

The logo for the Arizona Department of Economic Security features the word "ARIZONA" in a bold, white, sans-serif font. The letter "O" is replaced by a stylized orange sun rising over white mountain peaks. The background is a solid teal color with a decorative circular pattern of white geometric and nature-inspired icons on the left side.

ARIZONA

Department of Economic Security

Division of Developmental Disabilities Growth

Click the Interpretation button at the bottom of your Zoom screen and then select either English or Spanish to hear the meeting.
Haga clic en el botón de interpretación el la parte inferior de su pantalla Zoom, y entonces inglés o español para escuchar la reunión.

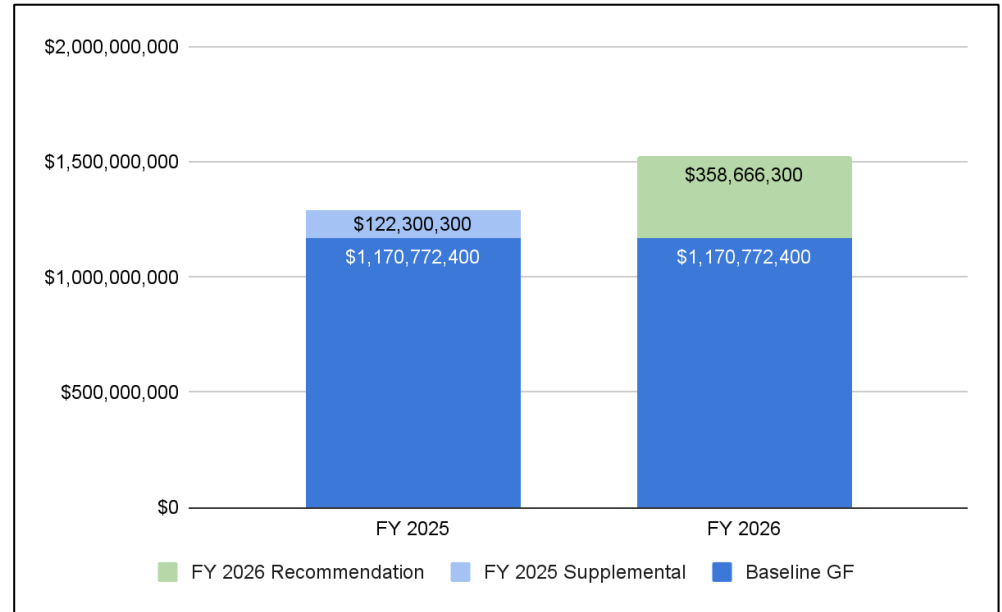
Governor's Executive Budget Recommendation

