

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-25-0024 Federally Qualified Health Center (FQHC) Rural Health Clinic (RHC)
Graduate Medical Education (GME)**

Dear Mr. Walaszek:

Enclosed is State Plan Amendment (SPA) # AZ-25-0024, Federally Qualified Health Center (FQHC) Rural Health Clinic (RHC) Graduate Medical Education (GME). This SPA updates the FQHC/RHC section of the State Plan for GME, effective September 30, 2025.

Tribal Consultation on this SPA will occur on November 4, 2025:

<https://www.azahcccs.gov/AmericanIndians/TribalConsultation/>


Public Notice for this SPA has not yet been posted. AHCCCS is working to finalize the notice and will update this submission once it is complete.

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 _____ \$ 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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION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

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

State: ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

4. Graduate Medical Education Alternative Payment Methodology (APM #4) for Dates of Service from and after July 1, 2024~~5~~

Beginning July 1, ~~2024~~2025, a Graduate Medical Education (GME) Component will be added to the per visit APM rate calculated under sections B1 and B2 for an FQHC or RHC that incurs costs for an approved primary care GME program and elects this APM. An approved primary care GME program is an accredited graduate medical education program that prepares a physician resident in Arizona for the practice of internal medicine, family medicine, pediatrics, obstetrics, geriatrics, or psychiatry, is not fully funded by the federal government, and does not qualify for GME hospital payments. The GME Component will be equal to the Medicaid share of direct GME and indirect ME costs, expressed as a per visit amount.

a). GME Component Calculation. The GME Component will be the per visit direct GME cost plus the per visit indirect medical education (ME) cost. The direct GME cost and the indirect ME cost for each FQHC/RHC will be determined using the statewide average per resident cost to a community health center for direct GME, the statewide average per resident cost to a community health center for indirect ME, the number of residents enrolled in the FQHC's or RHC's approved programs, and Total Medicaid Visits. The GME Component will be calculated for each provider using the provider-specific Residents, Medicaid visits, and Medicaid Utilization Percentages. The calculation of the GME Component for each FQHC/RHC is as follows:

GME Component = [Per Visit Direct GME Cost] + [Per Visit Indirect ME Cost], where:

Per Visit Direct GME Cost =
[Statewide Average Per Resident Cost Direct GME] * [Residents] * [Medicaid Utilization Percent]

Total Medicaid Visits

and

Per Visit Indirect ME Cost =
[Statewide Average Per Resident Cost Indirect ME] * [Residents] * [Medicaid Utilization Percent]

Total Medicaid Visits

b). Direct GME and Indirect ME Per Resident Cost. For the service period July 1, ~~2024-2025~~ through June 30, ~~2025~~2026, the statewide average per resident cost for direct GME is \$188,915 and the statewide average per resident cost for indirect ME is \$185,850. Annually thereafter, the statewide average per resident costs will be calculated by applying the Federally Qualified Health Center PPS Market Basket Update less Productivity Adjustment published by CMS for the calendar year in which the service period begins.

TN No. ~~25-002421-015~~
2024~~5~~

Approval Date: _____

Effective Date: September 30,

Supersedes TN No. ~~NEW~~21-015

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State: ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES
OTHER TYPES OF CARE

c). Medicaid Utilization Percent. The Medicaid utilization percent for each FQHC/RHC will be determined using the most recent as-filed Medicare Cost Report on file with the Administration. The Medicaid utilization percent for each FQHC/RHC will be calculated as its total Medicaid visits divided by its total visits, rounded up to the nearest multiple of 5%. Visit counts for calculating the Medicaid utilization percent will be taken from Form CMS-224-14 (FQHC) or CMS-222-17 (RHC), Worksheet S-3, Part 1, Lines 2 and 4, Columns 3 and 5. The Medicaid utilization from the most recent as-filed Medicare cost reporting period is a proxy for the Medicaid utilization for the service period.

d). Total Medicaid Visits. Total Medicaid Visits used in calculating the per visit GME Component will be determined by AHCCCS in July of each year, upon the conclusion of the applicable GME academic year and service period. Total Medicaid Visits will include AHCCCS approved claims and adjudicated encounter data for all dates of service from July 1 through June 30 of the service period.

e). Annual Payment. The GME Component of the APM rate will be accounted for separately and paid in addition to or net of the reconciliation described in paragraph [A5]. In December of each year, or later if necessary depending on the timing of availability of data, AHCCCS will perform a payment calculation for the prior GME service period to reimburse each FQHC and RHC for that service period an amount equal to the number of eligible visits times the applicable GME Component per-visit rate calculated for the FQHC or RHC under this state plan. The total allowable payment will be calculated by totaling the number of visits determined under section d above and multiplying those visits by the FQHC's/RHC's applicable GME Component for the service period. The APM will be agreed to by the provider and will result in payment at no less than PPS levels. If the APM payment plus the GME add-on are less than PPS, the payment would be reconciled up to the PPS level. If funds are insufficient to cover all calculated distributions, AHCCCS shall adjust the distributions proportionally.

f). GME Component Per Visit Rate Amounts.

i. For the service period July 1, 2025 through June 30, 2026, the FQHCs and RHCs electing this APM and their respective GME components are:

El Rio Santa Cruz Neighborhood Health Center = \$xx.xx
North Country Healthcare = \$xx.xx

TN No. ~~21-01525-0024~~
2024~~5~~

Approval Date: _____

Effective Date: September 30,

Supersedes ~~TN. No. 21-015NEW~~