Department of Health and Human Services
Office of Inspector General
Office of Audit Services

August 2026 | OAS-24-09-002

Arizona Did Not Ensure That Selected Medicaid Managed Care Organizations Complied With Mental Health and Substance Use Disorder Parity Requirements Related to Prior Authorization

REPORT HIGHLIGHTS

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Arizona Did Not Ensure That Selected Medicaid Managed Care Organizations Complied With Mental Health and Substance Use Disorder Parity Requirements Related to Prior Authorization

Why OIG Did This Audit

- Individuals seeking care for mental health and substance use disorder (MH/SUD) conditions often find that treatment operates in a separate, and often very disparate, system than treatment for medical/surgical (M/S) care, even under the same health insurance coverage.
- Federal statute and regulations prohibit coverage limitations that apply more restrictively to MH/SUD benefits than to M/S benefits; these are called parity requirements. A prior OIG audit found that CMS did not ensure that eight selected States complied with parity requirements related to Medicaid managed care MH/SUD and M/S care.
- This audit determined whether Arizona ensured that three selected Medicaid managed care organizations (MCOs) complied with parity requirements related to prior authorization for MH/SUD services provided to Medicaid enrollees during the contract period October 1, 2022, through September 30, 2023 (audit period).

What OIG Found

- One of the three MCOs complied with Arizona requirements to perform an annual parity analysis, which found that limitations related to the prior authorization of MH/SUD services were no more restrictive than those applied to M/S services. However, the remaining two MCOs did not perform annual parity analyses and were unable to demonstrate compliance with parity requirements related to prior authorization for MH/SUD services.
- Arizona's written policies regarding how to establish compliance with parity requirements were unclear and Arizona's oversight did not adequately ensure that MCOs complied with parity requirements. As a result, Arizona could not ensure that all services delivered to MCO enrollees complied with parity requirements.

What OIG Recommends

We recommend that Arizona improve its policies and procedures to (1) clarify that MCOs are required to annually perform parity analyses, (2) require MCOs to submit the results of the analyses with reliable supporting documentation (e.g., data) for Arizona's review, and (3) review the MCOs' annual parity analyses and supporting documentation.

Arizona concurred with the second and third parts of our recommendation and described actions it has taken and plans to take in response, but did not concur with the first part of our recommendation because its policies and procedures already require MCOs to annually perform parity analyses.

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INTRODUCTION

WHY WE DID THIS AUDIT

In 2024, 61.5 million adults in the United States experienced some form of mental illness and an estimated 48.4 million people aged 12 or older had a substance use disorder. Individuals seeking care for mental health and substance use disorder (MH/SUD) conditions often find that treatment operates in a separate, and often very disparate, system than treatment for medical and surgical (M/S) care, even under the same health insurance coverage. Federal regulations implementing the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008 (MHPAEA) were put in place to make it easier for people with MH/SUD conditions to access treatment and services by prohibiting coverage limitations that apply more restrictively to MH/SUD benefits than to M/S benefits (i.e., parity in how the two types of benefits are covered by health insurers, including Medicaid managed care).

A prior Office of Inspector General (OIG) audit found that the Centers for Medicare & Medicaid Services (CMS) did not ensure that eight selected States complied with Medicaid managed care MH/SUD parity requirements.[1] OIG is conducting a series of audits to determine whether some of the States covered in our prior report and their Medicaid managed care organizations (MCOs) complied with parity requirements for MH/SUD benefits related to prior authorization.[2] Our prior audit identified that prior authorization was the most frequent nonquantitative treatment limitation (NQTL) area of noncompliance.[3] We are conducting this series of audits as part of Congressionally requested OIG work that addresses enrollees' access to MH/SUD services. We selected Arizona based on findings related to NQTLs from our prior audit.

OBJECTIVE

Our objective was to determine whether the Arizona Health Care Cost Containment System (State agency) ensured that its MCOs complied with parity requirements related to prior authorization for MH/SUD services provided to their Medicaid enrollees.