Released on January 17, 2025

Includes a recommendation of \$122.3M GF in supplemental funding in FY 2025.*

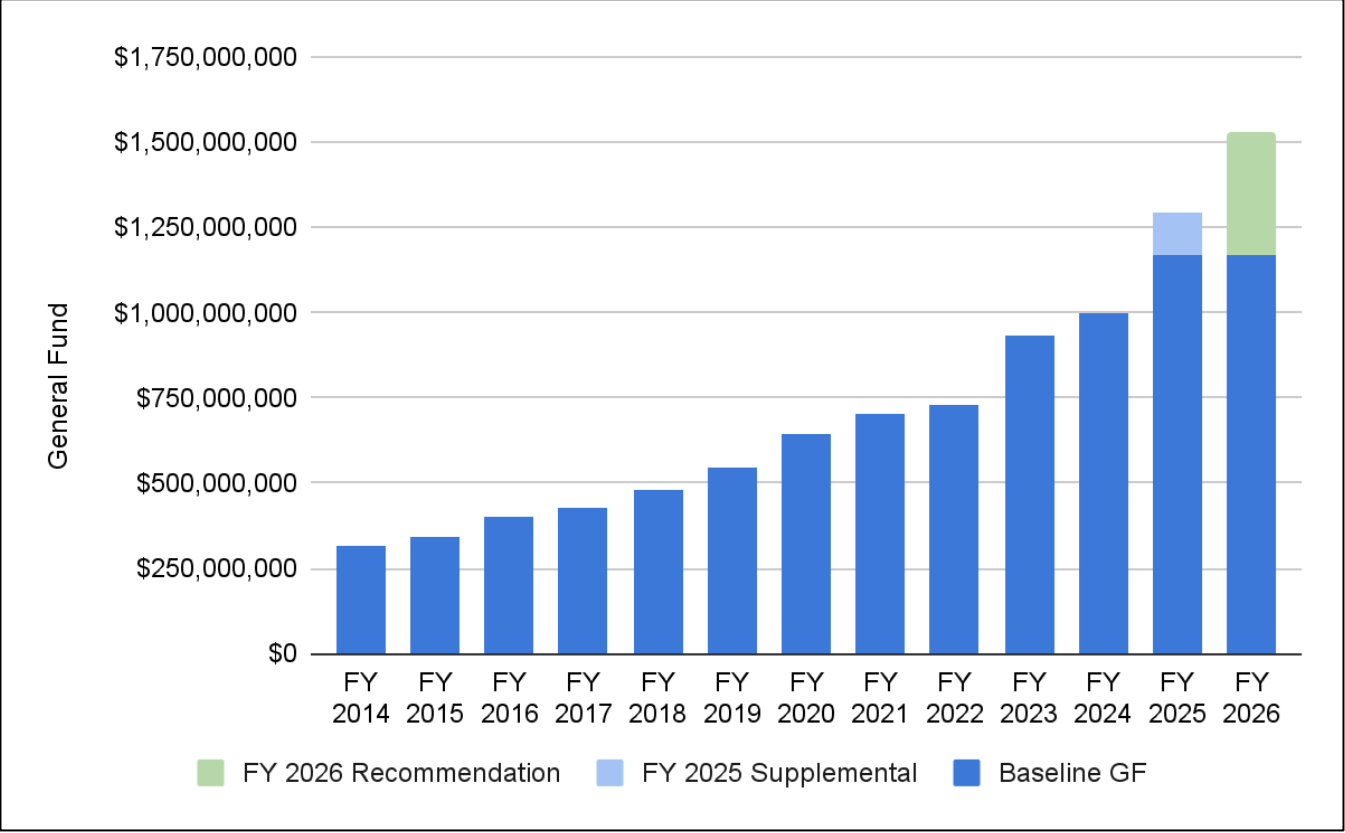
Includes a recommendation for \$358.7M GF in FY 2026, reaching a total GF amount of \$1.5B.

*DDD is projected to run out of funding by late April / early May and will need supplemental funding to pay claims in May and June.



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Gov Executive Budget Recommendation (cont.)



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DDD Eligibility

A.R.S. § 36-559

Qualifying Diagnosis for DDD Eligibility:

- Autism
- Cerebral Palsy
- Down syndrome
- Epilepsy
- Cognitive/Intellectual Disability

A person aged 0 to 3 years must:

Have a significant delay in one or more developmental areas or an established condition that could lead to a developmental disability.

A person aged 3 to 6 years must:

Have one of the following developmental disabilities OR be **At-Risk** for developing one of these disabilities

In addition to qualifying diagnosis, must also have substantial functional limitations in 3 or more of these daily life skills related to the disability:

