

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

JLBC: Amy Upston  
 OSPB: Duane Huffman

DESCRIPTION	FY 2007 ACTUAL	FY 2008 ESTIMATE	FY 2009 JLBC
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	122.0	166.0	166.0
Personal Services	3,345,100	3,327,800	3,327,800
Employee Related Expenditures	1,243,100	1,477,100	1,477,100
Professional and Outside Services	418,300	547,500	547,500
Travel - In State	70,300	61,900	61,900
Travel - Out of State	15,700	10,700	10,700
Other Operating Expenditures	3,550,100	4,029,900	4,029,900
Equipment	92,100	137,800	137,800
<b>OPERATING SUBTOTAL</b>	<b>8,734,700</b>	<b>9,592,700</b>	<b>9,592,700</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Administration</b>			
Contract Compliance	0	7,296,500	7,296,500
Dual Eligible Part D Copay Subsidy	480,000	802,600	802,600
Medicare Clawback Payments	10,062,700	9,771,900	10,966,100
Medicaid Special Exemption Payments	16,188,000	18,550,800	20,554,800
Proposition 204 Administration	7,517,200	6,534,800	6,534,800
<b>Children's Behavioral Health</b>			
Children's Behavioral Health Services	9,344,700	9,351,800	9,351,800
CBH State Match for Title XIX	278,016,800	346,792,500	378,042,500
Proposition 204 Children's Behavioral Health Services	2,876,100	4,596,200	5,102,100
<b>Seriously Mentally Ill</b>			
Seriously Emotionally Handicapped Children	0	500,000	500,000
Seriously Mentally Ill Non-Title XIX	61,069,100	61,116,700	61,116,700
Seriously Mentally Ill State Match for Title XIX	160,807,000	170,251,100	199,103,500
Proposition 204 Seriously Mentally Ill Services	151,230,500	161,672,100	199,142,400
Seriously Mentally Ill Housing	2,500,000	0	0
Court Monitoring	338,800	197,500	197,500
Arnold v. Sarn	37,456,600	37,323,600	37,153,100
<b>General Mental Health and Substance Abuse</b>			
Mental Health Non-Title XIX	2,447,300	2,447,300	2,447,300
Substance Abuse Non-Title XIX	14,085,400	14,635,400	14,635,400
Mental Health and Substance Abuse State Match for Title XIX	87,298,400	94,512,600	102,919,100
Proposition 204 General Mental Health and Substance Abuse	78,469,000	87,684,300	101,349,800
Substance Abuse Treatment	920,000	0	0
Institutions for Mental Disease	0	8,267,700	8,340,300
Youth Methamphetamine Prevention Programs	0	500,000	500,000
Crisis Intervention Training Grants	0	250,000	250,000
<b>PROGRAM TOTAL</b>	<b>929,842,300</b>	<b>1,052,648,100</b>	<b>1,175,899,000</b>
<b>FUND SOURCES</b>			
General Fund	371,372,300	406,275,000	450,552,100
<u>Other Appropriated Funds</u>			
Substance Abuse Services Fund	2,500,000	2,500,000	2,500,000
TTHCF Medically Needy Account	30,401,000	30,424,800	30,424,800
SUBTOTAL - Other Appropriated Funds	32,901,000	32,924,800	32,924,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>404,273,300</b>	<b>439,199,800</b>	<b>483,476,900</b>
<u>Expenditure Authority Funds</u>			
Federal Title XIX Funds	525,569,000	613,448,300	692,422,100
SUBTOTAL - Expenditure Authority Funds	525,569,000	613,448,300	692,422,100
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>929,842,300</b>	<b>1,052,648,100</b>	<b>1,175,899,000</b>

DESCRIPTION	FY 2007 ACTUAL	FY 2008 ESTIMATE	FY 2009 JLBC
Other Non-Appropriated Funds	62,935,600	62,896,700	62,896,700
Federal Funds	42,364,600	42,286,600	42,286,600
<b>TOTAL - ALL SOURCES</b>	<b>1,035,142,500</b>	<b>1,157,831,400</b>	<b>1,281,082,300</b>

