

Department of Health Services
Behavioral Health

A.R.S. § 36-103

		FY 2002	FY 2003	FY 2004
		Actual	Estimate	Approved
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>		130.6	124.9	120.9
Personal Services	(SM)	1,826,700	1,997,000	1,997,000
	(TF)	2,746,000	2,916,300	3,909,500
Employee Related Expenditures	(SM)	478,400	526,300	516,900
	(TF)	662,600	710,500	1,157,400
Professional and Outside Services	(SM)	65,100	1,228,200	1,168,000
	(TF)	808,900	1,972,000	2,526,700
Travel - In State	(SM)	31,500	61,800	61,800
	(TF)	39,700	70,000	111,400
Travel - Out of State	(SM)	5,000	5,800	5,800
	(TF)	9,700	10,500	16,500
Other Operating Expenditures	(SM)	1,391,800	276,900	459,900
	(TF)	2,453,200	2,348,200	717,200
Equipment	(SM)	32,700	0	0
	(TF)	180,100	147,400	0
OPERATING SUBTOTAL	(SM)	3,831,200	4,096,000	4,209,400
	(TF)	6,900,200	8,174,900	8,438,700^{1/}
SPECIAL LINE ITEMS				
Administration				
Computer Hardware Lease		125,000	0	0
Mental Health Institute		0	2,000,000	0
Medicaid Special Exemption Payments	(SM)	0	0	3,082,500
	(TF)	0	0	9,412,300
Children's Behavioral Health				
Children's Behavioral Health Services		9,304,000	9,351,800	9,351,800 ^{2/}
CBH State Match for Title XIX	(SM)	37,939,100	44,503,000	45,924,000 ^{3/4/}
	(TF)	106,079,800	127,334,600	145,553,200
Seriously Emotionally Handicapped Children		3,322,100	500,000	500,000
Tobacco Settlement CBH Services		4,382,400	0	0
Seriously Mentally Ill				
Seriously Mentally Ill State Match for Title XIX	(SM)	46,563,000	42,903,100	48,152,800 ^{3/4/}
	(TF)	133,623,500	141,758,400	147,065,400
Seriously Mentally Ill Non-Title XIX		46,895,500	64,116,700	61,116,700
Tobacco Settlement SMI Services		12,277,700	0	0
Court Monitoring		197,500	177,800	197,500
Psychiatric Review Board		76,300	86,400	0
Suicide Prevention Program		0	0	0
Arnold v. Sarn	(SM)	19,500,000	27,500,000	27,500,000 ^{5/}
	(TF)	19,500,000	27,500,000	37,770,700
Proposition 204	(SM)	0	49,457,900	64,199,000
	(TF)	0	157,253,100	196,072,900 ^{3/4/}
General Mental Health/Substance Abuse				
Mental Health Non-Title XIX		4,423,600	947,300	2,447,300
Substance Abuse Non-Title XIX		14,464,200	15,485,400	12,135,400
Mental Health and Substance Abuse State Match for Title XIX	(SM)	11,871,600	14,531,900	14,650,900 ^{3/4/}
	(TF)	33,752,600	43,949,800	47,827,200
Less Offset for Receipts		0	(10,000,000)	0 ^{6/}
PROGRAM TOTAL	(SM)	215,173,200	265,657,300	293,467,300
	(TF)	395,324,400	588,636,200	677,889,100^{7/}

SM= State Match, and consists of General Funds and other nonfederal monies.
TF= Total Funds, and represents the sum of state monies and federal funds.

	FY 2002 Actual	FY 2003 Estimate	FY 2004 Approved
FUND SOURCES			
General Fund	177,873,100	196,207,800	217,233,000
<u>Other Appropriated Funds</u>			
Medical Services Stabilization Fund	8,000,000	2,000,000	0
Children's Behavioral Health Tobacco Settlement Fund	4,382,400	0	0
Serious Mental Illness Services Fund	12,277,700	0	0
Substance Abuse Services Fund	1,850,000	3,350,000	0
TTHCF Medically Needy Account	10,790,000	15,790,000	29,424,800
SUBTOTAL - Other Appropriated Funds	37,300,100	21,140,000	29,424,800
<u>Other Expenditure Authority Funds</u>			
Federal Title XIX Funds	180,151,200	324,478,900	384,421,800 ^{8/}
Tobacco Litigation Settlement Fund	0	46,809,500	46,809,500 ^{8/}
SUBTOTAL - Other Expenditure Authority Funds	180,151,200	371,288,400	431,231,300
PROGRAM TOTAL	395,324,400	588,636,200	677,889,100

