

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-25-0018, DSH Pool 4 Reallocation

Dear Mr. Walaszek:

Enclosed is State Plan Amendment (SPA) # AZ-25-0018, DSH Pool 4 Reallocation. This SPA updates the State Plan to detail the reallocation of excess DSH Pool 4 funding, with an effective date of 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 14th. The State will continue to take comments until that October 14th date and will work with CMS on any comments received in the 45-day window.

The public notice period for this SPA closed on August 31, 2025, and no comments were received.

Public Notice for this SPA was posted on the following

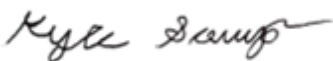
webpage: <https://www.azahcccs.gov/shared/Downloads/PublicNotices/DSHFY26NOPI.pdf>

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 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 _____ \$ _____

b. FFY _____ \$ _____

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION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

12. TYPED NAME

13. TITLE

14. DATE SUBMITTED

15. RETURN TO

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 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

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

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
- Postal Mail:
Attn: Division of Public Policy and Strategic Planning
150 N. 18th 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 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

For SPY 2018, excess pool 4 funding not allocated due to OBRA limits will be reallocated first to pools 1, 1A, 2, and 2A. This reallocation to the pools will be based proportionately on the SPY 2018 pool allocation. For each pool, the distribution of the reallocated DSH funding to the hospitals within the pool will be based on each hospital's 2018 relative weights as described in the "Determination of Payment Amounts" section of this Attachment C. SPY 2018 payments made from reallocated funds will be added to the hospital's original SPY 2018 payments with the total SPY payments subject to each hospital's OBRA limit. Additionally, after the reallocating to pools 1, 1A, 2 and 2A, any remaining excess pool 4 funding may then be reallocated to pool 5. The reallocation will be allocated within pool 5 based proportionately according to the hospital's LOM scores, subject to the each hospital's remaining OBRA limit. For SPY 2018, any excess DSH funding in pool 4 not allocated due to OBRA limits may be reallocated to DSH pools 1, 1A, 2, 2A, and 5 until September 30, 2020. The amount to be reallocated to DSH pools 1, 1A, 2 and 2A is \$0. The amount to be reallocated to DSH pool 5 is \$0.

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For SPY 2019, excess pool 4 funding not allocated due to OBRA limits will be reallocated first to pools 1, 1A, 2, and 2A. This reallocation to the pools will be based proportionately on the SPY 2019 pool allocation. For each pool, the distribution of the reallocated DSH funding to the hospitals within the pool will be based on each hospital's 2019 relative weights as described in the "Determination of Payment Amounts" section of this Attachment C. SPY 2019 payments made from reallocated funds will be added to the hospital's original SPY 2019 payments with the total SPY payments subject to each hospital's OBRA limit. Additionally, after the reallocating to pools 1, 1A, 2 and 2A, any remaining excess pool 4 funding may then be reallocated to pool 5. The reallocation will be allocated within pool 5 based proportionately according to the hospital's LOM scores, subject to the each hospital's remaining OBRA limit. For SPY 2019, any excess DSH funding in pool 4 not allocated due to OBRA limits may be reallocated to DSH pools 1, 1A, 2, 2A, and 5 until September 30, 2020. The amount to be reallocated to DSH pools 1, 1A, 2 and 2A is \$0.

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For SPY 2020, excess pool 4 funding not allocated due to OBRA limits will be reallocated first to pools 1, 1A, 2, and 2A. This reallocation to the pools will be based proportionately on the SPY 2020 pool allocation. For each pool, the distribution of the reallocated DSH funding to the hospitals within the pool will be based on each hospital's 2020 relative weights as described in the "Determination of Payment Amounts" section of this Attachment C. SPY 2020 payments made from reallocated funds will be added to the hospital's original SPY 2020 payments with the total SPY payments subject to each hospital's OBRA limit. Additionally, after the reallocating to pools 1, 1A, 2 and 2A, any remaining excess pool 4 funding may then be reallocated to pool 5. The reallocation will be allocated within pool 5 based proportionately according to the hospital's LOM scores, subject to the each hospital's remaining OBRA limit. For SPY 2020, any excess DSH funding in pool 4 not allocated due to OBRA limits may be reallocated to DSH pools 1, 1A, 2, 2A, and 5 until September 30, 2021. The amount to be reallocated to DSH pools 1, 1A, 2 and 2A is \$0. The amount to be reallocated to DSH pool 5 is \$18,122,533.

