Table of Contents

State/Territory Name: Arizona

State Plan Amendment (SPA) #: 25-0025

This file contains the following documents in the order listed:

1) Approval Letter
2) CMS 179 Form/Summary Form (with 179-like data)
3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

Financial Management Group

11/5/2026

Roberta Harrison
Interim State Medicaid Director
Arizona Health Care Cost Containment System
801 E. Jefferson Street
Phoenix, AZ 85034

RE: TN 25-0025

Dear Roberta Harrison:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Arizona state plan amendment (SPA) to Attachment 4.19-A AZ 25-0025, which was submitted to CMS on December 4, 2025. The amendment updates the Inpatient Differential Adjusted Payment (DAP) Program for FFY 2026.

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2) of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of October 1, 2025. We are enclosing the approved CMS-179 and a copy of the new state plan page.

If you have any additional questions or need further assistance, please contact Diana Dinh at 670-290-8857 or via email at diana.dinh@cms.hhs.gov.

Sincerely,

Rory Howe

Rory Howe
Director
Financial Management Group

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 25-0025

2. STATE: AZ

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT: (●) XIX ( ) XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
October 1, 2025

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Part 447

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2026 $ 3,346,800
b. FFY 2027 $ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-A, pages 28, 28(a)-(z)

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-A, pages 28, 28(a)-(z)

9. SUBJECT OF AMENDMENT
Updates the Inpatient Differential Adjusted Payment (DAP) Program for FFY 2026.

10. GOVERNOR'S REVIEW *(Check One)*
(●) GOVERNOR'S OFFICE REPORTED NO COMMENT
( ) COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
( ) NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
( ) OTHER, AS SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL
Kyle Sawyer

12. TYPED NAME
Kyle Sawyer

13. TITLE
Assistant Director, Public Policy and Strategic Planning

14. DATE SUBMITTED
December 4, 2025

15. RETURN TO
Kyle Sawyer
150 N. 18th Ave.
Phoenix, AZ 85007

FOR CMS USE ONLY

16. DATE RECEIVED
December 4, 2025

17. DATE APPROVED
11/5/2026

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
October 1, 2025

19. SIGNATURE OF APPROVING OFFICIAL
Rory Howe

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, FMG

22. REMARKS

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

A. Overview

As of October 1, 2025, through September 30, 2026 (Contract Year Ending (CYE) 2026), AHCCCS registered Arizona hospitals (other than the facilities described in section C. below) which meet Agency established value-based performance metrics requirements in section B. below will receive a Differential Adjusted Payment described in section D. below. The Differential Adjusted Payment Schedule represents a positive adjustment to the AHCCCS Fee-For-Service reimbursement rates. These payment adjustments will occur for all dates of discharge in CYE 2026 (October 1, 2025, through September 30, 2026) only. The purpose of the Differential Adjusted Payment is to distinguish facilities which have committed to supporting designated actions that improve patients' care experience, improve members' health, and reduce cost of care growth. The base methodologies in this DAP are located in Attachment 4.19-A of the State Plan. This inpatient DAP focuses on Medicaid provider rate increases for providers who take action to improve member outcomes and promote important health initiatives. These incentives improve the quality of services and reduce overall costs. The Differential Adjusted Payments described in this section apply to Medicaid-covered inpatient hospital services furnished to Medicaid beneficiaries and are intended to improve access to care, quality of services, and efficiency in the delivery of Medicaid services.

B. Applicability

To qualify for the Inpatient Differential Adjusted Payment (DAP), a hospital providing inpatient hospital services must meet one of the following criteria:

1. <u>Hospitals Subject to APR-DRG reimbursement (Up to 2.0%)</u>

Hospitals (Provider Type 02) are eligible for DAP increases on all inpatient services under the following criteria:

