

Department of Health Services
Behavioral Health

A.R.S. § 36-103

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	124.9	120.9	120.9
Personal Services	3,266,600	3,909,500	4,025,400
Employee Related Expenditures	808,800	1,138,500	1,151,400
Professional and Outside Services	1,128,800	1,114,500	1,114,500
Travel - In State	60,100	111,400	111,400
Travel - Out of State	5,700	16,500	16,500
Other Operating Expenditures	2,999,500	3,619,100	1,953,400
Equipment	1,186,700	0	0
OPERATING SUBTOTAL	9,456,200	9,909,500	8,372,600
SPECIAL LINE ITEMS			
Administration			
Mental Health Institute	654,900	0	0
Medicaid Special Exemption Payments	0	9,412,300	12,862,000
Proposition 204 Administration	2,026,300	6,488,400	6,126,500
Children's Behavioral Health			
Children's Behavioral Health Services	9,286,100	9,351,800	9,351,800 ^{1/}
CBH State Match for Title XIX	122,697,000	153,565,700	203,896,200 ^{2/3/}
Proposition 204 Children's Behavioral Health Services	1,237,100	1,284,700	2,432,100 ^{2/3/}
Seriously Mentally Ill			
Seriously Emotionally Handicapped Children	330,900	500,000	500,000
Tobacco Settlement CBH Services	4,729,200	0	0
Seriously Mentally Ill Non-Title XIX	60,259,000	61,116,700	61,116,700
Seriously Mentally Ill State Match for Title XIX	129,774,700	142,854,600	130,621,000 ^{2/3/}
Proposition 204 Seriously Mentally Ill Services	106,777,100	143,067,000	124,474,700 ^{2/3/}
Tobacco Settlement SMI Services	13,986,500	0	0
Court Monitoring	177,800	197,500	197,500
Psychiatric Review Board	78,300	0	0
Arnold v. Sarn	29,897,600	37,770,700	37,838,700 ^{2/3/4/}
General Mental Health/Substance Abuse			
Mental Health Non-Title XIX	947,300	2,447,300	2,447,300
Substance Abuse Non-Title XIX	15,485,400	14,635,400	14,635,400
Mental Health and Substance Abuse State Match for Title XIX	43,897,400	59,085,500	69,572,700 ^{2/3/}
Proposition 204 General Mental Health and Substance Abuse	35,420,700	44,657,700	61,710,000 ^{2/3/}
PROGRAM TOTAL	587,119,500	696,344,800^{5/}	746,155,200^{6/}
FUND SOURCES			
General Fund	194,431,900	223,059,800	238,751,600
<u>Other Appropriated Funds</u>			
CBH Tobacco Settlement Fund	4,729,200	0	0
Medical Services Stabilization Fund	680,400	0	0
SMI Services Fund	13,986,500	0	0
Substance Abuse Services Fund	3,350,000	2,500,000	2,500,000
TTHCF Medically Needy Account	15,790,000	29,424,800	29,424,800
SUBTOTAL - Other Appropriated Funds	38,536,100	31,924,800	31,924,800
SUBTOTAL - Appropriated Funds	232,968,000	254,984,600	270,676,400
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	307,342,000	394,550,700	428,669,300
Tobacco Litigation Settlement Fund	46,809,500	46,809,500	46,809,500
SUBTOTAL - Expenditure Authority Funds	354,151,500	441,360,200	475,478,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	587,119,500	696,344,800	746,155,200

	FY 2003 Actual	FY 2004 Estimate	FY 2005 Approved
Other Non-Appropriated Funds	56,911,100	51,954,100	40,002,000
Federal Funds	38,188,800	40,753,300	40,069,800
TOTAL - ALL SOURCES	682,219,400	789,052,200	826,227,000

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 2003 Appropriation	FY 2003 Actual	FY 2004 Appropriation	FY 2005 Appropriation
• % of SMI clients on anti-psychotics receiving new generation psychotropic medications	71	58.4	58	70
• % of RBHA Title XIX clients satisfied with services	68	88	75	88
• % of eligible Title XIX population enrolled	8	9	8	9

Comments: The % of RBHA Title XIX clients satisfied with services represents satisfaction of adult Title XIX clients.

