

September 30, 2025

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-25-0014, Graduate Medical Education (GME) General Fund (GF)**

Dear Mr. Walaszek:

Enclosed is State Plan Amendment (SPA) # AZ-25-0014, 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 September 30, 2025.

**Tribal Consultation** occurred for this SPA on August 29, 2025, via a letter to Tribal Leaders. The 45-day clock after the public notice was given for this SPA will run through October 14<sup>th</sup>. The State will continue to take comments until that October 14<sup>th</sup> date and will work with CMS on any comments received in the 45-day window.

**The public notice period for this SPA closed on September 16, 2024, and no comments were received. Public Notice for this SPA was posted on the following**

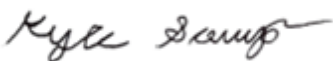
**webpage:** [https://www.azahcccs.gov/shared/Downloads/PublicNotices/GME\\_FY\\_26\\_NOPI.pdf](https://www.azahcccs.gov/shared/Downloads/PublicNotices/GME_FY_26_NOPI.pdf)

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

- FFY 2026: \$TBD
- FFY 2027: \$TBD

If there are any questions about the enclosed SPA, please contact Ryan Melson at [Ryan.Melson@azahcccs.gov](mailto: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. STATE

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

5. FEDERAL STATUTE/REGULATION CITATION

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)  
a. FFY \_\_\_\_\_ \$ \_\_\_\_\_ TBD  
b. FFY \_\_\_\_\_ \$ \_\_\_\_\_ TBD

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  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

9. SUBJECT OF AMENDMENT

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 Samp*

15. RETURN TO

12. TYPED NAME

13. TITLE

14. DATE SUBMITTED

**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

**August 29, 2025**

**Re: AHCCCS State Plan Amendments (SPAs) Tribal Notice**

Dear Tribal Leader and Urban Indian Organization Leader:

The Arizona Health Care Cost Containment System (AHCCCS), Arizona's State Medicaid Agency, has prepared this letter to inform tribal stakeholders of four upcoming State Plan Amendments (SPAs) and to meet the tribal consultation requirement established in Arizona's Medicaid State Plan. Ideally, AHCCCS strives for a tribal consultation meeting, which provides an opportunity for discussion and verbal comments to be made regarding a proposed change 45 days prior to the submission of the policy change to CMS.

For the Disproportionate Share Hospital (DSH) 2026, there will be three SPAs submitted to describe the payment methodology and amounts specific to the DSH programs funded through the AZ State General Funds and through intergovernmental transfer agreements (IGAs). For Graduate Medical Education (GME) 2026, there will be two SPAs submitted to describe the payment methodology and amounts specific to the GME programs funded through the AZ State General Fund and through IGAs.

If any tribal stakeholders are interested in discussing these SPAs further, AHCCCS would be happy to schedule individual meetings. In addition, Tribal stakeholders are welcome to provide verbal comments on this SPA via email or telephone by contacting the AHCCCS State Plan Manager, Ryan Melson, at the email [ryan.melson@azahcccs.gov](mailto:ryan.melson@azahcccs.gov) or by phone at 602-417-7309 and we can set up a meeting time.

**Background**

Arizona's Medicaid and CHIP programs operate under the federal authorities of a State Plan and an 1115 Research and Demonstration Waiver. The Medicaid and CHIP (KidsCare) State Plans are federally mandated contracts between the State and the federal government, describing how Arizona's Medicaid and CHIP (KidsCare) programs are administered, and serving as the basis for Federal Financial Participation (FFP). In alignment with established federal regulations, the State Plan covers topics such as eligibility standards, provider requirements, payment methods, health benefit packages, and other topics. Changes to the State Plan regularly occur through State Plan Amendments (SPAs), which undergo rigorous negotiations with the Centers for Medicare and Medicaid Services (CMS). Once a SPA is approved, it becomes a permanent part of Arizona's Medicaid program and is filed in the State Plan.

## **Five State Plan Amendment Details**

SPA Title: Disproportionate Share Hospital (DSH) Budget

SPA Purpose: This SPA updates the Disproportionate Share Hospital (DSH) Budget in the State Plan. This SPA will be effective October 1, 2025.

