

December 4, 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-25-0027, Nursing Facility (NF) Differential Adjusted Payment (DAP)

Dear Mr. Walaszek:

Enclosed is State Plan Amendment (SPA) # AZ-25-0027, Nursing Facility (NF) Differential Adjusted Payment (DAP). This SPA updates the Inpatient Differential Adjusted Payment (DAP) methodology effective October 1, 2025.

Tribal Consultation occurred for this SPA on August 7, 2025.

<https://www.azahcccs.gov/AmericanIndians/Downloads/Consultations/Meetings/2025/08072025Presentation.pdf>

The preliminary public notice period for this SPA was posted on August 25, 2025, and can be found on the following webpage:

<https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/CYE26DAPNotice.pdf>

The final public notice for this SPA was posted on September 25, 2025, and can be found on the following webpage:

<https://www.azahcccs.gov/AHCCCS/Downloads/PublicNotices/CYE26DAPNotice.pdf>

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

- FFY 2026: \$434,700
- FFY 2027: \$0

Explanation of Federal Fiscal Impact:

This federal fiscal impact represents the projected federal funds cost of the SPA's DAPs for services reimbursed on a Fee-for-Service (FFS) basis. AHCCCS determined each provider and service that qualified for each DAP specified in this SPA, based on the requirements specified in the CYE 2026 Final Public Notice. The FFY 2024 utilization of these qualifying providers and qualifying services were identified. The FFY 2024 data was then repriced to remove impacts of prior year DAPs and to reprice

utilization at the CYE 2026 FFS rates. The percentage increase for each DAP was then applied to the adjusted FFY 2024 utilization data for qualifying providers and services to estimate the total funds' impact. The agency then applied projected weighted federal medical assistance percentages to total fund estimates to calculate the federal fund's share of cost. The process for calculating each DAP contained within this SPA is similar, but subject to the different eligibility criteria specified in the CYE 2026 Final Public Notice. The calculation of the weighted FMAP of 64.34% used in the impact estimate is shown in the table below.

FFY26:					
NF - ALTCS Reg	Regular	Title XXI	Transition	NEA 100%	Total
MMs	17,717,735	-	-	-	17,717,735
% Weight	100.00%	0.00%	0.00%	0.00%	
FMAP	64.34%	75.04%	90.00%	90.00%	
Eff. FMAP	64.34%	0.00%	0.00%	0.00%	64.34%
				Total Fund	675,576
				Fed Funds	\$434,700

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

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING FEE FOR SERVICE PAYMENT RATES FOR
LONG TERM CARE FACILITIES

Nursing Facility Differential Adjusted Payment (Up to 2.0%)

As of October 1, 2025, through September 30, 2026 (Contract Year Ending (CYE) 2026), Nursing Facilities (Provider Type 22), that are located in Arizona with Arizona Medicaid utilization that meet AHCCCS established value-based performance metrics requirements below will receive Differential Adjusted Payments described below. The Differential Adjusted Payment Schedule represents a positive adjustment to the AHCCCS Fee-For-Service reimbursement rates. These payment adjustments will occur for all dates of service in CYE 2026 only. The purpose of the Differential Adjusted Payment is to distinguish facilities which have committed to supporting designated actions that improve patients' care experience, improve members' health, and reduce cost of care growth.

a. Health Information Exchange Participation (0.25%)

Nursing facilities that meet the following milestones are eligible to earn a 0.25% DAP.

Cohort 1: Facilities that participated in the DAP HIE program in CYE 2024 and/or CYE 2025.

