

September 25, 2026

Edwin Walaszek
Division of Medicaid and Children's Health Operations
U.S. Department of Health & Human Services
Centers for Medicare & Medicaid Services
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

RE: Arizona SPA # AZ-26-0003, Graduate Medical Education (GME) General Fund (GF)

Dear Mr. Walaszek:

Enclosed is State Plan Amendment (SPA) # AZ-26-0003, Graduate Medical Education (GME) General Fund (GF). This SPA updates the State Plan to detail amounts and methodology related to the General Fund GME Program, effective July 1, 2026.

Tribal Consultation occurred for this SPA on August 4, 2026.

https://www.azahcccs.gov/AmericanIndians/Downloads/Consultations/Meetings/2026/08042026_AHC_CCS_TribalConsultationCombinedPresentation.pdf

The public notice period for this SPA closed on September 3, 2026, and no comments were received.

Public Notice for this SPA was posted on the following

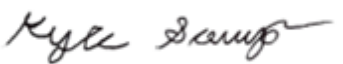
webpage: https://www.azahcccs.gov/shared/Downloads/PublicNotices/GME_FY_27_NOPI.pdf

The **Federal Fiscal Impact** of this SPA has been calculated as:

- FFY 2027: \$TBD
- FFY 2028: \$TBD

If there are any questions about the enclosed SPA, please contact Ryan Melson at Ryan.Melson@azahcccs.gov or 602-417-7309.

Sincerely,



Kyle Sawyer
Assistant Director, Public Policy and Strategic Planning
Arizona Health Care Cost Containment System (AHCCCS)

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2 6 — 0 0 0 3

2. STATE

A Z

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

July 1, 2026

5. FEDERAL STATUTE/REGULATION CITATION

42 CFR Part 447, Subpart C

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2027 \$ TBD

b. FFY 2028 \$ TBD

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-A, Page 9h, 9(h)(i)

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable)

Attachment 4.19-A, Page 9h, 9(h)(i)

9. SUBJECT OF AMENDMENT

Updates the State Plan to detail amounts and methodology related to the General Fund Graduate Medical Education (GME) Program.

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

September 25, 2026

15. RETURN TO

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

FOR CMS USE ONLY

16. DATE RECEIVED

17. DATE APPROVED

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

21. TITLE OF APPROVING OFFICIAL

22. REMARKS

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

G. For the period of July 1, 2024~~5~~ to June 30, 2025~~6~~, the AHCCCS Administration shall distribute ~~\$11,841,326.23~~\$10,615,481 for hospitals located in counties with populations of five hundred thousand or more residents for new graduate medical education programs that began on or after July 1, 2020 or for positions that were expanded on or after July 1, 2020. Payments will be made to providers by June 30, 2026~~7~~. These distributions are supplementary to and do not supplant the payments described in paragraphs B, C, D, and F above, with priority of the supplementary monies based on the number of residents and fellows in graduate medical education in the following manner:

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- 1) Each eligible resident and fellow is placed into a tier with the following priority order:
 - a) Returning residents and fellows. A returning resident or fellow is a resident or fellow whose position received funding under this section for the previous academic year, and who is continuing in the same GME program.
 - b) Residents and fellows that are not a returning resident or fellow but are in a GME program for:
 - i) Family medicine
 - ii) Internal medicine
 - iii) General pediatrics
 - iv) Obstetrics and gynecology
 - v) Psychiatry, including subspecialties
 - vi) General surgery
 - c) Residents or fellows that are not returning residents or fellows and are not described in subsection (1)(b) but are in a GME program that received funding under this section in a prior year.
 - d) All other residents and fellows.
- 2) Funds shall be allocated based on the priority of each tier. Distributions for eligible positions in a tier with a lower priority will not receive a distribution until distributions are allocated for the costs of all positions in a higher tier. If funding is insufficient to fully fund a tier, the remainder of funds will be prorated for eligible positions within that tier, based on the amount computed for each hospital that would have been reimbursable for that tier if full funding were available. Distribution is made for each tier, in priority order, before distribution to the next lower tier.

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

- 3) The amount of the distribution for each GME program for direct costs is calculated as the product of:
 - a) The number of eligible residents and fellows adjusted for the number of months or partial months worked in each hospital or non-hospital setting under agreement between the non-hospital setting and the reporting hospitals; and
 - b) The hospital's Arizona Medicaid utilization as determined in paragraph B(3) for the program year using the most recent as-filed Medicare cost report as proxy; and,
 - c) The statewide average direct cost per resident determined in paragraph B(3) for the program year using the most recent as-filed Medicare cost reports as proxy.
- 4) If monies are still remaining after direct funding has been allocated, indirect funding shall be allocated based on the priority of each tier, consistent with (G)(2). The amount of the distribution for each GME program for indirect costs is calculated as the product of:
 - a) The number of allocated eligible residents and fellows adjusted for the number of months or partial months worked in each hospital or non-hospital setting under agreement between the non-hospital setting and the reporting hospital; and
 - b) The Medicaid-specific statewide average indirect cost per resident per month calculated in paragraph D for the program year using the most recent as-filed Medicare cost reports as proxy; and
 - c) Twelve months.
- 5) To ensure that the program receives accurate funding, residents/fellows which receive funding first in paragraph G may additionally receive funding through paragraphs B, C, D, and F, but total number of residents/fellows funded shall not be greater than 100% of the total FTEs in that program.
- 6) Payments are made to participating hospitals based on the FTEs who worked at their hospitals per academic year.

H. For the period of July 1, 2024⁵ to June 30, 2025⁶, the AHCCCS Administration shall distribute ~~\$4,307,200.91~~^{\$4,388,321} for hospitals located in counties of less than five hundred thousand persons for graduate medical education for new programs that began or for positions that were expanded on or after July 1, 2020. Payments will be made to providers by June 30, 2026⁷. These distributions are supplementary to and do not supplant the appropriated amounts prescribed in paragraphs B, C, D, and F and the supplementary distributions are to be made in the following order of priority based on the number of residents and fellows in graduate medical education in the following manner.

- 1) Each resident and fellow will be placed into a tier with the following priority order: