amended by adding section 38-655, to read:

3 38-655. Health insurance trust fund oversight board; members;
4 duties; annual report; exemption

5 A. THE HEALTH INSURANCE TRUST FUND OVERSIGHT BOARD IS ESTABLISHED
6 CONSISTING OF THE FOLLOWING MEMBERS:

7 1. THE ASSISTANT DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION,
8 BENEFITS SERVICES DIVISION, WHO SERVES AS CHAIRPERSON OF THE BOARD.

9 2. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION OR THE
10 DIRECTOR'S DESIGNEE.

11 3. THE DIRECTOR OF THE DEPARTMENT OF INSURANCE AND FINANCIAL
12 INSTITUTIONS OR THE DIRECTOR'S DESIGNEE.

13 4. ONE MEMBER WHO IS APPOINTED BY THE PRESIDENT OF THE SENATE AND
14 ONE MEMBER WHO IS APPOINTED BY THE SPEAKER OF THE HOUSE OF
15 REPRESENTATIVES, EACH OF WHOM:

16 (a) SHALL SERVE A TERM OF TWO YEARS OR AT THE PLEASURE OF THE
17 APPOINTING AUTHORITY. A BOARD MEMBER WHO IS APPOINTED PURSUANT TO THIS
18 PARAGRAPH IS ELIGIBLE FOR REAPPOINTMENT.

19 (b) HAS AT LEAST THREE YEARS OF EXPERIENCE IN THE HEALTH CARE
20 INDUSTRY IN THIS STATE AND WHO IS NOT A REGISTERED LOBBYIST.

21 B. A PERSON IS NOT ELIGIBLE TO SERVE AS A MEMBER OF THE BOARD
22 DURING THE TERM FOR WHICH THE PERSON HAS BEEN ELECTED OR APPOINTED TO FILL
23 AN OTHERWISE ELECTED POSITION.

24 C. MEMBERS OF THE BOARD ARE SUBJECT TO THE PROVISIONS OF CHAPTER 3,
25 ARTICLE 8 OF THIS TITLE RELATING TO CONFLICTS OF INTEREST.

26 D. THE BOARD SHALL MEET AT LEAST TWO TIMES ANNUALLY. MEETINGS MAY
27 BE HELD AT THE CALL OF THE CHAIRPERSON OR A MAJORITY OF THE BOARD
28 MEMBERS. THREE MEMBERS OF THE HEALTH INSURANCE TRUST FUND OVERSIGHT BOARD
29 SHALL CONSTITUTE A QUORUM TO CONDUCT BUSINESS. BOARD MEETINGS MAY BE
30 CONDUCTED VIRTUALLY. BOARD MEMBERS ARE NOT ELIGIBLE TO RECEIVE
31 COMPENSATION FOR BOARD SERVICE AND ARE NOT ELIGIBLE TO RECEIVE
32 REIMBURSEMENT FOR EXPENSES PURSUANT TO ARTICLE 2 OF THIS CHAPTER.

33 E. THE BOARD SHALL:

34 1. APPROVE ALL HEALTH INSURANCE BENEFIT PROGRAMS OFFERED TO STATE
35 OFFICERS AND EMPLOYEES PURSUANT TO SECTION 38-654.

36 2. APPROVE PREMIUM RATES, COPAYMENTS, DEDUCTIBLES AND COINSURANCE
37 PERCENTAGES AND MAXIMUMS FOR THE PLAN.

38 3. FOR PLAN YEAR 2028 AND EACH SUBSEQUENT PLAN YEAR, APPROVE ANY
39 REQUESTS FOR PROPOSAL CONTRACT OF MORE THAN \$3,000,000 THAT ARE ENTERED
40 INTO BY THE DEPARTMENT OF ADMINISTRATION FOR THE USES SET FORTH IN SECTION
41 38-654, SUBSECTION C. THE BOARD SHALL MEET TO REVIEW THE DEPARTMENT OF
42 ADMINISTRATION'S CONTRACT WITHIN TEN DAYS AFTER THE REQUEST OF THE
43 DEPARTMENT.

44 4. CONSULT WITH THE DEPARTMENT OF ADMINISTRATION AS REQUIRED BY
45 THIS ARTICLE AND AT THE REQUEST OF THE DEPARTMENT OF ADMINISTRATION.