- i. Milestone #1: No later than April 1, 2025, the facility must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the facility requests to participate in the DAP.
- ii. Milestone #2: No later than March 1, 2025, the facility must launch the integration implementations project, have a Virtual Private Network (VPN) connection in place with the HIE, and electronically submit patient information to the HIE test environment. The facility is required to engage in interface testing as required by the HIE and focus on improving data integrity in the test environment.
- iii. Milestone #3: No later than May 30, 2025, the facility must have actively accessed, and continue to access on an ongoing basis, patient health information via the HIE organization, utilizing one or more HIE services, such as the HIE Portal, standard Admission, Discharge, Transfer (ADT) Alerts, standard Clinical Notifications, or an interface that delivers patient data into the facility's Electronic Health Record (EHR) system.
- iv. Milestone #4: No later than December 31, 2025, the facility must electronically submit the following patient identifiable information to the ONE Platform production environment of the HIE organization: ADT information from within the nursing facility; Continuity of Care Documents (CCD) reflecting a summary of care within the nursing facility including (if applicable): laboratory and radiology information; medication information; immunization data; active problem lists (diagnosis); social history; treatments and procedures conducted during the stay; advance directives; active allergies; and basic patient demographic data including assigned provider, emergency contact and payer. If a facility is in the process of integrating a new EHR system, the facility must notify the HIE organization and get the implementation timeline approved to continue meeting DAP requirements.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING FEE FOR SERVICE PAYMENT RATES FOR
LONG TERM CARE FACILITIES

Cohort 2: Facilities that have not participated in the DAP HIE program in CYE 2024 or CYE 2025.

- i. Milestone #1: No later than April 1, 2025, the facility must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI), that the facility requests to participate in the DAP.
 1. To request a HIE Participation Agreement and a DAP SOW email DAP@contexture.org.
- ii. Milestone #2: No later than March 1, 2026, the facility must have actively accessed, and continue to access on an ongoing basis, patient health information via the HIE organization portal.
- iii. Milestone #3: No later than March 1, 2026, facilities that utilize external reference labs for any lab result processing must submit necessary provider authorization forms to the HIE organization, if required by the external reference lab, to have all outsourced lab test results flow to the HIE on their behalf.
- iv. Milestone #4: No later than May 1, 2026, the facility must launch the integration implementations project, have a Virtual Private Network (VPN) connection in place with the HIE, and electronically submit patient information to the HIE test environment. The facility is required to engage in interface testing as required by the HIE and focus on improving data integrity in the test environment.
- v. Milestone #5: No later than September 30, 2026, the facility must electronically submit the following patient identifiable information to the production environment of the HIE organization: ADT information from within the nursing facility; continuity of care documents reflecting a summary of care within the nursing facility including (if applicable): laboratory and radiology information; medication information; immunization data; active problem lists (diagnosis); social history; treatments and procedures conducted during the stay; advance directives; active allergies; and basic patient demographic data including assigned provider, emergency contact and payer.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING FEE FOR SERVICE PAYMENT RATES FOR
LONG TERM CARE FACILITIES

b. Health Information Exchange: Data Quality (0.25%)

To be eligible for this DAP, facilities must have participated in the DAP HIE program in CYE 2024 and/or CYE 2025. Facilities that meet the following milestones are eligible to earn a 0.25% DAP.

- i. Milestone #1: No later than April 1, 2025, the facility must have in place an active Health Information Exchange (HIE) Participation Agreement and submit a signed Differential Adjusted Payment Statement of Work (DAP SOW) to the HIE organization. The participant list attached to the DAP SOW must contain each facility, including AHCCCS ID(s) and corresponding National Provider Identifier(s) (NPI) that the facility requests to participate in the DAP.
- ii. Milestone #2: No later than December 31, 2025, the facility must electronically submit the following patient identifiable information to the ONE Platform production environment of the HIE organization: Admission, Discharge, Transfer (ADT) information from within the nursing facility; continuity of care documents (CCD) reflecting a summary of care within the nursing facility including (if applicable): laboratory and radiology information; medication information; immunization data; active problem lists (diagnosis); social history; treatments and procedures conducted during the stay; advance directives; active allergies; and basic patient demographic data including assigned provider, emergency contact and payer.
- iii. Milestone #3: No later than March 1, 2026, the facility must complete the data quality profile, based on January 2026 data, with the HIE organization. Data elements in the following measure categories will be included within the data quality profile:
 1. Measure 1: Data source and data site information must be submitted on ADT and/or CCD transactions;
 2. Measure 2: Patient demographic information must be submitted on ADT and/or CCD transactions;
 3. Measure 3: Race must be submitted on ADT and/or CCD transactions;
 4. Measure 4: Ethnicity must be submitted on ADT and/or CCD transactions; and
 5. Measure 5: Language must be submitted on ADT and/or CCD transactions.
- iv. Milestone #4: No later than April 1, 2026, the facility must complete a data quality improvement plan as defined by the HIE organization with a goal of improving the quality of data elements.
- v. Milestone #5: No later than September 1, 2026, a final data quality profile will be completed, based on July 2026 data to reassess data elements and performance improvement.