[1] OIG, *CMS Did Not Ensure That Selected States Complied With Medicaid Managed Care Mental Health and Substance Use Disorder Parity Requirements*, (A-02-22-01016), issued Mar. 25, 2024.

[2] Prior authorization is a cost-control process in which advance approval from a health plan is required before a service is performed and subsequently paid.

[3] NQTLs are restrictions on services that are not expressed numerically but otherwise limit the scope and duration of benefits, including limiting benefits based on medical necessity, medical management policies (e.g., prior authorization), and standards for provider participation in a network.

BACKGROUND

The Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008

The MHPAEA was intended to promote equal access to treatment for people with MH/SUD conditions by prohibiting coverage limitations that apply more restrictively to MH/SUD benefits than they do to M/S benefits. Such limitations may include higher copayments, separate deductibles, and stricter prior authorization or medical necessity reviews, as compared to other covered medical treatments.

Mental Health and Substance Use Disorder Parity Requirements

CMS issued a final rule in March 2016 that addressed how the MH/SUD parity requirements of the MHPAEA apply to coverage offered by MCOs to Medicaid enrollees.[4] The regulations require States to ensure that all services delivered to MCO enrollees comply with parity requirements. States and their MCOs were required to comply with the requirements by October 2, 2017 (the compliance date).[5] Specifically, States or their MCOs are required to conduct ongoing parity analyses to assess whether MH/SUD benefits are covered in a way that is no more restrictive than M/S benefits.[6] The parity analyses compare limitations on MH/SUD benefits with those for M/S services in four benefit classifications: inpatient, outpatient, prescription drugs, and emergency care.[7]

NQTLs are restrictions on services that are not expressed numerically but that otherwise limit the scope or duration of benefits. NQTLs include, but are not limited to, medical necessity criteria, medical management protocols (e.g., prior authorization and concurrent review), and reimbursement rates. The regulations require that an MCO not impose limitations, including prior authorization for MH/SUD benefits, unless the limitations applied to MH/SUD benefits in any classification—under the policies and procedures of the MCO "as written" or "in operation"—are comparable to, and applied no more stringently than, the limitations applied to M/S benefits in the same benefit classification.[8]

[4] 81 Fed. Reg. 18390 (Mar. 30, 2016).

[5] Section 1932(b)(8) of the Social Security Act and implementing regulations at 42 CFR § 438.930.

[6] 42 CFR § 438.920.

[7] 42 CFR §§ 438.905, 438.910, and 438.915. Parity does not mandate coverage of MH/SUD services. However, when coverage for MH/SUD services is provided, coverage must be provided in every classification in which M/S services are provided.

[8] 42 CFR § 438.910(d)(1).

State Agency Oversight of Mental Health and Substance Use Disorder Parity Requirements

During our audit period (October 1, 2022, through September 30, 2023), the State agency contracted with nine MCOs to provide access to covered services, including MH/SUD services, to approximately 1.9 million Medicaid enrollees in Arizona. The State agency is responsible for the oversight of the MCOs' compliance with parity requirements.

As part of its oversight activities, the State agency performs operational reviews of MCOs every 3 years. Operational reviews are formal evaluations by the State agency that focus on performance, compliance, quality, and oversight of areas such as long-term care, behavioral health, and provider management to ensure quality care for members. One objective of these operational reviews is to determine whether an MCO satisfactorily meets the State agency's requirements specified in their contract, State agency policies, and 42 CFR Part 438 – Managed Care (which includes parity requirements).