COST CENTER DESCRIPTION — *The Behavioral Health program administers most mental health services for the state including both adult and children's behavioral health services, substance abuse treatment and seriously emotionally handicapped children. Most services are provided through contracts with 5 Regional Behavioral Health Authorities (RBHAs) which then subcontract for provision of services with a provider network.*

PERFORMANCE MEASURES	FY 2002	FY 2002	FY 2003	FY 2004
	Appropriation	Actual	Appropriation	Appropriation
• % of SMI clients on anti-psychotics receiving new generation psychotropic medications	68	61	71	58
• % of RBHA Title XIX clients satisfied with services	68	74	68	75
• % of clients with improved functioning	26	NA	27	--
• % of eligible Title XIX population enrolled	8	8	8	8

Comment: The agency did not submit information for any measure labeled as "NA." DHS no longer collects information on the percentage of clients with improved functioning.

Technical Adjustments — The FY 2004 approved amount includes technical adjustments for Employee Related Expenditures. *(Please see the General Provisions section at the end of this Appropriations Report for further details on these changes.)*

The FY 2004 approved amount also includes technical changes related to the consolidation of the funding for Attorney General Legal Services. This includes shifting

funding from each program's operating budget into the Attorney General Legal Services Special Line Item in the Administration program. *(See Administration for more detail.)*

Federal Match Rate Change — The federal Jobs and Growth Tax Relief Reconciliation Act of 2003 temporarily increased the federal matching assistance percentage (FMAP) for the last quarter of FY 2003 and all of FY

- 1/ All federal Title XIX funds appropriated for administration are appropriated as a Lump Sum, except for Medicaid special exemption payments. (General Appropriation Act footnote)
- 2/ The amount appropriated for Children's Behavioral Health Services shall be used to provide services for non-Title XIX eligible children. The amount shall not be used to pay for either federally or nonfederally reimbursed services for Title XIX eligible children, unless a transfer of monies is approved by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 3/ Before implementation of any changes in capitation rates in any Title XIX Behavioral Health Special Line Item the Department of Health Services shall report its expenditure plan to the Joint Legislative Budget Committee for its review. (General Appropriation Act footnote)
- 4/ On a monthly basis, the department shall provide information to the Joint Legislative Budget Committee by program for all populations on the number of new and Title XIX clients reviewed for Title XIX eligibility under the provisions of Proposition 204 as well as the number that convert from non-Title XIX status or that are newly enrolled. (General Appropriation Act footnote)
- 5/ It is the intent of the Legislature that the total amount available in the *Arnold v. Sarn* Special Line Item be used for the population covered by the *Arnold v. Sarn* lawsuit in counties with a population of over 2 million or more persons and for seriously mentally ill persons that meet the same criteria as those covered by the *Arnold v. Sarn* lawsuit in counties with populations of less than 2 million persons. (General Appropriation Act footnote)
- 6/ The General Appropriation Act, as originally passed, included a \$(10,000,000) reduction in FY 2004. This amount was line item vetoed by the Governor. The Governor's intent was to increase the total appropriation by \$10,000,000. This Appropriations Report has incorporated the veto without making an assessment of its legality. As of this writing, there is pending litigation concerning the legality of this particular veto.
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.
- 8/ These amounts are included in total expenditure authority.

2004. Under the Title XIX program, state monies provide approximately a 33% match to the Federal Funds received. The federal legislation increases the federal share by 2.95%, providing more Federal Funds for each state dollar spent and generating General Fund savings. These savings were assumed in the General Appropriation Act but the department was given the discretion to allocate the monies among its Title XIX programs. Therefore, the savings associated with the FMAP change are not shown in the individual cost centers but are displayed in the Summary section. *(Please see Summary for more information).*

Fund Shift — The approved amount shifts funding for several programs from the Medically Needy Account of the Tobacco Tax and Health Care Fund to the General Fund. The amounts associated with these fund shifts are specified in the appropriate Special Line Item descriptions.

Special Line Items

Administration

Computer Hardware Lease — Provides General Fund monies to maintain hardware to operate the computer system in the Behavioral Health program. This line item was eliminated in FY 2003.

