

**Department of Health Services**  
**Behavioral Health**

JLBC: Gina Guarascio  
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Subcommittee: Health & Welfare

DESCRIPTION	FY 2002	FY 2003	FY 2004	
	ACTUAL	ESTIMATE	OSPB	JLBC
<b>OPERATING BUDGET</b>				
<i>Full Time Equivalent Positions</i>	130.6	126.9	124.9	122.9
Personal Services	2,746,000	2,916,300	2,916,300	2,916,300
Employee Related Expenditures	662,600	710,500	865,800	851,500
Professional and Outside Services	808,900	2,022,000	1,967,700	1,961,800
Travel - In State	39,700	70,000	70,000	70,000
Travel - Out of State	9,700	10,500	10,500	10,500
Other Operating Expenditures	2,453,200	2,348,200	2,348,400	2,531,200
Equipment	180,100	147,400	147,700	147,400
<b>OPERATING SUBTOTAL</b>	<b>6,900,200</b>	<b>8,224,900</b>	<b>8,326,400</b>	<b>8,488,700</b>
<b>SPECIAL LINE ITEMS</b>				
<b>Administration</b>				
Computer Hardware Lease	125,000	0	0	0
Mental Health Institute	0	2,000,000	0	0
<b>Children's Behavioral Health</b>				
Children's Behavioral Health Services	9,304,000	9,351,800	9,351,800	9,351,800
CBH State Match for Title XIX	106,079,800	117,853,500	174,835,200	145,553,200
Seriously Emotionally Handicapped Children	3,322,100	638,400	638,400	638,400
<b>Seriously Mentally Ill</b>				
Seriously Mentally Ill State Match for Title XIX	133,623,500	148,064,800	139,844,800	147,065,400
Seriously Mentally Ill Non-Title XIX	46,895,500	64,116,700	62,116,700	50,326,700
Tobacco Settlement SMI Services				
Court Monitoring	197,500	197,500	197,500	0
Psychiatric Review Board	76,300	86,400	0	0
Suicide Prevention Program	0	120,000	120,400	0
Arnold v. Sarn	19,500,000	27,500,000	19,500,000	37,770,700
Proposition 204	0	150,753,100	197,700,000	196,072,900
<b>General Mental Health/Substance Abuse</b>				
Mental Health Non-Title XIX	4,423,600	947,300	947,300	947,300
Mental Health and Substance Abuse State Match for Title XIX	33,752,600	37,538,800	58,881,600	47,827,200
Substance Abuse Non-Title XIX	14,464,200	15,485,400	15,485,400	0
Less Offset for Receipts		(10,000,000)	0	(10,000,000)
Less Capitation Rate Adjustment		(15,200,000)	0	(15,200,000)
<b>PROGRAM TOTAL</b>	<b>378,664,300</b>	<b>557,678,600</b>	<b>687,945,500</b>	<b>618,842,300</b>
<b>FUND SOURCES</b>				
General Fund	177,873,100	185,367,900	236,898,200	164,516,000
<u>Other Appropriated Funds</u>				
Federal Title XIX Funds	180,151,200	309,361,200	387,407,100	378,092,000
Indirect Cost Fund	0	0	200	0
Medical Services Stabilization Fund	8,000,000	2,000,000	0	0
Substance Abuse Services Fund	1,850,000	3,350,000	3,350,000	0
Tobacco Litigation Settlement Fund	0	46,809,500	49,500,000	46,809,500
TTHCF Medically Needy Account	10,790,000	10,790,000	10,790,000	29,424,800
SUBTOTAL - Other Appropriated Funds	200,791,200	372,310,700	451,047,300	454,326,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>378,664,300</b>	<b>557,678,600</b>	<b>687,945,500</b>	<b>618,842,300</b>
<b>TOTAL - ALL SOURCES</b>	<b>378,664,300</b>	<b>557,678,600</b>	<b>687,945,500</b>	<b>618,842,300</b>

**CHANGE IN FUNDING SUMMARY**

	FY 2003 to FY 2004 JLBC	
	\$ Change	% Change
General Fund	(20,851,900)	(11.2%)
Other Appropriated Funds	82,015,600	22.0%
Total Appropriated Funds	61,163,700	11.0%

**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	Recommend.
• % 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.

**RECOMMENDED CHANGES FROM FY 2003**

			<b><u>FY 2004</u></b>
<b>Standard Changes</b>	<b>GF</b>	<b>\$</b>	<b>(8,000)</b>
	<b>TF</b>		<b>142,400</b>
<b>Technical Changes</b>	<b>GF</b>		<b>35,400</b>
	<b>TF</b>		<b>35,400</b>

The JLBC recommends a General Fund increase and a reduction of (2) FTE Positions to address technical changes. The net General Fund cost to the Department is \$0. (Please see Summary section for further details).

<b>Title XIX Caseload Growth</b>	<b>GF</b>	<b>8,109,300</b>
	<b>TF</b>	<b>38,488,700</b>

The JLBC recommends a General Fund and a Total Funds increase for expected growth in the Title XIX Behavioral Health programs beyond the FY 2003 appropriation.

