



# Arizona State Senate Issue Paper

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## Note to Reader:

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## ARIZONA BEHAVIORAL HEALTH SERVICES

### INTRODUCTION

The United States Department of Health and Human Services Substance Abuse and Mental Health Services Administration defines behavioral health care as a “continuum of services for individuals at risk of, or suffering from, mental, addictive or other behavioral health disorders.

The Arizona system of public behavioral health care is complex and involves numerous state agencies, contractors and providers that offer services to various populations.

Services are provided to individuals enrolled in the Arizona Health Care Cost Containment System (AHCCCS) Title XIX Medicaid and Title XXI KidsCare programs; individuals not eligible for those programs receive services to the extent that funding is available.

### ARIZONA DEPARTMENT OF HEALTH SERVICES/

### REGIONAL BEHAVIORAL HEALTH AUTHORITIES

Primary responsibility for behavioral health services rests in the Arizona Department of Health Services (DHS). The Division of Behavioral Health Services (Division) was created within DHS in 1986 to provide coordination, planning, administration, regulation and monitoring of the state’s behavioral health system. The Division is responsible for, among other things, developing contracts, providing training and clinical and administrative guidance, compliance and fiscal oversight of the system, quality management, and consumer and family support.

The Division does not provide services, but rather contracts with community-based organizations, known as regional behavioral health authorities (RBHAs), to administer a managed care behavioral health system within specified geographic regions. RBHAs function in a manner similar to a health maintenance organization and contract with service providers to deliver all

covered behavioral health care services. Currently, the following four RBHAs provide services to the designated six geographic areas of the state:

- Magellan Health Services (Magellan) (effective September 1, 2007): Maricopa County.<sup>1</sup>
- Community Partnership of Southern Arizona (CPSA): Pima, Graham, Greenlee, Santa Cruz and Cochise counties.
- Northern Arizona Regional Behavioral Health Authority (NARBHA): Mohave, Coconino, Apache, Navajo and Yavapai counties.
- Cenpatico Behavioral Health of Arizona: Pinal, Gila, Yuma and La Paz counties.

Native Americans who qualify for AHCCCS and who live on reservations may choose to receive AHCCCS-covered behavioral health services through the RBHA or local tribal programs. In addition, the Division has specific intergovernmental agreements with certain Native American tribes to deliver services to individuals who reside on those reservations.

## ***OTHER AGENCIES***

As state agencies provide services to individuals, they may discover that those individuals also require behavioral health services. Therefore, although DHS is the primary state agency responsible for coordinating and ensuring the provision of behavioral health services, other state agencies are also involved with behavioral health care. For example, DHS has an intergovernmental agreement with the Department of Economic Security (DES) to use state behavioral health funds to draw down federal vocational rehabilitation monies to provide employment services to individuals with a serious mental illness. DES also works with DHS to ensure individuals with developmental disabilities receive behavioral health services as needed.

The Arizona courts may refer juveniles and adults for certain types of treatment or refer individuals for treatment at the Arizona State

Hospital (discussed below). The Department of Juvenile Corrections screens and refers youths for services, provides funding for those services and coordinates care with DHS. The Department of Corrections refers individuals who have been released from prison to community supervision to DHS for services and provides funding to DHS for services and for staff members who work specifically on issues related to those individuals. DHS may work with other agencies on similar matters, as needed.

## ***BEHAVIORAL HEALTH FUNDING***

Title XIX Medicaid and Title XXI KidsCare enrollees are eligible for behavioral health services. For these populations, behavioral health is “carved out” from their other medical services. Behavioral health is administered and contracted through DHS, although AHCCCS retains oversight of the services and draws down federal dollars for the services. In addition, DHS spends federal block grants, state appropriations and intergovernmental agreements (including county funds) for services to individuals who do not qualify for AHCCCS, commonly referred to as the “Non-Title XIX” population.

Behavioral health services for AHCCCS enrollees are provided through a managed care system in which monthly capitation payments are made to the RBHAs, who then contract with providers to render services. Services for other enrollees are funded through monthly block grant-type payments to the RBHAs.

In an analysis of 2003 state (and District of Columbia) mental health spending, the National Association of State Mental Health Program Directors Research Institute ranked Arizona as tenth in overall expenditures and eighth in per-capita expenditures.