State Agency Contractor Operations Manual

To comply with Federal requirements, the State agency developed the Arizona Health Care Cost Containment System Contractor Operations Manual (ACOM), which outlines MCO requirements to achieve and maintain compliance with the MHPAEA and other Federal regulations. The ACOM requires the MCOs to perform initial and ongoing parity analyses. The ACOM states that a "parity analysis shall be conducted and assessed annually."[9] The MCOs may utilize any data collection and documentation template for the parity analysis but must clearly document the methodology, processes, strategies, evidentiary standards applied, as well as financial requirements and other limitations (including NQTLs such as prior authorization limitations). If there have been no changes that affect parity compliance, the MCOs shall submit an annual attestation certifying ongoing compliance with parity requirements.[10]

The ACOM states that when there are changes in MCOs' operations that may affect parity compliance, the MCOs shall perform parity analyses. MCOs are required to submit these analyses to the State agency and identify any requirements or limitations impacted by the changes.[11]

[9] ACOM, section 110, III, A. State agency officials stated that MCOs were required to annually conduct parity analyses but were not required to *submit* them to the State agency.

[10] ACOM, section 110, III, C.

[11] ACOM, section 110, III, C, 1. State agency officials clarified that the parity analysis described in this section of the ACOM is an additional analysis that only needs to be performed if the MCOs identify a change in their operations that may affect parity compliance.

The ACOM also states that MCOs shall develop and maintain processes and systems that ensure the accurate collection and processing of claims, analysis, integration, and reporting of data (e.g., prior authorization data).[12]

Managed Care Organization Contractual Requirements

The State agency's approved MCO contract (contract) includes program requirements related to MH/SUD parity analyses. Specifically, it indicates that the MCOs must demonstrate that services are delivered in compliance with parity requirements consistent with 42 CFR Part 457, 42 CFR Part 438, and ACOM Policy 110. The MCOs must submit documentation that demonstrates compliance with parity requirements as well as a report identifying parity deficiencies and a plan of how the MCO will come into compliance.[13]

HOW WE CONDUCTED THIS AUDIT

We selected a nonstatistical sample of three of the nine MCOs in Arizona with contracts to provide access to MH/SUD services. The selected MCOs covered approximately 58-percent of Arizona's Medicaid managed care enrollees during the contract period October 1, 2022, through September 30, 2023 (audit period). We selected the MCOs based on an analysis of risk factors that included: (1) noncompliant issues identified in the State agency's operational reviews or reported by the MCOs, (2) number of enrollees served by the MCOs, and (3) the MCOs' use of subcontractors.

We reviewed the State agency's oversight of its MCOs' compliance with parity requirements for MH/SUD services related to prior authorization of those services compared to M/S services in the same benefit classifications. To determine whether MCOs may have imposed limits on certain MH/SUD services requiring prior authorization that were not comparable to, or more restrictive than those applied to M/S services in the same classifications, we reviewed the selected MCOs' policies and procedures "as written" and "in-operation."

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains the details of our audit scope and methodology.

[12] ACOM, section 203, III.

[13] Contract, section D, "Behavioral Health Service Delivery."

FINDINGS

The State agency did not ensure that two of the three selected Medicaid MCOs complied with parity requirements related to the prior authorization of MH/SUD services provided to their Medicaid enrollees. Specifically, it did not always ensure that MCOs complied with State agency policies established to maintain compliance with parity requirements. Of the three selected MCOs that we reviewed, one MCO complied with State agency requirements to perform an annual parity analysis, which indicated that its prior authorization limitations for MH/SUD services were comparable to, and no more restrictive than those applied to M/S services.[14] However, the remaining two MCOs did not perform parity analyses and were unable to demonstrate compliance with parity requirements related to the prior authorization for MH/SUD services.

This occurred because the State agency's oversight did not adequately ensure that the MCOs complied with parity requirements. As a result, the State agency could not ensure that all services were delivered to MCO enrollees in compliance with parity requirements. Accordingly, this may have increased the risk that Medicaid enrollees would encounter delays or barriers to needed MH/SUD treatment.

