



The Hess Report: Arizona Market Analysis

November 30, 2025



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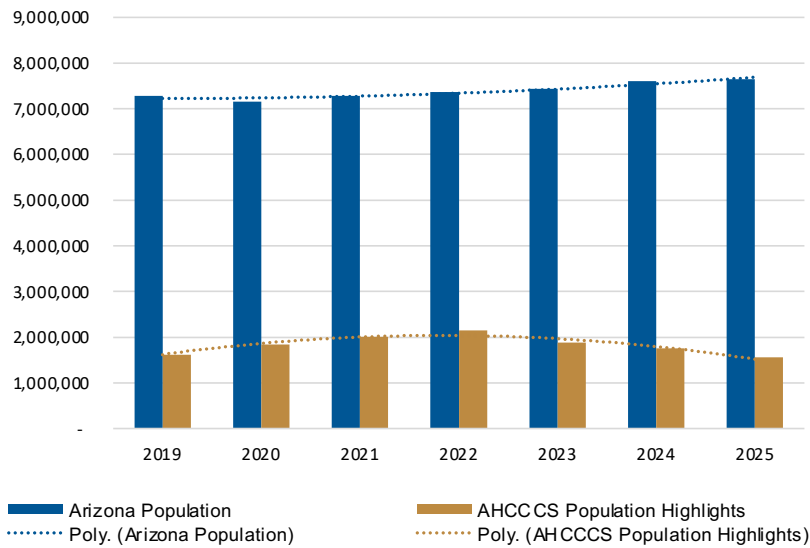


The Hess Report: Arizona Medicaid Population Dynamics

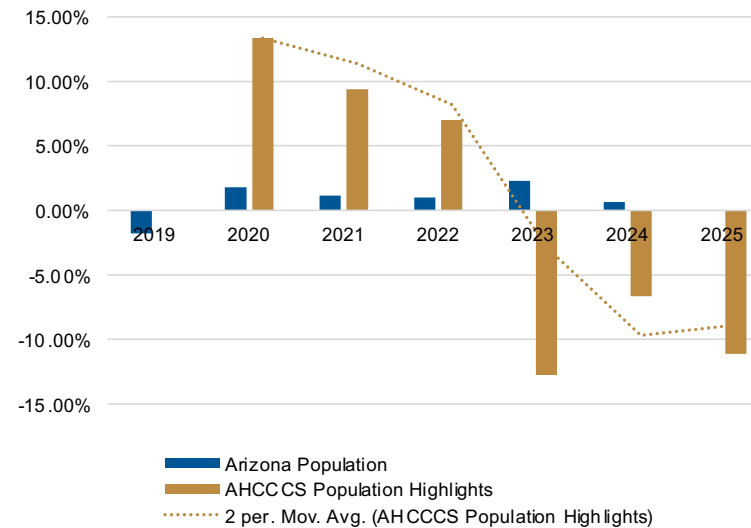
2029 - 2025



Arizona Population v. AHCCCS Growth



Arizona Population v. AHCCCS Growth – Rate of Change

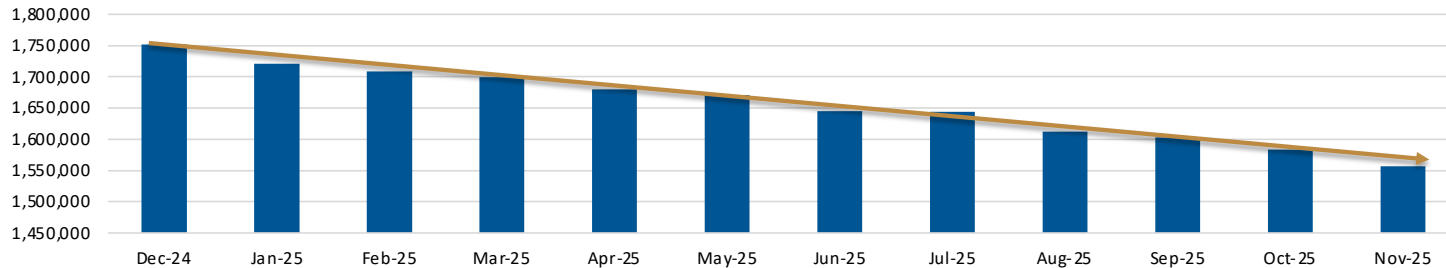


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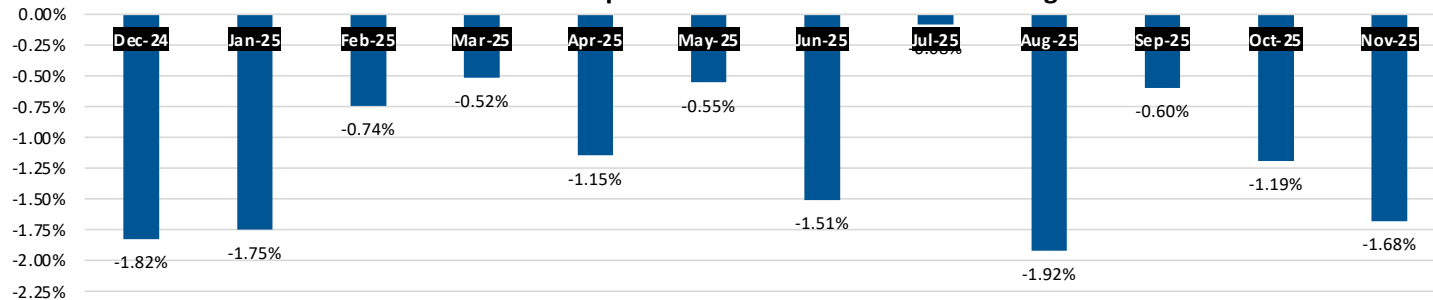
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The Hess Report - Arizona Medicaid Dynamics - 2025