- 1 5. DEVELOP AND MAINTAIN A STRATEGIC PLAN FOR THE STATE HEALTH PLAN.
- 2 6. DESIGN POLICIES THAT SEEK TO, BY PLAN YEAR 2035 AND FOR EACH
- 3 SUBSEQUENT PLAN YEAR, ACHIEVE:
- 4 (a) A PREMIUM COST SHARING OF EIGHTY-FIVE PERCENT TO BE PAID BY THE
- 5 EMPLOYER AND FIFTEEN PERCENT TO BE PAID BY THE EMPLOYEE FOR MEDICAL
- 6 PREMIUMS.
- 7 (b) A CONSISTENT RESERVE IN THE SPECIAL EMPLOYEE HEALTH INSURANCE
- 8 TRUST FUND ESTABLISHED BY SECTION 38-654 THAT IS TWICE THE TOTAL AMOUNT OF
- 9 INCURRED, BUT NOT REPORTED, CLAIMS PAYABLE FROM HEALTH BENEFIT PROGRAMS
- 10 FUNDED BY THE SPECIAL EMPLOYEE HEALTH INSURANCE TRUST FUND.
- 11 (c) OPTIMAL CROSS SUBSIDIZATION OF RETIREES.
- 12 F. ON OR BEFORE JULY 1, 2027 AND EACH YEAR THEREAFTER, THE BOARD
- 13 SHALL APPROVE AND THE DEPARTMENT OF ADMINISTRATION SHALL SUBMIT AN ANNUAL
- 14 REPORT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE
- 15 HOUSE OF REPRESENTATIVES, THE CHAIRPERSONS OF THE SENATE AND THE HOUSE OF
- 16 REPRESENTATIVES APPROPRIATIONS COMMITTEES AND THE JOINT LEGISLATIVE BUDGET
- 17 COMMITTEE STAFF. THE DEPARTMENT OF ADMINISTRATION SHALL MAKE THE ANNUAL
- 18 REPORT AVAILABLE TO OFFICERS AND EMPLOYEES WHO HAVE PAID PREMIUMS UNDER
- 19 ANY OF THE INSURANCE PLANS FROM WHICH MONIES WERE RECEIVED FOR DEPOSIT IN
- 20 THE SPECIAL EMPLOYEE HEALTH INSURANCE TRUST FUND SINCE THE INCEPTION OF
- 21 THE STATE HEALTH AND ACCIDENT INSURANCE PLAN OR SINCE THE DEPARTMENT OF
- 22 ADMINISTRATION SUBMITTED THE MOST RECENT ANNUAL REPORT, WHICHEVER IS
- 23 LATER. THE ANNUAL REPORT MUST INCLUDE:
- 24 1. THE BOARD'S STRATEGIC PLAN FOR THE STATE HEALTH PLAN.
- 25 2. THE ANNUAL ACTIVITIES OF THE BOARD.
- 26 3. THE ACTUARIAL ASSUMPTIONS AND A DESCRIPTION OF THE METHODOLOGY
- 27 USED TO SET PREMIUMS AND RESERVE BALANCE TARGETS FOR THE HEALTH INSURANCE
- 28 BENEFIT PLAN FOR THE CURRENT PLAN YEAR.
- 29 4. AN ANALYSIS OF THE ACTUARIAL SOUNDNESS OF THE HEALTH INSURANCE
- 30 BENEFIT PLAN FOR THE PREVIOUS PLAN YEAR.
- 31 5. AN ANALYSIS OF THE ACTUARIAL SOUNDNESS OF THE HEALTH INSURANCE
- 32 BENEFIT PLAN FOR THE CURRENT PLAN YEAR, BASED ON BOTH YEAR-TO-DATE
- 33 EXPERIENCE AND TOTAL EXPECTED EXPERIENCE.
- 34 6. A PRELIMINARY ESTIMATE OF THE PREMIUMS AND RESERVE BALANCE
- 35 TARGETS FOR THE NEXT PLAN YEAR, INCLUDING THE ACTUARIAL ASSUMPTIONS AND A
- 36 DESCRIPTION OF THE METHODOLOGY USED.
- 37 7. THE REQUIRED AND ACTUAL PERFORMANCE STANDARDS FOR THE PRIOR PLAN
- 38 YEAR FOR THE CONTRACTED HEALTH PLANS, INCLUDING INDEMNITY HEALTH
- 39 INSURANCE, HOSPITAL AND MEDICAL SERVICE PLANS, DENTAL PLANS AND HEALTH
- 40 MAINTENANCE ORGANIZATIONS.
- 41 G. SECTION 41-2955, SUBSECTION D DOES NOT APPLY TO THE BOARD.

Sec. 6. Review of member eligibility information; eligibility redetermination; waiver requests; delayed repeal; definitions

A. The administration shall review information that is provided by the Arizona lottery commission and the department of gaming to identify members of households who have won substantial lottery or gambling winnings, as defined by 7 Code of Federal Regulations section 273.11(r)(2), including online gambling winnings, and incorporate the information into eligibility determinations.