Federal Match Rate Change

Under the Title XIX program state monies provide approximately a 33% match to the Federal Funds received. The federal Jobs and Growth Tax Relief and Reconciliation Act of 2003 included a temporary increase of 2.95% in the federal matching assistance percentage (FMAP) for the last quarter of FY 2003 and all of FY 2004, providing more Federal Funds for each dollar spent and generating General Fund savings in FY 2004. This federal match rate change expires at the end of FY 2004 and the budget fills in these one-time savings. Because the department was given the discretion to allocate these monies among its Title XIX programs, the monies associated with filling in the savings are not shown in individual cost centers but are displayed in the Summary section. *(Please see Summary for more information.)*

General Fund and \$38,618,900 from Federal Title XIX expenditure authority (EA).

Behavioral Health Services (BHS) Title XIX enrollment is based on enrollment in the AHCCCS program. The budget would provide capitation payments for a total of approximately 791,472 members per month.

State monies provide approximately a 33% match to the Federal Funds (EA) received. The budget is based both on an expected medical inflation increase of 11.4% and on growth in client populations, which is specified in the various Title XIX Special Line Item (SLI) descriptions below. The increase includes changes in behavioral health services and Medicaid Special Exemption Payments but does not address any changes in administrative costs. *Table 1* summarizes the estimated FY 2005 funding needs.

Title XIX Caseload and Inflation

The budget provides an increase of \$54,444,600 for expected growth in the Title XIX Behavioral Health Programs. This amount includes \$15,825,700 from the

- 1/ 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 reviewed by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 2/ 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. Unless required for compliance with federal law, before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year’s capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes to the Joint Legislative Budget Committee for review. The department shall also report quarterly to the Joint Legislative Budget Committee itemizing all policy changes with fiscal impacts of less than \$500,000 in state costs. (General Appropriation Act footnote)
- 3/ 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. (General Appropriation Act footnote)
- 4/ 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)
- 5/ Laws 2004, Chapter 277 appropriated \$5,822,300 from the General Fund and \$10,128,900 in Federal Title XIX expenditure authority for Title XIX behavioral health costs, plus \$2,500,000 from the Substance Abuse Services Fund for Substance Abuse Services.
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.

Table 1

General Fund Title XIX Behavioral Health Funding

	FY 2004 Original <u>Appropriation</u>	FY 2004 <u>Supplemental</u>	FY 2004 Revised <u>Appropriation</u>	FY 2005 <u>Increase</u>	FY 2005 <u>Appropriation</u>
Administration ^{1/}	2,058,900	436,800	2,495,700	(436,800) ^{2/}	2,058,900
Proposition 204 Administration	2,118,500	(125,000)	1,993,500	3,600	1,997,100
CBH	45,924,000	1,073,800	46,997,800	17,729,300	64,727,100
CBH Proposition 204	24,500	(24,500)	0	394,700	394,700
SMI	48,152,800	5,955,000	54,107,800	(11,529,900)	42,577,900
SMI Proposition 204	11,974,300	(3,383,700)	8,590,600	(3,028,500)	5,562,100
GMH/SA	14,650,900	2,952,200	17,603,100	5,075,800	22,678,900
GMH/SA Proposition 204	3,272,200	(1,062,300)	2,209,900	6,507,300	8,717,200
Medicaid Special Exemption Payments	<u>3,082,500</u>	<u>0</u>	<u>3,082,500</u>	<u>1,110,200</u>	<u>4,192,700</u>
Total	\$131,258,600	\$5,822,300	\$137,080,900	\$15,825,700	\$152,906,600

^{1/} Represents funding in the operating budget that is estimated to be related to Title XIX programs. Operating budget also includes administrative funding for Non-Title XIX programs.

^{2/} Represents the elimination of one-time FY 2004 supplemental funding for administration.