AHCCCS Complete Care Enrollment



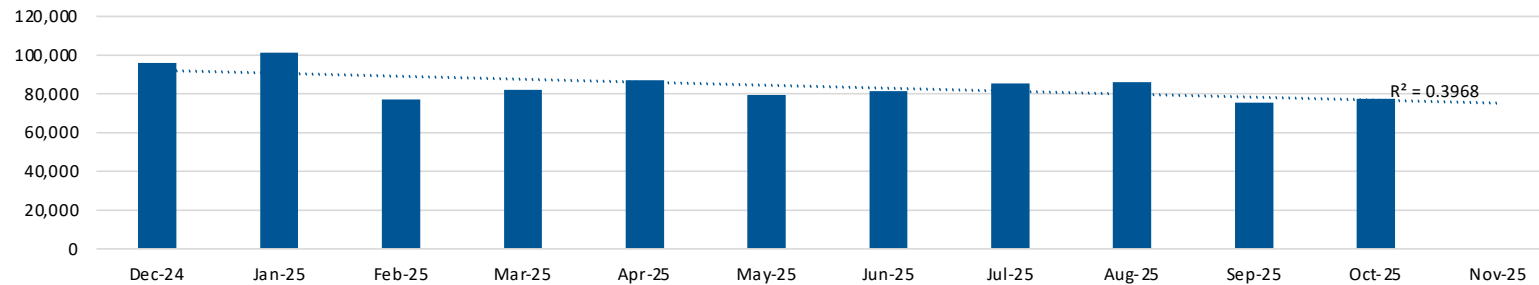
AHCCCS Complete Care Enrollment Rate of Change



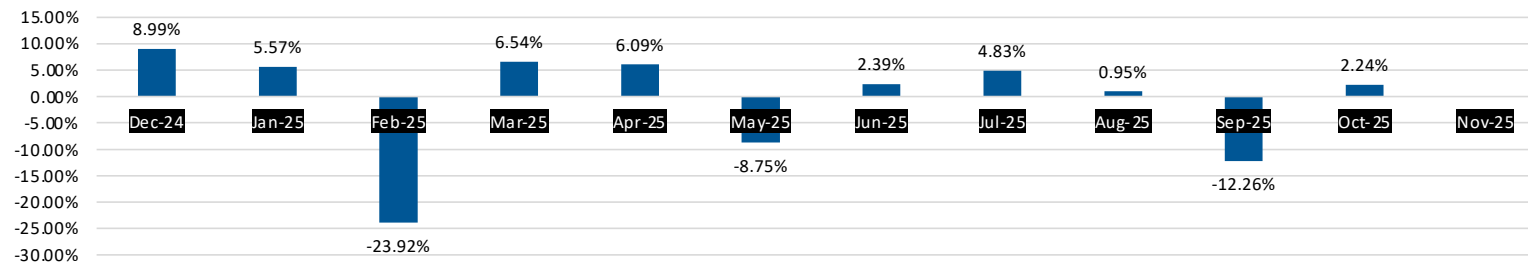
AHCCCS ACC
Enrollment (14.42%)
in past year,
Averaging (1.17%)
per month