Mental Health Institute — Provides funds from the Medical Services Stabilization Fund for the Arizona Mental Health Research Institute. This line item was originally funded at \$2,500,000 in FY 2002 and FY 2003. Laws 2002, Chapter 329 eliminated the FY 2003 appropriation and Laws 2003, 1st Special Session, Chapter 1 transferred \$500,000 from the FY 2002 appropriation. These monies were non-lapsing. The department did not spend any monies in FY 2002 but granted the entire remaining \$2,000,000 to the Institute in FY 2003.

Medicaid Special Exemption Payments — This special line item was added in FY 2004 to provide the funding necessary for insurance premium tax payments by DHS, required by to Laws 2003, Chapter 136. In prior years, Medicaid health plans and contractors have been exempt from the state's 2% tax on health insurance premiums. This legislation removes this "special exemption" and imposes the 2% tax on Medicaid contractors. Because DHS contracts with AHCCCS to provide Title XIX behavioral health services, the department will be required to pay a 2% tax on the capitation payments it pays to RHBAs. The approved amount includes an increase of \$3,082,500 GF and \$9,412,300 TF above FY 2003.

Children's Behavioral Health (CBH)

Children's Behavioral Health Services — Provides General Fund monies for prevention programs and for treatment of non-Title XIX eligible children. The approved amount is unchanged from FY 2003. A footnote in the General Appropriation Act specifies that the monies are

not available to serve Title XIX eligible children unless a transfer of monies is approved by the Joint Legislative Budget Committee.

Children's Behavioral Health State Match for Title XIX — Provides the General Fund (GF) share of the cost of providing behavioral health treatment to Title XIX eligible children. State monies provide approximately a 33% match to the Federal Funds (FF) received. The total program cost (GF and FF) is shown in Total Funds (TF).

The approved amount includes an increase of \$2,921,100 GF and \$18,218,600 TF above FY 2003 for increased costs in the Title XIX program. In addition, at the August 2002 JLBC meeting, the Committee recommended that the Department of Economic Security (DES) provide the Department of Health Services (DHS) with \$2,577,700 for services DES had previously been providing to children in the foster care system. The approved amount assumes this funding has been transferred from DES to DHS and is being used to provide services for Title XIX children. DHS reports that it did not receive any of these DES monies in FY 2003 and does not intend to request that these monies be transferred from DES in FY 2004.

The approved budget provides capitation payments for an average of approximately 433,995 eligible children per month in FY 2004. DHS receives a monthly capitation payment from AHCCCS for every child eligible for Title XIX behavioral health services, although only an estimated 5.6% of the eligible population will utilize services.

The budget assumes annual population growth of 5% and a 3% increase in the capitation rate (from \$27.49 in FY 2003 to \$28.31 in FY 2004). A footnote in the General Appropriation Act requires DHS to submit a plan for review by the Joint Legislative Budget Committee prior to expending any monies for a rate change.

The approved amount also includes a General Fund decrease of \$(1,500,000) to eliminate funding for non-federally reimbursed services for Title XIX eligible children.

Seriously Emotionally Handicapped Children — Provides General Fund monies for a portion of the cost of residential treatment and educational services for children referred by school districts. Referrals are based on an inability to educate the children in a conventional school environment due to a serious emotional handicap. Funding is also provided for this program through the state Department of Education and local school districts. The approved amount is unchanged from FY 2003.

Tobacco Settlement Children's Behavioral Health Services — Includes \$20 million in one-time non-lapsing funding appropriated in FY 2001 from the Tobacco Settlement for Children's Behavioral Health Services. These monies must be used to provide behavioral health

services to families whose children receive behavioral health services through DHS, the DES, the Department of Juvenile Corrections, and the Administrative Office of the Courts. Funds may also be used for telemedicine programs. An additional \$150,000 will be transferred to the Office of the Auditor General to be used for a performance evaluation to measure the effectiveness of the program. Funding was allocated to each RBHA based upon population. DHS reports that \$5,729,200 will be spent in FY 2003 and \$8,524,100 was spent through FY 2002, thereby leaving \$5,728,700 yet to be expended.

Seriously Mentally Ill (SMI) — SMI is a population of adult patients with more long-term or ongoing mental illness than those funded through the General Mental Health Special Line Items.

Seriously Mentally Ill State Match for Title XIX — Provides the GF share of the cost of providing behavioral health treatment to Title XIX eligible SMI adults. State monies provide approximately a 33% match to the Federal Funds received.

The approved amount includes an increase of \$5,000,000 General Fund above FY 2003 and a corresponding decrease of \$(5,000,000) from the Medically Needy Account of the Tobacco Tax and Health Care Fund below FY 2003 to fill a one-time General Fund offset from the Medically Needy Account that is not continued in FY 2004. The approved amount also includes an increase of \$5,249,700 GF and \$5,307,000 TF above FY 2003 for increased Title XIX costs.