a. Health Information Exchange: Data Quality (2.0%)	To be eligible for this DAP, hospitals must have participated in the DAP HIE program in CYE 2024 and/or CYE 2025. Hospitals that meet the following milestones are eligible to earn a 2.0% DAP. i. Milestone #1: No later than April 1, 2025, the hospital must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI) that the hospital requests to participate in the DAP. ii. Milestone #2: No later than December 31, 2025, the hospital must electronically submit the following patient identifiable information to the State-designated health information exchange meeting State-defined standards production environment of the HIE organization: including standard Admission, Discharge, and Transfer (ADT) information; data from the hospital emergency department (if applicable); laboratory and radiology information (if applicable); transcription; medication information; immunization data; and discharge summaries that include, at a minimum, discharge orders, discharge instructions, active medications, new prescriptions, active problem lists (diagnosis), treatments and procedures conducted during the stay, active allergies, and discharge destination. If a hospital is in the process of integrating a new EHR system, the hospital must notify the HIE organization and have the implementation timeline approved to continue meeting DAP requirements.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

iii. Milestone #3: No later than March 1, 2026, the hospital must complete the data quality profile, based on January 2026 data, with the HIE organization. Data elements in the following measure categories will be included within the data quality profile:

1. Measure 1: Data source and data site information must be submitted on ADT transactions;

2. Measure 2: Patient demographic information must be submitted on ADT transactions;

3. Measure 3: Race must be submitted on ADT transactions;

4. Measure 4: Ethnicity must be submitted on ADT transactions; and

5. Measure 5: Language must be submitted on ADT transactions.

iv. Milestone #4: No later than April 1, 2026, the hospital must complete a data quality improvement plan as defined by the HIE organization to improve the quality of data elements by 3.0% collectively over the March 1, 2026, data quality profile. The quality improvement plan is not required if the data quality profile results are greater than 90% for each measure.

v. Milestone #5: No later than September 1, 2026, a final data quality profile will be completed, based on July 2026 data to reassess data elements and performance improvement. Hospitals must have improved the quality of data elements by 3.0% collectively from its March 2026 data quality profile. This requirement does not apply if the data quality profile results are greater than 90% for each measure.

Quality improvement will be based on the HIE's Gold Standards. Refer to Attachment C for additional information.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

2. Psychiatric and Specialty Per Diem Hospitals (2.0%)

Psychiatric Hospitals, with the exception of public hospitals (Provider Type 71) and Specialty Per Diem Hospitals (Provider Type C4) are eligible for DAP increases on all inpatient services under the following criteria.

a. Health Information Exchange: Data Quality (2.0%)	To be eligible for this DAP, Hospitals must have participated in the DAP HIE Program in CYE 2024 and/or CYE 2025. Hospitals that meet the following milestones are eligible to earn a 2.0% DAP. i. Milestone #1: No later than April 1, 2025, the hospital must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI) that the hospital requests to participate in the DAP. ii. Milestone #2: No later than December 31, 2025, the hospital must electronically submit the following patient identifiable information to the State-designated health information exchange meeting State-defined standards production environment of the HIE organization: including standard Admission, Discharge, and Transfer (ADT) information, data from the hospital emergency department (if applicable); laboratory and radiology information (if applicable); transcription; medication information; immunization data; and discharge summaries that include, at a minimum, discharge orders, discharge instructions, active medications, new prescriptions, active problem lists (diagnosis), treatments and procedures conducted during the stay, active allergies, and discharge destination. If a hospital is in the process of integrating a new EHR system, the hospital must notify the HIE organization and have the implementation timeline approved to continue meeting DAP requirements. iii. Milestone #3: No later than March 1, 2026, the hospital must complete the data quality profile, based on January 2026 data, with the HIE organization. Data elements in the following measure categories will be included within the data quality profile: • Measure 1: Data source and data site information must be submitted on ADT transactions; • Measure 2: Patient demographic information must be submitted on ADT transactions; • Measure 3: Race must be submitted on ADT transactions; • Measure 4: Ethnicity must be submitted on ADT transactions; and • Measure 5: Language must be submitted on ADT transactions.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

	iv. Milestone #4: No later than April 1, 2026, the hospital must complete a data quality improvement plan as defined by the HIE organization to improve the quality of data elements by 3.0% collectively over the March 1, 2026, data quality profile. The quality improvement plan is not required if the data quality profile results are greater than 90% for each measure, the quality Improvement plan is not required. v. Milestone #5: No later than September 1, 2026, a final data quality profile will be completed, based on July 2026 data to reassess data elements and performance improvement. Hospitals must have improved the quality of data elements by 3.0% collectively from its March 2026 data quality profile. This requirement does not apply if the data quality profile results are greater than 90% for each measure. Quality improvement will be based on the HIE's Gold Standards. Refer to Attachment C for additional information.