SPA Public Notice: The public notice posting for this SPA can be found at the following link:

<https://www.azahcccs.gov/shared/Downloads/PublicNotices/DSHFY26NOPI.pdf>

SPA Title: DSH Pool 5

SPA Purpose: This SPA updates the DSH Pool 5 funding and participating hospitals in the State Plan. This SPA will be effective October 1, 2025.

SPA Public Notice: The public notice posting for this SPA can be found at the following link:

<https://www.azahcccs.gov/shared/Downloads/PublicNotices/DSHFY26NOPI.pdf>

SPA Title: DSH Pool 4 Reallocation

SPA Purpose: This SPA updates the State Plan to detail the reallocation of excess Pool 4 funding. This SPA will be effective September 30, 2025.

SPA Public Notice: The public notice posting for this SPA can be found at the following link:

<https://www.azahcccs.gov/shared/Downloads/PublicNotices/DSHFY26NOPI.pdf>

SPA Title: General Fund (GF) GME

SPA Purpose: This SPA details amounts and methodology related to the General Fund GME Program. This SPA will be effective September 30, 2025.

SPA Public Notice: The public notice posting for this SPA can be found at the following link:

[https://www.azahcccs.gov/shared/Downloads/PublicNotices/GME\\_FY\\_26\\_NOPI.pdf](https://www.azahcccs.gov/shared/Downloads/PublicNotices/GME_FY_26_NOPI.pdf)

SPA Title: Intergovernmental Agreement (IGA) GME Program

SPA Purpose: This SPA details amounts and methodology related to the Intergovernmental Agreement (IGA) GME Program. This SPA will be effective September 30, 2025.

SPA Public Notice: The public notice posting for this SPA can be found at the following link:

[https://www.azahcccs.gov/shared/Downloads/PublicNotices/GME\\_FY\\_26\\_NOPI.pdf](https://www.azahcccs.gov/shared/Downloads/PublicNotices/GME_FY_26_NOPI.pdf)

Public Comments: These SPAs will be submitted by the end of September, but AHCCCS will continue to take public comments for 45 days from Tribal stakeholders. Public comments can be submitted through the following mediums:

- Email: [publicinput@azahcccs.gov](mailto:publicinput@azahcccs.gov)
- Postal Mail:  
Attn: Division of Public Policy and Strategic Planning  
150 N. 18<sup>th</sup> Avenue  
Phoenix, AZ 85007
- Telephone: Contact Ryan Melson, State Plan Manager, at (602) 417-7309

Public Comment Considerations: AHCCCS welcomes any public comments that Tribal leaders may have on this SPA. Key questions that may be helpful in organizing feedback include:

- What questions do you have about this SPA?
- What impact will this SPA have on AHCCCS members in your community?
- What impact will this SPA have on AHCCCS-enrolled providers in your community?
- What concerns or suggestions should AHCCCS consider in implementing this SPA?

Please feel free to contact Ryan Melson, the AHCCCS State Plan Manager with any questions about this SPA. He may be reached at (email) [ryan.melson@azahcccs.gov](mailto:ryan.melson@azahcccs.gov) or (phone) 602-417-7309.

Thank You,

Christine Holden  
AHCCCS Tribal Liaison

Max Seifer  
AHCCCS Federal Relations Section Lead

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

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G. For the period of July 1, 202~~5~~4 to June 30, 202~~6~~5, the AHCCCS Administration shall distribute \$~~12,542,134~~16,686,000 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. 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:

- 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.

TN No. [24-000825-0014](#)

Supersedes TN No. [23-001424-0008](#)  
[20242025](#)

Approval Date:

Effective Date: September 30,

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

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- 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~~ 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~~ is 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, 202~~5~~<sup>4</sup> to June 30, 202~~6~~<sup>5</sup>, the AHCCCS Administration shall distribute ~~\$3,450,963~~ \$20,713,400 -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. 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:

TN No. 25-0014 ~~24-0008~~

Supersedes TN No. 23-0014 ~~24-0008~~  
2024~~2025~~

Approval Date:

Effective Date: September 30,