FY 2004 Supplemental

Laws 2004, Chapter 277 provides supplemental FY 2004 funding for various Title XIX line items. The legislation includes \$1,073,800 from the General Fund and \$6,938,700 from Federal Title XIX expenditure authority for the Children’s Behavioral Health – State Match for Title XIX line item. The legislation also includes \$4,478,500 from the General Fund and \$3,460,200 from Federal Title XIX expenditure authority, which the department has the discretion to allocate between the Proposition 204 line items, the Seriously Mentally Ill State Match for Title XIX line item, and the General Mental Health and Substance Abuse State Match for Title XIX line item. *Table 1* displays the expected allocations of the supplemental FY 2004 funding. In certain cases, surplus monies in line items will be shifted to fund shortfalls in other line items. These shifts are shown as negative numbers in the table.

for no net impact to the budget. (*See Administration program for more details.*)

FY 2004 Supplemental

Laws 2004, Chapter 277 provides supplemental FY 2004 funding for Title XIX Administration, which is funded in the operating budget. The legislation allows the department to spend up to \$436,800 from the General Fund on administrative costs. The department expects to spend this amount, plus \$1,029,500 from Federal Title XIX expenditure authority, on Title XIX administration. (*See Table 1 for more details.*)

Operating Budget

The budget provides \$8,372,600 for the operating budget in FY 2005. This amount consists of \$4,080,000 from the General Fund and \$4,292,600 from Federal Title XIX expenditure authority. This amount includes:

- An increase for statewide salary adjustments. (*Please see the Statewide Adjustments section at the end of this Appropriations Report for details.*)
- A decrease of \$(199,400) from the General Fund to shift funding for the PLTO rent for the new DHS building to the Administration program. There is a corresponding increase in the Administration program

Special Line Items

Administration

Mental Health Institute

The budget provides no funding for the Mental Health Institute for FY 2005. This amount is unchanged from FY 2004. Laws 2001, Chapter 273, as amended by Laws 2003, Chapter 1, 1st Special Session, provided \$2,000,000 from the Medical Services Stabilization Fund in FY 2002 for a one-time appropriation for the development of Mental Health Institute. The FY 2003 expenditures from this line item reflect nonlapsing monies from this appropriation.

Medicaid Special Exemption Payments

The budget provides \$12,862,000 for Medicaid Special Exemption Payments in FY 2005. This amount consists of \$4,192,700 from the General Fund and \$8,669,300 from Federal Title XIX expenditure authority. The budget

includes an increase of \$1,110,200 from the General Fund and \$2,339,500 from Federal Title XIX expenditure authority associated with the increase in Medicaid Special Exemption payments that result from an increase in Title XIX behavioral health expenditures.

This Special Line Item provides the funding necessary for insurance premium tax payments by DHS required by Laws 2003, Chapter 186. Because DHS contracts with AHCCCS to provide Title XIX behavioral health services, the department is required to pay a 2% tax on the capitation payments it pays to RBHAs. Therefore, any increases in capitation payments associated with caseload growth and inflation necessitate an increase in premium tax payments. The budget includes funding for the taxes on behavioral health premiums, including the premiums for behavioral health services for the Developmental Disabilities population.

Proposition 204 Administration

The budget provides \$6,126,500 for Proposition 204 Administration in FY 2005. This amount consists of \$1,997,100 from the General Fund and \$4,129,400 from Federal Title XIX expenditure authority. The budget includes an increase of \$3,600 from the General Fund and a decrease of \$(365,500) in Federal Title XIX expenditure authority to reflect changes to the administrative component of the Proposition 204 capitation rates that were approved in FY 2004 and to restore a one-time FY 2004 shift of funding to other line items (*See FY 2004 Supplemental for more details*).

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 expenditure authority received. This line item provides funding for the administrative component of this expansion.

FY 2004 Supplemental

Laws 2004, Chapter 277 provides supplemental FY 2004 funding for behavioral health services. The FY 2004 amount reflects a one-time shift of \$125,000 from the General Fund to other line items. This shift is restored in the FY 2005 budget. (*See Table 1 for details.*) The department also expects to spend an additional \$143,000 from Federal Title XIX expenditure authority for the administrative costs of providing behavioral health services to the Proposition 204 population. This funding is continued in FY 2005.

Children's Behavioral Health (CBH)

Children's Behavioral Health Services

The budget provides \$9,351,800 from the General Fund for Children's Behavioral Health Services in FY 2005.

This amount is unchanged from FY 2004. This line item provides General Fund monies for prevention programs and for treatment of non-Title XIX eligible children.

Children's Behavioral Health State Match for Title XIX

The budget provides \$203,896,200 for CBH State Match for Title XIX in FY 2005. This amount consists of \$64,727,100 from the General Fund and \$139,169,100 from Federal Title XIX expenditure authority. The budget includes an increase of \$17,729,300 from the General Fund and \$32,601,200 from Federal Title XIX expenditure authority for caseload growth in the CBH Title XIX program and to continue the FY 2004 supplemental funding. The budget includes funding for 37.7% growth in the capitation rate for medical inflation (from \$31.85 to \$43.87), and 0.9% growth in client population from June 2004 to June 2005.

