

DEPARTMENT OF HEALTH SERVICES - ARIZONA STATE HOSPITAL

A.R.S. § 36-103

General Fund and Other Appropriated Funds	FY 1998 Actual	FY 1999 Estimate^{1/}	FY 2000 Approved	FY 2001 Approved
FTE Positions	529.4	610.5	858.2 ^{2/}	910.2 ^{2/}
Personal Services	13,641,500	16,515,900	21,856,900	22,760,200
Employee Related Expenditures	2,749,200	3,766,300	4,745,900	4,992,100
Professional and Outside Services	8,961,200	9,694,500	8,845,000	8,595,000
Travel - In State	26,400	18,800	18,800	18,800
Travel - Out of State	2,700	4,800	2,400	2,400
Other Operating Expenditures	1,458,200	2,231,200	1,905,700	1,905,700
Equipment	267,300	257,000	443,200	237,100
Operating Subtotal	27,106,500	32,488,500	37,817,900	38,511,300
Community Placement Treatment	6,705,400	7,848,000	7,848,000	7,848,000
ASH Information System	0	883,600	1,212,900	0
Sexually Violent Persons	1,056,200	4,115,700	6,421,500 ^{3/}	9,365,900 ^{3/}
Total Appropriations	34,868,100	45,335,800	53,300,300^{4/}	55,725,200^{4/}
Fund Summary				
General Fund	24,938,700	45,335,800	40,806,400	43,331,300
Arizona State Hospital Fund	9,529,400	0	11,993,900	11,993,900
ASH Land Earnings Fund	400,000	0	500,000	400,000
Total Appropriations	34,868,100	45,335,800	53,300,300	55,725,200

Program Description — Provides inpatient psychiatric hospitalization services for adolescent and adult seriously mentally ill residents. Over the 6-month period from November 1998 through April 1999, the Arizona State Hospital (ASH) has had an average daily census of 305 patients. This includes 166 civilly committed (non-forensic) patients, 127 patients committed through the criminal justice system (forensic), and 12 adolescent patients. In addition, the program provides secure inpatient treatment for Sexually Violent Persons.

Arizona State Hospital Overview

Overall, the FY 1999 approved amount includes an increase of \$4,369,800, or 10.2% above the original FY 1999 appropriation. The FY 2000 approved amount includes an increase of \$7,964,500, or 18.4% above the FY 1999 level. The FY 2001 approved amount includes a further increase of \$2,424,900, or 4.5% above FY 2000. These increases were approved to address a number of problems at ASH.

In April 1997, the federal Health Care Financing Administration (HCFA) notified the Department of Health Services (DHS) that it planned to decertify ASH and stop reimbursement for Medicare eligible clients due to staffing shortages and lack of active treatment for ASH patients. In order to avoid decertification, ASH voluntarily withdrew its certification. In May 1998, HCFA resurveyed ASH to determine whether it met the standards to be recertified.

HCFA denied ASH's application, citing a number of deficiencies including inexperienced and insufficient clinical staffing.

Thus, ASH currently is not HCFA certified and is not anticipated to regain certification until sometime during the first half of FY 2000. The original FY 1999 appropriation included increases of 97 FTE Positions and \$7,728,000 to address these quality-of-care issues. In addition, from April 1997 to September 1998, DHS provided monthly updates on ASH to the Joint Legislative Budget Committee (JLBC). These updates identified continued staffing deficiencies and the difficulty in hiring and retaining staff due to noncompetitive salaries, findings that were also identified in the second HCFA survey in May 1998. The FY 1999 and FY 2000 amounts include increased funding for salary increases and increased staff

1/ The FY 1999 amounts have been adjusted to reflect supplemental appropriations made by Laws 1999, Chapter 1, Laws 1999, Chapter 6, 1st Special Session, and transfers approved by the Joint Legislative Budget Committee on May 3, 1999.

2/ Includes 146 and 198 FTE Positions funded from Special Line Items in FY 2000 and FY 2001, respectively.

3/ Includes adjustment for Office of the Attorney General legal services. (See the Salary Adjustment table at the front of this report for more information.)