*Table 1* on the following page outlines estimated FY 2007-2008 DHS behavioral health spending by fund source:

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<sup>1</sup> Prior to September 2007, ValueOptions held the RBHA contract for Maricopa County.

**Table 1**

**Total DHS Behavioral Health Spending  
FY 2007-2008 <sup>1/</sup>**

General Fund	\$ 406,275,000 <sup>2/</sup>
Tobacco Tax	30,424,800
Substance Abuse Services Fund <sup>3/</sup>	<u>2,500,000</u>
Subtotal – State Funds	\$ 439,199,800
Federal Title XIX and Title XXI Funds	613,448,300
Other Federal Funds	42,701,900
Other Nonappropriated Funds <sup>4/</sup>	<u>64,294,800</u>
<b>Total</b>	<b>\$1,159,644,800</b>

1/ Source: Joint Legislative Budget Committee

2/ Includes Title XIX state match requirement.

3/ Fund receives monies from a penalty levied on criminal offenses, motor vehicle civil violations and game and fish violations and is used for persons court-ordered to attend treatment but who cannot pay for the services to contract for preventive, rehabilitative and substance abuse services and to provide treatment services to pregnant substance abusers.

4/ Includes county funds and other intergovernmental agreements.

each of these populations, individuals enrolled in the Title XIX Medicaid and Title XXI KidsCare programs receive all medically necessary behavioral health services. Because Non-Title XIX/XXI funding is limited, RBHAs have the discretion to prioritize certain groups when distributing that funding. The priority groups vary, but all RBHAs prioritize funds for crisis services. Other examples of priority groups include pregnant substance abusers, court ordered treatment for persons who do not have a serious mental illness or SMI (CPSA and NARBHA) and SMI screenings (Cenpatico).

Table 2 details the number of clients served by population (excluding the prevention programs) and whether clients are enrolled in Title XIX Medicaid or Title XXI KidsCare.

***Children’s Behavioral Health Services***

Statute requires the Division to develop and implement a comprehensive behavioral health service system for children that includes annual needs and resource assessment studies, community education, centralized and coordinated screening and intake, case management, an evaluation of outcomes and effectiveness, and a continuum of treatment services.

***ELIGIBLE POPULATIONS  
AND SERVICES***

Funding is provided for: 1) services for children; 2) services for adults with a serious mental illness; 3) general mental health and substance abuse services for adults; and 4) prevention services for adults and children. In

Services to children are provided under the principles of the *J.K. v. Eden*, which was a class action lawsuit filed in 1991 that alleged the state failed to provide adequate behavioral health

SMI is a severe, chronic illness (i.e. schizophrenia) that interferes with a person’s ability to function in society. It is not a specific disorder but rather a designation for a group of

**Table 2**  
**Number of Behavioral Health Clients Served, FY 2005-2006<sup>1/</sup>**

	<u>Title XIX</u>	<u>Title XXI</u>	Non-Title XIX	<b>Total – All Eligibility Groups</b>
Children	31,271	2,622	4,549	<b>38,442</b>
Adults with an SMI	19,993	66	12,415	<b>32,474</b>
General Mental Health/ Substance Abuse <sup>2/</sup>	<u>45,509</u>	<u>835</u>	<u>22,667</u>	<u><b>69,011</b></u>
<b>Total – All Populations</b>	<b>96,713</b>	<b>3,523</b>	<b>39,641</b>	<b>139,927</b>

1/ Source: Department of Health Services, Division of Behavioral Health Services and Arizona State Hospital Annual Report, FY 2005-2006, as of June 30, 2006  
 2/ Non-SMI Adults

services to Medicaid children. The suit was settled in 2001 and established requirements for Arizona to provide “accessible [Title XIX] behavioral health services designed to aid children to achieve success in school, live with their families, avoid delinquency, and become stable and productive adults...tailored to the child and family and provided in the most appropriate setting, in a timely fashion, and in accordance with best practices, while respecting the child’s and family’s cultural heritage.” The settlement set forth the 12 principles of the system that include collaboration with the children and their families; specified outcomes; collaboration among agencies; and timely, accessible services in the most appropriate setting. DHS operates under these principles when providing services to all children, regardless of their Title XIX eligibility.

The settlement also included a commitment by DHS to provide additional case management services and to increase the availability of support and rehabilitation services. The FY 2007-2008 budget included a capitation rate increase of \$4.70 per child per month to fund these increased services.