Projections for both FY 2003 and FY 2004 include adjustments for action taken by the JLBC at its August meeting. The JLBC recommended that the Department of Economic Security (DES) provide DHS with \$2,577,700 for services DES had previously been providing to children in the foster care system. JLBC also advised DHS to use other revenues to fund \$1,500,000 of anticipated state match need for the Title XIX General Mental Health/Substance Abuse Line Item.

Behavioral Health Services (BHS) Title XIX enrollment is based on enrollment in the AHCCCS program. These adjustments forecast a June over June growth rate of approximately 5% for FY 2004 beyond expected enrollment for FY 2003. These projections also assume 3% growth in capitation rates in FY 2004 beyond their FY

			<b><u>FY 2003</u></b>		<b><u>Total</u></b>	<b><u>Difference</u></b>
	<b><u>Appropriation</u></b>	<b><u>Projected Need</u></b>	<b><u>Adjustments*</u></b>			
CBH	40,344,600	44,811,500	(2,577,700)		42,233,800	1,889,200
SMI	49,241,500	43,211,000			43,211,000	(6,030,500)
GMH/SA	<u>12,532,300</u>	<u>14,631,100</u>	<u>(1,500,000)</u>		<u>13,131,100</u>	<u>598,800</u>
	102,118,400	102,653,600	(4,077,700)		98,575,900	(3,542,500)
* Adjustments made based on action taken by JLBC at their August meeting.						
			<b><u>FY 2004</u></b>		<b><u>Total</u></b>	<b><u>Difference</u></b>
	<b><u>FY 03 Base</u></b>	<b><u>Projected Need</u></b>	<b><u>Adjustments</u></b>			
CBH	40,344,600	50,001,700	(2,577,700)		47,424,000	7,079,400
SMI	49,241,500	48,152,800			48,152,800	(1,088,700)
GMH/SA	<u>12,532,300</u>	<u>15,627,500</u>	<u>(1,500,000)</u>		<u>14,650,900</u>	<u>2,118,600</u>
	102,118,400	113,782,000	(4,077,700)		110,227,700	8,109,300
CBH = Children's Behavioral Health SMI = Seriously Mentally Ill GMH/SA = General Mental Health/Substance Abuse						

2003 level. The total anticipated state match need for FY 2004, including amounts transferred from DES and elsewhere in the DHS budget is \$11,663,600.

The FY 2003 General Appropriation Act assumed DHS would realize \$(15,200,000) in General Fund savings associated with the Title XIX Special Line Items as well as the Proposition 204 Special Line Item. In FY 2004, the JLBC recommends continuing the \$(15,200,000) in savings. This recommendation is based on the assumption that capitation rates for the SMI population continue to be higher than are necessary given the influx of Proposition 204 money into the behavioral health system. Another option available to DHS to obtain the projected savings amount is to reduce the percentage available for administration and for “profit” at the RBHA level. Finally, the RBHAs could begin to collect co-payments for services. AHCCCS has estimated savings of between \$6.5 million and \$9.5 million associated with the collection of co-payments. While DHS would not be able to realize the same amount of savings, it is reasonable to assume some savings associated with the collection of co-payments for behavioral health services.

For FY 2003, JLBC assumes that BHS will need to realize approximately \$11,657,600 in savings anticipated in the FY 2003 budget. Based on current JLBC projections, current capitation rates and estimated enrollment in the Title XIX Special Line Items will result in \$(3,542,400) in savings, excluding the capitation rate adjustment of \$(15,200,000).

Given that the Proposition 204 program is still being phased-in, JLBC Staff also believes that not all Tobacco Litigation Settlement Funds will be used in FY 2003 and may be available for transfer. This option requires further research and will be clarified during the Legislative session. This transfer would require a realignment of funds within the AHCCCS budget to free up General Fund monies in DHS.

*Table 1* summarizes anticipated funding needs for FY 2003 and FY 2004.

<b>Proposition 204 Growth</b>	<b>GF</b>	<b>17,389,500</b>
	<b>TF</b>	<b>45,319,800</b>

The JLBC recommends a General Fund and a Total Funds increase in FY 2004 for expected growth in the Proposition 204 Behavioral Health program.

BHS Proposition 204 enrollment is based on enrollment in the AHCCCS program. These adjustments forecast a growth rate of approximately 11% for FY 2004 beyond expected enrollment for FY 2003. These projections assume 3% growth in capitation rates in FY 2004 beyond their FY 2003 level.

<b>Fund Shift Behavioral Health</b>	<b>GF</b>	<b>(29,424,800)</b>
<b>Services to Tobacco Tax</b>	<b>OF</b>	<b>29,424,800</b>

The JLBC recommends a General Fund decrease and a corresponding increase from the Medically Needy Account of the Tobacco. *(Please see Summary section for more details.)*

<b>Zero-Base Substance Abuse Funding</b>	<b>GF</b>	<b>(12,135,400)</b>
	<b>OF</b>	<b>(3,350,000)</b>

The JLBC recommends zero-base budgeting substance abuse services for adults that do not qualify for the Title XIX program. This includes a General Fund decrease as well as a decrease from the Substance Abuse Services Fund. During the session, the Appropriations Committees will review the program and determine a proper funding level. The zero-based budgeting process will allow the Committees to identify spending overlaps and explore whether programs are efficiently and effectively meeting their goals.