3. <u>Residential Treatment Centers and Subacute Facilities (1.25%)</u>

Secure Residential Treatment Centers 17+ beds (Provider Type B1), Non-Secure Residential Treatment Centers 17+ beds (Provider Type B3), Subacute Facilities 1-16 Beds (Provider Type B5), Subacute Facilities 17+ beds (Provider Type B6), are eligible for a DAP increase on all inpatient services under the following criteria.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Domain / % Increase	Description
a. Health Information Exchange: Data Quality (0.75%)	To be eligible for this DAP, Facilities must have participated in the DAP HIE program in CYE 2024 and/or CYE 2025. Facilities that meet the following milestones are eligible to earn a 0.75% DAP. i. Milestone #1: No later than April 1, 2025, the facility must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI) that the facility requests to participate in the DAP. ii. Milestone #2: No later than December 31, 2025, the facility must electronically submit the following patient identifiable information to the State-designated health information exchange meeting State-defined standards production environment of the HIE organization: including standard Admission, Discharge, and Transfer (ADT) information, data from the facility emergency department (if applicable); laboratory and radiology information (if applicable); transcription; medication information; immunization data; and discharge summaries that include, at a minimum, discharge orders, discharge instructions, active medications, new prescriptions, active problem lists (diagnosis), treatments and procedures conducted during the stay, active allergies, and discharge destination. If a facility is in the process of integrating a new EHR system, the facility must notify the HIE organization and have the implementation timeline approved to continue meeting DAP requirements. iii. Milestone #3: No later than March 1, 2026, the facility must complete the data quality profile, based on January 2026 data, with the HIE organization. Data elements in the following measure categories will be included within the data quality profile: 1. Measure 1: Data source and data site information must be submitted on ADT transactions; 2. Measure 2: Patient demographic information must be submitted on ADT transactions; 3. Measure 3: Race must be submitted on ADT transactions; 4. Measure 4: Ethnicity must be submitted on ADT transactions; and 5. Measure 5: Language must be submitted on ADT transactions. iv. Milestone #4: No later than April 1, 2026, the facility must complete a data quality improvement plan as defined by the HIE organization to improve the quality of data

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

	elements by 3.0% collectively over the March 1, 2026, data quality profile. The quality improvement plan is not required if the data quality profile results are greater than 90% for each measure, the quality Improvement plan is not required. v. Milestone #5: No later than September 1, 2026, a final data quality profile will be completed, based on July 2026 data to reassess data elements and performance improvement. Facilities must have improved the quality of data elements by 3.0% collectively from its March 2026 data quality profile. This requirement does not apply if the data quality profile results are greater than 90% for each measure. Quality improvement will be based on the HIE's Gold Standards. Refer to Attachment C for additional information.
b. Social Determinants of Health Closed Loop Referral System (0.5%)	In relation to this DAP initiative only, the Social Determinants of Health (SDOH) Closed Loop Referral System is State-designated closed loop referral system meeting State-defined standards. Facilities that meet the following milestones are eligible to earn a 0.5% DAP. Cohort 1: Facilities that participated in the DAP SDOH program in CYE 2024 and/or CYE 2025. i. Milestone #1: No later than April 1, 2025, the facility must have an active State-designated closed loop referral system meeting State-defined standards Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility name, including AHCCCS ID(s), and corresponding National Provider Identifier(s) (NPI), that the facility requests to participate in the DAP. ii. Milestone #2: No later than September 30, 2025, the facility must participate in a post-live connection and/or SDOH DAP webinar with their assigned SDOH Advisor to discuss training needs, SDOH Screening and Referral workflows, and implementation of an SDOH screening tool. iii. Milestone #3: From October 1, 2025, to September 30, 2026, the facility is required to engage with the State-designated closed loop referral system meeting State-defined standards by conducting a combination of 15 screenings, in- network referrals, and resolved off-platform cases per month for each AHCCCS ID/Facility location. Screenings, referrals, and resolved off-platform cases entered into the State-designated closed loop referral system meeting State-defined standards by the facility will count towards the utilization requirements and be tracked monthly. Facilities should prioritize sending in-network referrals before seeking off-platform resources and aim to achieve a resolved status for both in-network referrals and off-platform cases, ensuring the client's needs are met. iv. Milestone #4: From October 1, 2025, to September 30, 2026, the facility will receive quarterly SDOH DAP Worksheets via email. Facilities must review their goal performance. If goals are unmet, facilities may meet and consult their assigned SDOH Advisor to discuss barriers and complete an improvement plan. Goals must be achieved by August 15, 2026