The Hess Report – AHCCCS Initial Applications

AHCCCS Initial Applications Received

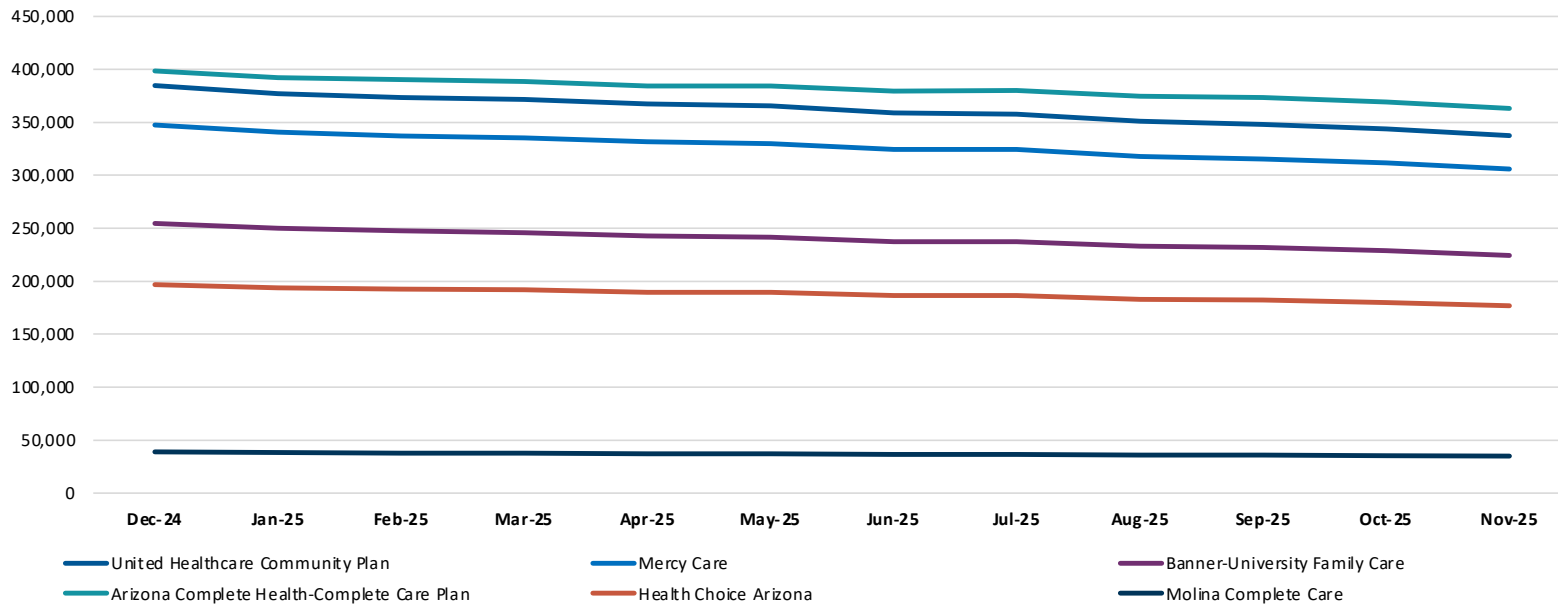


AHCCCS Initial Applications Received – Rate of Change



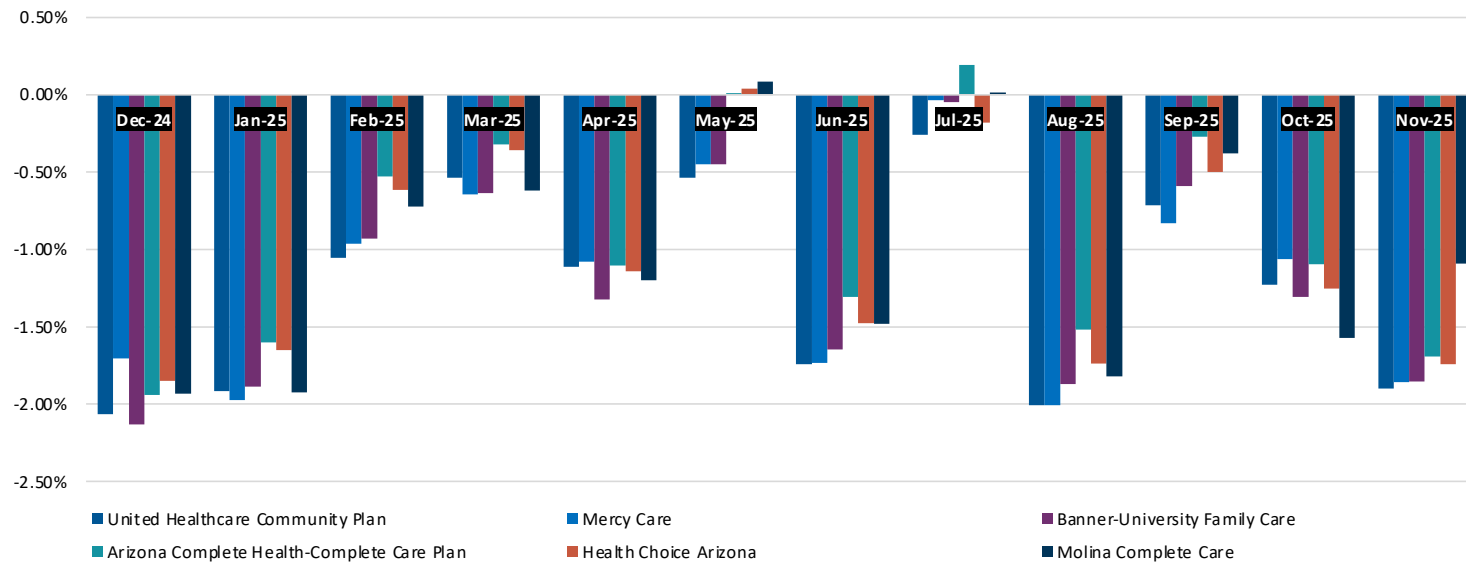
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AHCCCS ACC Enrollment by Health Plan



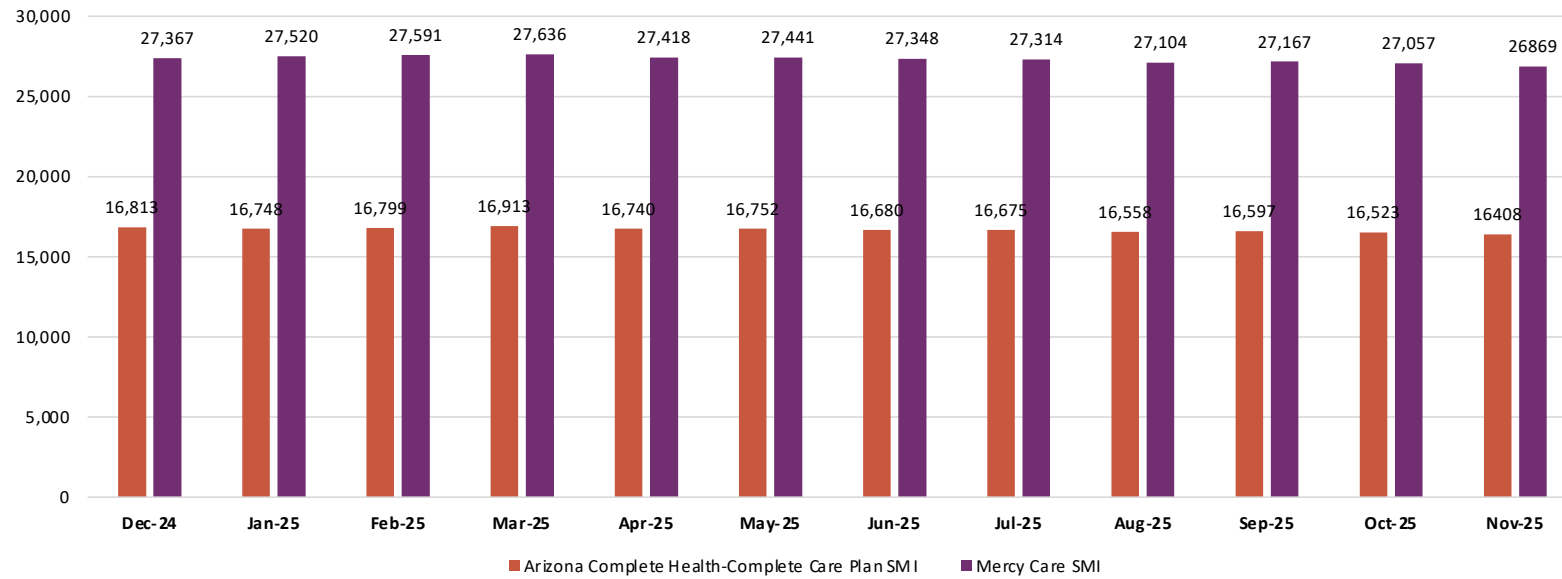
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AHCCCS ACC Enrollment by Health Plan - Rate of Change



