

August 26, 2026

The Honorable David Farnsworth
Chairman, Joint Legislative Budget Committee (JLBC)
Arizona Senate
1700 W Washington St.
Phoenix, Arizona 85007

Dear Senator Farnsworth:

The Arizona Health Care Cost Containment System (AHCCCS) is submitting this Arnold v. Sarn report, as required by Laws 2025, Chapter 233, Sec. 141:

On or before June 30, 2026, the AHCCCS Administration shall report to the Joint Legislative Budget Committee on the progress in implementing the Arnold v. Sarn lawsuit settlement. The report shall include at a minimum the Administration's progress toward meeting all criteria specified in the 2014 joint stipulation, including the development and estimated cost of additional behavioral health service capacity in Maricopa County for supported housing services for 1,200 class members, supported employment services for 750 class members, 8 assertive community treatment teams and consumer operated services for 1,500 class members. The Administration shall also report by fund source the amounts it plans to use to pay for expanded services (General Appropriation Act footnote).

Arnold v. Sarn, the longest standing class action lawsuit in Arizona, was successfully exited by AHCCCS, the Governor's Office, and Maricopa County on July 1, 2016. The requirements detailed in the Arnold exit agreement, filed in March 2014, were met, and surpassed by AHCCCS providers, as demonstrated in this report. The delivery of behavioral health services to AHCCCS members with Serious Mental Illness (SMI) designation is primarily managed through contracts with the AHCCCS Complete Care - Regional Behavioral Health Agreements (RBHA) Contractors. Mercy Care is the ACC-RBHA in Maricopa County. This report is inclusive of members with an SMI designation residing in Maricopa County whose behavioral health services may be contracted through other Managed Care Organizations or the Division of Fee for Service Management (AIHP, Tribal ALTCS, TRBHAs).

Specific to the Arnold v. Sarn reporting requirement, AHCCCS defines increased capacity by member utilization of the targeted services for members with an SMI designation with a primary residence address located in Maricopa County, inclusive of Assertive Community Treatment (ACT), peer support, supported employment, and supportive housing (including covered behavioral health services that support members in obtaining and maintaining housing).

Since 2014, the behavioral health system within Arizona has evolved to better address and support the needs of members. With these system changes, AHCCCS continues to evaluate services, along with effective means of communicating the strengths and areas for improvement with stakeholders. As part

of the ongoing evaluation, additional data and contextual information has been added to this report's submission to further demonstrate utilization of the above-mentioned targeted services. Historically, data within this report reflected one month of service utilization. Given the limitations of 90-day claim lag, along with the acknowledgment that members receive services with varying frequency throughout the year depending on treatment goals and needs, AHCCCS identified that in addition to reporting “point in time” information, including service engagement across a 12-month period would provide a more comprehensive picture of service utilization of evidence-based practices (EBP) at is relates to the Arnold v. Sarn Exit Stipulations. The 12-month period included in this report is reflective of the State Fiscal Year (SFY) 2025 (July 2024-June 2025). AHCCCS began reporting this information in the 2024 Arnold v. Sarn Legislative Report. This report cycle marks the first year to report on utilization for the Housing and Health Opportunities program (H2O) as part of the 1115 Research and Demonstration Waiver to further support members living with an SMI designation who are unhoused obtain and maintain housing.

Methodology

The methodology utilized to develop EXHIBIT 1 – Table 1, EXHIBIT 1 – Table 2, and EXHIBIT 2 – Provider Fidelity for this report remains consistent with previous submissions. Supportive Housing services are broken out to separately identify services that include rental subsidies and wrap-around services to demonstrate a clearer picture of the service utilization and associated funds used to pay for the increased capacity. Additionally, these exhibits now include reporting of H2O utilization and funding where applicable.

Data sources are identified, and definitions are provided in the Table’s footnotes. Exhibit 1 details service capacity (Table 1); Exhibit 1 (Table 2) identifies the projected costs by fund source for those services as of April 2026. In this report, supportive housing information in Exhibit 1 (Table 2) was modified to capture current utilization of services based on a comparison of claims data from the previous year. Variation in wrap-around service utilization between reporting periods can be attributed to rectification of and removal of duplicative services.