This line item funds behavioral health treatment to Title XIX eligible children. The budgeted amount would provide capitation payments for an average of approximately 407,872 eligible children per month. DHS receives a monthly capitation payment from AHCCCS for every child eligible for Title XIX behavioral health services, although only an estimated 6.9% of the eligible population will utilize services.

FY 2004 Supplemental

Laws 2004, Chapter 277 provides \$8,012,500 in supplemental FY 2004 funding for CBH State Match for Title XIX. The amount consists of \$1,073,800 from the General Fund and \$6,938,700 from Federal Title XIX expenditure authority for increased costs of providing children's behavioral health services to the Title XIX population. This funding is continued in FY 2005. (*See Table 1 for more details.*)

Proposition 204 Children's Behavioral Health Services

The budget provides \$2,432,100 for Proposition 204 Children's Behavioral Health (CBH) Services in FY 2005. This amount consists of \$394,700 from the General Fund, \$398,100 from the Tobacco Litigation Settlement Fund, and \$1,639,300 from Federal Title XIX expenditure authority. The budget includes an increase of \$394,700 from the General Fund, \$7,300 from the Tobacco Litigation Settlement Fund, and \$745,400 from Federal Title XIX expenditure authority for caseload growth in Proposition 204 CBH Services and to restore one-time FY 2004 shifts of funding to other line items (*See FY 2004 Supplemental for more details*).

The budget includes funding for 37.7% growth in the capitation rate for medical inflation (from \$31.85 to \$43.87), and 2.7% growth in client population from June 2004 to June 2005.

This line item provides behavioral health treatment to children eligible for Title XIX pursuant to Proposition 204. Because most children were already eligible for Title XIX prior to the implementation of Proposition 204, this population is very small. The budgeted amount would provide capitation payments for an average of approximately 4,866 eligible children per month in FY 2005. DHS receives a monthly capitation payment from AHCCCS for every child eligible for Title XIX behavioral health services, although only an estimated 6.9% of the eligible population will utilize services.

FY 2004 Supplemental

Laws 2004, Chapter 277 provides supplemental FY 2004 funding for behavioral health services. The FY 2004 amount reflects one-time shifts \$24,500 from the General Fund and \$7,300 from the Tobacco Litigation Settlement Fund to other line items. These shifts are restored in the FY 2005 budget. (See Table 1 for details.). The department also expects to spend an additional \$25,900 from Federal Title XIX expenditure authority on Proposition 204 Children's Behavioral Health Services. This funding is continued in FY 2005.

Seriously Emotionally Handicapped Children

The budget provides \$500,000 from the General Fund for Seriously Emotionally Handicapped Children in FY 2005. This amount is unchanged from FY 2004. This line item 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.

Tobacco Settlement Children's Behavioral Health Services

The budget provides no new Tobacco Settlement funding for Children's Behavioral Health in FY 2005. This amount is unchanged from FY 2004. This line item originally included \$20,000,000 in one-time non-lapsing funding appropriated in FY 2001 from the Tobacco Settlement for Children's Behavioral Health Services. There is no ongoing funding for this line item and this amount is not specified in the General Appropriation Act.

These monies must be used to provide behavioral health services to families whose children receive behavioral health services through DHS, DES, the Department of Juvenile Corrections, or the Administrative Office of the Courts. Funds may also be used for telemedicine programs. An additional \$150,000 was 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. In FY 2003, DHS spent \$4,729,200 and transferred \$1,000,000 to DES. In addition, \$8,524,100

was spent through FY 2002, leaving \$5,729,000 yet to be expended. Most of this amount is expected to be expended in FY 2004. These expenditures include the spending of interest earned on the account.

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 Non-Title XIX

The budget provides \$61,116,700 for SMI Non-Title XIX services in FY 2005. This amount consists of \$31,691,900 from the General Fund and \$29,424,800 from the Medically Needy Account of the Tobacco Tax and Health Care Fund. This amount is unchanged from FY 2004. This line item provides funding for treatment for SMI clients that are not eligible for Title XIX coverage.