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Cohort 2: Facilities that have not participated in the DAP SDOH program in CYE 2024 or CYE 2025.

i. Milestone #1: No later than April 1, 2025, the facility must submit a State-designated closed loop referral system meeting State-defined standards Access Agreement and a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the facility requests to participate in the DAP.

ii. Milestone #2: No later than January 1, 2026, the facility must complete onboarding with the State-designated closed loop referral system meeting State-defined standards Team, submitting all requirements before accessing the system.

iii. Milestone #3: Upon going live, the facility is required to engage with the State-designated closed loop referral system meeting State-defined standards by conducting a combination of 10 screenings, in-network referrals, and resolved off- platform cases per month for each AHCCCS ID/Facility location. Screenings, referrals, and resolved off-platform cases entered into the State-designated closed loop referral system meeting State-defined standards by the facility will count towards the utilization requirements and be tracked monthly. Facilities should prioritize sending in-network referrals before seeking off-platform resources and aim to achieve a resolved status for both in-network referrals and off-platform cases, ensuring the client's needs are met.

iv. Milestone #4: From the facility go-live, through September 30, 2026, the facility is required to review its quarterly SDOH DAP Worksheets to ensure its goals are being met. If goals are unmet, facilities are required to meet and consult with their assigned SDOH Advisor to discuss barriers and complete an improvement plan. Goals must be achieved by August 15, 2026.

4. Critical Access Hospitals (up to 2.0%)

Hospitals designated as a Critical Access Hospital (CAH), Non-IHS/638 hospitals by March 15, 2025, are eligible for a 2.0% DAP increase on all inpatient services under the following criteria.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Domain / % Increase	Description
a. Health Information Exchange Participation (2.0%)	Hospitals that meet the following milestones are eligible to earn a 2.0% DAP. Cohort 1: Hospitals who participated in the DAP HIE program in CYE 2024 and/or CYE 2025. i. Milestone #1: No later than April 1, 2025, the hospital must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the hospital requests to participate in the DAP. ii. Milestone #2: No later than March 1, 2025, the hospital must launch the integration implementations project, have a Virtual Private Network (VPN) connection in place with the HIE, and electronically submit patient information to the HIE test environment. The hospital is required to engage in interface testing as required by the HIE and focus on improving data integrity in the test environment. iii. Milestone #3: No later than May 30, 2025, the hospital must have actively accessed, and continue to access on an ongoing basis, patient health information via the HIE organization, utilizing one or more HIE services, such as the HIE Portal, standard Admission, Discharge, Transfer (ADT) Alerts, standard Clinical Notifications, or an interface that delivers patient data into the facility's Electronic Health Record (EHR) system. iv. Milestone #4: No later than December 31, 2025, the hospital must electronically submit the following actual patient identifiable information to the State-designated health information exchange meeting State-defined standards production environment of a qualifying HIE organization: standard ADT information, including data from the hospital emergency department (if applicable) laboratory and radiology information (if applicable), transcription, medication information; immunization data; and discharge summaries that include, at a minimum, discharge orders, discharge instructions, active medications, new prescriptions, active problem lists (diagnosis), treatments and procedures conducted during the stay, active allergies, and discharge destination. If a hospital is in the process of integrating a new EHR system, the hospital must notify the HIE organization and get the implementation timeline approved to continue meeting DAP requirements.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Cohort 2: Hospitals that have not participated in the DAP HIE program in CYE 2024 or CYE 2025.

i. Milestone #1: No later than April 1, 2025, the hospital must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the hospital requests to participate in the DAP.

ii. Milestone #2: No later than March 1, 2026, the hospital must have actively accessed, and continue to access on an ongoing basis, patient health information via the HIE organization portal.