<b>Mental Health Institute</b>	<b>OF</b>	<b>(2,000,000)</b>
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The JLBC recommends a Medical Services Stabilization Fund decrease for a one-time appropriation for the Institute for Mental Health Research. Laws 2001, Chapter 273 provided \$2,500,000 in FY 2002 for the development of this Institute, and required the Institute to obtain matching funds from the private sector. This appropriation was non-lapsing, and the monies were not distributed by the Institute until FY 2003. The remaining \$500,000 will be transferred to the General Fund.

#### **Eliminate Non-Title XIX**

<b>Services for Title XIX Children</b>	<b>GF</b>	<b>(1,500,000)</b>
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The JLBC recommends a General Fund decrease to the Title XIX Children’s Behavioral Health SLI to eliminate funding for Non-Title XIX services. In the past, these monies have been provided to cover a range of services for which were not reimbursable through the Medicaid program. With the expansion of covered Title XIX services, many of these services are now covered by Title XIX. This recommendation recognizes this change and eliminates this now non-essential funding.

#### **Reduce Non-Title XIX**

<b>SMI Services</b>	<b>GF</b>	<b>(3,000,000)</b>
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The JLBC recommends a General Fund decrease to the Non-Title XIX SMI Services SLI. This reduction corresponds to an amount that was held back from the RBHAs in FY 2002. In FY 2004, it is likely this reduction will lead to a reduction in services to the Non-Title XIX SMI population.

<b>Arnold v. Sarn Federal Funds</b>	<b>TF</b>	<b>10,270,700</b>
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The JLBC recommends a Total Funds increase to the Arnold v. Sarn Special Line Item to reflect Federal Funds available. DHS uses \$5,000,000 of this Special Line Item to provide Title XIX services for the SMI Population. These monies are then matched with federal monies. In the past, a footnote specified that corresponding federal

expenditure authority be appropriated. This recommendation simply incorporates the federal expenditure authority into the SLI.

**Zero-Base Tobacco Tax Medications OF (10,790,000)**

The JLBC recommends zero-base budgeting psychotropic medications currently funded from the Medically Needy Account of the Tobacco Tax and Health Care Fund. *(Please see Summary section for more details.)*

**Eliminate Suicide Prevention GF (120,400)**

The JLBC recommends eliminating the suicide prevention program, as well as (2) FTE Positions. Originally approved by the Legislature in 2001, this program has never been implemented. *(Please see JLBC Recommended Statutory Changes for more information.)*

**Shift Court Monitor Funding GF (197,500)**

The JLBC recommends shifting responsibility for the Court Monitor to Maricopa County. The Court Monitor was established as a result of the Arnold v. Sarn lawsuit, and Maricopa County and the State have traditionally shared in the expenses of the Monitor. This recommendation shifts funding entirely to Maricopa County.

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**JLBC RECOMMENDED FORMAT** — Detailed Line Item for the Program. *(In the FY 2003 budget, the program had an Operating Lump Sum with Special Line Items for the Program format.)*

**JLBC RECOMMENDED FOOTNOTES**

*Standard Footnotes*

All federal Title XIX funds appropriated for administration are appropriated as a Lump Sum DETAILED LINE ITEM.

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.

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.

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 Non-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.

~~For every dollar appropriated from the state General Fund for the Arnold v. Sarn Special Line Item that is used for state match for Title XIX eligible clients, the corresponding federal expenditure authority based on the current year Federal Matching Assistance Percentage shall be appropriated. 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 2,000,000 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 2,000,000 persons. Before the expenditure of these monies, the department shall submit an expenditure plan to the Joint Legislative Budget Committee for review. The report shall include projected Title XIX and Non Title XIX expenditures and estimated expenditures by service category.~~

**JLBC RECOMMENDED STATUTORY CHANGES**

The JLBC recommends changing various references in the A.R.S. sections related to behavioral health requirements from “shall” to “may.” At least two sections of statute specify that the Deputy Director of the Department of Health Services (DHS) “shall” provide a list of services to the seriously mentally ill. One section requires DHS to develop and implement a statewide plan for providing community residential treatment services. Another section directs DHS to contract for the provision of a spectrum of services for the seriously mentally ill, including a coordinated service delivery system, case management and treatment planning, and a comprehensive continuum of care, including services like inpatient and outpatient treatment, psychotropic medications, vocational rehabilitation, and crisis intervention. This recommendation would allow DHS to continue to provide these services, but would remove the statutory directive to do so.

The JLBC recommends repealing Laws 2001, Chapter 319, which created the Suicide Prevention program. *(Please see Suicide Prevention policy issue for more information.)*

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**SUMMARY OF FUNDS - SEE AGENCY SUMMARY**

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