

Department of Health Services
Behavioral Health

A.R.S. § 36-103

JLBC Analyst: Jenna Goad

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	122.0	122.0	166.0 ^{1/}
Personal Services	2,983,500	3,325,700	3,491,900
Employee Related Expenditures	951,000	1,407,300	1,587,500
Professional and Outside Services	532,200	481,700	481,700
Travel - In State	46,900	87,500	87,500
Travel - Out of State	6,600	11,300	11,300
Other Operating Expenditures	3,700,600	3,902,500	3,841,000
Equipment	130,500	91,800	91,800
OPERATING SUBTOTAL	8,351,300	9,307,800	9,592,700
SPECIAL LINE ITEMS			
Administration			
Contract Compliance	0	0	7,296,500 ^{2/}
Dual Eligible Part D Copay Subsidy	0	480,000	802,600
Medicare Clawback Payments	2,812,900	10,062,700	9,771,900
Medicaid Special Exemption Payments	15,690,500	16,980,900	18,550,800
Proposition 204 Administration	6,795,700	6,534,800	6,534,800
Children's Behavioral Health			
Children's Behavioral Health Services	9,351,800	9,351,800	9,351,800 ^{3/}
CBH State Match for Title XIX	266,637,000	290,378,100	346,792,500 ^{4/}
Proposition 204 Children's Behavioral Health Services	2,112,200	3,861,400	4,596,200 ^{4/}
Seriously Mentally Ill			
Seriously Emotionally Handicapped Children	0	500,000	500,000
Seriously Mentally Ill Non-Title XIX	60,698,700	61,116,700	61,116,700
Seriously Mentally Ill State Match for Title XIX	160,022,000	162,835,400	170,251,100
Proposition 204 Seriously Mentally Ill Services	162,857,300	160,688,400	161,672,100
Seriously Mentally Ill Housing	0	2,500,000	0
Court Monitoring	338,800	197,500	197,500
Arnold v. Sarn	41,491,700	37,468,900	37,323,600 ^{5/6/}
General Mental Health and Substance Abuse			
Mental Health Non-Title XIX	2,374,000	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	78,298,500	87,612,900	94,512,600 ^{7/}
Proposition 204 General Mental Health and Substance Abuse	72,676,700	83,449,400	87,684,300 ^{7/}
Substance Abuse Treatment	0	3,000,000	0
Institutions for Mental Disease	0	0	8,267,700
Youth Methamphetamine Prevention Programs	0	0	500,000 ^{8/}
Crisis Intervention Training Grants	0	0	250,000 ^{9/}
PROGRAM TOTAL	905,144,500	963,409,400	1,052,648,100^{10/}
FUND SOURCES			
General Fund	341,547,100	374,606,500	406,275,000
<u>Other Appropriated Funds</u>			
Substance Abuse Services Fund	2,500,000	2,500,000	2,500,000
TTHCF Medically Needy Account	30,371,900	30,424,800	30,424,800
SUBTOTAL - Other Appropriated Funds	32,871,900	32,924,800	32,924,800
SUBTOTAL - Appropriated Funds	374,419,000	407,531,300	439,199,800
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	530,725,500	555,878,100	613,448,300
SUBTOTAL - Expenditure Authority Funds	530,725,500	555,878,100	613,448,300
SUBTOTAL - Appropriated/Expenditure Authority Funds	905,144,500	963,409,400	1,052,648,100

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
Other Non-Appropriated Funds	59,723,600	64,294,800	64,294,800
Federal Funds	43,312,400	42,763,800	42,701,900
TOTAL - ALL SOURCES	1,008,180,500	1,070,468,000	1,159,644,800

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 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 Approved
• % of RBHA Title XIX clients satisfied with services Comments: The agency did not submit information for this measure in FY 2006 as required by the General Appropriation Act. Satisfaction surveys are completed biennially; therefore, there is no information to report for FY 2006.	NA	75.4	NA	90
• % of Title XIX population that is enrolled in a behavioral health service	11.2	12.6	11	13.5

Title XIX Caseload and Inflation

The budget provides an increase of \$86,230,000 for expected growth in the Title XIX Behavioral Health Programs. This amount consists of \$33,556,100 from the General Fund and \$52,673,900 from Federal Title XIX Expenditure Authority (EA).

was 5.2% in FY 2007, 11.4% in FY 2006, and 12.8% in FY 2005.