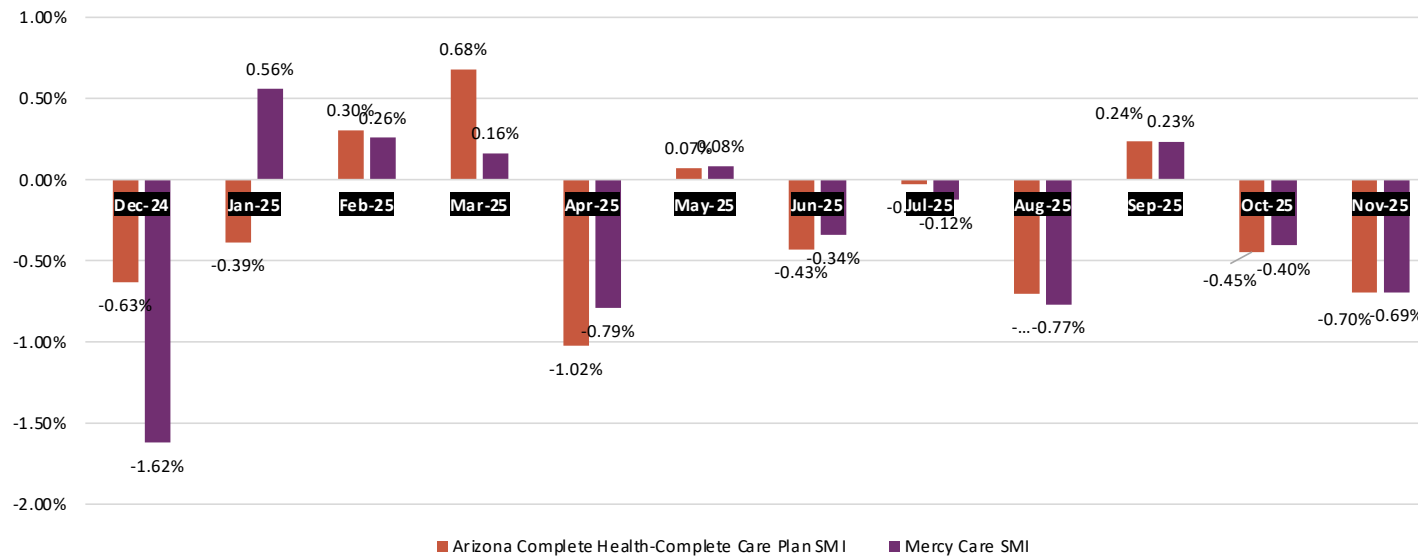
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AHCCCS SMI Enrollment



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AHCCCS RBHA Enrollment by Health Plan