iii. Milestone #3: No later than March 1, 2026, hospitals that utilize external reference labs for any lab result processing must submit necessary provider authorization forms to the HIE organization, if required by the external reference lab, to have all outsourced lab test results flow to the HIE on their behalf.

iv. Milestone #4: No later than May 1, 2026, the hospital must launch the integration implementations project, have a Virtual Private Network (VPN) connection in place with the HIE, and electronically submit patient information to the State-designated health information exchange meeting State-defined standards test environment. The hospital is required to engage in interface testing as required by the HIE and focus on improving data integrity in the test environment.

v. Milestone #5: No later than September 30, 2026, the hospital must electronically submit the following patient identifiable information to the production environment of the HIE organization: ADT information, including data from the hospital emergency department if the provider has an emergency department; laboratory and radiology information (if the provider has these services); transcription; medication information; immunization data; and discharge summaries that include, at a minimum, discharge orders, discharge instructions, active medications, new prescriptions, active problem lists (diagnosis), treatments and procedures conducted during the stay, active allergies, and discharge destination.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

C. IHS/638 Facilities

DAP for IHS and 638 tribally owned and/or operated hospitals are described on page 28(j).

Payment Methodology

For hospitals receiving APR-DRG reimbursement Fee-for-Service reimbursement rates may be increased up to a maximum of 2.0%. Reimbursement rates for inpatient services will be increased by 2.0% if the HIE: DQ requirements are met. These increases do not apply to supplemental payments

For Psychiatric and Specialty Per diem Hospitals Fee-for-Service reimbursement rates may be increased up to a maximum of 2.0%. Reimbursement rates for inpatient services will be increased by 2.0% if the HIE: DQ requirements are met. These increases do not apply to supplemental payments.

For Residential Treatment Centers and Subacute Facilities Fee-for-Service reimbursement rates may be increased up to a maximum of 1.25%. Reimbursement rates for inpatient services will be increased 0.75% if the HIE DQ requirements are met and by 0.5% if the SDOH requirements are met. These increases do not apply to supplemental payments.

For critical access hospitals Fee-for-Service reimbursement rates may be increased up to a maximum of 2.0%. Reimbursement rates for inpatient services will be increased by 2.0% if the HIE Participation requirements are met. These increases do not apply to supplemental payments.

Hospitals which submitted a DAP SOW and received a DAP increase for CYE 2025 but failed to achieve one or more milestones in the DAP SOW or failed to maintain its participation in the milestone activities are ineligible to receive the respective DAP in CYE 2026.

If a provider is receiving a DAP in CYE 2026 and cannot meet a milestone and/or cannot maintain its participation in milestone activities, the provider must immediately notify AHCCCS. This notification must be made prior to the milestone deadline and must state the reason the milestone cannot be met. When applicable, DAP participants are subject to audits, at the discretion of AHCCCS. Within 30 days of AHCCCS being notified of a missed milestone, becoming aware of the provider's failure to maintain participation, and/or determining that the provider has failed a DAP audit, AHCCCS will remove the participant's eligibility for the DAP prospectively and consistent with applicable notice standards, and for the remainder of the year.

If a hospital receives a DAP increase for the entire CYE 2026 but it is determined subsequently that it did not meet the CYE 2026 milestones or failed to maintain its participation in the milestone activities in CYE 2026, that hospital will be ineligible to receive this DAP for CYE 2027 if a DAP is available at that time.

The following is a description of methods and standards for determining Differential Adjusted Payments for IHS/638 Tribally owned and/or operated facilities. The purpose of the Differential Adjusted Payment is to distinguish facilities which have committed to supporting designated actions that improve patients' care experience, improve members' health, and reduce cost of care growth. The Differential Adjusted Payment Schedule represents a positive adjustment to the AHCCCS rates. These payment adjustments will occur for all dates of service in Contract Year Ending (CYE) 2026 (October 1, 2025, through September 30, 2026) only.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

A. Applicability

Indian Health Service and/or Tribally owned and/or operated hospitals (Provider Type 02), by March 15, 2025, are eligible for a DAP increase on all inpatient services under the following criteria.