THE STATE AGENCY DID NOT ENSURE SELECTED MANAGED CARE ORGANIZATIONS PERFORMED ANNUAL PARITY ANALYSES FOR OUR AUDIT PERIOD

States must ensure that all services delivered to MCO enrollees comply with parity requirements.[15] To maintain compliance, the State agency requires MCOs to annually conduct and assess parity analyses. At minimum, MCOs must report NQTL analysis results for prior authorization, concurrent review, medical necessity, outlier, documentation, and out-of-area criteria. The MCOs must also assess and document monitoring mechanisms and aggregated results of data analysis (e.g., denial rates) as applicable.[16]

The State agency did not ensure that two of the three selected Medicaid MCOs conducted annual parity analyses. Specifically, the two selected MCOs did not perform a parity analysis that should have included an analysis of prior authorization limitations ("as written" and "in-operation") for MH/SUD services.

[14] This included a policy and procedure "as written" analysis and an "in operation" analysis. The "in operation" analysis compared denial rates for MH/SUD services to denial rates for M/S services in the same benefit classifications.

[15] 42 CFR § 438.920(b)(2).

[16] ACOM, section 110, III, C.

For our audit period, the two MCOs each submitted an attestation to the State agency that certified ongoing compliance with parity requirements. One of the two MCOs confirmed that it completed a parity analysis. The other MCO did not use the State-approved attestation form and did not confirm that it completed a parity analysis. However, neither of the MCOs conducted an annual parity analysis that met the State agency's requirements. Officials from both MCOs stated that they believed that a parity analysis was not warranted because there had not been material changes to their MCOs' benefit packages or prior authorization processes.

The MCOs' understanding of the State agency's written policy resulted in the MCOs not performing a parity analysis since the State agency conducted an initial parity analysis in 2017.[17]

Review of the MCOs' Prior Authorization Limitations

For the two MCOs, we determined that, "as written," prior authorization limitations for MH/SUD services were comparable to, and no more restrictive than those applied to M/S services. However, the two MCOs were unable to provide reliable prior authorization data for us to perform an "in-operation" data analysis of denial rates. For example, the prior authorization data provided by one MCO: included duplicate entries, did not support the MCO's calculations, and did not clearly identify whether prior authorization requests were for MH/SUD or M/S prescription drugs.

According to the State agency, it conducts operational reviews of the MCOs every 3 years, that include reviews of the MCOs' parity analyses. However, the State agency did not always identify that MCOs had not performed analyses during these operational reviews. The State agency conducted operational reviews for one of the two selected MCOs in 2020 and 2023, and the lack of a parity analysis was only noted during the 2023 operational review.[18] For the other MCO, the State agency conducted an operational review in 2022 and erroneously indicated that the parity analysis had been completed.

THE STATE AGENCY'S OVERSIGHT WAS NOT ADEQUATE TO ENSURE SELECTED MANAGED CARE ORGANIZATIONS COMPLIED WITH PARITY REQUIREMENTS

The State agency's oversight did not adequately ensure that the selected MCOs complied with parity requirements. Specifically, the State agency's written policies did not require the MCOs to annually provide a parity analysis and supporting documentation (e.g., data) to support

[17] The initial parity analysis was performed by a contractor on behalf of the State agency.

[18] The State agency developed a corrective action plan for the MCO to complete the annual analysis to demonstrate compliance with mental health parity.

compliance with parity requirements.[19] Instead, the State agency relied on the MCOs' annual attestations that certified the MCOs' compliance with parity requirements. Further, the State agency did not establish procedures to conduct reviews that focused on the MCOs' parity analyses. The State agency's operational reviews covered other Federal and State requirements—not just parity requirements—and did not always identify the lack of a parity analysis. In addition, the State agency's written policies were unclear. One section indicated that the MCOs were required to annually perform a parity analysis.[20] However, another section indicated that the MCOs were required to perform and submit a parity analysis when there were changes in their operations that may have affected parity compliance. If there were no changes, the section continued, MCOs were required to submit an annual attestation.[21]

Due to the lack of adequate policies and procedures, the State agency could not ensure that all services delivered to MCO enrollees complied with parity requirements. Accordingly, this may have increased the risk that Medicaid enrollees would encounter delays or barriers to needed MH/SUD treatment. By relying on the MCOs' attestations and not conducting focused reviews of parity analyses and supporting documentation, the State agency cannot confirm whether required parity analyses were conducted. Also, the State agency may not be aware of any existing or potential parity issues related to MH/SUD services (e.g., higher denials of prior authorization requests for MH/SUD services compared to those for M/S services).[22] In addition, the State agency's lack of clear written policies may result in the MCOs' continued noncompliance with parity requirements.