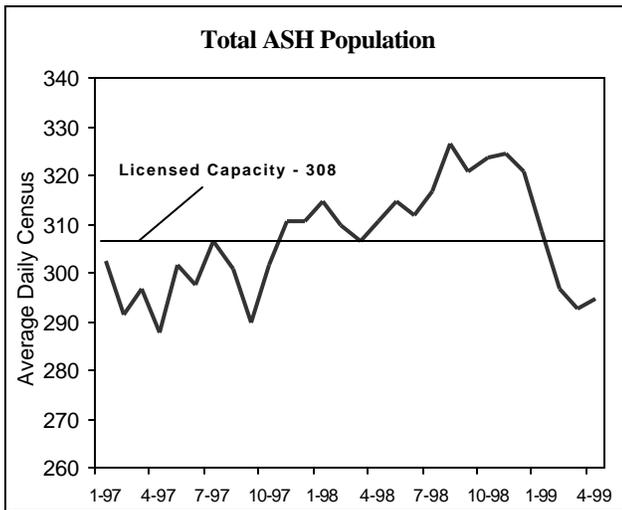
4/ General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

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to address these issues. See the "ASH Staffing" and "ASH Salaries" sections for further detail.

In addition, ASH experienced overcrowding in the restoration to competency program and on the non-forensic units. The approved FY 1999 amounts include increases to add new units for each of these programs. See the "Restoration to Competency" and "Self-Care Unit" sections for further detail. Chart 1 shows the increases in the ASH census (the chart includes the total adult population: non-forensic, restoration to competency and other forensic).

Chart 1



Beginning in January, the census began to decline, but is not likely to decrease below the current level. In addition, the decline may be a short-term phenomenon and the census may stabilize at a slightly higher level.

ASH has also experienced significant growth in the Sexually Violent Persons (SVP) program. This new program, which began in FY 1998, has grown at a rate of 5

new SVPs per month and is projected to continue growing at that level. As a result, the FY 2000 and FY 2001 approved amounts include increased funding for new staff and capital facilities. See the SVP section for further detail.

In order to address the above issues, DHS received a supplemental appropriation in Laws 1999, Chapter 1 for FY 1999 totaling \$4,369,800. In addition, the JLBC approved a transfer of funds within the ASH operating budget to provide more funding for contract nursing costs and increased drug costs. The changes to the FY 1999 budget are summarized in Table 1.

The approved FY 2000 amounts include increases to annualize the FY 1999 supplemental and include increases for new staff and the SVP program. These amounts are continued in FY 2001. The FY 2000 and FY 2001 increase are summarized in Table 2.

	FY 2000^{1/}	FY 2001^{2/}
• Add 90 New Staff	\$2,640,000	\$272,400
• Salary Increases	1,150,600	0
• New Self-Care Unit	585,500	0
• Restoration to Competency	362,000	0
• Sexually Violent Persons	2,284,800	2,845,300

^{1/} Increases above the approved FY 1999 level.
^{2/} Increases above the FY 2000 level.

These issues are described in more detail in the sections below.

ASH Staffing — The FY 2000 approved amount includes an increase of 90 FTE Positions and \$2,640,000 from the General Fund. As discussed above, DHS provided monthly updates on ASH's status to the JLBC. One of these updates focused on staffing issues. At the September 24, 1998 JLBC meeting, DHS provided a report comparing ASH's current staffing ratios to other states' ratios. DHS

	FY 1999 Increases			
	Original Appropriation	Laws 1999, Chapter 1	JLBC Transfer	FY 1999 Revised
Personal Services	\$15,185,900	\$2,130,000	\$(800,000)	\$16,515,900
Employee Related Expenditures	3,419,300	447,000	(100,000)	3,766,300
Professional and Outside Services	7,844,300	1,515,400	334,800	9,694,500
Travel - In State	18,800	0	0	18,800
Travel - Out of State	4,800	0	0	4,800
Other Operating Expenditures	1,408,500	257,500	565,200	2,231,200
Equipment	237,100	19,900	0	257,000
Total Operating Budget	\$28,118,700	\$4,369,800	\$ 0	\$32,488,500

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surveyed other western states with mixed forensic and non-forensic hospitals of similar size to ASH and found that ASH had significantly lower staffing levels in some areas.