B. 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 enrollment in a state's medicaid program, temporary assistance for needy families program or supplemental nutrition assistance program or by an out-of-state death record.

C. For all eligibility redeterminations for medical assistance under a state plan or a waiver under that state plan scheduled on or after the first day of the first quarter that begins after December 31, 2026, and unless otherwise approved as a waiver by the centers for medicare and medicaid services, the administration shall comply with federal law and regulations, including 42 United States Code section 1396a(e)(14). For the purposes of the redetermination process, the administration shall receive and review information from 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. To the extent allowed by federal law, the administration may not accept self-attestation of residency without independent verification before enrollment.

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) but shall independently verify eligibility and make eligibility determinations.

F. If the administration receives reliable information concerning a member that indicates a change in the member's circumstances that may affect eligibility, the administration shall review the member's eligibility.

G. The administration may execute a memorandum of understanding with any other department of this state for information required to be shared pursuant to this section. The administration may contract with one

1 or more independent vendors to provide additional data or information that
2 may indicate a change in circumstances and affect an individual's
3 eligibility.

4 H. On or before April 1, 2027, the administration shall submit to
5 the centers for medicare and medicaid services any waiver requests
6 necessary to implement this section.

7 I. This section is repealed from and after June 30, 2027.

8 J. For the purposes of this section, "administration" and "member"
9 have the same meanings prescribed in section 36-2901, Arizona Revised
10 Statutes.

11 Sec. 7. Presumptive eligibility; limits; standards;
12 notification; training; delayed repeal; definition

13 A. The administration shall request approval from the centers for
14 medicare and medicaid services for a section 1115 waiver to allow the
15 administration to eliminate mandatory hospital presumptive eligibility and
16 restrict presumptive eligibility determinations to children and pregnant
17 women eligibility groups. If approval for the section 1115 waiver is
18 denied, the administration shall resubmit a subsequent request for
19 approval within twelve months after each denial.

20 B. Unless required by federal law, the administration may not
21 designate itself as a qualified health entity for the purpose of making
22 presumptive eligibility determinations or for any purpose not expressly
23 authorized by state law.

24 C. When making presumptive eligibility determinations, a qualified
25 hospital shall do all of the following:

26 1. Notify the administration of each presumptive eligibility
27 determination within five working days after the date the determination is
28 made.

29 2. Assist individuals who are determined presumptively eligible
30 under the system with completing and submitting a full application for
31 system eligibility.

32 3. Notify each applicant in writing and on all relevant forms with
33 plain language and large print that if the applicant does not file a full
34 application for system eligibility with the administration before the last
35 day of the following month, presumptive eligibility coverage will end on
36 the last day of the following month.

37 4. Notify each applicant that if the applicant files a full
38 application for system eligibility with the administration before the last
39 day of the following month, presumptive eligibility coverage will continue
40 until an eligibility determination is made on the application that is
41 filed.

42 D. The administration shall apply the following standards to
43 establish and ensure that accurate presumptive eligibility determinations
44 are made by each qualified hospital:

1 1. Whether the qualified hospital submitted to the administration
2 the presumptive eligibility card within five working days after the
3 determination date.

4 2. Whether a full application for system eligibility was received
5 by the administration before the expiration of the presumptive eligibility
6 period.

7 3. If a full application was received by the administration,
8 whether the individual was found to be eligible under the system.

9 E. If the administration determines that a qualified hospital fails
10 to meet any of the standards established under subsection D of this
11 section for any presumptive eligibility determination that the qualified
12 hospital made, the administration shall notify the qualified hospital in
13 writing within five days after the determination. The notice must include:

14 1. For the first violation, both of the following:

15 (a) A description of the standard that was not met and an
16 explanation of why it was not met.

17 (b) Confirmation that a second finding will require that all
18 applicable hospital staff participate in mandatory training by the
19 administration on hospital presumptive eligibility rules.

20 2. For the second violation, all of the following:

21 (a) A description of the standard that was not met and an
22 explanation of why it was not met.

23 (b) Confirmation that all applicable hospital staff will be
24 required to participate in mandatory training by the administration on
25 hospital presumptive eligibility rules, including the date, time and
26 location of the training as determined by the administration.

27 (c) A description of available appeals procedures by which a
28 qualified hospital may dispute the finding and remove the finding from the
29 qualified hospital's record by providing clear and convincing evidence
30 that the standard was met.