Behavioral Health Services (BHS) Title XIX enrollment growth is expected to be 1.5% from June 2007 to June 2008.

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 2008 budget.)*

The approved increase is also based on a weighted capitation rate growth of 13%. BHS capitation rate growth

- 1/ Includes 15.0 GF and 29.0 EA FTE Positions funded from Special Line Items in FY 2008.
- 2/ Before expending any monies from the Contract Compliance line item, the department shall present a proposed expenditure plan for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 3/ 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)
- 4/ It is the intent of the Legislature that the statewide weighted average capitation rate increase for children’s behavioral health services attributable to the *JK v. Gerard* lawsuit be \$4.70 per member per month for the contract year beginning July 1, 2007. (General Appropriation Act footnote)
- 5/ It is the intent of the Legislature that the total amount available in the *Arnold v. Sarn* Line Item be used for the population covered by the *Arnold v. Sarn* lawsuit in counties with a population of 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 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. The report shall include at a minimum the department’s progress towards meeting the exit criteria and whether the department is in compliance with the exit criteria schedule. (General Appropriation Act footnote)
- 7/ 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)
- 8/ Monies appropriated for youth methamphetamine prevention programs shall be distributed to a statewide alliance of community-based organizations with a proven track record in providing substance abuse prevention programming to children. Programs must serve children in rural, urban, and Indian communities and military bases in Arizona. The Department of Health Services shall submit a quarterly summary of the reports received from the organizations to the Governor, the President of the Senate and the Speaker of the House of Representatives and the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 9/ The \$250,000 appropriation for Crisis Intervention Training Grants shall be used for training and community coordination costs, with input from stakeholders from the community, to train law enforcement agencies and first responders in best practices in the treatment of individuals with mental illness. Grant monies shall be used by recipients to supplement, and not supplant, existing funding for this purpose. Monies in the Crisis Intervention Training Grants line item are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations through FY 2009. The department shall submit a report to the Joint Legislative Budget Committee on or before October 1, 2008 on the progress made in crisis intervention training as a result of this funding. (General Appropriation Act footnote)
- 10/ 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 Projections

	FY 2007 Appropriated	FY 2007 Revised	FY 2008	FY 2008 Above FY 2007 Appropriated
CBH	\$ 96,993,600	\$ 95,503,000	\$116,973,100	\$19,979,500
CBH Proposition 204	1,289,800	1,226,500	1,550,300	260,500
SMI	54,391,100	52,984,600	57,425,700	3,034,600
SMI Proposition 204	53,673,900	51,061,700	54,532,000	858,100
GMH/SA	29,264,900	28,459,100	31,879,100	2,614,200
GMH/SA Proposition 204	27,874,200	26,546,000	29,575,900	1,701,700
Institutions for Mental Disease ^{1/}	0	0	4,813,200	4,813,200
Medicaid Special Exemption Payments	5,672,100	5,384,000	6,257,200	585,100
Medicare Clawback Payments	<u>10,062,700</u>	<u>9,395,200</u>	<u>9,771,900</u>	<u>(290,800)</u>
Total	\$279,222,300	\$270,560,100	\$312,778,400	\$33,556,100

^{1/} This new line item was established in FY 2008. Prior to FY 2008, funding was incorporated into other line items. The FY 2008 figure represents a combination of funding transferred from other line items and an increase of \$2,000,000 from the General Fund to backfill lost Federal Funds.

Table 1 summarizes the FY 2008 General Fund projections as well as estimated Clawback payments in FY 2007 and FY 2008.

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 \$3,000,000 more in state match in FY 2008. These amounts are incorporated into Table 1. The increase also includes changes in behavioral health services and Medicaid Special Exemption Payments but does not address any changes in administrative costs.

