

DATE: September 25, 2026

TO: AHCCCS Contracted Health Plans

FROM: AHCCCS Division of Managed Care

SUBJECT: CMS Final Rule - Funding Prohibition for Sex-Rejecting Procedures (SRPs)

On August 11, 2026, CMS issued a [final rule](#), 42 CFR 441 with Subpart N, titled, “*Medicaid Program; Prohibition on Federal Medicaid and Children's Health Insurance Program Funding for Sex-Rejecting Procedures (SRP) Furnished to Children.*” This final rule follows various other actions taken by the Federal Administration aimed at ending the use of federal Medicaid and CHIP funds to pay for “experimental and life-altering sex-rejecting procedures.” Additionally, the rule frequently cites a literature review conducted by HHS which examined the evidence base for medical interventions used in the treatment of gender dysphoria and gender incongruence in children. HHS concludes that SRPs carry significant risk with a lack of clear benefit and as a result, covering the procedures with federal funding is inconsistent with the members best interest and quality of care.

The rule makes two major changes beginning October 13, 2026:

1. Medicaid agencies will be prohibited from making payment using federal dollars to pay for SRPs for children under 18 years of age.
2. CHIP agencies will be prohibited from making payment using federal dollars to pay for SRPs for children under 19 years of age.

CMS is providing states with a brief transition period where funding will remain available for cross-sex hormone therapy to allow for a **tapering off period of up to 6 months**. The 6-month transition period begins October 13, 2026, and is for beneficiaries who were receiving hormone therapy for gender dysphoria as of October 13, 2026.

CMS defines SRPs as follows for this rule:

- ***Sex-rejecting procedures means*** - Any pharmaceutical or surgical intervention that attempts to align an individual's physical appearance or body with an asserted identity that differs from the individual's sex by either of the following:
 - 1) Intentionally disrupting or suppressing the normal development of natural biological functions, including primary or secondary sex-based traits; or

- 2) Intentionally altering an individual's physical appearance or body, including amputating, minimizing, or destroying primary or secondary sex-based traits such as the sexual and reproductive organs.
- 3) For purposes of this definition, the term *sex-rejecting procedure* does not include procedures undertaken—
 - i. To treat an individual with a medically verifiable disorder of sexual development; or
 - ii. For purposes other than attempting to align an individual's physical appearance or body with an asserted identity that differs from the individual's sex; or
 - iii. To treat complications, including any infection, injury, disease, or disorder that has been caused by or exacerbated by the performance of sex-rejecting procedure(s).

CMS clarifies that **the rule does not prohibit the use of federal Medicaid or CHIP funding for mental health treatment** for gender dysphoria.

AHCCCS recently ran a report from January 2026 to present that identified 39 unique AHCCCS members currently receiving prescriptions for hormone therapy for gender dysphoria. The AHCCCS Pharmacy Health Services Administrator, Lauren Prole, recently sent each MCO pharmacy director a list of their plan's members identified in the agency's recent report, however, given the lag time in claims data received by the agency from the MCOs, we encourage you to run reports for your respective members.

The members that AHCCCS has identified, and any additional members who start hormone treatments for gender dysphoria before October 13, 2026, will be eligible for continued coverage to permit tapering of medications during the SRP transition period, as outlined within the CMS Rule. We encourage MCOs to communicate with the identified members and their prescribing clinicians to begin the tapering process or, alternatively, to begin obtaining medications through the manufacturer's patient assistance programs (PAP). RxAssist.org is a website where prescribing clinicians can find most manufacturers' PAP forms. If the PAP form is not on the RxAssist.org website, please go to the manufacturer's website which should have directions for their PAP process.

If you have any additional questions, please do not hesitate to contact us using the pharmacy email, AHCCCSPharmacyDept@azahcccs.gov.