The methodology utilized to develop SFY2025 Capacity, SFY2025 Reimbursed Total, SFY2025 Settlement Service Results tables includes data for Medicaid reimbursable services from contracted providers identified as providing services to the applicable SAMHSA EBP. The service codes utilized within the tables are based on codes historically associated with the delivery of the applicable targeted service and have been used to identify utilization in previous report submissions. Peer Support includes services from integrated clinics, health homes, and community service agencies as Peer Support may only be delivered by Peer and Recovery Support Specialists. Supportive Housing includes members who received a service from a Permanent Supportive Housing Provider, an H2O Provider, and members who received a voucher or rental subsidy through the AHCCCS Housing Program Administrator. Title XIX status is based on the member’s title status on the last day of the reporting period, title status may fluctuate throughout the year based on several factors. Members included within this report are based on those identifying with a primary residence address located in Maricopa County. Due to data being pulled based on member zip code, some providers included may fall outside of Maricopa County.

EXHIBIT 1 – Table 1

Service	2014 Joint Settlement Targets Title XIX/XXI and Non-Title XIX/XXI	July 2016 Settlement Fulfillment	Additional Capacity Measured as of April 2026	Total Capacity Measured as of April 2026 Title XIX/XXI and Non-Title XIX/XXI
Assertive Community Treatment (ACT) at June 2014				15
ACT Since 2014 ^I	8 Teams	8	1	9
ACT Team Total				24
Peer Support ^{II}	1,500 Class Members	1,500	2,042	3,542
Supported Employment ^{III}	750 Class Members	750	265	1,015
Supported Housing* ^{IV}	1,200 Class Members	1,200	3,464	4,664
		*Rental Subsidies	1,335	^V
		*Wrap-around Services	3,329	
			4,664	

^I Total number of teams since June 2014

^{II} Unduplicated count of members using an average of three months of utilization (December 2025 of 3,517, January 2026 of 3,639 and February 2026 of 3,471) - based on claims data (H2016-Comprehensive Community Support Services, H0038-Self-help/Peer Services and S5110-Home Care Training, Family on a 90 day lag), the number of members using Peer Support services.

^{III} Unduplicated count of members using provider reporting for the month - based on claims data (H2025-Ongoing Support to Maintain Employment, H2026-Ongoing Support to Maintain Employment and H2027-Pre-Job Training and Development based on a 90 day claim lag)

^{IV} Unduplicated count of members for one month - based on claims data (H2014-Skills Training and Development, H2017-Psychosocial Rehabilitation Service, T1019-Personal Care Services and/or T1020-Personal Care Services based on a 90 day claim lag.)

^V Number of members receiving rental subsidies - reported as of April 30, 2026.

*Rental Subsidies - a supported housing service funded through both state and federal resources. Specifically, AHP (AHCCCS' Housing Program) is funded through General Fund (GF) but H2O (AHCCCS Housing and Health Opportunities) is funded through a combination of State and Federal resources which are covered by TXIX since the program operates under AHCCCS federal Medicaid waiver. The subsidies are intended to support individuals to obtain and maintain housing in an independent community setting, including an apartment or home leased by the member. This includes AHP and H2O members who reside in Maricopa County with a SMI Determination.

*Wrap-around Services - Medicaid funded support services, based upon an individual's needs and preferences, designed to help individuals choose, get and keep independent housing in the community. Also, includes Housing Urban Development Continuum of Care Program.

EXHIBIT 1 – Table 2

Costs are Annualized Based on Average Costs during Contract Year Ending 2025

Cost by Fund Source					
Service		General Fund ^I		Title XIX/XXI	Total
Assertive Community Treatment	\$	6,649,198	\$	6,400,802	\$ 13,050,000
Peer Support	\$	1,589,488	\$	1,662,562	\$ 3,252,050
Supported Employment	\$	578,999	\$	660,135	\$ 1,239,133
Supported Housing*, ^{II}	\$	20,866,673 ^{III}	\$	24,068,275	\$ 44,934,948
		Rental Subsidies	\$	19,669,837 ^{IV}	
		*Wrap-around Services	\$	25,265,111	
			\$	44,934,948	