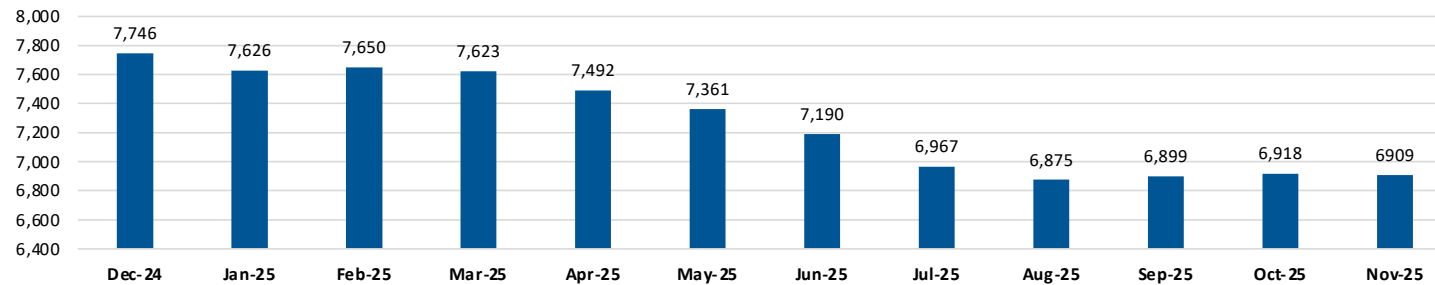


**AHCCCS RBHA
Enrollment -(3.53%) in
past year**

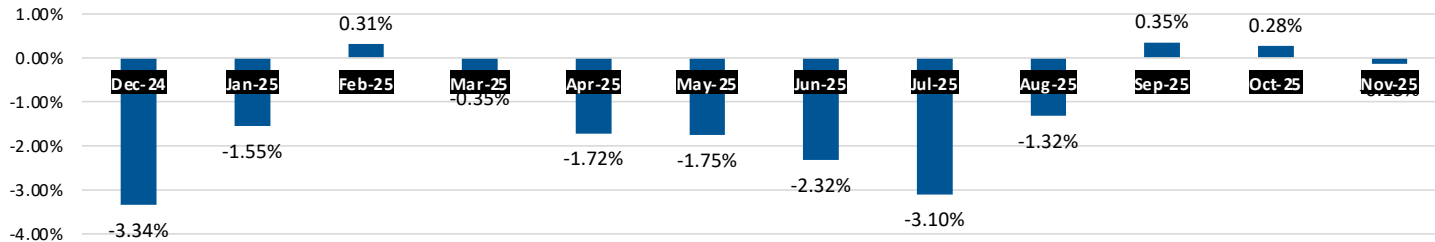
**Averaging -(0.26%)
per month**

The Hess Report – AHCCCS DCS-CHP Health Plan

AHCCCS DCS-CHP Health Plan Enrollment



AHCCCS DCS-CHP Health Plan Enrollment Rate of Change



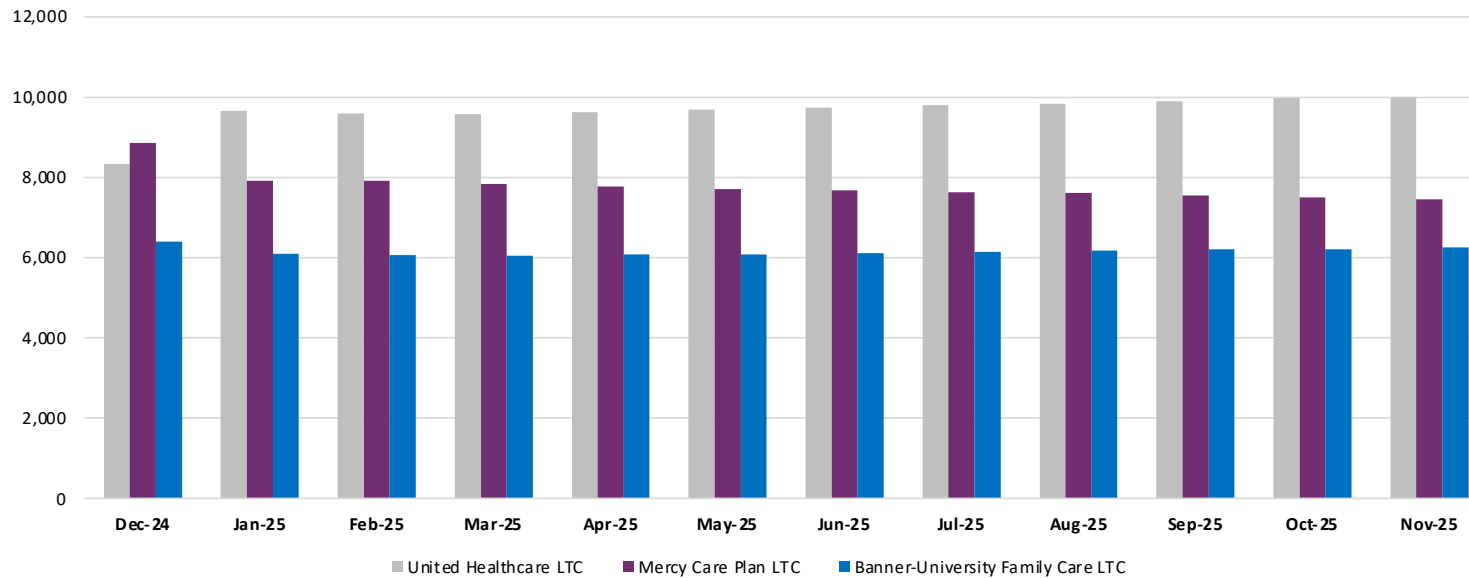
NOTE: These data reflect enrollment in the AHCCCS DCS-CHP Health Plan, which is related to, but not synonymous with, total child welfare enrollment

