

Department of Health Services
Behavioral Health

A.R.S. § 36-103

JLBC Analyst: John Malloy/Matt Busby

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	120.9	122.0	122.0
Personal Services	2,568,200	3,207,500	3,373,100
Employee Related Expenditures	775,400	1,230,200	1,407,800
Professional and Outside Services	464,100	449,600	449,600
Travel - In State	60,900	87,500	87,500
Travel - Out of State	5,400	11,300	11,300
Other Operating Expenditures	3,289,400	3,928,800	3,950,000
Equipment	107,300	28,500	28,500
OPERATING SUBTOTAL	7,270,700	8,943,400	9,307,800
SPECIAL LINE ITEMS			
Administration			
Dual Eligible Part D Copay Subsidy	0	0	480,000
Medicare Clawback Payments	0	3,715,200	10,062,700
Medicaid Special Exemption Payments	13,750,200	16,002,300	16,980,900
Proposition 204 Administration	5,088,400	6,286,400	6,534,800
Children's Behavioral Health			
Children's Behavioral Health Services	9,351,800	9,351,800	9,351,800 ^{1/}
CBH State Match for Title XIX	233,118,000	265,932,200	290,378,100 ^{2/}
Proposition 204 Children's Behavioral Health Services	2,460,300	3,146,900	3,861,400 ^{2/}
Seriously Emotionally Handicapped Children	26,000	500,000	500,000
Seriously Mentally Ill			
Seriously Mentally Ill Non-Title XIX	60,991,000	61,116,700	61,116,700
Seriously Mentally Ill State Match for Title XIX	145,550,300	166,336,000	162,835,400 ^{2/}
Proposition 204 Seriously Mentally Ill Services	142,264,800	161,780,500	160,688,400 ^{2/}
Seriously Mentally Ill Housing	0	0	2,500,000 ^{3/}
Court Monitoring	224,000	197,500	197,500
Arnold v. Sarn	35,268,600	37,696,400	37,468,900 ^{2/4/5/}
General Mental Health/Substance Abuse			
Mental Health Non-Title XIX	2,447,300	2,447,300	2,447,300
Substance Abuse Non-Title XIX	14,635,400	14,635,400	14,635,400
Mental Health and Substance Abuse State Match for Title XIX	72,379,000	80,839,300	87,612,900 ^{2/6/}
Proposition 204 General Mental Health and Substance Abuse	70,032,100	75,592,500	83,449,400 ^{3/6/}
Ch. 337 Substance Abuse Treatment	0	0	3,000,000
PROGRAM TOTAL	814,857,900	914,519,800^{1/}	963,409,400^{5/}
FUND SOURCES			
General Fund	259,966,700	345,881,900	374,606,500
Other Appropriated Funds			
Substance Abuse Services Fund	2,500,000	2,500,000	2,500,000
TTHCF Medically Needy Account	29,424,800	30,424,800	30,424,800
SUBTOTAL - Other Appropriated Funds	31,924,800	32,924,800	32,924,800
SUBTOTAL - Appropriated Funds	291,891,500	378,806,700	407,531,300
Expenditure Authority Funds			
Federal Title XIX Funds	476,156,900	535,713,100	555,878,100
Tobacco Litigation Settlement Fund	46,809,500	0	0
SUBTOTAL - Expenditure Authority Funds	522,966,400	535,713,100	555,878,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	814,857,900	914,519,800	963,409,400
Other Non-Appropriated Funds	56,216,100	58,515,300	58,353,200
Federal Funds	43,991,200	47,289,900	47,289,900
TOTAL - ALL SOURCES	915,065,200	1,020,325,000	1,069,052,500

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	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	Approved
• % of RBHA Title XIX clients satisfied with services Comments: Satisfaction surveys are completed biennially; therefore, there is no information to report for FY 2004.	88	NA	75.4	90
• % of Title XIX population that is enrolled in a behavioral health service	9	11.2	12.6	13.5

Title XIX Caseload and Inflation

The budget provides an increase of \$44,284,300 for expected growth in the Title XIX Behavioral Health Programs. This amount consists of \$18,674,400 from the General Fund and \$25,609,900 from Federal Title XIX Expenditure Authority (EA).