In addition, ASH has developed a new "acuity model" to determine the amount of staffing needed on each unit based on an index measuring the level of functioning and type of behavior of the population. The acuity model showed a staffing shortfall. These factors, in combination with the HCFA survey results in May 1998, led to the staffing increase. The FY 2001 approved amount includes a further increase of \$272,400 from the General Fund to annualize the cost of the new staff.

Salary Increases — The FY 1999 approved amount includes an increase of \$821,900 from the General Fund to provide 5 months funding for salary increases for clinical staff. Since FY 1997, ASH has had difficulty hiring and retaining clinical staff. As a result, it has used more expensive contract nursing services to fill the vacancies. The state's non-competitive salaries for nurses and other clinical positions have often been cited as one of the main reasons for this problem.

Another of DHS's monthly updates to the JLBC focused on clinical salaries. DHS's report found that as of June 12, 1998 ASH had vacancy rates of 24.25% for Psychiatric Nurse positions, 40.71% for Licensed Practical Nurse positions, and 15.11% for Psychiatric Technician positions. In addition, during FY 1998 ASH experienced a 33% turnover rate in Psychiatric Nurse positions. The report also found that ASH salaries were 13.6% lower than salaries for similar positions in the private sector.

The salary increases approved for FY 1999 will provide a 12% market adjustment and stipends for Psychiatric Nurses. The FY 1999 approved amount also includes increases in varying amounts targeted to bring the salaries more in line with the private sector for other clinical positions, such as psychiatric technicians, security guards, nursing supervisors and social workers.

The FY 2000 approved amount includes an increase of \$1,150,600 from the General Fund to annualize the cost of the salary increases. This amount is continued in FY 2001. Since other agencies also have some of the targeted positions, the State Department of Corrections and the Department of Economic Security budgets also include increases for this issue.

Nursing Pool — The FY 2000 approved amount includes an increase of \$262,400 from the General Fund to implement a nursing pool at ASH. Due to the staffing issues discussed above, ASH frequently must pull staff from one unit to cover staffing shortfalls on another unit.

This movement of staff among the units exacerbates the instability caused by high turnover and a large number of vacancies. In addition, there is a shortage of staff for functions such as escorting patients to court dates, physician appointments, etc. The new nursing pool replaces expensive contract staff that have been filling this function with part-time state employees at a much lower cost and will allow ASH to discontinue the practice of moving permanent staff among the units. This amount is continued in FY 2001.

Medical Equipment — The FY 2000 approved amount includes an increase of \$106,100 from the General Fund and \$100,000 from the ASH Land Earnings Fund for replacement medical equipment, such as an x-ray machine and laboratory equipment. The FY 2001 approved amount includes a decrease of \$(106,100) from the General Fund and \$(100,000) from the ASH Land Earnings Fund for the elimination of this one-time cost.

Self-Care Unit — The FY 1999 approved amount includes an increase of \$416,500 from the General Fund and 20 FTE Positions for a new 20-bed transitional housing unit on the ASH campus. The program will be located on the second floor of the Granada building, separate from the ASH treatment units and will provide a semi-independent setting for high functioning patients that are close to discharge. In addition to easing the transition from ASH to the community for the patient, the program will move 20 non-forensic patients from the inpatient units, decreasing crowding on those units. The FY 2000 approved amount includes an increase of \$585,500 from the General Fund to annualize the cost of the new unit. This amount is continued in FY 2001.

Restoration to Competency — The FY 1999 approved amount includes an increase of \$1,835,500 from the General Fund and 52.7 FTE Positions for a new treatment unit for restoration to competency treatment. The restoration to competency program provides treatment for persons who have been charged with a crime, but have been found by the court to be incompetent to stand trial. Over the course of 120 days or less, the program provides treatment and education to restore the individual's competency to stand trial.

Since this program was established in 1995, it has experienced significant growth. From January 1996 to June 1998, the program grew from 24 to 64 (167%). At the beginning of FY 1999, the population began to exceed the licensed capacity of the 2 treatment units dedicated to the program. The FY 1999 increase provides funding to open an additional unit. The FY 2000 approved amount includes an increase of \$362,000 from the General Fund to annualize the cost of the new unit. This amount is continued in FY 2001.