Operating Budget

The budget provides \$9,592,700 and 122 FTE Positions for the operating budget in FY 2008. This amount consists of:

	FY 2008
General Fund	\$4,528,800
Federal Title XIX Expenditure Authority	5,063,900

These amounts fund the following adjustment:

Statewide Adjustments

The budget provides an increase of \$284,900 in FY 2008 for statewide adjustments. This amount consists of:

General Fund	78,700
Federal Title XIX Expenditure Authority	206,200

(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

Special Line Items

Administration

Contract Compliance

The budget provides \$7,296,500 and 44 FTE Positions for the new Contract Compliance Special Line Item in FY 2008. This amount consists of:

General Fund	2,461,100
Federal Title XIX Expenditure Authority	4,835,400

This line item provides funding to improve contract monitoring and oversight including additional personnel to evaluate contract compliance among the RBHAs and to ensure that DHS is meeting its obligations in both the *Arnold v. Sarn* and *JK v. Gerard* lawsuits. The funding will be used to hire 44 additional FTE Positions, increase the number of on-site monitoring visits, and provide technical assistance to direct care workers.

Dual Eligible Part D Copay Subsidy

The budget provides \$802,600 from the General Fund for the Dual Eligible Part D Copay Subsidy in FY 2008. This amount funds the following adjustment:

Copay Increase

The budget provides an increase of \$322,600 from the General Fund in FY 2008 for increased copay charges as a result of both an anticipated increase in the number of dual eligibles participating in the program and an increase in the average copay cost.

This line item pays 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 \$1.00 to \$5.35, depending on the class of the drug as well as the recipient's income. This line item covers the costs of those copayments.

Medicare Clawback Payments

The budget provides \$9,771,900 from the General Fund for Medicare Clawback Payments in FY 2008. This amount funds the following adjustment:

Clawback Payments

The budget provides a decrease of \$(290,800) from the General Fund in FY 2008 to more accurately reflect Clawback payments to the federal government.

As part of the Medicare Modernization Act (MMA) effective January 1, 2006, DHS is not required to pay for prescription drug costs for members that are also eligible for Medicare. Instead, DHS is required to make "Clawback" payments to Medicare based on 88% of the estimated prescription drug cost of this population in FY 2008. The state's share of 88% declines annually by 1.7% and the Clawback cost per member is annually increased based on national health trend information

Medicaid Special Exemption Payments

The budget provides \$18,550,800 for Medicaid Special Exemption Payments in FY 2008. This amount consists of:

General Fund	6,257,200
Federal Title XIX Expenditure Authority	12,293,600

These amounts fund the following adjustment:

Title XIX Caseload and Capitation Rate Growth

The budget provides an increase of \$1,569,900 in FY 2008 for increased Medicaid Special Exemption Payments related to Title XIX caseload and capitation rate growth. This amount consists of:

General Fund	585,100
Federal Title XIX Expenditure Authority	984,800

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.

Proposition 204 Administration

The budget provides \$6,534,800 for Proposition 204 Administration in FY 2008. This amount consists of:

General Fund	2,130,200
Federal Title XIX Expenditure Authority	4,404,600

These amounts are unchanged from FY 2007.

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 2008. This amount is unchanged from FY 2007. 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 \$346,792,500 for CBH State Match for Title XIX in FY 2008. This amount consists of:

General Fund	116,973,100
Federal Title XIX Expenditure Authority	229,819,400

These amounts fund the following adjustment:

Title XIX Caseload and Capitation Rate Growth

The budget provides an increase of \$56,414,400 in FY 2008 for Title XIX Children's Behavioral Health caseload and capitation rate growth. This amount consists of:

General Fund	19,979,500
Federal Title XIX Expenditure Authority	36,434,900

The approved amount assumes 19.75% growth in the monthly capitation rate (from \$55.85 to \$66.88), and 1.5% growth in client population from June 2007 to June 2008.

In addition to annual adjustments for utilization and medical inflation, the approved amount also includes funding for increased services as a result of an agreement in the *JK v. Gerard* lawsuit. In 1991, plaintiffs filed a lawsuit alleging that DHS was failing to provide behavioral health services to children. In March 2001, the parties signed a settlement agreement and subsequently DHS has agreed to provide additional case managers and to increase the availability of support and rehabilitation services. Direct care providers contracting with the RBHAs will hire additional case managers to limit the case manager to family ratio to an average of 1:15 for high needs children. Support and rehabilitative services are provided in the child's home or

another community setting and include skill development and training, respite care services, family support services, peer support services, medication training, personal care services, and home care training. The cost of providing these increased services is estimated to increase the capitation rate by \$4.70 per child per month.