The approved amount provides capitation payments for an average of approximately 208,228 eligible adults in FY 2004. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 4.4% of the eligible population will utilize services.

The budget assumes annual population growth of 5% and a 3% increase in the capitation rate (from \$63.48 in FY 2003 to \$65.38 in FY 2004). A footnote in the General Appropriation Act requires DHS to submit a plan for review by the Joint Legislative Budget Committee prior to expending any monies for a rate increase.

Seriously Mentally Ill Non-Title XIX — Provides funding for treatment for SMI clients that are not eligible for Title XIX coverage. This special line item is funded from the General Fund and the Medically Needy Account of the Tobacco Tax and Health Care Fund. The approved amount includes a General Fund decrease of \$(3,000,000) below FY 2003 for a reduction in non-Title XIX SMI services. The approved amount also includes a General Fund increase of \$10,790,000 above FY 2003 and a corresponding Medically Needy Account decrease of \$(10,790,000) below FY 2003 for psychotropic medications (*See the Medically Needy Account table in*

the AHCCCS Summary section). The approved amount also includes a General Fund decrease of \$(29,424,800) below FY 2003 and a corresponding Medically Needy Account increase of \$29,424,800 above FY 2003 to shift funding for SMI services to the Medically Needy Account.

Tobacco Settlement SMI Services — Provides \$50,000,000 from the Seriously Mentally Ill Services Fund, which received a one-time appropriation from Tobacco Settlement monies in FY 2001 to provide community housing, vocational rehabilitation, and other recovery support services for the seriously mentally ill. The monies were planned to be expended over 3 years. Funding was allocated to each RBHA based upon population. DHS reports that \$11,965,200 will be spent in FY 2003 and \$35,032,000 was spent through FY 2002, thereby leaving \$5,321,200 yet to be expended. These expenditures include the spending of interest earned on the account.

Court Monitoring — Provides General Fund monies for the state share of the expenses incurred by the Office of the Court Monitor, which was established as a result of the *Arnold v. Sarn* lawsuit. The approved amount is unchanged from FY 2003, except to fill in the portion of the FY 2003 6th Special Session Lump Sum reduction that the department took against this line.

Psychiatric Review Board — Provides General Fund monies for operating costs to review the cases of persons committed to the Arizona State Hospital as “Guilty Except Insane.” The approved amount includes a General Fund decrease of \$(86,400) and (2) FTE Positions below FY 2003 to shift the Psychiatric Review Board to the Arizona State Hospital. There is a corresponding increase in the Arizona State Hospital operating budget.

Suicide Prevention Program — Provides General Fund monies to coordinate the state’s suicide prevention activities. The department had taken a portion of its FY 2003 lump sum reduction (approved in Laws 2002, 6th Special Session, Chapter 1) against this line item and therefore the program was not funded in FY 2003. No funding was provided in FY 2004 and the Health Omnibus Reconciliation Bill (ORB) (Laws 2003, Chapter 265) also suspended for FY 2004 the statute requiring the department to conduct suicide prevention activities.

Arnold v. Sarn — Provides General Fund monies to address the requirements of the *Arnold v. Sarn* lawsuit. It is the intent of the Legislature that this funding be used throughout the state for all persons who meet the same criteria as those covered in the *Arnold v. Sarn* lawsuit. The approved amount includes \$27,500,000 from the General Fund. The approved amount also includes an increase of \$10,270,700 in Federal Title XIX funding to more accurately reflect the expenditures from this line item. This federal funding was authorized in a General Appropriation Act footnote in prior years but is included in the line item total for FY 2004.

Of the General Fund monies in the line item, \$5,000,000 will be used as the state match for the expansion of SMI Title XIX services. State monies provide approximately a 33% match to the Federal Funds received for the Title XIX program. In the past, a footnote specified that corresponding federal expenditure authority be appropriated. For FY 2004, the federal expenditure authority is incorporated into the Special Line Item.

Proposition 204 — The implementation of Proposition 204, passed by the voters in November of 2000, expanded categories of eligibility for Title XIX services, including behavioral health services, up to 100% of the federal poverty level. State monies provide approximately a 33% match to the Federal Funds received. The approved amount includes an increase of \$14,741,100 GF and \$38,819,800 TF above FY 2003. The budget assumes annual population growth of 11% and a 3% increase in the capitation rate.