DCS-CHP Enrollment
-(10.81%) in past
year

Averaging -(1.20%)
per month

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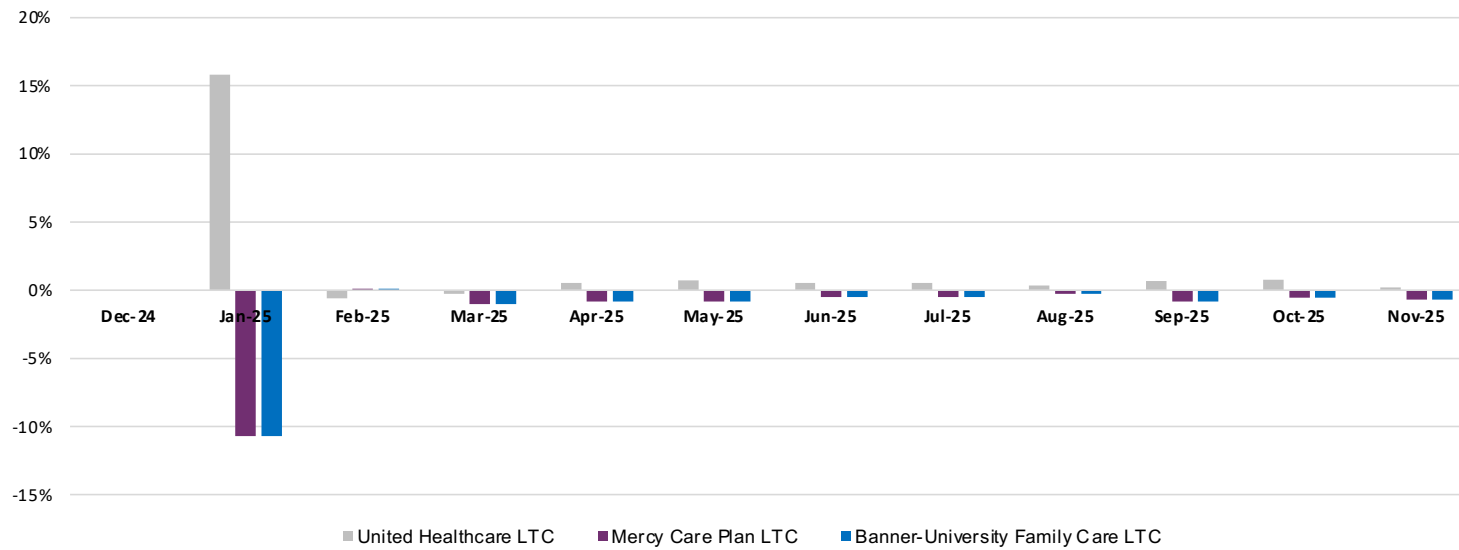
Arizona Long Term Care Enrollment by Health Plan



ALTCS Enrollment
+3.85% in past
year

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Arizona Long Term Care Enrollment by Health Plan - Rate of Change



ALTCs Enrollment
Averaging +0.35%
per month

The Hess Report – AHCCCS ALTCS Procurement 2026



September 19, 2025

ALTCS-EPD Update: Notice of Procurement Termination and Intent to Initiate new Procurement

In August 2025, AHCCCS provided notice to members enrolled in the Arizona Long Term Care System-Elderly and/or Physically Disabled (ALTCS-EPD) program that AHCCCS was extending its current contracts with Mercy Care, Banner-University Family Care, and Arizona Physicians IPA (doing business as UnitedHealthcare Community Plan) through September 30, 2026. The extended contracts will be effective October 1, 2025.

AHCCCS has chosen to terminate the YH24-0001 ALTCS-EPD procurement, and the related contract awards that were issued in December 2023.

A new health plan proposal for the ALTCS-EPD program will be issued by AHCCCS with submissions for the new procurement expected to be due in the Fall of 2026.

AHCCCS is committed to keeping members informed of this topic.

For questions, members can call ALTCS Member Services at [1-888-621-6880](tel:1-888-621-6880) or review this [FAQ document](#) .



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The Hess Report – New AHCCCS Leadership



ARIZONA
HEALTH CARE COST
CONTAINMENT SYSTEM



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September 26, 2025

Governor Katie Hobbs Appoints Virginia “Ginny” Rountree to lead AHCCCS

Phoenix, AZ – Today, Governor Katie Hobbs is appointing Virginia “Ginny” Rountree as the new director of the Arizona Health Care Cost Containment System (AHCCCS), effective Oct. 6, 2025. A health and human services expert based in Tucson, Ginny brings more than a decade of experience in public roles at AHCCCS and the Department of Economic Security (DES), as well as leadership positions in the private sector.

Ginny succeeds Kristen Challacombe, who has served as interim Director since April 2025 and will return to her previous role at the agency.

This appointment reflects the state's commitment to addressing critical health care challenges and maintaining Arizona's four-decade legacy of providing efficient, effective care with our innovative managed care partners. With extensive experience collaborating with Arizona's health care providers, Ginny returns to public service ready to address challenges caused by federal health care cuts and ensure AHCCCS continues delivering critical services to Arizonans.

“Ginny is a dedicated leader with a deep understanding of the challenges and opportunities in health care,” said **Governor Katie Hobbs**. “Her expertise and passion for serving our community prepared her to lead this critical agency. I’m confident she will help us protect and enhance vital health care for everyday Arizonans.”

“I am honored that Governor Hobbs has given me this opportunity to be able to serve Arizonans as the AHCCCS Director,” said **AHCCCS Director nominee Virginia “Ginny” Rountree**. “Access to high quality, whole-person care to help Arizonans live healthier lives is of the highest priority. I am excited to help strengthen the Medicaid system for those it serves and move this most important priority forward.”

Previously, Ginny served as deputy director of community services and managed care at DES for five years, overseeing the Division of Developmental Disabilities, child care, and Adult Protective Services. From 2014-2019, she held various roles at AHCCCS, most recently as the assistant director of the Division of Healthcare Management. Her career includes leadership positions in both government and the private sector, including her tenure with UnitedHealth Community Plan.

Ginny is a graduate of Columbia Union College in Maryland, where she earned her Bachelor of Science in Nursing.