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TN No. 24-001425-0018

Supersedes

Approval Date: _____ Effective Date: September 30,

2024-02-05

TN No. 17-00524-0011

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

~~in pool 4 not allocated due to OBRA limits may be reallocated to DSH pools 1, 1A, 2, 2A, and 5 until September 30, 2021. The amount to be reallocated to DSH pools 1, 1A, 2 and 2A is \$0. The amount to be reallocated to DSH pool 5 is \$18,122,533.~~

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For SPY 2021, excess pool 4 funding not allocated due to OBRA limits will be reallocated first to pools 1, 1A, 2, and 2A. This reallocation to the pools will be based proportionately on the SPY 2020 pool allocation. For each pool, the distribution of the reallocated DSH funding to the hospitals within the pool will be based on each hospital's 2021 relative weights as described in the "Determination of Payment Amounts" section of this Attachment C. SPY 2021 payments made from reallocated funds will be added to the hospital's original SPY 2021 payments with the total SPY payments subject to each hospital's OBRA limit. Additionally, after the reallocating to pools 1, 1A, 2 and 2A, any remaining excess pool 4 funding may then be reallocated to pool 5. The reallocation will be allocated within pool 5 based proportionately according to the hospital's LOM scores, subject to the each hospital's remaining OBRA limit. For SPY 2021, any excess DSH funding in pool 4 not allocated due to OBRA limits may be reallocated to DSH pools 1, 1A, 2, 2A, and 5 until September 30, 2022. The amount to be reallocated to DSH pools 1, 1A, 2 and 2A is \$x. The amount to be reallocated to DSH pool 5 is \$0.

For SPY 2024, excess pool 4 funding not allocated due to OBRA limits will be reallocated first to pools 1, 1A, 2, and 2A. This reallocation to the pools will be based proportionately on the SPY 2024 pool allocation. For each pool, the distribution of the reallocated DSH funding to the hospitals within the pool will be based on each hospital's 2024 relative weights as described in the "Determination of Payment Amounts" section of this Attachment C. SPY 2024 payments made from reallocated funds will be added to the hospital's original SPY 2024 payments with the total SPY payments subject to each hospital's OBRA limit. Additionally, after the reallocating to pools 1, 1A, 2 and 2A, any remaining excess pool 4 funding may then be reallocated to pool 5. The reallocation will be allocated within pool 5 based proportionately according to the hospital's LOM scores, subject to the each hospital's remaining OBRA limit. For SPY 2024, any excess DSH funding in pool 4 not allocated due to OBRA limits may be reallocated to DSH pools 1, 1A, 2, 2A, and 5 until September 30, 2025. The amount to be reallocated to DSH pools 1, 1A, 2 and 2A is \$0. The amount to be reallocated to DSH pool 5 is \$x.

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For SPY 2025, excess pool 4 funding not allocated due to OBRA limits will be reallocated first to pools 1, 1A, 2, and 2A. This reallocation to the pools will be based proportionately on the SPY 2025 pool allocation. For each pool, the distribution of the reallocated DSH funding to the hospitals within the pool will be based on each hospital's 2025 relative weights as described in the "Determination of Payment Amounts" section of this Attachment C. SPY 2025 payments made from reallocated funds will be added to the hospital's original SPY 2025 payments with the total SPY payments subject to each hospital's OBRA limit. Additionally, after the reallocating to pools 1, 1A, 2 and 2A, any remaining excess pool 4 funding may then be reallocated to pool 5. The reallocation will be allocated within pool 5 based proportionately according to the hospital's LOM scores, subject to each hospital's remaining OBRA limit. For SPY 2025, any excess DSH funding in pool 4 not allocated due to OBRA limits may be

TN No. 24-001425-0018

Supersedes

Approval Date: _____ Effective Date: September 30,

20242025

TN No. 17-00524-0011

reallocated to DSH pools 1, 1A, 2, 2A, and 5 until September 30, 2026. The amount to be reallocated to DSH pools 1, 1A, 2 and 2A is \$0. The amount to be reallocated to DSH pool 5 is \$113,818,500.

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TN No. ~~24-001425-0018~~
Supersedes ~~20242025~~ Approval Date: _____ Effective Date: September 30,
TN No. ~~17-00524-0011~~