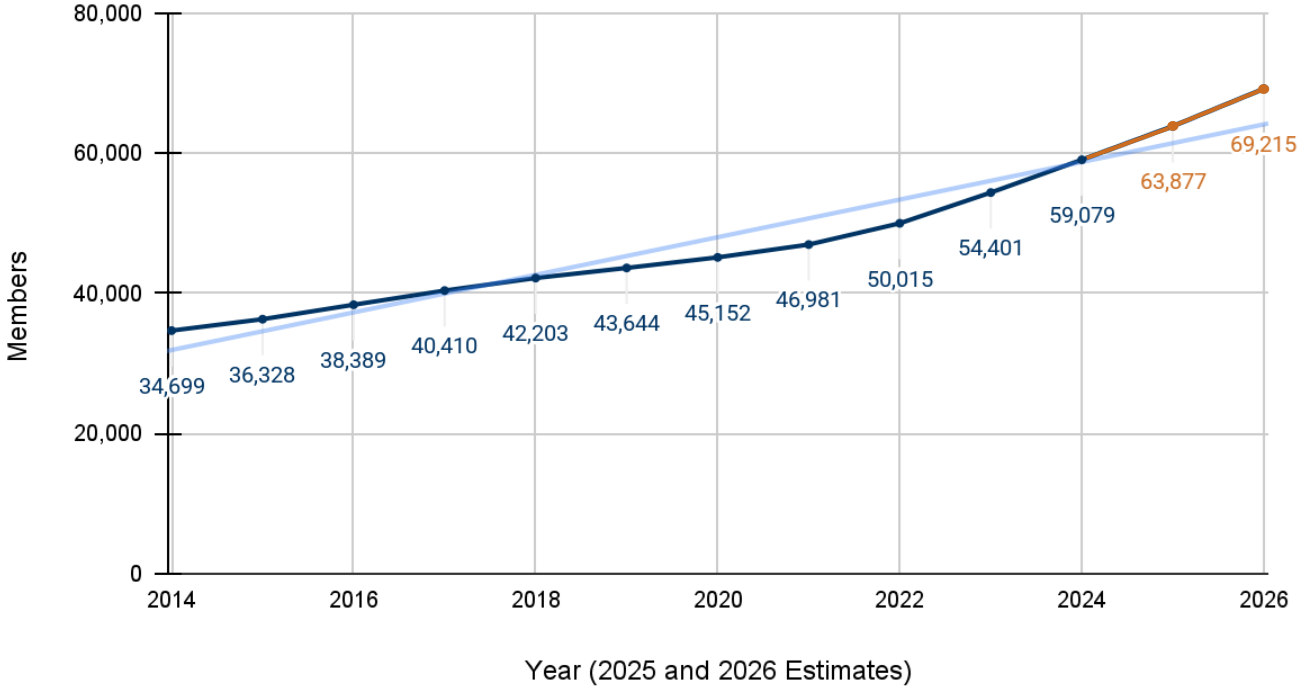
- Receptive and expressive language
- Learning
- Self-direction
- Self-care
- Mobility
- Capacity for Independent living
- Economic self-sufficiency

ALTCS/DD Financial Growth Drivers

- Increase in DDD membership
- Increase in service authorization and service utilization
- Cost to Provide Services