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The Hess Report – Arizona Rural Health Transformation

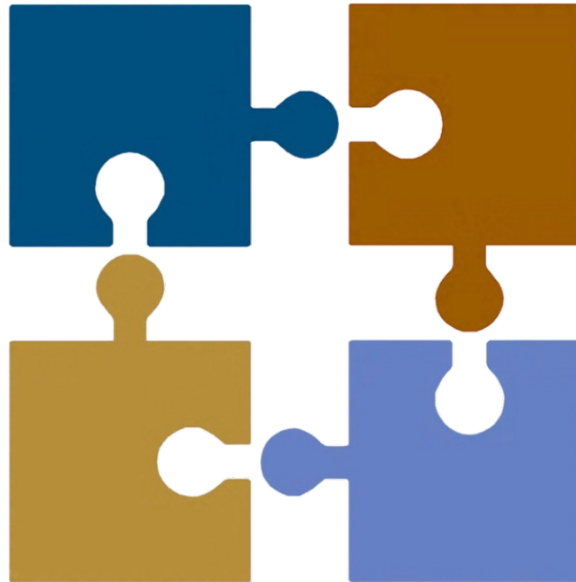
Workforce Development

- **Recruit, train, and retain skilled health professionals** serving Arizona's **rural and Tribal communities** by creating new and expanding existing workforce initiatives
- Create **financial incentives to encourage recruitment and retention** of rural healthcare professionals in collaboration with colleges, universities, Arizona Area Health Education Centers, with an emphasis on allied health disciplines

Priority Health Initiatives Grant

Focused on **Behavioral Health & Substance Use Disorder (SUD), Child and Maternal Health, and Chronic Disease Prevention & Management**

Expand prevention and treatment access via grant opportunities, including for mobile/digital units, and telehealth integration



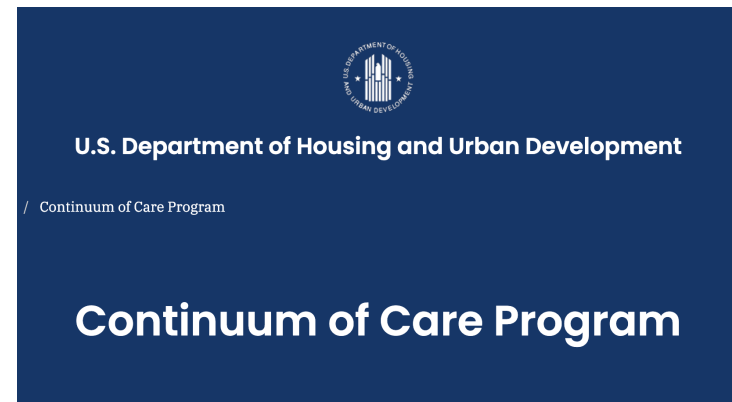
Rural Health Access

- Expand access to care in rural communities by deploying mobile units and satellite sites, and expanding telehealth services for **specialty, primary, and preventive care in remote areas**
- Integrate **regional coordination** for referrals, scheduling, and continuity of care, and telehealth-enabled access to improve rural health outcomes

Resiliency & Operational Efficiency

- Implement shared services models to reduce administrative and financial burdens by **leveraging EMRs, HIE, and scaling back-office support**
- Provide **technical assistance** to strengthen rural network **performance and coordination** for better care delivery

The Hess Report – Housing Continuum of Care



- 30% Cap on Permanent Housing (down from 90%)
- Push CoCs to transitional housing (TH) with 40-hour/week service requirements

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The Hess Report 2026 Priorities




As of November 30, 2025

The Hess Report - H.R.1 2026 Highlights

1. Eliminates Incentives to States to Expand Medicaid as of 1/1/2026
2. Reduces Federal Contribution for States that Provide Coverage for Undocumented Immigrants, by 10/1/27, Reduces Emergency Services by 10/1/26
3. Restricts Eligibility to Qualified Immigrants by 10/1/26
4. Removes temporary coverage while verifying immigrant status by 10/1/26
5. Eliminates and Prohibits eligibility automation in Federal Programs (e.g. Medicare, Marketplace, CHIP) until 1/1/2035
6. Requires States to Re-determine Eligibility Every Six Months (v. annually) by 12/31/26
7. Requires “Able-bodied” Childless Adults to Work, Attend School or Volunteer 80-hours per month by 12/31/26
8. Limits retroactive coverage from 90-days to 30-days by 12/31/26
9. Requires CMS to certify 1115 Waiver Programs are Budget Neutral, effective 1/1/27
10. Requires Transparency in Pharmaceutical Pricing and introduces cost controls, within 18-months.
11. Allocates \$50 billion for Rural Health Transformation between 2026 - 2030.

The Hess Report – Arizona Economy 2026 Predictions



- **Population Growth.** Population growth probably will moderate in 2026 as softer labor demand weighs on inward migration.
 - **Employment.** The Artificial Intelligence boom (AI) and fiscal and monetary stimulus will be tailwinds to the state's economy in 2026, which are forecasted rebound and outpace the rest of the nation.
 - **Household Income.** Income growth, particularly disposable income growth, is expected to be boosted next year, as the One Big Beautiful Bill Act raises exemptions and deductions for seniors, tips, and state and local taxes.
 - **Housing.** Residential construction is projected to rebound in 2026, as the Fed's rate cuts bring down mortgage rates. Trade disputes look likely to reach settlements next year. 50,000 units are anticipated to be added to Arizona's housing supply in 2026. Arizona's rental vacancy rates are the highest in several years, a significant headwind limiting multifamily construction. House prices will likely give back a bit more of recent years' big increases, but a major correction seems unlikely.
- 

The Hess Report – AHCCCS ACC-RBHA Procurement 2027 (expected)



Arizona Health Care Cost Containment System...