RECOMMENDATION

We recommend that the State agency improve its policies and procedures to: (1) clarify that MCOs are required to annually perform parity analyses, (2) require MCOs to submit the results of the analyses with reliable supporting documentation (e.g., data) for the State agency's review, and (3) review the MCOs' annual parity analyses and supporting documentation.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency partially concurred with our recommendation and described actions that it had taken and planned to take to address it. The State agency's comments are included in their entirety as Appendix B.

[19] During our fieldwork, the State agency revised its MCO contracts, effective Oct. 1, 2025, to require MCOs to submit the annual parity analysis as well as documentation to support compliance with parity requirements for the State agency's review. The MCOs must also make the results of the parity analysis available on their website.

[20] ACOM, section 110, III, A.

[21] ACOM, section 110, III, C.

[22] A higher rate of denial for MH/SUD services does not necessarily mean noncompliance with parity requirements. Rather, it could be an indicator of potential noncompliance.

STATE AGENCY COMMENTS

The State agency concurred with the second and third parts of our recommendation and stated that it amended its MCO contracts, effective October 1, 2024, to require MCOs to submit the results of their parity analyses. It also anticipates updating its policies to further clarify its expectations of MCOs regarding the submission of reliable supporting documentation. In addition, the State agency stated that, beginning in August 2024, it began collecting MCO parity analyses with annual MCO submissions, and is exploring opportunities for enhancing its review of MCOs' analyses.

The State agency did not concur with the first part of our recommendation—that it improve its policies and procedures to clarify that MCOs are required to annually perform parity analyses—because, according to the State agency, its policies and procedures already include requirements for MCOs to annually perform parity analyses. Specifically, according to the State agency, its policies include a requirement for MCOs to certify their compliance with mental health parity, including that the MCOs performed parity analyses via submitted attestations. Nevertheless, the State agency stated that, effective October 2024, it updated its MCO contracts to include the requirement for each MCO to annually submit its completed parity analysis to the State agency as well as the attestation and analysis summary. The State agency stated that it "anticipates issuing a memo to all MCOs reinforcing these submission requirements, including the complete analysis."

OIG RESPONSE

We commend the State agency on its actions and planned actions to address our recommendation. As described in our findings, the State agency's written policies regarding parity analyses were unclear, and officials from two of the three selected MCOs stated that they believed that a parity analysis was not warranted because there had not been material changes to their MCOs' benefit packages or prior authorization processes. By clarifying its policies and procedures, the State agency can ensure that all of its MCOs understand that a parity analysis must be performed annually, regardless of whether there were any changes in an MCO's operations that may have affected parity compliance.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We selected a nonstatistical sample of three of the nine MCOs in Arizona with contracts to provide access to MH/SUD services. The selected MCOs covered approximately 58-percent of Arizona's Medicaid managed care enrollees during the contract period October 1, 2022, through September 30, 2023 (audit period). We selected the MCOs based on an analysis of risk factors that included: (1) noncompliant issues identified in the State agency's operational reviews or reported by the MCOs, (2) number of enrollees served by the MCOs, and (3) the MCOs' use of subcontractors.

We reviewed the State agency's oversight of its MCOs' compliance with parity requirements for MH/SUD services related to prior authorization of those services compared to M/S services in the same benefit classifications. To determine whether MCOs may have imposed limits on certain MH/SUD services requiring prior authorization that were not comparable to, or more restrictive than those applied to M/S services in the same classifications, we reviewed the selected MCOs' policies and procedures "as written" and "in-operation."