31 (d) Confirmation that if the qualified hospital subsequently fails
32 to meet any standard for presumptive eligibility for any determination,
33 the qualified hospital will no longer be qualified to make presumptive
34 eligibility determinations under the system.

35 3. For the third violation, all of the following:

36 (a) A description of the standard that was not met and an
37 explanation of why it was not met.

38 (b) A description of available appeals procedures by which a
39 qualified hospital may dispute the finding and remove the finding from the
40 qualified hospital's record by providing clear and convincing evidence
41 that the standard was met.

42 (c) Confirmation that, effective immediately, the qualified
43 hospital is no longer qualified to make presumptive eligibility
44 determinations under the system.

45 F. This section is repealed from and after June 30, 2027.

1 G. For the purposes of this section, "administration" has the same
2 meaning prescribed in section 36-2901, Arizona Revised Statutes.

3 Sec. 8. Dementia services program; department duties;
4 Alzheimer's disease state plan; posting; reporting
5 requirement; advisory council; delayed repeal;
6 definition

7 A. The department of health services is designated as the lead
8 agency in this state to address Alzheimer's disease and related forms of
9 dementia.

10 B. The director of the department of health services shall
11 establish a dementia services program within the department that does all
12 of the following:

13 1. Facilitates the coordination of programs that relate to
14 Alzheimer's disease and related forms of dementia in all state agencies.

15 2. Facilitates the coordination, review, publication and
16 implementation of and updates to the Alzheimer's disease state plan
17 developed pursuant to this section.

18 3. Applies for public health funding and grants related to
19 Alzheimer's disease and related forms of dementia.

20 4. Incorporates evidence-based brain health strategies into
21 relevant department-led public health programs.

22 C. The department shall develop an Alzheimer's disease state plan
23 that assesses the current and future impact of Alzheimer's disease and
24 related forms of dementia on this state and that:

25 1. Assesses and identifies relevant gaps in all of the following:

26 (a) Existing state services and resources that address the needs of
27 persons living with Alzheimer's disease or a related form of dementia and
28 their caregivers.

29 (b) The needs of persons who have Alzheimer's disease or a related
30 form of dementia and how their lives are affected throughout the
31 progression of the disease.

32 (c) This state's public and private health systems, workforce and
33 clinical capacity and capability to provide effective detection, diagnosis
34 and treatment of Alzheimer's disease and related forms of dementia.

35 (d) This state's public and private nonmedical care and support
36 services for persons living with Alzheimer's disease or a related form of
37 dementia and their caregivers.

38 2. Provides strategic recommendations with measurable goals for
39 state action to do all of the following for persons living with
40 Alzheimer's disease or a related form of dementia:

41 (a) Improve access to care, support, diagnostics and treatment.

42 (b) Improve the quality of dementia care, including crisis
43 response, health care systems, long-term care and in-home care.

44 (c) Advance risk reduction and early detection awareness and brain
45 health.

1 (d) Improve caregiver support, care planning and care coordination.
2 (e) Improve the collection, availability and use of
3 dementia-related data by state agencies.
4 D. The department shall convene or designate an advisory council or
5 working group to assist in planning, conducting and evaluating stakeholder
6 engagement and state plan implementation, review and updates. Membership
7 of the advisory council or working group shall reflect the diversity of
8 stakeholders identified in subsection E, paragraph 1 of this section.
9 E. The department shall conduct stakeholder engagement sessions at
10 least once each calendar year to solicit input on the state plan. The
11 department shall:
12 1. Seek feedback from and collaborate with persons who have
13 Alzheimer's disease or a related form of dementia, direct caregivers and
14 public, private and nonprofit organizations focused on Alzheimer's care
15 services, research, advocacy, health services and caregiver support.
16 2. At least thirty days before each engagement session, provide
17 public notice of the session, including the date, time, location or
18 virtual access information, a summary agenda and instructions for
19 submitting written comments.
20 3. Ensure meaningful participation by stakeholders statewide,
21 including rural and underserved communities, and provide reasonable
22 accommodations and language access.
23 4. Accept written comments for at least fourteen days following
24 each engagement session.
25 F. On or before June 30, 2027, the department shall update and
26 submit the state plan to the governor, the president of the senate and the
27 speaker of the house of representatives and shall provide a copy to the
28 secretary of state. The department shall publish the plan on the
29 department's public website.
30 G. This section is repealed from and after June 30, 2027.
31 H. For the purposes of this section, "caregiver" means an unpaid
32 person who provides regular assistance in activities of daily living for a
33 person living with Alzheimer's disease or a related form of dementia.
34 Sec. 9. AHCCCS; urban Indian organizations; traditional
35 health services; pilot coverage; administrative
36 action; delayed repeal; definitions
37 A. Subject to a section 1115 waiver approval by the centers for
38 medicare and medicaid services, for fiscal years 2026-2027, 2027-2028 and
39 2028-2029, the Arizona health care cost containment system and its
40 contractors shall provide pilot coverage for traditional healing services
41 at urban Indian health organizations if both of the following apply:
42 1. The member qualifies for services through the Indian health
43 service or a tribal facility pursuant to the conditions of participation
44 outlined in 42 Code of Federal Regulations section 136.12.