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📢 Save the Date! 📢

HMA is hosting in-person stakeholder forums to discuss the future of AHCCCS' delivery system.

📍 Upcoming Sessions:
📅 Tucson – June 4
📅 Phoenix – June 10
📅 Flagstaff – Date TBD

HMA will provide more information next week, so please stay tuned! ✨

#StakeholderForums #CommunityVoices #HealthcareFuture

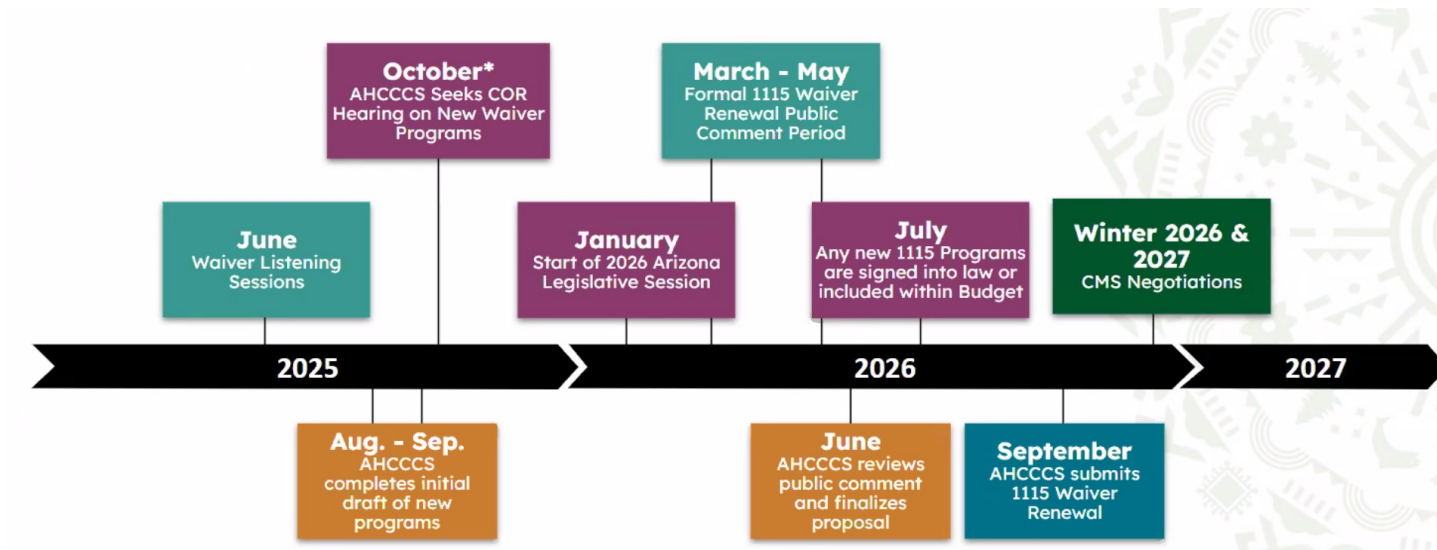


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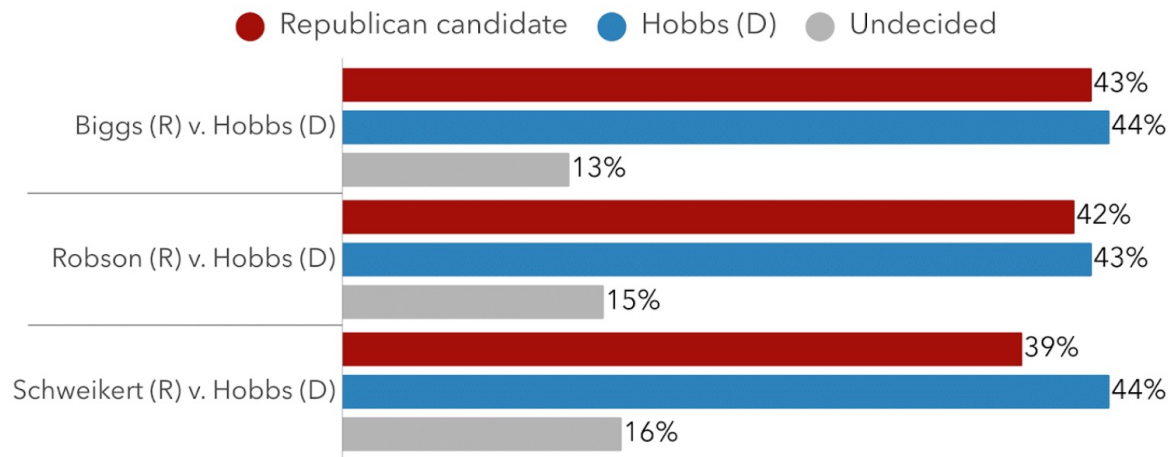
The Hess Report – AHCCCS 1115 Waiver Application



The Hess Report – Social Environment

ARIZONA 2026 POLL

2026 Gubernatorial General Election Matchups



Arizona Voters, n=850, MOE +/- 3.3%, Nov. 8-10, 2025

The Rose Garden Rule: Look busy, look official, and don't make noise that distracts from the governor's image.



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The Hess Report Summary

- Arizona Medicaid continues to experience a market contraction.
- HR 1 and Rural Health Transformation Funding will likely be primary drivers of system transformation.
 - Provider should build programs to support “engagement” requirements
- HUD CoC NOFO will reduce permanent housing support
- 1115 Waiver, ALTCS and ACC-RBHA procurements create opportunity.
- Election cycle will emphasize reducing noise for current administration.