 - HCB S
 - Physical & Behavioral Health
- Cost shifts from Federal to State funds

DDD Member Growth: Total Population

Total Members by Year 2014-2026



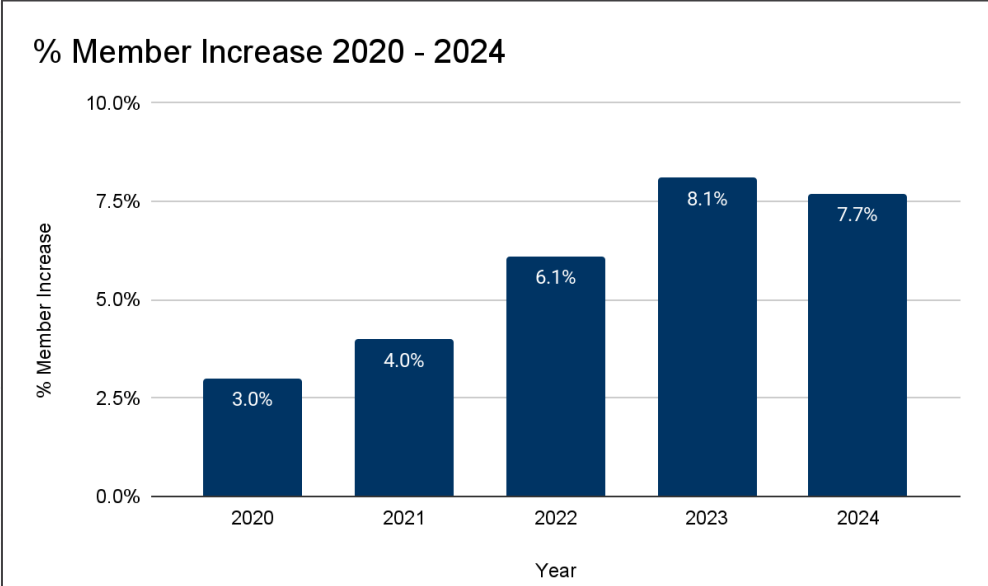
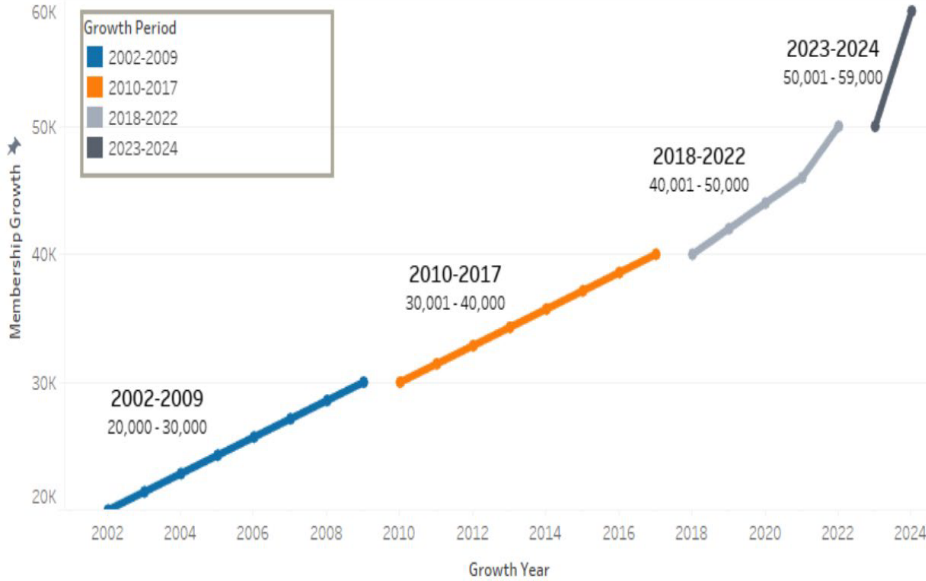
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Historical DDD Membership Growth