^IGeneral Fund represents covered services to Non-Title XIX/XXI members, Non-Title XIX/XXI covered services to Title and Non-Title XIX/XXI members, and the state match for Title XIX/XXI members

^{II}Rental subsidies, which are part of Supported Housing, are funded through both state and federal resources. Specifically, AHP (AHCCCS' Housing Program) is funded through GF but H2O (AHCCCS Housing and Health Opportunities) is funded through a combination of State and Federal resources which are covered by TXIX since the program operates under AHCCCS federal Medicaid waiver. The subsidies are intended to support individuals to obtain and maintain housing in an independent community setting, including an apartment or home leased by the member. This includes AHP and H2O members who reside in Maricopa County with a SMI Determination.

^{III} Revised to correct transfer error from source table.

^{IV} Rental Subsidy costs are based on the average cost per member and the number of members receiving rental subsidies for an April 2026 point in time.

*Wrap-around Services - Medicaid funded support services, based upon an individual's needs and preferences, designed to help individuals choose, get and keep independent housing in the community. Also, includes Housing Urban Development Continuum of Care Program.

SFY2025 Capacity

Service	2014 Joint Settlement Targets Title XIX/XXI and Non-Title XIX/XXI	July 2016 Settlement Fulfillment	SFY 2025 Total Capacity of Title XIX/XXI and Non-Title XIX/XXI Served
Assertive Community Treatment	8 Teams	8	24 Teams 2,399 unduplicated members received ACT
Peer Support	1,500 Class Members	1,500	3,474
Supported Employment	750 Class Members	750	3,257
Supportive Housing ¹	1,200 Class Members	1,200	See Below
	Rental Subsidies		1,489
	Wrap-around Services		1,611 ²

¹ Members may receive both a rental subsidy and wrap-around services, thus duplication of members may occur.

² Total includes only members who received a service from a dedicated PSH provider or H2O Provider (ACT Teams, Housing Urban Development Continuum of Care Program, and other providers are not included in this total). ACT members may receive wraparound and are counted under the ACT service on this table.

SFY2025 Reimbursed Total

Total expenditures in the table below are based on reimbursed claims during **State Fiscal Year 25 (July 2024-June 2025)**³

Reimbursed Total by Fund Source				
Service	General Fund ⁴	Title XIX/XXI	Total	
Assertive Community Treatment	\$ 4,122,975	\$ 20,092,844	\$	24,215,819
Peer Support	\$ 978,532	\$ 6,918,105	\$	7,896,637
Supported Employment	\$ 1,070,067	\$ 6,426,437	\$	7,469,504
Supportive Housing	\$ 18,970,471	\$ 12,583,039	\$	31,553,510
	Rental Subsidies ⁴	\$ 18,151,986		
	Wrap-around Services ⁵	\$ 13,401,525		
		\$ 31,553,511		

³ Table is not exhaustive of all reimbursements as it does not include all providers, such as providers not contracted to deliver SAMHSA EBP Services.

⁴ Rental subsidies, which are part of Supported Housing, are funded by the General Fund and H2O Subsidies. H2O Subsidies are a Medicaid reimbursable Title XIX covered service under the 1115 Research and Demonstration Waiver. Rental Subsidies are intended to support individuals to obtain and maintain housing in an independent community setting, including an apartment or home owned or leased by the member.

⁵ Wrap-around Services are Medicaid reimbursable support services, based upon an individual's needs and preferences, designed to help individuals choose, get and keep independent housing in the community.

EXHIBIT 2 – Provider Fidelity⁶

ACT Fidelity Scores	5 Year Rating Average		Most Recent Rating	
	Years 1-5	Years 6-10	Year 11	Year 12
Lowest Rating	63.9%	67.1%	65.0%	70.0%
Highest Rating	86.4%	86.9%	82.1%	91.4%
Average Rating	76.9%	78.2%	75.5%	80.0%

The Substance Abuse and Mental Health Services Administration (SAMHSA) best practices for service delivery in the community and related audit tools are used to assess program fidelity. The corresponding technical assistance given to providers has resulted in continued improvement in the quality of services provided in Maricopa County for members determined to have a SMI. AHCCCS has contracted with the Western Interstate Commission for Higher Education (WICHE) to conduct fidelity reviews using the SAMHSA best practice tools and to provide technical assistance as needed. The reviews have been conducted since Fiscal Year 2015. All reviews were completed remotely. Results in Exhibit 2 are specific to fidelity reviews of ACT in Maricopa County and does not include review of the same sample of teams each year. Additional fidelity reporting and results are published on the AHCCCS [Arnold v. Sarn website](#).