Seriously Mentally Ill State Match for Title XIX

The budget provides \$130,621,000 for SMI State Match for Title XIX in FY 2005. This amount consists of \$42,577,900 from the General Fund and \$88,043,100 from Federal Title XIX expenditure authority. The budget includes a decrease of \$(11,529,900) from the General Fund and \$(703,700) from Federal Title XIX expenditure authority for adjustments in the SMI Title XIX program. This recommendation assumes a (5.1)% decrease in the capitation rate for medical inflation (from \$65.91 to \$62.55), and 0.9% growth in client population from June 2004 to June 2005. The decline in the capitation rate reflects a decrease in the "penetration rate," which measures the portion of the total eligible population that is actually utilizing services.

This line item provides behavioral health treatment to Title XIX eligible SMI adults. The budgeted amount would provide capitation payments for an average of approximately 204,081 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 4.2% of the eligible population will utilize services.

FY 2004 Supplemental

Laws 2004, Chapter 277 provides supplemental FY 2004 funding for behavioral health services. The department expects to spend an additional \$5,955,000 from the General Fund for Seriously Mentally Ill services for the Title XIX population. (See Table 1 for details). This funding is continued in FY 2005. The department also expects to shift \$10,165,800 from Federal Title XIX expenditure authority to other line items. This shift is restored in FY 2005.

Proposition 204 Seriously Mentally Ill Services

The budget provides \$124,474,700 for Proposition 204 Seriously Mentally Ill (SMI) Services in FY 2005. This

amount consists of \$5,562,100 from the General Fund, \$35,013,000 in Tobacco Litigation Settlement Funds, and \$83,899,600 from Federal Title XIX expenditure authority. The budget includes a decrease of \$(3,028,500) from the General Fund, \$(7,300) from the Tobacco Litigation Settlement Fund, and \$(15,556,500) from Federal Title XIX expenditure authority for adjustments in the Proposition 204 SMI program and to restore a one-time FY 2004 shift of funding to other line items (*See FY 2004 Supplemental for more details*).

This recommendation assumes a (5.1)% decrease in the capitation rate for medical inflation (from \$65.91 to \$62.55), and 2.7% growth in client population from June 2004 to June 2005. As with the SMI State Match for Title XIX population, the decline in the capitation rate reflects a decrease in the penetration rate.

This line item provides behavioral health treatment to SMI adults who are Title XIX eligible pursuant to Proposition 204. The budgeted amount would provide capitation payments for an average of approximately 174,654 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 4.2% of the eligible population will utilize services.

FY 2004 Supplemental

Laws 2004, Chapter 277 provides supplemental FY 2004 funding for behavioral health services. The FY 2004 amount reflects a one-time shift of \$3,383,400 from the General Fund to other line items. This shift is restored in the FY 2005 budget. The department also expects to spend an additional \$7,300 from the Tobacco Litigation Settlement Fund and \$2,937,500 from Federal Title XIX expenditure authority for seriously mentally ill services for the Proposition 204 population. These shifts are restored in the FY 2005 budget. (*See Table 1 for details.*)

Tobacco Settlement SMI Services

The budget provides no new Tobacco Settlement funding for SMI Services in FY 2005. This amount is unchanged from FY 2004. This line item originally included \$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.

There is no ongoing funding for this line item and this amount is not specified in the General Appropriation Act, but the monies were planned to be expended over 3 years. Funding was allocated to each RBHA based upon population. In FY 2003, DHS spent \$13,986,500 and transferred \$478,700. In addition, \$35,032,000 was spent through FY 2002, leaving \$4,878,000 yet to be expended. Most of this amount is expected to be expended in FY

2004. These expenditures include the spending of interest earned on the account.

Court Monitoring

The budget provides \$197,500 from the General Fund for Court Monitoring in FY 2005. This amount is unchanged from FY 2004. This line item provides funds 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.

Psychiatric Review Board

The budget provides no funding in this program for the Psychiatric Review Board in FY 2005. This amount is unchanged from FY 2004. This line item provided General Fund monies for operating costs to review the cases of persons committed to the Arizona State Hospital as "Guilty Except Insane." These monies were shifted to the Arizona State Hospital in FY 2004 and are now shown in the Arizona State Hospital operating budget.