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Pursuant to Laws 1999, Chapter 255 the Legislature is required to identify in the General Appropriation Act or other legislation the funded capacity of the program, including the capacity for adult men and women, and juveniles. This language is in effect until June 30, 2001. After that date, the statute reverts back to its original form.

Pursuant to this requirement, Laws 1999, Chapter 176 states that the adult inpatient Restoration to Competency program is limited to 77 beds, of which 69 beds are for males and 8 beds are for females. The juvenile Restoration to Competency program is limited to 16 beds, of which 12 beds are for males and 4 beds are for females.

Community Placement Treatment — This line item provides funding for housing, transportation, clinical support and meaningful day activities for ASH patients treated in the community. The line item was established in FY 1996 by transferring monies from the ASH operating budget to the Community Placement Treatment line item to reflect the decreasing census at ASH and the increased number of former long-term ASH patients receiving treatment in the community. For FY 2000 and FY 2001, the approved amount includes funding for 145 patients in the community.

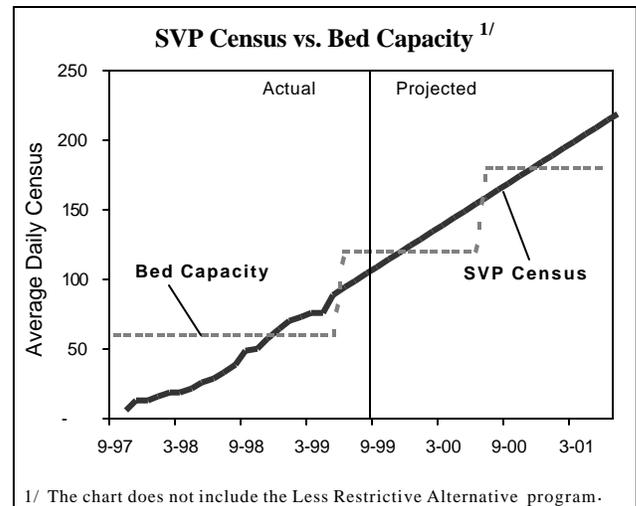
ASH Information System — This line item provides funding for the purchase of a new computer system at ASH. The FY 2000 approved amount includes an increase of \$329,300, for a total of \$1,212,900. Including the amount available in FY 1999, a total of \$2,096,500 will have been allocated for the project. The FY 2001 amount includes a decrease of \$1,212,900 to reflect the elimination of one-time funding for this project.

Sexually Violent Persons (SVP) — This line item provides funding for treatment and housing of SVPs. This program is physically separate from the other ASH programs. Pursuant to A.R.S. § 13-4601 through A.R.S. § 13-4618, SVPs are persons who have been convicted of or found guilty but insane of a sexually violent offense and who have a mental disorder that makes the person likely to engage in acts of sexual violence. If the court finds that an individual meets this definition, the individual is committed to ASH for treatment.

Since the program was implemented in September 1997, the program has grown to 80 SVPs, 5 of which are housed separately in the Less Restrictive Alternative (LRA) program. The program is projected to continue to grow at a rate of 5 new SVPs per month, to an estimated census of 215 by the end of FY 2001. As shown in *Chart 2*, the program has a bed capacity of 60 beds throughout FY 1999 until a new 60-bed facility is completed in June 1999, for a total of 120 beds.

Laws 1999, Chapter 2, 1st Special Session appropriated \$3,804,000 to the Department of Administration to construct an additional 60-beds, for a total of 180 beds, by the end of FY 2000. The bill also included a provision stating that it is the intent of the Legislature that this amount will be reimbursed by monies received from the tobacco litigation settlement. See the *Capital Outlay section* for further information.

Chart 2



The approved amount for FY 2000 includes an increase of 52 FTE Positions and \$2,164,100 to address the increased census. The approved amount for FY 2001 includes a further increase of 52 FTE Positions and \$2,845,300 above the FY 2000 amount to annualize the FY 2000 amount and for further growth in the SVP census.

The FY 2000 approved amount also includes an increase of \$120,700 to annualize the cost of the new LRA treatment program established by Laws 1998, Chapter 136. The LRA is located in a separate building on the ASH campus and has a lower level of security. Currently, 5 individuals have been committed to the LRA.