1. **IHS and 638 Tribally Owned and/or Operated Facilities (Up to 3.5%)**

Domain / % Increase	Description
a. Health Information Exchange Participation (1.5%)	Hospitals that meet the following milestones are eligible to earn a 1.5% DAP. Cohort 1: Hospitals who participated in the DAP HIE program in CYE 2024 and/or CYE 2025. i. Milestone #1: No later than April 1, 2025, the hospital must have in place an active Health Information Exchange (HIE) Participation Agreement and a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the hospital requests to participate in the DAP. ii. Milestone #2: No later than March 1, 2025, the hospital must launch the integration implementations project, have a Virtual Private Network (VPN) connection in place with the HIE, and electronically submit patient information to the HIE test environment. The hospital is required to engage in interface testing as required by the HIE and focus on improving data integrity in the test environment. iii. Milestone #3: No later than May 30, 2025, the hospital must have actively accessed, and continue to access on an ongoing basis, patient health information via the HIE organization, utilizing one or more HIE services, such as the HIE Portal, standard Admission, Discharge, Transfer (ADT) Alerts, standard Clinical Notifications, or an interface that delivers patient data into the hospital's Electronic Health Record (EHR) system. iv. Milestone #4: No later than December 31, 2025, the hospital must electronically submit the following actual patient identifiable information to the State-designated health information exchange meeting State-defined standards production environment of the

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

qualifying HIE organization: ADT information, including data from the hospital emergency department (if applicable), laboratory and radiology information (if applicable), transcription, medication information, immunization data, and discharge summaries that include, at a minimum, discharge orders, discharge instructions, active medications, new prescriptions, active problem lists (diagnosis), treatments and procedures conducted during the stay, active allergies, and discharge destination. If the hospital has ambulatory and/or behavioral health practices, then the facility must submit the following actual patient identifiable information to the production environment of a qualifying HIE: registration, encounter summary, and data elements defined by the qualifying HIE specific to individuals with a serious mental illness. If a hospital is in the process of integrating a new EHR system, the hospital must notify the HIE organization and get the implementation timeline approved to continue meeting DAP requirements.

Cohort 2: Hospitals that have not participated in the DAP State-designated health information exchange meeting State-defined standards program in CYE 2024 or CYE 2025.

i. Milestone #1: No later than April 1, 2025, the hospital must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the hospital requests to participate in the DAP.
ii. Milestone #2: No later than March 1, 2026, the hospital must have actively accessed, and continue to access on an ongoing basis, patient health information via the HIE organization portal. access on an ongoing basis, patient health information via the HIE organization portal.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

b. Social Determinants of Health Closed Loop Referral System (0.5%)	In relation to this DAP initiative only, the Social Determinants of Health Closed Loop Referral System is the State-designated closed loop referral system meeting State-defined standards. Hospitals that meet the following milestones are eligible to earn a 0.5% DAP. Cohort 1: Hospitals who participated in the DAP SDOH program in CYE 2024 and/or CYE 2025. i. Milestone #1: No later than April 1, 2025, the hospital must s have an active State-designated closed loop referral system meeting State-defined standards Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the hospital requests to participate in the DAP. ii. Milestone #2: No later than September 30, 2025, the hospital must participate in a post-live connection and/or SDOH DAP webinar with their assigned SDOH Advisor to discuss training needs, SDOH Screening and Referral workflows, implementation of the SDOH screening tool. iii. Milestone #3: From October 1, 2025, to September 30, 2026, the hospital is required to engage with the State-designated closed loop referral system meeting State-defined standards by conducting a combination of 15 screenings, in- network referrals, and resolved off-platform cases per month for each AHCCCS ID/Facility location. Screenings, referrals, and resolved off-platform cases entered into the State-designated closed loop referral system meeting State-defined standards by the hospital will count towards the utilization requirements and be tracked monthly. Hospitals should prioritize sending in-network referrals before seeking off-platform resources and aim to achieve a resolved status for both in-network referrals and off-platform cases, ensuring the client's needs are met. iv. Milestone #4: From October 1, 2025, to September 30, 2026, the hospital will receive quarterly SDOH DAP Worksheets via email. Hospitals must review their goal performance. If goals are unmet, hospitals may meet and consult their assigned SDOH Advisor to discuss barriers and complete an improvement plan. Goals must be achieved by August 15, 2026. Cohort 2: Hospitals that have **not** participated in the DAP SDOH program in CYE 2024 or CYE 2025. i. Milestone #1: No later than April 1, 2025, the hospital must submit a State-designated closed loop referral system meeting State-defined standards Access Agreement and a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the hospital requests to participate in the DAP.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