Quality improvement will be based on the HIE's Gold Standards. Refer to Attachment C for additional information.

c. Antipsychotic Medication Performance Measure (1.0%)

Nursing facilities that meet or fall below the statewide average percentage for the Antipsychotic Medication performance measure will qualify for a 1.0% DAP increase. On March 15, 2025, AHCCCS will download the most current data from the Medicare Provider Data Catalog website. Facility results will be compared to the Arizona average results for the measure. Facilities with percentages less than or equal to the statewide average score will qualify for the DAP increase.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING FEE FOR SERVICE PAYMENT RATES FOR
LONG TERM CARE FACILITIES

d. Depressive Symptoms Performance Measure (0.5%)

Nursing facilities that meet or fall below the statewide average percentage for the Depressive Symptoms performance measure will qualify for a 0.5% DAP increase. On March 15, 2025, AHCCCS will download the most current data from the Medicare Provider Data Catalog website. Facility results will be compared to the Arizona average results for the measure. Facilities with percentages less than or equal to the statewide average score will qualify for the DAP increase.

e. Exemptions

IHS and 638 tribally owned and/or operated facilities, including nursing facilities are exempt from this initiative based on payments primarily at the all-inclusive rate.

f. Payment Methodology

Nursing Facilities (Provider Type 22), Fee-for-Service payment rates will be increased up to a maximum of 2.0%. Reimbursement rates will be increased by 0.25% if the HIE Participation requirements are met, by 0.25% if the HIE DQ requirements are met, by 1.0% if the Antipsychotic Medication requirements are met, and by 0.5% if the Depressive Symptoms requirements are met. These increases do not apply to supplemental payments.

Facilities which submitted a DAP SOW and received an increase for CYE 2025 but failed to achieve one or more milestones in the DAP SOW or failed to maintain its participation in the milestone activities are ineligible to receive a DAP in CYE 2026.

If a provider is receiving a DAP in CYE 2026 and cannot meet a milestone and/or cannot maintain its participation in milestone activities, the provider must immediately notify AHCCCS. This notification must be made prior to the milestone deadline and must state the reason the milestone cannot be met. When applicable, DAP participants are subject to audits, at the discretion of AHCCCS. Within 30 days of AHCCCS being notified of a missed milestone, becoming aware of the provider's failure to maintain participation, and/or determining that the provider has failed a DAP audit, AHCCCS will remove the participant's eligibility for the DAP, effective immediately and for the remainder of the year.

If a facility receives a DAP increase for the entire CYE 2026 but it is determined subsequently that it did not meet the CYE 2026 milestones or failed to maintain its participation in the milestone activities in CYE 2026, that facility will be ineligible to receive this DAP for CYE 2027 if a DAP is available at that time.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING FEE FOR SERVICE PAYMENT RATES FOR
LONG TERM CARE FACILITIES

Reserved for future use.

STATE OF ARIZONA
METHODS AND STANDARDS FOR ESTABLISHING FEE FOR SERVICE PAYMENT RATES FOR
LONG TERM CARE FACILITIES

Reserved for future use.