The overall fidelity ratings for the ACT teams in Maricopa County reviewed during Year 12 ranged from 70.0% to 91.4% with an average of 80.0%. Providers with a decrease in fidelity scoring are engaged in ongoing training and technical assistance with the Managed Care Organization (MCO), along with regularly scheduled communication with provider leadership to maintain oversight of ongoing concerns. AHCCCS continues to monitor the status of providers with any decrease in scores by utilizing additional quality assurance measures in partnership with the MCO. Providers that do not meet fidelity receive ongoing training, oversight, and additional fidelity monitoring to measure progress in improving the delivery of services to fidelity. All ACT Providers monitored in Year 12 met or exceeded minimum fidelity requirements.

To further improve services for members with an SMI designation statewide, AHCCCS continues collaborative efforts with the RBHAs in the respective GSA to expand the availability of SAMHSA evidence-based practices, technical assistance, and fidelity reviews for contracted providers.

⁶ In the 2026 report, Exhibit 2 – Provider Fidelity was condensed for readability. A year-by-year breakdown of percentage ratings prior to year 11 is available in the 2025 Arnold v. Sarn Legislative Report located on the [AHCCCS Reports to the Arizona Legislature](#) website.

SFY2025 Service Utilization Results
State Fiscal Year 25 (July 2024 - June 2025)

12 Month Service Utilization of Class Members – Maricopa County July 2024 – June 2025 ⁷			
Services Provided to Title XIX/Non-Title XIX Members with SMI			
Service	Yearly Total		
Crisis Services	T19	NT-19	Total
Total crisis calls received	21,935	5,795	27,730
Unduplicated Callers	4,886	1,177	6,063
Crisis Mobile Teams Dispatched	4,553	891	5,444
Members involved in crisis stabilization	3,578	848	4,426
ACT Team			
Unduplicated Members on an ACT Team	1,845	554	2,399
Peer Support			
Unduplicated Members Receiving Peer Support	2,966	508	3,474
Supported Employment			
Unduplicated Members Receiving SE	2,649	608	3,257
Total # of Members employed (full time or part time) within the reporting period ⁸	499	217	718
Supportive Housing			
Unduplicated Members with a voucher, subsidy, or H2O Short Term Rental Assistance	1,379	110	1,489
Unduplicated Members engaged in Wraparound Services	1,410	201	1,611

⁷ The following utilization information encompasses a different time period than the Exhibits and focuses on services considered to be operating within a fidelity framework. As such, the numbers of members reported for the same service will not match.

⁸ Based on H2025- Ongoing support to maintain employment, utilization from identified SE providers.

Arizona State Hospital:

In accordance with the exit agreement, AHCCCS has complied with the census limitation of 55 class members residing in Maricopa County. There are never more than 55 class members receiving treatment at ASH at one time.

Supervisory Care Homes:

Supervisory care homes provide limited services for two or more unrelated individuals. These settings are not licensed or certified by the state. In accordance with the exit agreement, AHCCCS has worked to ensure that all members residing in supervisory care homes are transitioned to alternative settings with appropriate supports consistent with their needs and preferences and any members remaining in supervisory care homes are receiving appropriate supports consistent with their needs and preferences. AHCCCS has not encouraged or recommended that members reside in supervisory care homes. Rather, AHCCCS has continued to expand the delivery of evidence-based Supportive Housing services to support members to achieve their vision of recovery.