2. The traditional healing services are delivered by or through an urban Indian organization.

B. The director of the Arizona health care cost containment system may take any administrative action necessary to implement this section.

C. This section is repealed from and after December 31, 2029.

D. For the purposes of this section:

1. "Contractor" has the same meaning prescribed in section 36-2901, Arizona Revised Statutes.

2. "Member" has the same meaning prescribed in section 36-2901, Arizona Revised Statutes.

3. "Urban Indian organization" means an urban Indian organization in this state that receives Indian health services funding pursuant to 25 United States Code chapter 18.

Sec. 10. 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. 11. 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. 12. 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. 13. 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

1 state treasurer may not withhold distributions from the Arizona highway
2 user revenue fund pursuant to title 28, chapter 18, article 2, Arizona
3 Revised Statutes.

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

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

15 E. If payments made pursuant to subsection C of this section exceed
16 the amount required to meet the costs incurred by the Arizona health care
17 cost containment system for the hospitalization and medical care of those
18 persons defined as an eligible person pursuant to section 36-2901,
19 paragraph 6, subdivisions (a), (b) and (c), Arizona Revised Statutes, the
20 director of the Arizona health care cost containment system administration
21 may instruct the state treasurer either to reduce remaining payments to be
22 paid pursuant to this section by a specified amount or to provide to the
23 counties specified amounts from the Arizona health care cost containment
24 system fund and the long-term care system fund established by section
25 36-2913, Arizona Revised Statutes.

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

31 Sec. 14. AHCCCS: mental health medication utilization:
32 report; definition

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

43 B. The report required by subsection A of this section shall
44 include the annual aggregate gross amount spent for each mental health
45 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. 15. 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. 16. Competency restoration; exclusion; county expenditure limitations

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

Sec. 17. Opioid settlement funds agreement; expenditure limitation; penalty reduction; fiscal year 2026-2027

Notwithstanding section 41-1279.07, Arizona Revised Statutes, for fiscal year 2026-2027, if a county, city or town exceeds its expenditure limitation prescribed in article IX, section 20, Constitution of Arizona, due to spending monies received from the one Arizona distribution of opioid settlement funds agreement, the penalty shall be reduced by the amount of the one Arizona distribution of opioid settlement funds agreement monies spent and may not be less than \$0.

Sec. 18. AHCCCS; risk contingency rate setting

Notwithstanding any other law, for the contract year beginning October 1, 2026 and ending September 30, 2027, the Arizona health care cost containment system administration may continue the risk contingency rate setting for all managed care organizations and the funding for all

1 managed care organizations administrative funding levels that were imposed
2 for the contract year beginning October 1, 2010 and ending
3 September 30, 2011.

4 Sec. 19. Rulemaking exemption

5 Notwithstanding any other law, for the purposes of adopting policies
6 and rules related to service frequency or hour limitations for covered
7 services pursuant to title 36, chapter 29, Arizona Revised Statutes, the
8 Arizona health care cost containment system administration is exempt from
9 the requirements of title 41, chapter 6, Arizona Revised Statutes, in
10 fiscal year 2026-2027, except that the Arizona health care cost
11 containment system administration shall provide notice and at least thirty
12 days for public comment before implementing policies and rules related to
13 service frequency or hour limitations.

14 Sec. 20. Rulemaking exemption; retroactivity

15 A. Notwithstanding any other law, for the purposes of implementing
16 the hospital assessment pursuant to sections 36-2907.08 and 36-2999.72,
17 Arizona Revised Statutes, the Arizona health care cost containment system
18 administration is exempt from the requirements of title 41, chapter 6,
19 Arizona Revised Statutes, in fiscal year 2026-2027.

20 B. This section applies retroactively to from and after June 30,
21 2026.

22 Sec. 21. Legislative intent; implementation of program

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

26 Sec. 22. Applicability

27 Section 36-798.51, Arizona Revised Statutes, as amended by this act,
28 applies to contracts entered into or renewed from and after December 31,
29 2026.