This line item funds behavioral health treatment to Title XIX eligible children. The approved amount provides capitation payments for an average of approximately 434,246 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% of the eligible population will utilize services.

Proposition 204 Children’s Behavioral Health Services

The budget provides \$4,596,200 for Proposition 204 CBH Services in FY 2008. This amount consists of:

General Fund	1,550,300
Federal Title XIX Expenditure Authority	3,045,900

These amounts fund the following adjustment:

Title XIX Caseload and Capitation Rate Growth

The budget provides an increase of \$734,800 in FY 2008 for Proposition 204 Children’s Behavioral Health caseload and capitation rate growth. This amount consists of:

General Fund	260,500
Federal Title XIX Expenditure Authority	474,300

The approved amount assumes 19.75% growth in the monthly capitation rate (from \$55.85 to \$66.88), and 1.5% growth in client population from June 2007 to June 2008.

In addition to annual adjustments for utilization and medical inflation, the approved amount also includes funding for increased services as a result of an agreement in the *JK v. Gerard* lawsuit.

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 5,980 eligible children per month in FY 2008. DHS receives a monthly capitation payment from AHCCCS for every child eligible for Title XIX behavioral health services, although only an estimated 6% 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 2008. This amount is unchanged from FY 2007. 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 2008. This amount consists of:

General Fund	30,691,900
Tobacco Tax and Health Care Fund	
Medically Needy Account	30,424,800

These amounts are unchanged from FY 2007.

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 \$170,251,100 for SMI State Match for Title XIX in FY 2008. This amount consists of:

General Fund	57,425,700
Federal Title XIX Expenditure Authority	112,825,400

These amounts fund the following adjustments:

Title XIX Caseload and Capitation Rate Growth

The budget provides an increase of \$10,118,300 in FY 2008 for Title XIX Seriously Mentally Ill caseload and capitation rate growth. This amount consists of:

General Fund	3,946,200
Federal Title XIX Expenditure Authority	6,172,100

The approved amount assumes a 7.3% increase in the monthly capitation rate (from \$70.62 to \$75.78), and 1.5% growth in client population from June 2007 to June 2008.

Transfer to New IMD Special Line Item

The budget provides a decrease of \$(2,702,600) in FY 2008 due to transferring funds to a new Institutions for Mental Disease Special Line Item. This amount consists of:

General Fund	(911,600)
Federal Title XIX Expenditure Authority	(1,791,000)

To better reflect the costs of services provided to individuals at Institutions for Mental Disease, a new line item has been created and the funding associated with these services has been transferred to the new line item. *(Please see the IMD line item narrative for additional information.)*

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 203,133 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 5% of the eligible population will utilize services.

Proposition 204 Seriously Mentally Ill Services

The budget provides \$161,672,100 for Proposition 204 Seriously Mentally Ill (SMI) Services in FY 2008. This amount consists of:

General Fund	54,532,000
Federal Title XIX Expenditure Authority	107,140,100

These amounts fund the following adjustments:

Title XIX Caseload and Capitation Rate Growth

The budget provides an increase of \$3,478,500 in FY 2008 for Proposition 204 SMI caseload and capitation rate growth. This amount consists of:

General Fund	1,699,600
Federal Title XIX Expenditure Authority	1,778,900

The approved amount assumes a 7.3% increase in the monthly capitation rate (from \$70.62 to \$75.78), and 1.5% growth in client population from June 2007 to June 2008.

Transfer to New IMD Special Line Item

The budget provides a decrease of \$(2,494,800) in FY 2008 due to transferring funds to a new Institutions for Mental Disease Special Line Item. This amount consists of:

General Fund	(841,500)
Federal Title XIX Expenditure Authority	(1,653,300)

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 188,440 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 5% of the eligible population will utilize services.