1999 - 17,224 members

2024 (December) - 59,079 members

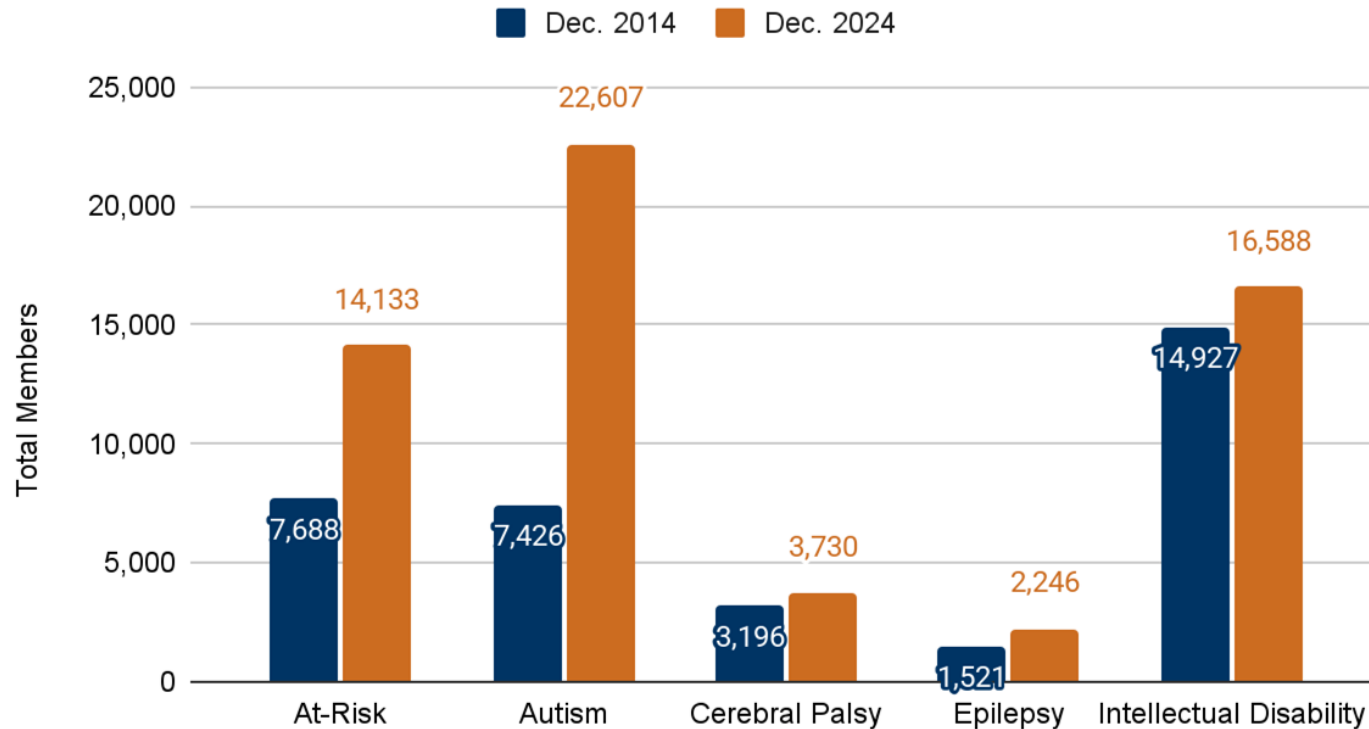


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DDD Member Growth: Autism

Members by Qualifying Diagnosis 2014 vs 2024



Follows national trend: [1 in 36 children](#) were diagnosed with autism in 2020, according to the CDC, compared with 1 in 150 children in 2000.

Service Utilization Increases

	Total Hours of Service Delivered - Members aged 0 -17						
Service	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Attendant Care	862,640	1,016,527	1,469,575	3,113,746	3,372,907	4,317,869	6,977,396
Habilitation Hourly	3,192,999	3,347,849	3,570,893	4,138,629	4,195,661	5,067,116	6,934,157
Grand Total	4,055,639	4,364,376	5,040,468	7,252,375	7,568,568	9,384,985	13,911,553

	Percentage of Members aged 0 -17 Receiving Attendant Care						
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Members Authorized	1,438	1,685	2,756	3,964	4,007	4,888	8,055
Total Population (ALTCS)	16,279	17,175	17,643	17,384	17,582	18,433	20,513
% Authorized	8.80%	9.80%	15.60%	22.80%	22.80%	26.50%	39.30%

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Explaining Service Utilization Shifts

- The Public Health Emergency caused closures of many facilities providing group supported services such as day programs. To date, the utilization of day programs has not returned to pre-pandemic levels.
- Members / Families are opting for in-home services over group settings, which has a greater financial impact.
- Implementation of the Parents as Paid Caregivers (PPCG) program in 2020. Parents of minor children can be paid for the provision of medically necessary services for the first time.
 - AHCCCS required DDD to update policy guidance for Attendant Care (ATC)
 - DDD policy guidance was changed to allow for ATC Supervision to be authorized when a parent is in the home - resulting in increased auths.
 - In 2019, only 9.8% (1,685) of the ALTCS/DD population under 18 years old received Attendant Care. In 2024, 39.3% (8,055) of the ALTCS/DD population under 18 years old receives Attendant Care.

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Cost to Provide Services

DDD pays Qualified Vendors (provider agencies) to deliver HCBS to DDD members based on an [established rate](#) book by service type. These rates include direct staff wages & benefits, direct supervision, training, travel time and costs, facility and vehicle expenses, administrative oversight, and other costs.

The state budget included provider rate increases in 2018, 2019, 2020, 2021 and 2023. A significant portion of those provider rate increases were aligned to keep up with minimum wage increases. **The state minimum wage in Arizona has increased from \$8.05 in 2016 to \$14.70 in 2025.**

Setting aside member growth, the cost of providing the same level of services to the same number of members as in 2018 has grown by hundreds of millions of dollars because of the cost to provide services. These are necessary costs to ensure that there is an adequate workforce to serve the population.

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Funding to Recruit & Retain DSPs

The Executive Budget includes funding to increase provider rates by 6% over three years, equating to an annual increase of 2%.

Providers are facing difficulties recruiting and retaining Direct Support Professionals. These positions are critical to the health and welfare of Arizonans.

The Executive includes a 2% annual provider rate increase over the next 3 years:

- Year 1: \$24.4m GF - \$65.5m total funds.
- Year 2: \$24.9m GF - \$66.8m total funds.
- Year 3: \$25.4m GF - \$68.2m total funds.

This funding will make DDD provider rates more competitive, which in turn will alleviate workforce challenges and expand access to care.

Increased Physical and Behavioral Health Expenses

The costs of providing physical & behavioral health services to DDD members has risen by nearly 40% (~\$150 million) in the last 4 years.