We did not review the overall internal control structure of the State agency or the MCOs. Rather we limited our review of internal controls to those applicable to our objective. Specifically, we reviewed the State agency's and selected MCOs' policies and procedures for prior authorization requirements, denial of prior authorization requests, and ongoing compliance with MH/SUD parity requirements.

We conducted our audit work from September 2024 through June 2026.

METHODOLOGY

We took the following steps to accomplish our objective:

- Reviewed applicable Federal laws, regulations, and guidance
- Met with State agency officials to gain an understanding of their policies and procedures to ensure MCOs' compliance with parity requirements
- Obtained enrollment data for each of the State agency's MCOs
- Reviewed the results of the State agency's operational reviews and issues reported by the MCOs to identify potential issues of noncompliance with parity requirements, and identify if the State agency or MCOs took action to address any issues of noncompliance
- Selected a nonstatistical sample of three MCOs for review based on an analysis of risk factors

- Met with the selected MCOs to gain an understanding of their policies and procedures for providing MH/SUD benefits to enrollees; specifically, for services that require prior authorization

- Reviewed the selected MCOs' benefit handbooks and written policies and procedures to determine how the MCOs provide MH/SUD and M/S benefits for services that require prior authorization

- Obtained prior authorization data for the audit period from the selected MCOs and assessed the data for reliability[23]

- Obtained the parity analysis of the prior authorization limitation for one selected MCO and reconciled the prior authorization data to the MCO's calculated denial rates for MH/SUD and M/S services that require prior authorization[24]

- Discussed the results of our audit with State agency officials

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[23] One MCO performed a parity analysis of the prior authorization limitations that included an in-operation data analysis of denial rates using prior authorization data for calendar year 2023, which covered three quarters of our audit period. Therefore, we obtained prior authorization data for this period from the MCO.

[24] One of the three selected MCOs provided a parity analysis that it performed related to the prior authorization limitations. The remaining two MCOs did not perform parity analyses of the prior authorization limitations.

APPENDIX B: STATE AGENCY COMMENTS

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

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July 1, 2026

Monica Meija
Assistant Regional Inspector General for Audit Services
Office of Inspector General
Department of Health and Human Services

Report number: OAS-24-09-002

Dear Monica Meija:

Enclosed is the Arizona Health Care Cost Containment System (AHCCCS) response to the U.S. Department of Health and Human Services, Office of Inspector General (HHS OIG) audit of Medicaid managed care organizations' (MCOs') compliance with mental health and substance use disorder (MH/SUD) parity requirements during the audit period October 1, 2022, through September 30, 2023 (Report number OAS-24-09-002). AHCCCS is committed to holding its MCOs accountable for meeting all requirements of the Mental Health Parity and Addiction Equity Act (MHPAEA).

AHCCCS submits the response below regarding the facts and reasonableness of the three (3) recommendations outlined in the report. AHCCCS' response includes each HHS OIG recommendation, followed by a statement of concurrence or nonconcurrence for each recommendation, and an explanation of corrective action taken or planned to be taken by AHCCCS. Additionally, AHCCCS' response details our planned actions to ensure continued compliance and improvement that will further support our efforts to serve Arizona residents effectively.

Thank you for the opportunity to review and respond to the audit report. We value your office's continued partnership and oversight.

Sincerely,

Roberta Harrison

Roberta Harrison
Interim Director, AHCCCS

AHCCCS RESPONSE

HHS OIG Recommendation (1): We recommend that the State agency improve its policies and procedures to: (1) clarify that MCOs are required to annually perform parity analyses,

AHCCCS Response to HHS OIG Recommendation (1):

Nonconcurrence
AHCCCS does not concur with the recommendation as written. AHCCCS' MCO Contracts, policies, and procedures already include requirements for MCOs to annually perform parity analyses.