Seriously Mentally Ill Housing

The budget provides no funding from the General Fund for Seriously Mentally Ill Housing in FY 2008. This amount funds the following adjustment:

One-Time Funding for SMI Housing

The budget provides a decrease of \$(2,500,000) from the General Fund in FY 2008 to reflect one-time funding for this Special Line Item. Laws 2006, Chapter 350 and the Executive designated the funding as one-time as part of the

FY 2007 budget process. According to the department, in FY 2007 \$2,000,000 was spent on purchasing 8-9 permanent housing structures. These structures will be houses or small apartment complexes with 4-5 bedrooms each and will serve 32-40 adults with SMI per month. The remaining \$500,000 was spent on housing vouchers for approximately 40 individuals per month. Due to tenant turnover, it is estimated that this program will provide housing for a combined total of 240 individuals in FY 2007.

This decrease will not affect the 8-9 permanent housing structures DHS plans to purchase in FY 2007. DHS spends an additional \$3,000,000 annually from other programs to provide vouchers to over 700 tenants statewide, which would not be impacted by reducing the SMI housing appropriation. Providing a continuum of community housing options is an exit criteria established in the *Arnold v. Sarn* lawsuit.

Court Monitoring

The budget provides \$197,500 from the General Fund for Court Monitoring in FY 2008. This amount is unchanged from FY 2007. 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 \$37,323,600 for *Arnold v. Sarn* in FY 2008. This amount consists of:

General Fund	27,500,000
Federal Title XIX Expenditure Authority	9,823,600

These amounts fund the following adjustment:

Decreased FMAP

The budget provides a decrease of \$(145,300) in Federal Title XIX Expenditure Authority in FY 2008 to account for the expected standard change in the Federal Medical Assistance Percentage (FMAP) from Federal Fiscal Year (FFY) 2007 to FFY 2008.

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 2008. This amount is unchanged from FY 2007. 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 2008. This amount consists of:

General Fund	12,135,400
Substance Abuse Services Fund	2,500,000

These amounts are unchanged from FY 2007.

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 \$94,512,600 for Mental Health and Substance Abuse (GMH/SA) State Match for Title XIX in FY 2008. This amount consists of:

General Fund	31,879,100
Federal Title XIX Expenditure Authority	62,633,500

These amounts fund the following adjustments:

Title XIX Caseload and Capitation Rate Growth

The budget provides an increase of \$8,534,200 in FY 2008 for Title XIX GMH/SA caseload and capitation rate growth. This amount consists of:

General Fund	3,165,500
Federal Title XIX Expenditure Authority	5,368,700

The approved amount assumes 12.3% growth in the monthly capitation rate (from \$36.66 to \$41.17) and 1.5% growth in client population from June 2007 to June 2008.

Transfer to New IMD Special Line Item

The budget provides a decrease of \$(1,634,500) in FY 2008 due to transferring funds to a new Institutions for Mental Disease Special Line Item. This amount consists of:

General Fund	(551,300)
Federal Title XIX Expenditure Authority	(1,083,200)

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 203,133 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% of the eligible population will utilize services.

Proposition 204 General Mental Health and Substance Abuse

The budget provides \$87,684,300 for Proposition 204 GMH/SA in FY 2008. This amount consists of:

General Fund	29,575,900
Federal Title XIX Expenditure Authority	58,108,400

These amounts fund the following adjustments:

Title XIX Caseload and Capitation Rate Growth

The budget provides an increase of \$5,743,300 in FY 2008 for Proposition 204 GMH/SA caseload and capitation rate growth. This amount consists of:

General Fund	2,210,500
Federal Title XIX Expenditure Authority	3,532,800

The approved amount assumes 12.3% growth in the monthly capitation rate (from \$36.66 to \$41.17) and 1.5% growth in client population from June 2007 to June 2008.

Transfer to New IMD Special Line Item

The budget provides a decrease of \$(1,508,400) in FY 2008 due to transferring funds to a new Institutions for Mental Disease Special Line Item. This amount consists of:

General Fund	(508,800)
Federal Title XIX Expenditure Authority	(999,600)

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 188,440 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% of the eligible population will utilize services.