Behavioral Health Services (BHS) Title XIX enrollment growth is expected to be 2.25% from June 2006 to June 2007. This consensus estimate represents the average of 3 different enrollment forecasts from the JLBC Staff, AHCCCS and an econometric model developed by the Economic and Business Research Program at the University of Arizona. This latter model uses economic variables such as population growth and various employment measures in estimating AHCCCS caseload growth.

The approved increase is also based on a weighted capitation rate growth of 5.5%. BHS capitation rate growth was 11.4% in FY 2006, 12.8% in FY 2005 and 11.7% in FY 2004

Individual capitation rate growth varies across each particular behavioral health subcategory. *(Please see both the Traditional and Proposition 204 narratives for the Children’s Behavioral Health (CBH), Seriously Mentally Ill (SMI) and General Mental Health/Substance Abuse Special Line Items below for more information on specific*

capitation rate growth assumed in the FY 2007 budget.) Table 1 summarizes the FY 2007 General Fund projections as well as estimated Clawback payments in FY 2006 and FY 2007.

State monies provide approximately a 33% match to the Federal Funds (EA) received. A decrease in the Federal Medical Assistance Percentage (FMAP) means the state will pay approximately \$4.8 million more in state match in FY 2007. These amounts are incorporated into *Table 1* below. The increase also includes changes in behavioral health services and Medicaid Special Exemption Payments but does not address any changes in administrative costs.

FY 2006 Behavioral Health Related Supplemental

Laws 2006, Chapter 316 provides \$6,215,200 from the General Fund and \$5,100,000 in Federal Title XIX expenditure authority in supplemental FY 2006 funding for the following issues: 1) \$2,500,000 from the General Fund and \$5,100,000 from Federal XIX expenditure authority for behavioral health services; and 2) \$3,715,200 from the General Fund for FY 2006 payments to the federal government related to the Medicare Part D prescription drug benefit. *(Further detail on FY 2006 supplemental funding for the department can be found on DHS’ Summary section.)*

^{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/} 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 Proposition 204 as well as the number that convert from Non-Title XIX status or that are newly enrolled. (General Appropriation Act footnote)

^{3/} Laws 2006, Chapter 350 appropriation of \$2,500,000.

^{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/} The Department of Health Services shall report to the Joint Legislative Budget Committee 30 days after the end of each calendar quarter on the progress the department is making toward settling the *Arnold v. Sarn* lawsuit. (General Appropriation Act Footnote)

^{6/} It is the intent of the Legislature that the percent attributable to administration/profit for the regional behavioral health authority in Maricopa County is 9% of the overall capitation rate. (General Appropriation Act footnote)

^{7/} Laws 2006, Chapter 316 appropriated \$6,215,200 from the General Fund and \$5,100,000 in Federal Title XIX expenditure authority for Title XIX behavioral health costs.

^{8/} 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 2006 Original Appropriation	FY 2006 Supplemental	FY 2006 Revised Appropriation	FY 2007 Increase	FY 2007 Appropriation
CBH	87,498,400	0	87,498,400	9,495,200	96,993,600
CBH Proposition 204	1,035,400	0	1,035,400	254,400	1,289,800
SMI	53,013,200	1,715,000	54,728,200	(337,100)	54,391,100
SMI Proposition 204	52,252,900	735,000	52,987,900	686,000	53,673,900
GMH/SA	26,598,200	0	26,598,200	2,666,700	29,264,900
GMH/SA Proposition 204	24,871,900	0	24,871,900	3,002,300	27,874,200
Medicaid Special Exemption Payments	5,215,200	50,000	5,265,200	406,900	5,672,100
Medicare Clawback Payments	0	3,715,200	3,715,200	6,347,500	10,062,700
Total	250,485,200	6,215,200	256,700,400	22,521,900	279,222,300

CBH: Children's Behavioral Health

SMI: Seriously Mentally Ill

GMH/SA: General Mental Health/Substance Abuse

Operating Budget

The budget provides \$9,307,800 for the operating budget in FY 2007. This amount consists of \$4,450,100 from the General Fund and \$4,857,700 from Federal Title XIX Expenditure Authority. These amounts include an increase of \$363,400 in FY 2007 for statewide adjustments. (Please see the Statewide Adjustments section at the end of this Appropriations Report for details.) This amount includes \$146,900 from the General Fund and \$216,500 from Federal Title XIX expenditure authority.