	ii. Milestone #2: No later than January 1, 2026, the hospital must complete onboarding with the State-designated closed loop referral system meeting State-defined standards Team, submitting all requirements before accessing the system. iii. Milestone #3: Upon going live, the hospital is required to engage with State-designated closed loop referral system meeting State-defined standards by conducting a combination of 10 screenings, in-network referrals, and resolved off-platform cases per month for each AHCCCS ID/Facility location. Screenings, referrals, and resolved off-platform cases entered into State-designated closed loop referral system meeting State-defined standards by the hospital will count towards the utilization requirements and be tracked monthly. Hospitals should prioritize sending in-network referrals before seeking off-platform resources and aim to achieve a resolved status for both in-network referrals and off- platform cases, ensuring the client's needs are met. iv. Milestone #4: From the hospital go-live, through September 30, 2026, the hospital is required to review its quarterly SDOH DAP Worksheets to ensure its goals are being met. If goals are unmet, hospitals are required to meet and consult with their assigned SDOH Advisor to discuss barriers and complete an improvement plan. Goals must be achieved by August 15, 2026.
c. Naloxone Distribution Program (0.5%)	Hospitals with an Emergency Department that meet the following milestones are eligible to earn a 0.5% DAP increase on all inpatient services. Cohort 1: Hospitals with an Emergency Department that participated only in CYE 2025. Hospitals that participated in CYE 2024 and CYE 2025 will not be eligible. i. Milestone #1: No later than April 1, 2025, the hospital must submit a Letter of Intent (LOI) to AHCCCS to the following email address: AHCCCSDAP@azahcccs.gov, indicating that they will participate in the Naloxone Distribution Program (NDP). The LOI must contain each facility, including AHCCCS ID(s) and corresponding NPI(s), that the hospital requests to participate in the DAP. ii. Milestone #2: No later than November 30, 2025, the hospital must develop and submit a facility policy that ensures hospitals are purchasing Naloxone through standard routine pharmacy ordering. iii. Milestone #3: No later than February 28, 2026, the hospital must submit a Naloxone Distribution Program Attestation to AHCCCS to the following email address: AHCCCSDAP@azahcccs.gov.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

	Hospitals with an Emergency Department that meet the following milestones are eligible to earn a 0.5% DAP increase on all inpatient services. Cohort 2: Hospitals with an Emergency Department that have not participated in the NDP DAP. i. Milestone #1: No later than April 1, 2025, the hospital must submit a Letter of Intent (LOI) to AHCCCS to the following email address: AHCCCSDAP@azahcccs.gov, indicating that they will participate in the Naloxone Distribution Program (NDP). The LOI must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the hospital requests to participate in the DAP. ii. Milestone #2: No later than November 30, 2025, the hospital must develop and submit a facility policy that meets AHCCCS/ADHS standards for NDP. iii. Milestone #3: No later than January 1, 2026, the hospital must begin distribution of Naloxone to individuals at risk of overdose as identified through the facilities' policy. iv. Milestone #4: No later than February 28, 2026, the hospital must submit a Naloxone Distribution Program Attestation to AHCCCS to the following email address: AHCCCSDAP@azahcccs.gov.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