Substance Abuse Treatment

The budget provides no funding from the General Fund for Substance Abuse Treatment in FY 2008. This amount funds the following adjustment:

One-Time Funding for Substance Abuse Treatment

The budget provides a decrease of \$(3,000,000) from the General Fund in FY 2008 to reflect one-time funding for

substance abuse treatment. Of the \$3,000,000 appropriated, \$2,500,000 was for rural detoxification programs and \$500,000 was distributed to Boys' and Girls' Clubs for substance abuse programs. The \$2,500,000 for rural detoxification has been allocated to 5 rural RBHAs and Tribal Behavioral Health Authorities to fund projects including mobile outreach, acute and outpatient detoxification beds, aftercare therapy, and housing support. Funding for youth methamphetamine prevention programs is continued in FY 2008 as its own Special Line Item.

Institutions for Mental Disease

The budget provides \$8,267,700 for the new Institutions for Mental Disease (IMD) Special Line Item in FY 2008. This amount consists of:

General Fund	4,813,200
Federal Title XIX Expenditure Authority	3,454,500

These amounts include the following adjustments:

Transfer to New Special Line Item

The budget transfers \$8,340,300 from the Traditional and Proposition 204 SMI and GMH/SA line items. This amount consists of:

General Fund	2,813,200
Federal Title XIX Expenditure Authority	5,527,100

IMD Waiver Loss

The budget provides an increase of \$2,000,000 from the General Fund and a decrease of \$(2,072,600) from Federal Title XIX Expenditure Authority to offset lost federal funding as a result of the lapse of the state's IMD waiver.

Federal Medicaid law excludes Federal Financial Participation (FFP) payments for services provided to individuals aged 21 to 65 at an IMD. An IMD is defined as a hospital or nursing facility, or other institution with more than 16 beds that is primarily engaged (more than 50% of patients) in providing diagnosis, treatment, or care of persons with behavioral health issues, including medical attention, nursing care and related services. As part of Arizona's Medicaid Waiver, however, the state has been able to receive federal reimbursement for services provided to individuals aged 21 to 65 at an IMD since July 5, 2000. In FY 2005, the IMD waiver funded 2,679 individuals at 8 privately funded IMD facilities. DHS estimates that approximately half of the individuals served at an IMD are seriously mentally ill and half are substance abusers. As a result of Arizona's waiver, the federal government contributes approximately 2/3rds of the cost of care for individuals served at an IMD. Starting in FY 2008, the federal government will cut back its reimbursement to the state by 50% and in FY 2009, the federal government will no longer provide funding for services for excluded individuals at an IMD.

Youth Methamphetamine Prevention Programs

The budget provides \$500,000 from the General Fund for the new Youth Methamphetamine Prevention Programs Special Line Item in FY 2008. These monies were transferred from the Substance Abuse Treatment line item. Laws 2006, Chapter 350 and the Executive designated the funding as one-time as part of the FY 2007 budget process. The FY 2008 budget retains these monies as an ongoing appropriation. *(Please see Substance Abuse Treatment line item for additional information.)*

In FY 2007, funding for the MethSMART program was provided to 16 Boys' and Girls' Clubs statewide and it is estimated that 1,236 children completed the curriculum during the program's first 3 months.

Crisis Intervention Training Grants

The budget provides \$250,000 from the General Fund for the new Crisis Intervention Training Grants Special Line Item in FY 2008. The appropriation provides funding for grants to law enforcement agencies to train law enforcement officers and first responders in best practices in the treatment of individuals with mental illness. The monies are to be used to supplement, not supplant, existing funding for this purpose.

Additional Legislation

RBHA Oversight

The Health and Welfare Budget Reconciliation Bill (BRB) makes 3 changes to increase oversight of Regional Behavioral Health Authorities (RBHAs). These changes include:

SMI Transfer Limitation

The Health and Welfare BRB (Laws 2007, Chapter 263) states that monies appropriated for services to SMIs cannot be used to provide services to other populations.

RBHA Reimbursement Rates

The Health and Welfare BRB (Laws 2007, Chapter 263) states that for services provided directly by a RBHA, the maximum reimbursement to that RBHA shall be 30% above the AHCCCS fee-for-service rate for the particular service rendered.

RBHA Direct Care Service Limitation

The Health and Welfare BRB (Laws 2007, Chapter 263) restricts RBHAs from providing direct care services except in cases of emergency or services provided by a federally recognized Tribal Behavioral Health Authority. The restriction is phased in over a 2-year time period.