Arnold v. Sarn

The budget provides \$37,838,700 for *Arnold v. Sarn* in FY 2005. This amount consists of \$27,500,000 from the General Fund and \$10,338,700 from Federal Title XIX expenditure authority. The budget includes an increase of \$68,000 in Federal Title XIX expenditure authority to account for standard changes in the FMAP.

This line item provides funding 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.

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

The budget provides \$2,447,300 from the General Fund for Mental Health Non-Title XIX services in FY 2005. This amount is unchanged from FY 2004. This line item 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, as well as general mental health services for children and for substance abuse services and prevention.

Substance Abuse Non-Title XIX

The budget provides \$14,635,400 for Substance Abuse Non-Title XIX services in FY 2005. This amount consists of \$12,135,400 from the General Fund and \$2,500,000 from the Substance Abuse Services Fund. This amount is unchanged from FY 2004.

This line item provides funding for drug and alcohol abuse services for adults who are not eligible for the Title XIX program.

FY 2004 Supplemental

Laws 2004, Chapter 277 provides supplemental FY 2004 funding for Substance Abuse Non-Title XIX services. The legislation provides \$2,500,000 from the Substance Abuse Services Fund for substance abuse services to individuals not eligible for Title XIX. This amount is continued in FY 2005.

Mental Health and Substance Abuse State Match for Title XIX

The budget includes \$69,572,700 for Mental Health and Substance Abuse State Match for Title XIX in FY 2005. This amount consists of \$22,678,900 from the General Fund and \$46,893,800 from Federal Title XIX expenditure authority. The budget includes an increase of \$5,075,800 from the General Fund and \$5,411,400 from Federal Title XIX expenditure authority for caseload growth in GMH/SA Services and to continue the FY 2004 supplemental funding (*See FY 2004 Supplemental for more details*). This recommendation assumes 19.2% growth in the capitation rate for medical inflation (from \$26.02 to \$31.01), and 0.9% growth in client population from June 2004 to June 2005.

This line item provides mental health and substance abuse treatment to Title XIX eligible individuals. The budgeted amount would provide capitation payments for an average of approximately 196,907 eligible adults per month. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 10.8% of the eligible population will utilize services.

FY 2004 Supplemental

Laws 2004, Chapter 277 provides supplemental FY 2004 funding for behavioral health services. The department expects to spend an additional \$2,952,200 from the General Fund and \$8,306,100 in Federal Title XIX expenditure authority for General Mental Health and Substance Abuse services for the Title XIX population. These amounts are continued in FY 2005. (*See Table 1 for details.*)

Proposition 204 General Mental Health and Substance Abuse

The budget provides \$61,710,000 for Proposition 204 General Mental Health and Substance Abuse (GMH/SA) in FY 2005. This amount consists of \$8,717,200 from the General Fund, \$11,398,400 from Tobacco Litigation Settlement Funds, and \$41,594,400 from Federal Title XIX expenditure authority. The budget includes an increase of \$6,507,300 from the General Fund and \$10,545,000 from Federal Title XIX expenditure authority for caseload growth in Proposition 204 GMH/SA Services

and to restore a one-time FY 2004 shift to other line items (*See FY 2004 Supplemental for more details*).

This recommendation assumes 19.2% growth in the capitation rate for medical inflation (from \$26.02 to \$31.01), and 2.7% growth in client population from June 2004 to June 2005.

This line item provides mental health and substance abuse treatment to individuals who are eligible for Title XIX pursuant to Proposition 204. The budgeted amount would provide capitation payments for an average of approximately 174,654 eligible adults per month. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 10.8% of the eligible population will utilize services.

FY 2004 Supplemental

Laws 2004, Chapter 277 provides supplemental FY 2004 funding for behavioral health services. The FY 2004 amount reflects a one-time shift of \$(1,062,300) from the General Fund to other line items. This shift is restored in the FY 2005 budget. (*See Table 1 for details.*) The department also expects to spend an additional \$914,000 from Federal Title XIX expenditure authority for General Mental Health and Substance Abuse services for the Proposition 204 population. This amount is continued in the FY 2005 budget.

Additional Legislation

AHCCCS; Health; Welfare; Budget Reconciliation

The Health and Welfare Budget Reconciliation Bill (Laws 2004, Chapter 279) includes a session law provision prohibiting the department from operating a suicide prevention program in FY 2005 unless new Federal Funds that do not require state matching funds are received for the operation of the program.

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