Reasons for Nonconcurrence
Beginning in 2019 AHCCCS' Managed Care Contracts and AHCCCS ACOM Policy 110 specified requirements for MCOs to demonstrate that services are delivered in compliance with 42 CFR Part 457, 42 CFR Part 438, and AHCCCS ACOM Policy 110. Requirements also include a requirement for MCOs to certify their compliance with mental health parity including that the Contractor performed parity analysis via submitted attestation. In part this attestation statement states the following:

> [... that the Managed Care Organization (MCO) does not apply any Financial Requirements/Quantitative Treatment Limits beyond those established by AHCCCS (excluding soft limits); that the MCO defined Mental Health/Substance Use Disorder (MH/SUD) and Medical Surgical benefits and classified them consistently with what AHCCCS requires; **and that the MCO completed the analysis** and no findings resulted in non-compliance. If any processes, strategies and/or evidentiary standards are modified, or any other changes are implemented that could impact the parity determination...]

AHCCCS ACOM Policy 110 also includes that the Contractor is responsible for performing the initial and ongoing parity analyses, and that the parity analysis shall be conducted and assessed annually.

Additionally, beginning October 1, 2019, Contracts and AHCCCS ACOM Policy 110 specified MCOs were, and continue to be, required to report to AHCCCS any parity deficiencies within five days of identification and provide a plan of how the MCO will come into compliance within the same quarter as the submission.

AHCCCS also conducts Operational Reviews in accordance with 42 CFR 438.358(b)(1)(iii), which includes compliance with MHPAEA. The three MCOs audited under this report, OAS-24-09-002, completed Operational Reviews during the 2025/2026 cycle. MCO compliance with Mental Health Parity regulations 42 CFR 438.910(b), 42 CFR 438.910(c)(3), and 42 CFR 438.910(d)(1) are reviewed as part of AHCCCS Operational Reviews. The reviews, conducted by a contracted External Quality Review Organization, determined the three MCOs are now meeting these Mental Health Parity standards.

AHCCCS RESPONSE

Statement of any alternative corrective action taken or planned
AHCCCS updated its MCO Contracts, effective October 1, 2024, to include the requirement for MCOs to submit to AHCCCS the MCO's completed Mental Health Parity Analysis as well as the MCO's attestation and analysis summary annually. Additionally, AHCCCS anticipates issuing a memo to all MCOs reinforcing these submission requirements, including the complete analysis by September 2026.

HHS OIG Recommendation (2): We recommend that the State agency improve its policies and procedures to: (2) require MCOs to submit the results of the analyses with reliable supporting documentation (e.g., data) for the State agency's review

AHCCCS Response to HHS OIG Recommendation (2):

Concurrence
AHCCCS concurs with the recommendation. AHCCCS is committed to reviewing and updating its processes to ensure effective oversight by requiring MCOs to submit the results of the analyses with reliable supporting documentation for review.

Statement describing the nature of the corrective action taken or planned
AHCCCS took corrective action to address MCOs submission of results of their analyses with reliable supporting documentation with amendment to its MCO Contracts, effective October 1, 2024. Contract updates included the requirement for MCOs to submit to AHCCCS their completed Mental Health Parity Analysis along with the previously required attestation and analysis summary; with submissions due August 2024. The current requirement includes an analysis of the upcoming contract year. AHCCCS notified MCOs of these changes in an AHCCCS/MCO Medical Management quarterly meeting in May 2024. Additionally, the requirement for the MCOs to submit parity deficiencies continues to be required to include identification of parity deficiencies within five days of identification and a plan of how the MCO will come into compliance within the same quarter as the submission.

AHCCCS anticipates updating its AHCCCS ACOM Policy 110 with implementation by October 1, 2028, to further clarify AHCCCS' expectations of MCOs regarding submission of reliable supporting documentation.

AHCCCS RESPONSE

HHS OIG Recommendation (3): We recommend that the State agency improve its policies and procedures to: (3) review the MCOs' annual parity analyses and supporting documentation.