Special Line Items**Administration****Dual Eligible Part D Copay Subsidy**

The budget provides \$480,000 from the General Fund in FY 2007 for the creation of a new Special Line Item entitled Dual Eligible Part D Copay Subsidy. The line item will be used to pay the prescription drug copayments of low income individuals qualifying for both Medicare and Medicaid, known as "dual eligibles." Prior to the federal government taking over prescription drug costs from the state for dual eligibles on January 1, 2006, these individuals did not pay for their prescriptions. As part of the benefit, however, recipients make copayments for prescription drugs ranging from \$1 to \$5, depending on the class of the drug as well as the recipient's income. This line item will cover the costs of those copayments.

Medicare Clawback Payments

The budget provides \$10,062,700 from the General Fund for new Medicare Clawback Payments costs in FY 2007.

FY 2007 Clawback Estimate

The budget provides an increase of \$6,347,500 from the General Fund from the revised FY 2006 total for estimated Clawback Payments to the federal government in FY 2007. As part of the Medicare Modernization Act (MMA) effective January 1, 2006, DHS no longer is required to pay for prescription drugs for members that are also eligible for Medicare. Instead, DHS must make required "Clawback" payments to Medicare to offset savings from no longer providing this benefit. Total clawback payments for FY 2007 are expected to total \$10,062,700.

FY 2006 Supplemental Clawback Payment

Laws 2006, Chapter 316 provides \$3,715,200 from the General Fund in FY 2006. Supplemental funding was added in order to enable the department to make 4 months worth of required clawback payments to the federal government for FY 2006. This funding was continued into FY 2007.

Medicaid Special Exemption Payments

The budget provides \$16,980,900 for Medicaid Special Exemption Payments in FY 2007. This amount consists of \$5,672,100 from the General Fund and \$11,308,800 from Federal Title XIX Expenditure Authority.

Increased Payments

The budget provides an increase of \$978,600 in FY 2007 from the revised FY 2006 total for increased Medicaid Special Exemption Payments related to Title XIX caseload and capitation rate growth. This amount consists of \$406,900 from the General Fund and \$571,700 from Federal Title XIX expenditure authority.

This line item provides the funding necessary for insurance premium tax payments by DHS. 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 amount excludes premium tax payments for the behavioral health capitation revenue from developmentally disabled clients, which is funded in the Department of Economic Security's budget.

FY 2006 Supplemental

Laws 2006, Chapter 316 provides \$152,000 in supplemental FY 2006 funding for Medicaid Special Exemption Payments. This amount consists of \$50,000 from the General Fund and \$102,000 from Federal Title XIX Expenditure Authority for increased costs of providing behavioral health services to the Seriously Mentally Ill Title XIX population. (*Please see Table 1 for more details.*) This funding was continued into FY 2007.

Proposition 204 Administration

The budget provides \$6,534,800 for Proposition 204 Administration in FY 2007. This amount consists of \$2,130,200 from the General Fund and \$4,404,600 from Federal Title XIX expenditure authority. These amounts include an increase of \$248,400 for statewide adjustments. This amount includes \$75,800 from the General Fund and \$172,600 from Federal Title XIX expenditure authority.

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

Children's Behavioral Health (CBH)

Children's Behavioral Health Services

The budget provides \$9,351,800 from the General Fund for CBH Services in FY 2007. This amount is unchanged from FY 2006. 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 \$290,378,100 for CBH State Match for Title XIX in FY 2007. This amount consists of \$96,993,600 from the General Fund and \$193,384,500 from Federal Title XIX Expenditure Authority.

Caseload Growth

The budget provides an increase of \$24,445,900 in FY 2007 for Title XIX Children's Behavioral Health caseload and capitation rate growth. This amount consists of \$9,495,200 from the General Fund and \$14,950,700 from Federal Title XIX expenditure authority. The approved amount assumes 10.0% growth in the monthly capitation

rate (from \$50.71 to \$55.81), and 2.25% growth in client population from June 2006 to June 2007.