This is the result of:

- Improved access to services to support members with complex needs
- Increased number of members eligible for ALTCS
- Increase in non-dual membership (members without Medicare coverage)

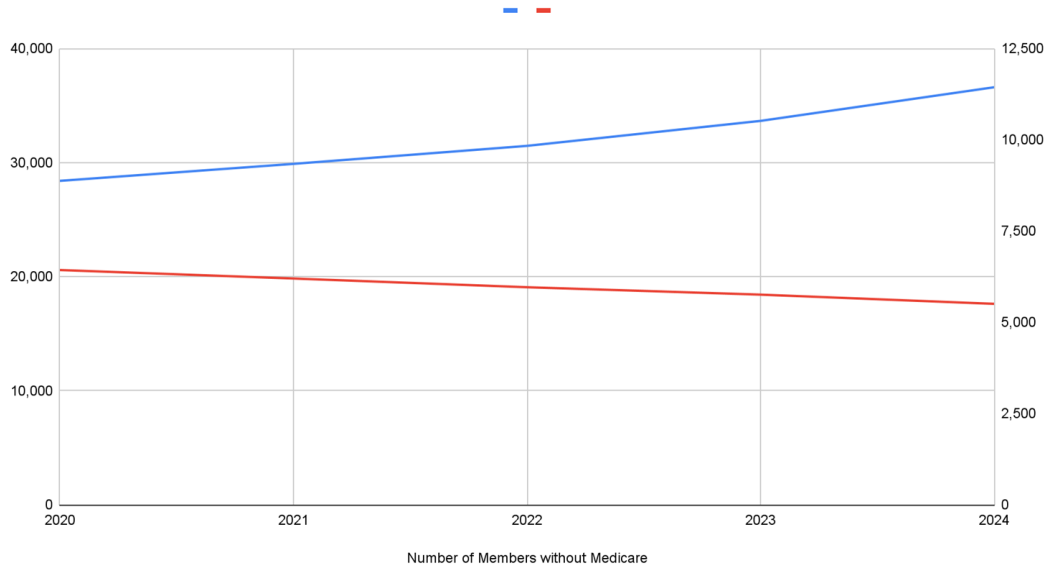
ITEM	SFY 2021	SFY 2022	SFY 2023	SFY 2024
Expenditures	\$ 410,734,978	\$ 451,655,155	\$ 471,298,813	\$ 565,808,231

Increase in Membership without Medicare

Due to the increasing membership largely due to members under the age of 18, there is an increase in members without Medicare to offset costs.

FY25 Cost of PH/BH costs w/ medicare: \$318 pmpm w/out medicare: \$1,380 pmpm

Non-Dual and Dual



Cost Shifts from Federal to State Funds

Federal Medical Assistance Percentage (FMAP)

- Federal calculation to determine percentage of state share for federal funding
- The FMAP is calculated using a formula based on state and national per capita income so as Arizona 's per capita income increases, the State is required to contribute a larger percentage to receive Federal funds.
- A 1% change in the AZ state share approximately creates a ~ \$35M impact.
- AZ change in FMAP from FY 2022 to FY 2026 = ~ \$200M impact.

Blended FMAP		
State Fiscal Year	Federal Share	AZ State Share
2022	70.01%	29.99%
2023	69.67%	30.33%
2024	68.34%	31.66%
2025	66.21%	33.79%
2026 (est)	64.67%	35.34%

*Arizona's FMAP could potentially be revised upward due to ACA disaster recovery FMAP adjustment

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Summary

More members are receiving more services, billed at a higher rate.

Given the scale and scope of DDD, slight changes in membership growth, utilization, and FMAP have significant financial impact.

Simultaneous growth factors have a compounding effect.

Supplemental Funding is needed in FY25 to maintain sufficient cash flow to pay claims through the end of June.

Governor's Executive Budget Recommendation funds DDD in FY 2025 and FY 2026.

Impacts of Funding

DDD currently provides supports and services to nearly 60,000 individuals with developmental disabilities across Arizona.

Funding supports individuals with developmental disabilities to live self-directed, healthy, and meaningful lives.

More than 70 million hours of medically necessary services are provided to members each year in the least restrictive and most integrated settings possible.

More than 50,000 DSP are employed as a result of this funding to deliver services to DDD members.

We are grateful to the Governor's Office for their support in advocating for the funding to keep Arizona's ALTCS/DDD program thriving and supporting hundreds of thousands of impacted individuals across the State.

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Questions?