AHCCCS Response to HHS OIG Recommendation (3):

Concurrence
AHCCCS concurs with the recommendation. AHCCCS is committed to reviewing and updating its processes to ensure effective oversight by requiring MCOs to submit the results of the analyses with reliable supporting documentation for review.

Statement describing the nature of the corrective action taken or planned
While AHCCCS has taken corrective action to collect MCO parity analyses with annual MCO submissions beginning August 2024, AHCCCS remains committed to further improving its policies and procedures.

AHCCCS ACOM Policy 110
AHCCCS is exploring opportunities for enhancing its review of MCOs' analyses, which may include the following:

1. Requiring the MCO's submission of an annual up-to-date parity analysis inclusive of comparative NQTL analysis of Mental Health/Substance Use Disorder benefits vs. Medical/Surgical (M/S) benefits.

2. Mechanisms for reinforcing and monitoring that the annual parity comparative analysis is completed and submitted to AHCCCS for review at any time a benefit package or service/item changes that relates to MH/SUD benefits.

3. Requiring MCOs to implement regular training for MCO staff focused on MHPAEA processes and submission requirements

Policy enhancements may be needed to support these opportunities and will be reviewed and updated as necessary.

AHCCCS Grievance and Appeal System Reporting (GSR) Guide
AHCCCS is currently updating its GSR reporting guide and corresponding template effective October 1, 2026, to include reporting of inpatient admissions and prior authorization actions in alignment with the mental health parity service categories. These categories include inpatient and outpatient services reported separately for both medical/surgical and behavioral health (inclusive of mental health and substance use disorder) services.

Internal Review Procedures
AHCCCS is assessing the subject matter expertise and resources necessary to effectively evaluate MCO parity analyses and supporting documentation. Based on this assessment,

AHCCCS RESPONSE

AHCCCS will review and update its internal review procedures, as needed, to strengthen its MHPAEA oversight framework and support consistent, risk-based evaluation of MCO submissions.

Focused Audits

Following its assessment of the subject matter expertise and resources necessary to support MHPAEA oversight activities, AHCCCS will review and enhance its monitoring and oversight mechanisms, as appropriate, to assess ongoing MCO performance and compliance with MHPAEA requirements. When potential compliance concerns are identified, AHCCCS may conduct targeted review activities, including focused compliance audits, and implement corrective actions as necessary to address identified deficiencies.

Report Fraud, Waste, and Abuse

OIG Hotline Operations accepts tips and complaints from all sources about potential fraud, waste, abuse, and mismanagement in HHS programs. Hotline tips are incredibly valuable, and we appreciate your efforts to help us stamp out fraud, waste, and abuse.

TIPS.HHS.GOV

Phone: 1-800-447-8477

TTY: 1-800-377-4950

Who Can Report?

Anyone who suspects fraud, waste, and abuse should report their concerns to the OIG Hotline. OIG addresses complaints about misconduct and mismanagement in HHS programs, fraudulent claims submitted to Federal health care programs such as Medicare, abuse or neglect in nursing homes, and many more. Learn more about complaints OIG investigates.

How Does It Help?

Every complaint helps OIG carry out its mission of overseeing HHS programs and protecting the individuals they serve. By reporting your concerns to the OIG Hotline, you help us safeguard taxpayer dollars and ensure the success of our oversight efforts.

Who Is Protected?

Anyone may request confidentiality. The Privacy Act, the Inspector General Act of 1978, and other applicable laws protect complainants. The Inspector General Act states that the Inspector General shall not disclose the identity of an HHS employee who reports an allegation or provides information without the employee's consent, unless the Inspector General determines that disclosure is unavoidable during the investigation. By law, Federal employees may not take or threaten to take a personnel action because of whistleblowing or the exercise of a lawful appeal, complaint, or grievance right. Non-HHS employees who report allegations may also specifically request confidentiality.

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