d. Maternal Syphilis Program (0.5%)	Hospitals with an Emergency Department that meet the following milestones are eligible to earn a 0.5% DAP. i. Milestone #1: No later than April 1, 2025, the hospital must submit a Letter of Intent (LOI) to AHCCCS to the following email address: AHCCCSDAP@azahcccs.gov, indicating that they will participate in the Maternal Syphilis Program. The LOI must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the hospital requests to participate in the DAP. ii. Milestone #2: No later than November 30, 2025, develop and submit a facility policy that meets AHCCCS/ADHS standards for testing individuals for syphilis. iii. Milestone #3: No later than January 1, 2026, begin testing individuals for syphilis as outlined in the facility's policy.
e. Medications for Opioid Use Disorder – Enhancement Program (0.5%)	Hospitals with an Emergency Department that meet the following milestones are eligible to earn a 0.5% DAP. i. Milestone #1: No later than April 1, 2025, the hospital must submit a Letter of Intent (LOI) to AHCCCS to the following email address: AHCCCSDAP@azahcccs.gov, indicating that they will participate in the Medications for Opioid Use Disorder (MOUD) Enhancement Program. The LOI must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the hospital requests to participate in the DAP. The LOI must further attest to the following: 1. The hospital will implement MOUD treatment quality improvement initiatives with internal tracking and review initiatives on at least a quarterly basis; and 2. The hospital will spend the preponderance of DAP funds to enhance, expand, and/or strengthen MOUD services. ii. Milestone #2: No later than April 1, 2025, the hospital agrees to participate in the Arizona Statewide Clinical Opioid Workgroup, which includes sharing metrics as determined by the Arizona Department of Health Services (ADHS) in a centralized, and timely manner, providing any best practices and nonsensitive data points for the use of state-driven publications, ensuring leadership attendance at quarterly meetings, and supporting relevant stakeholder participants (e.g., IT, quality improvement, addiction medicine, primary care, operational specialists). iii. Milestone #3: No later than November 30, 2025, the hospital must develop and submit a facility policy that meets AHCCCS/ADHS standards for a Hospital MOUD Enhancement Program that offers MOUD for eligible patients. The policy must be submitted to AHCCCS at the following email address: AHCCCSDAP@azahcccs.gov. iv. Milestone #4: No later than April 1, 2026, the hospital must submit a concise narrative summarizing the salient highlights of the progress of their MOUD treatment enhancement and utilization of DAP funds. The narrative must be submitted to AHCCCS at the following email address: AHCCCSDAP@azahcccs.gov.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

B. Payment Methodology

All payments may be increased up to a maximum of 3.5%. Payments will be increased by 1.5% if the IHS/Tribal 638 facility meets the HIE requirements, by 0.5% if it meets the SDOH requirements, by 0.5% if it meets the Naloxone Distribution Program requirements, by 0.5% if it meets the Maternal Syphilis Screening Program, and by 0.5% if it meets the Medications for Opioid Use Disorder Enhancement Program. The proposed DAP for IHS/638 facilities would be applicable to the All- inclusive Rate (AIR). The DAP is not applicable to supplemental payments.

IHS/Tribal 638 facility which submitted a DAP SOW and received a DAP increase for CYE 2025 but failed to achieve one or more milestone in the LOI or failed to maintain its participation in the milestone activities are ineligible to receive DAP in CYE 2026.

If a provider is receiving a DAP in CYE 2026 and cannot meet a milestone and/or cannot maintain its participation in milestone activities, the provider must immediately notify AHCCCS. This notification must be made prior to the milestone deadline and must state the reason the milestone cannot be met. When applicable, DAP participants are subject to audits, at the discretion of AHCCCS. Within 30 days of AHCCCS being notified of a missed milestone, becoming aware of the provider's failure to maintain participation, and/or determining that the provider has failed a DAP audit, AHCCCS will remove the participant's eligibility for the DAP prospectively and consistent with applicable notice standards, and for the remainder of the year.

If a hospital receives a DAP increase for the entire CYE 2026 but it is determined subsequently that it did not meet the CYE 2026 milestones or failed to maintain its participation in the milestone activities in CYE 2026, that hospital will be ineligible to receive this DAP for CYE 2027 if a DAP is available at that time.

For qualifying providers, reimbursement rates for Medicaid-covered inpatient services will be increased by 2% above the applicable Medicaid fee-for-service inpatient base rate, excluding supplemental payments.

After a provider has demonstrated achievement of the initial performance requirements and eligibility has been verified, the DAP adjustment is applied prospectively to claims beginning on 10/1/2025. Several milestone activities occur throughout the performance period concurrently with DAP payments. Continued participation in these activities is a condition of ongoing eligibility. Providers that fail to maintain participation or meet required milestones are subject to removal from the DAP program, and the payment adjustment will cease immediately following the state's determination of noncompliance.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Reserved for future use.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Reserved for future use.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Reserved for future use.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Reserved for future use.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Reserved for future use.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Reserved for future use.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Reserved for future use.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Reserved for future use.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Reserved for future use.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
INPATIENT HOSPITAL CARE

Reserved for future use.