This line item funds behavioral health treatment to Title XIX eligible children. The approved amount provides capitation payments for an average of approximately 439,341 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 6.5% of the eligible population will utilize services.

Proposition 204 Children's Behavioral Health Services

The budget provides \$3,861,400 for Proposition 204 CBH Services in FY 2007. This amount consists of \$1,289,800 from the General Fund and \$2,571,600 from Federal Title XIX Expenditure Authority.

Caseload Growth

The budget provides an increase of \$714,500 in FY 2007 for Proposition 204 Children's Behavioral Health caseload and capitation rate growth. This amount consists of \$254,400 from the General Fund and \$460,100 from Federal Title XIX expenditure authority. The approved amount assumes 10.0% growth in the monthly capitation rate (from \$50.71 to \$55.81), and 2.25% growth in client population from June 2006 to June 2007.

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 approved amount would provide capitation payments for an average of approximately 6,118 eligible children per month in FY 2007. DHS receives a monthly capitation payment from AHCCCS for every child eligible for Title XIX behavioral health services, although only an estimated 6.5% of the eligible population will utilize services.

Seriously Emotionally Handicapped Children

The budget provides \$500,000 from the General Fund for Seriously Emotionally Handicapped Children in FY 2007. This amount is unchanged from FY 2006. 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.

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 2007. This amount consists of \$30,691,900 from the General Fund and \$30,424,800 from the Medically Needy Account of the Tobacco Tax and Health Care Fund. These amounts are unchanged from FY 2006. 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 \$162,835,400 for SMI State Match for Title XIX in FY 2007. This amount consists of \$54,391,100 from the General Fund and \$108,444,300 from Federal Title XIX Expenditure Authority.

Caseload Growth

The approved amount includes a decrease of \$(3,500,600) in FY 2007 from the revised FY 2006 total for Title XIX Seriously Mentally Ill caseload and capitation rate growth. This amount consists of \$(337,100) from the General Fund and \$(3,163,500) from Federal Title XIX expenditure authority. The approved amount assumes (2.5)% decrease in the monthly capitation rate (from \$72.81 to \$71.01), and 2.25% growth in client population from June 2006 to June 2007. Capitation rates for this population have been lowered in order to align costs with actual encounter data for this population.

This line item provides behavioral health treatment to Title XIX eligible SMI adults. The approved amount would provide capitation payments for an average of approximately 208,960 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 4.8% of the eligible population will utilize services.

FY 2006 Supplemental

Laws 2006, Chapter 316 provides \$5,214,000 in supplemental FY 2006 funding for Seriously Mentally Ill State Match for Title XIX. This amount consists of \$1,715,000 from the General Fund and \$3,499,000 from Federal Title XIX Expenditure Authority for increased costs of providing behavioral health services to the Seriously Mentally Ill Title XIX population. *(Please see Table 1 for more details.)*

Proposition 204 Seriously Mentally Ill Services

The budget provides \$160,688,400 for Proposition 204 Seriously Mentally Ill (SMI) Services in FY 2007. This amount consists of \$53,673,900 from the General Fund and \$107,014,500 from Federal Title XIX Expenditure Authority.

Caseload Growth

The approved amount includes a decrease of \$(1,092,100) in FY 2007 from the revised FY 2006 total for Proposition 204 SMI caseload and capitation rate growth. This amount consists of an increase \$686,000 from the General Fund

and a decrease of \$(1,778,100) from Federal Title XIX expenditure authority. The approved amount assumes (2.5)% decrease in the monthly capitation rate (from \$72.81 to \$71.01), and 2.25% growth in client population from June 2006 to June 2007.

This line item provides behavioral health treatment to SMI adults who are Title XIX eligible pursuant to Proposition 204. The approved amount would provide capitation payments for an average of approximately 200,316 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 4.8% of the eligible population will utilize services.