In total, the SVP line item includes funding for 146 FTE Positions in FY 2000 and 198.0 FTE Positions in FY 2001.

ASH LAND EARNINGS FUND

The fund consists of interest earnings from the ASH Permanent Land Fund (a state trust fund established by the Enabling Act, Section 25) and monies collected from the lease of state trust lands designated for ASH. The monies are to be used for the benefit and support of ASH. The fund was converted to appropriated status by Laws 1998, Chapter 241 beginning in FY 2000 and is used to offset the General Fund contribution. The FY 2000 approved amount includes an appropriation of \$400,000. This amount is continued in FY 2001.

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ARIZONA STATE HOSPITAL FUND

A.R.S. § 36-545.08 establishes the Arizona State Hospital (ASH) Fund to replace the ASH Disproportionate Share (DSH) Fund and the Special Revenue Fund. The fund consists of federal DSH payments, Title XIX monies paid to ASH for eligible clients served at ASH, and monies collected from the RBHAs for clients served at ASH over the established RBHA cap. The monies are used to offset ASH's General Fund operating costs.

As discussed above, ASH was not HCFA certified throughout FY 1999. Due to the loss of certification, ASH was not eligible to receive its DSH payment for FY 1999. As a result, the approved amount for FY 1999 includes a decrease in the ASH Fund appropriation of \$(11,993,900) and an increase in the General Fund appropriation of \$11,993,900.

For FY 2000 and FY 2001, the appropriation assumes that HCFA certification will be regained and ASH will be eligible for the full federal DSH payment. The approved amount for FY 2000 includes \$11,993,900 from DSH monies. This amount is continued in FY 2001.

The total DSH payments to the state are shown in a table in the AHCCCS section. The portion allocated to ASH is shown in the following table. Of the total amount allocated to ASH, some of the payment is appropriated to ASH and the remainder is transferred to the General Fund and is used to offset the General Fund contribution toward ASH's costs.

Capital Outlay Appropriations: Chapter 2, 1st Special Session — Appropriates \$3,804,000 in FY 2000 for a new 60-bed unit at ASH for the Sexually Violent Persons program. Prior to the expenditure of any monies, the department shall present an expenditure plan to the Joint Committee on Capital Review for its review.

Mental Health; Task Force (Chapter 2) — Established a 7-member task force to review and make recommendations to improve the mental health system in cost effective ways. This includes studying the ASH campus and any new facility, addressing the civil, forensic, and SVP populations, housing issues for the SMI, psychotropic medications, cost sharing between members and the government, and jurisdictional issues.

Competency Restoration Program; State Hospital (Chapter 255) — Requires the Legislature to identify in the General Appropriation Act, or other legislation, the funded capacity of the Restoration to Competency Program, including the capacity for adult men and women and juveniles. Chapter 255 also stipulates that ASH is not required to provide restoration to competency treatment that exceed the funded capacity and that when capacity is reached, the superintendent shall establish a waiting list.

Additional Legislation: Omnibus Budget Reconciliation; Health (Chapter 176) — Specifies the funded capacity of the restoration to competency program pursuant to Chapter 255. *See the Restoration to Competency section for further information.*

<u>ASH Disproportionate Share (DSH) Payments</u>	
<u>FY 1998</u>	<u>Net Change</u>
DSH Payments to ASH	\$ 8,627,000
Less: ASH Appropriation	<u>(8,627,700)</u>
Transfer to General Fund	\$ 0
<u>FY 1999</u>	
DSH Payments to ASH	\$ 0
Less: ASH Appropriation	<u>0</u>
Transfer to General Fund	\$ 0
<u>FY 2000</u>	
DSH Payments to ASH ^{1/2/}	\$ 23,832,900
Less: ASH Appropriation	<u>(11,993,900)</u>
Transfer to General Fund	\$ 11,838,000
<u>FY 2001</u>	
DSH Payments to ASH ^{1/2/}	\$ 23,832,900
Less: ASH Appropriation	<u>(11,993,900)</u>
Transfer to General Fund	\$ 11,838,000
^{1/} Includes both state and Federal Funds.	
^{2/} These amounts are subject to change and are ultimately based on the actual Disproportionate Share award received by Arizona.	