In total, the FY 2004 approved state match (SM) amount includes \$17,389,500 from the General Fund and \$46,809,500 from the Tobacco Litigation Settlement Fund. This includes \$437,000 SM (\$1,334,600 TF) for Children's Behavioral Health services, \$48,590,800 SM (\$148,403,200 TF) for services for the Seriously Mentally Ill population, and \$15,171,200 SM (\$46,335,100 TF) for General Mental Health services.

General Mental Health and Substance Abuse — General Mental Health and Substance Abuse (GMH/SA) funding assists adults who do not qualify as SMI.

Mental Health Non-Title XIX — Provides funding for mental health treatment services for adults who require treatment but are not diagnosed SMI and are not eligible for the Title XIX program. The approved amount is funded from the General Fund.

The approved amount includes a General Fund increase of \$1,500,000 to shift funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund to the General Fund. (*See the Medically Needy Account table in the AHCCCS Summary section*). This line item was previously funded from non-appropriated Medically Needy Account monies and thus did not appear in the General Appropriation Act prior to FY 2004. This funding is used to provide general mental health services for children and for substance abuse services and prevention.

Substance Abuse Non-Title XIX — Provides funding for drug and alcohol abuse services for adults who are not eligible for the Title XIX program. The approved amount is solely funded from the General Fund in FY 2004. The General Fund amount is unchanged from FY 2003.

The approved amount eliminates the Substance Abuse Services Fund allocation for a decrease of \$(3,350,000) below FY 2003. The fund receives 14.2% of revenues to the Medical Services Enhancement Fund (MSEF) for

alcohol and drug treatment for persons that have been ordered by the court to attend, but do not have sufficient resources to pay. The fund also receives 9.4% of MSEF revenues for development and maintenance of non-Title XIX alcohol and drug abuse services. Laws 2003, Chapter 265, as originally passed, directed that these monies be deposited into the General Fund. This provision was line item vetoed by the Governor and therefore the monies will continue to be deposited into the Substance Abuse Services Fund. However, the fund is subject to legislative appropriation and there is no appropriation for FY 2004.

Mental Health and Substance Abuse State Match for Title XIX — Provides the GF share of the cost of providing mental health and substance abuse treatment to Title XIX eligible individuals. State monies provide approximately a 33% match to the Federal Funds received.

The approved amount includes an increase of \$119,000 GF and \$3,877,400 TF above FY 2003 for increased Title XIX costs. At the August 2002 JLBC meeting, the Committee recommended that the department use \$1,500,000 in other monies available within the department to provide a portion of the state match need for Title XIX General Mental Health services. The approved amount assumes this funding is being used to provide General Mental Health services. The department reports that it did not use these monies for General Mental Health in FY 2003 and does not intend to use them for that purpose in FY 2004.

The approved amount provides capitation payments for an average of approximately 208,228 eligible adults per month in FY 2004. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 7.9% of the eligible population will utilize services.

The budget assumes annual population growth of 5%. The budget also assumes a 3% increase in the capitation rate (from \$19.82 in FY 2003 to \$20.41 in FY 2004). A footnote in the General Appropriation Act requires DHS to submit a plan for review by the Joint Legislative Budget Committee prior to expending any monies for a rate increase.

In addition, the department may receive Tobacco Tax monies, other Federal Funds, other agencies may expend additional amounts on similar services, and the counties also provide services.

Other

Offset for Receipts — The General Appropriation Act, as originally passed, continued a \$(10,000,000) reduction in the GF appropriation for behavioral health associated with the availability of other monies. This amount was line item vetoed by the Governor. The Governor's intent is to increase the appropriation by a corresponding amount. This Appropriations Report has incorporated the veto without making an assessment of its legality. As of this

writing, there is pending litigation concerning the legality of this particular veto.

Veto: General Appropriations; 2003-2004 and 2004-2005 (Chapter 262) — The Governor line item vetoed the \$(10,000,000) General Fund reduction associated with the availability of other monies for behavioral health services. This Appropriations Report has incorporated the veto without making an assessment of its legality. As of this writing, there is pending litigation concerning the legality of this particular veto. *(See Offset for Receipts for more information on this issue.)*

Additional Legislation: Removal of Medicaid Special Exemption (Chapter 136) — This legislation removes the exemption for Medicaid health plans and contractors from the state's 2% tax on health insurance premiums and imposes the tax on Medicaid contractors. *(See Medicaid Special Exemption Payments for more information.)*

[Click here to return to the Table of Contents](#)