FY 2006 Supplemental

Laws 2006, Chapter 316 provides \$2,234,000 in supplemental FY 2006 funding for Seriously Mentally Ill State Match for Title XIX. This amount consists of \$735,000 from the General Fund and \$1,499,000 from Federal Title XIX Expenditure Authority for increased costs of providing behavioral health services to the Proposition 204 Seriously Mentally Ill population. *(Please see Table 1 for more details.)*

Seriously Mentally Ill Housing

The State Government Budget Reconciliation Bill (BRB) (Laws 2006, Chapter 350) provides \$2,500,000 in one-time funding from the General Fund for SMI Housing in FY 2007. Monies in this line item will be utilized to both purchase permanent housing as well as for housing subsidies for behavioral health recipients determined to have a serious mental illness.

Court Monitoring

The budget provides \$197,500 from the General Fund for Court Monitoring in FY 2007. This amount is unchanged from FY 2006. 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.

Arnold v. Sarn

The budget provides \$37,468,900 for *Arnold v. Sarn* in FY 2007. This amount consists of \$27,500,000 from the General Fund and \$9,968,900 from Federal Title XIX Expenditure Authority. These amounts include a decrease of \$(227,500) in Federal Title XIX Expenditure Authority in FY 2007 to account for the expected standard change in the FMAP from Federal Fiscal Year (FFY) 2006 to FFY 2007.

This line item provides additional funding in order 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. Funding in this line item does not represent all of the

resources dedicated to addressing the *Arnold v. Sarn* lawsuit.

In order to increase legislative oversight, a footnote in the General Appropriation Act requires the department to report to the Joint Legislative Budget Committee quarterly on the progress being made toward settling 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 2007. This amount is unchanged from FY 2006. 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 2007. This amount consists of \$12,135,400 from the General Fund and \$2,500,000 from the Substance Abuse Services Fund. These amounts are unchanged from FY 2006.

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

Mental Health and Substance Abuse State

Match for Title XIX

The budget provides \$87,612,900 for General Mental Health and Substance Abuse (GMH/SA) State Match for Title XIX in FY 2007. This amount consists of \$29,264,900 from the General Fund and \$58,348,000 from Federal Title XIX Expenditure Authority.

Caseload Growth

The approved amount includes an increase of \$6,773,600 in FY 2007 for Title XIX GMH/SA caseload and capitation rate growth. This amount consists of \$2,666,700 from the General Fund and \$4,106,900 from Federal Title XIX expenditure authority. The approved amount assumes 16.1% growth in the monthly capitation rate (from \$31.75 to \$36.86) and 2.25% growth in client population from June 2006 to June 2007.

This line item provides mental health and substance abuse treatment to Title XIX eligible individuals. The approved amount would provide capitation payments for an average of approximately 208,960 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 11.5% of the eligible population will utilize services.

Proposition 204 General Mental Health and Substance Abuse

The budget provides \$83,449,400 for Proposition 204 GMH/SA in FY 2007. This amount consists of \$27,874,200 from the General Fund and \$55,575,200 from Federal Title XIX Expenditure Authority. These amounts would fund the following adjustments:

Caseload Growth

The approved amount includes an increase of \$7,856,900 in FY 2007 for Proposition 204 GMH/SA caseload and capitation rate growth. This amount consists of \$3,002,300 from the General Fund and \$4,854,600 from Federal Title XIX expenditure authority. The approved amount assumes 16.1% growth in the monthly capitation rate (from \$31.75 to \$36.86) and 2.25% growth in client population from June 2006 to June 2007.

This line item provides mental health and substance abuse treatment to individuals who are eligible for Title XIX pursuant to Proposition 204. The approved amount would provide capitation payments for an average of approximately 200,316 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 11.5% of the eligible population will utilize services.

Ch. 337 Substance Abuse Treatment

Laws 2006, Chapter 337 appropriates \$3,000,000 from the General Fund in FY 2007 to the Department of Health Services for methamphetamine treatment. Of the monies appropriated, \$2,500,000 is for rural detoxification programs and \$500,000 is for distribution to a statewide alliance of community-based organizations that provide substance abuse prevention programming to children. Programs must serve children in rural, urban and Indian communities and military bases in Arizona. The bill also appropriated \$3,000,000 to the Arizona Criminal Justice Commission to distribute to counties for increased methamphetamine interdiction efforts and \$2,000,000 to the Department of Economic Security for the Arizona Families F.I.R.S.T. program for substance abuse treatment.