Crisis Services:

Crisis services are available to any individual who calls an ACC-RBHA's toll-free hotline (available 24 hours a day, seven days a week). A total of 6,063 unique callers utilized the crisis hotline in Maricopa County from July 2024 to June 2025. During the same time, 5,444 crisis mobile teams were dispatched to assist members, and 4,426 unique members were involved in crisis stabilization. The remainder of calls were successfully stabilized or managed through the crisis hotline. Enhancements to RBHA monitoring and reporting requirements have increased the availability of data on a county level which was not available in previous submissions and thus comparison may not be applicable. Access to crisis services including mobile crisis and stabilization never requires AHCCCS eligibility or enrollment, or other eligibility and enrollment. This report does not reflect calls made to the 988 Suicide and Crisis Lifeline.

Assertive Community Treatment (ACT):

During State Fiscal Year 2025, there were 24 ACT Teams, including four specialty teams within Maricopa County. Three of the specialty teams are forensic ACT teams (fACT), working directly with individuals with a Serious Mental Illness (SMI) who are leaving incarceration. These teams work with members before their release to ensure members are not released into the community unhoused. Additionally, the fACT teams work with the network of municipal mental health courts across the county, in collaboration with the Central GSA RBHA to prevent recidivism among members. The other specialty team is a medical specialty team (mACT). The ACT model requires 10 staff per 100 members. During State Fiscal Year 2025, 2,399 unique members received ACT services, this also includes non-RBHA members. This is 100% of the census rate over a 12-month period. Due to modifications in the reporting structure, comparison of census rates to previous submissions is not applicable. In State Fiscal Year 2025 there were team transitions among providers which contributed to a reduction in overall reimbursement.

AHCCCS recognizes the importance of accessibility to evidence-based services and continues to support service expansion with the implementation of 10 additional ACT Teams statewide.

Peer Support:

A total of 3,474 members received and participated in family and peer support services for the year. A reduction in utilization can be attributed to several factors such as modifications to allowable billing practices during the reporting timeframe and ongoing oversight efforts to address Fraud, Waste, and Abuse (FWA). This report identified peer and family support services provided through integrated clinics, community service agencies, and behavioral health outpatient clinics provided by a Peer and Recovery Support Specialist (PRSS) and thus may not reflect the totality of peer and family support services within Maricopa County. These services are aimed at assisting in the creation of skills that promote long-term sustainable recovery through intentional partnerships based on the shared experiences of living with mental health and/or substance use challenges.

Supported Employment:

A total of 3,257 members received supportive employment services within the reporting period. Services may include assistance in preparing for, identifying, attaining, and maintaining competitive employment, job coaching, transportation, using assistive technology, specialized job training, and receiving individually tailored supervision. This report does not capture referrals to Vocational Rehabilitation as those services are provided outside of the Medicaid reimbursement system and thus are not tracked with claims data. Additionally, 718 members secured full or part-time employment with the support of contracted employment support providers, based on an unduplicated count of utilization of H2025 – Ongoing support to maintain employment for the reporting period.

Supported Housing:

A total of 3,100 members received Supportive Housing services. These services may include rental subsidies, vouchers, and H2O short term rental assistance to cover deposits and move in assistance. Supportive housing also includes support services provided by dedicated Permanent Supportive Housing Providers and H2O Providers. In a review of data from the submitted 2025 Arnold v. Sarn Legislative Report, the number of members receiving rental subsidies was incorrectly reported as the statewide total (2,217 members) and should have only reflected the total for Maricopa County (1,549 members). A revised 2025 report has been added to the [AHCCCS Reports to the Legislature](#) website to reflect this correction. In SFY25, more members engaged in wraparound support services (1,611 members compared to 1,394 members in SFY24), however fewer subsidies were available through AHP (1,489 members received a rental subsidy in SFY25) as part of an attrition implementation plan to address rising rental costs while operating within the approved annual budget. The total for wrap-around services does not include members who may have received supportive housing services from an ACT Team, integrated clinic, community service agencies, or behavioral health outpatient clinics that are not contracted to provide the evidence-based practice of PSH.

Should you have any questions, please contact Katelyn Murphy at 602-417-4311.

Sincerely,



Roberta Harrison
Interim Director

Cc: The Honorable David Livingston, Vice Chairman, JLBC
Richard Stavneak, Director, JLBC
Ben Henderson, Director, Office of Strategic Planning and Budgeting
Meaghan Kramer, Health Policy Advisor, Office of the Governor