**Services for Adults with Serious Mental Illness**

mental health conditions based on diagnosis and functional impairment. Statute recognizes that SMI individuals have a disability that is severe and persistent and results in long-term limitation of their ability to undertake primary activities of daily living. Persons with an SMI usually need more intensive and comprehensive services than persons with other types of mental illness; those services include rehabilitation, medication, counseling, inpatient care, employment support, supported housing, case management and other supportive services.

In 1981, *Arnold v. Sarn*, a class action suit, was filed on behalf of persons in Maricopa County diagnosed as having an SMI, alleging that the state and Maricopa County did not fund a comprehensive mental health system as required by statute. In 1986, the trial court entered judgment holding that the state had violated its statutory duty, which the Supreme Court affirmed in 1989. Criteria to exit the lawsuit was identified in 1996, and agreements to the exit stipulation were negotiated in 1998 and 2004. This final exit stipulation agreement includes estimated completion dates for numerous requirements that range from 2004 to 2008. This agreement includes requirements for service plans, specific services, the amount of

state funding DHS must request and DHS quality assurance procedures.

Laws 2005, Chapter 256, required the Office of the Auditor General (OAG) to conduct a special audit of the delivery of behavioral health services to individuals with an SMI in Maricopa County. Released in October 2006, the audit reported that adults with an SMI receive a diverse range of services, SMI enrollment is growing and funding is increasing. It also included the following findings:

1. *The Division should strengthen its focus on outcomes.* The OAG notes that the requirements of *Arnold v. Sarn* require the Division to focus on the process of service delivery rather than improved outcomes and recommends the Division develop outcome measures and attempt to renegotiate more process oriented measures of improvement related to the lawsuit.
2. *The Division can improve financial oversight and limit the use of SMI monies.* The OAG recommends a compliance audit of ValueOptions, as well as limiting the ability of ValueOptions to use SMI monies for other populations. The OAG also noted that the Legislature may wish to statutorily limit the use of SMI monies to services provided to the SMI population.
3. *The Division needs better oversight to ensure sufficient services.* Current oversight of whether ValueOptions is delivering sufficient services is inadequate and the Division should better ensure ValueOptions is actually providing appropriate levels of services to SMI clients.

During the 2007 legislative session, the Legislature enacted several changes to the behavioral health system designed to address the concerns expressed by the OAG: 1) monies appropriated for SMI services may not be used to provide services to other populations; 2) RBHAs may only perform managed care functions and may not provide direct services, except in specified circumstances; 3) reimbursement for services provided directly by a RBHA is limited to 30 percent above the

AHCCCS fee-for-service rate for the same service.

In addition, in September 2007, Magellan Health Services (Magellan) took over the Maricopa County RBHA from ValueOptions. DHS reports that the new Magellan contract differs from the ValueOptions contract in three main ways. Under the new contract: 1) the RBHA may not directly provide behavioral health services; 2) consumers are provided a choice of providers from provider network organizations; and 3) the contract allows for additional incentives and penalties related to performance.

## ***General Mental Health and Substance Abuse Services***

General mental health services include treatment for a variety of disorders such as depression and anxiety that do not rise to the level of a serious mental illness.

Statute requires DHS to “develop, encourage and foster statewide, county and local plans and programs” for treatment of alcoholics and alcoholism prevention. DHS also provides treatment and prevention programs for the abuse of other substances, such as stimulants (including methamphetamine), marijuana and narcotics.

Under both the general mental health and substance abuse programs, services include assessment, counseling, case management, health promotion, transportation, crisis intervention (including medical detoxification) and pharmacy services.

***Prevention Programs***

In addition to providing treatment and services, DHS operates a number of prevention programs, including suicide, substance abuse and alcohol prevention initiatives.

***ARIZONA STATE HOSPITAL***

Statute requires the state to maintain a hospital “for the care and treatment of persons with mental disorders, and persons with other personality disorders or emotional conditions who will benefit from care and treatment.” Known as the Arizona State Hospital (State Hospital), Arizona’s only state-operated psychiatric facility opened in 1887 and is located at 24<sup>th</sup> Street and Van Buren in Phoenix. Currently administered by the Division, the State Hospital provides inpatient care and treatment to patients who are unable to appropriately be served in the community or because of their legal status.

The State Hospital serves: 1) civil patients, who have been ordered to receive treatment at the State Hospital because they are a danger to themselves, a danger to others, gravely disabled or persistently and acutely disabled; 2) forensic patients, who have been ordered to the State Hospital by the courts, including persons who have been adjudicated not guilty by reason of insanity or adjudicated guilty except insane or have been committed to restore the patient’s competency to stand trial. Adult civil and forensic populations are housed separately and there is a separate adolescent facility to serve both civil and forensic adolescent patients.

DHS has statutory authority to establish limits on the capacities for the forensic and civil treatment programs at the State Hospital as well as wait lists for admission of patients when the funded capacity is reached. The average monthly census for FY 2006-2007 for all patient populations was 265 patients and the funded capacity is 338 beds, as detailed in *Table 3* on the following page.

The State Hospital is also responsible for the supervision, treatment and housing of persons determined by the courts to be sexually violent

persons (SVPs), who are persons who: 1) have been convicted or found guilty but insane of a sexually violent offense (or charged with a sexually violent offense but found incompetent to stand trial) and 2) have a mental disorder that makes them likely to engage in acts of sexual violence. This population is housed in the Arizona Community Protection and Treatment Center, which is separate from both the civil and forensic facilities on the State Hospital campus. As of May 2007, there were 70 individuals at the

State Hospital adjudicated SVPs, 1 individual residing in the community but under State Hospital supervision as an SVP and 10 individuals awaiting SVP determination.

The State Hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations and is a Medicare reimbursable institution. In order to receive Medicare reimbursement, the State Hospital is subject to federal conditions of Medicare participation and undergoes periodic federal review to make sure these conditions are being met.

**Table 3**  
**FY 2006-2007 Arizona State Hospital Population<sup>1/</sup>**

	<u>Bed Capacity</u>	<u>Average Monthly Census</u>
Adult Civil	141	106
Adult Forensic	180	152
Adolescent (Civil and Forensic)	16	7
Medical Bed (for infection control)	<u>1</u>	<u>0</u>
<b>Total</b>	<b>338</b>	<b>265</b>

1/ Source: Department of Health Services, Division of Behavioral Health Services; excludes SVPs

• **ADDITIONAL RESOURCES** •

- Arizona Department of Health Services  
Division of Behavioral Health Services  
602-364-4558  
<http://www.azdhs.gov/bhs/>
- Arizona State Hospital  
602-244-1331  
<http://www.azdhs.gov/azsh/index.htm>
- “*Annual Report FY 2006*,” Department of Health Services/Division of Behavioral Health Services and Arizona State Hospital [http://www.azdhs.gov/bhs/annual\\_report/annualrpt\\_fy2006.pdf](http://www.azdhs.gov/bhs/annual_report/annualrpt_fy2006.pdf)
- “*Behavioral Health At A Glance*,” Arizona Department of Health Services, Division of Behavioral Health Services  
<http://www.azdhs.gov/bhs/bhsglance.pdf>
- “*Total Behavioral Health Spending – FY 2001 to FY 2008*” Joint Legislative Budget Committee  
<http://www.azleg.gov/jlbc/bhspending01-08.pdf>
- “*Department of Health Services – Arizona State Hospital*” and “*Department of Health Services – Sexually Violent Persons*” Joint Legislative Budget Committee Program Summaries  
<http://www.azleg.gov/jlbc/progsumm.htm>
- “*Department of Health Services – Behavioral Health Services for Adults with Serious Mental Illness in Maricopa County*,” Office of the Auditor General, Report No. 06-09, September 2006  
[http://www.auditorgen.state.az.us/Reports/State\\_Agencies/Agencies/Health%20Services.%20Department%20of/Performance/06-09/pa06-09.htm](http://www.auditorgen.state.az.us/Reports/State_Agencies/Agencies/Health%20Services.%20Department%20of/Performance/06-09/pa06-09.htm)
- *30th of the Month Report*, Department of Health Services, June 2006
- “*FY 2003 Revenue and Expenditure Study*,” National Association of State Mental Health Program Directors Research Institute
- Arizona State Hospital Statutes: Arizona Revised Statutes, Title 36, Chapter 2, Article 1
- Behavioral Health Statutes: Arizona Revised Statutes, Title 36, Chapters 5 and 34
- Substance Abuse Statutes: Arizona Revised Statutes, Title 36, Chapter 18
- “*Arnold v. Sarn*,” Arizona State Senate Background Brief, [www.azleg.gov/briefs.asp](http://www.azleg.gov/briefs.asp)