**CHANGE IN FUNDING SUMMARY**

	FY 2008 to FY 2009 JLBC	
	\$ Change	% Change
General Fund	44,277,100	10.9%
Other Appropriated Funds	0	0.0%
Expenditure Authority Funds	78,973,800	12.9%
Total Appropriated/Expenditure Authority Funds	123,250,900	11.7%
Non Appropriated Funds	0	0.0%
Total - All Sources	123,250,900	10.6%

**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 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2009 JLBC
• % 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 was no information to report for FY 2006.	75.4	NA	75.4	90
• % of Title XIX population that is enrolled in a behavioral health service	12.6	11	11	12

**Title XIX Caseload and Inflation Overview**

The JLBC includes an increase of \$123,421,400 for expected growth in the Title XIX Behavioral Health Programs. This adjustment would consist of \$44,277,100 from the General Fund and \$79,144,300 from Federal Title XIX Expenditure Authority (EA).

The Behavioral Health Services (BHS) Title XIX enrollment growth represents a 4.2% increase from June 2008 to June 2009. This consensus estimate represents the average of 3 different enrollment forecasts from the JLBC Staff, the Arizona Health Care Cost Containment System (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 estimating AHCCCS caseload growth.

The included increase is also based on a weighted capitation rate growth of 6%. BHS capitation rate growth was 5.2% in FY 2007, 11.4% in FY 2006, and 12.8% in FY 2005.

Table 1 on the following page summarizes the FY 2009 General Fund projections, as well as estimated Clawback payments in FY 2008 and FY 2009.

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 million more in state match in FY 2009. 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.

The JLBC estimates that there will be a shortfall of approximately \$17,393,100 for Title XIX Behavioral Health Programs in FY 2008. This amount consists of \$7,814,600 from the General Fund and \$9,578,500 from Federal Title XIX Expenditure Authority. (See Other Issues for Legislative Consideration for more detail.) The summary number table has not been updated to reflect the need for a supplemental.

**Operating Budget**

The JLBC includes \$9,592,700 and 122 FTE Positions for the operating budget in FY 2009. These amounts consist of:

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

These amounts are unchanged from FY 2008.

Table 1

## General Fund Title XIX Behavioral Health Projections

	FY 2008 <u>Appropriated</u>	FY 2008 <u>Revised</u>	FY 2009	FY 2009 Above FY 2008 <u>Appropriated</u>
CBH	\$116,973,100	\$115,973,700	\$128,940,400	\$11,967,300
CBH Proposition 204	1,550,300	1,554,000	1,741,000	190,700
SMI	57,425,700	60,595,900	67,904,800	10,479,100
SMI Proposition 204	54,532,000	60,692,100	67,962,200	13,430,200
GMH/SA	31,879,100	31,586,300	35,125,000	3,245,900
GMH/SA Proposition 204	29,575,900	30,880,400	34,589,000	5,013,100
Institutions for Mental Disease <sup>1/</sup>	4,813,200	2,813,200	2,813,200	(2,000,000)
Medicaid Special Exemption Payments	6,257,200	6,301,500	7,013,800	756,600
Medicare Clawback Payments	<u>9,771,900</u>	<u>10,195,900</u>	<u>10,966,100</u>	<u>1,194,200</u>
<b>Total</b>	<b>\$312,778,400</b>	<b>\$320,593,000</b>	<b>\$357,055,500</b>	<b>\$44,277,100</b>

<sup>1/</sup> 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.

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**Administration**


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**Contract Compliance**

The JLBC includes \$7,296,500 and 44 FTE Positions for Contract Compliance in FY 2009. These amounts consist of:

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

These amounts are unchanged from FY 2008.

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. Of the additional 44 FTE Positions appropriated for FY 2008, it is the department's intent that 5 positions will be assigned to oversee and monitor the *Arnold v. Sarn* lawsuit and 3 positions will oversee and monitor the *JK v. Gerard* settlement.

**Dual Eligible Part D Copay Subsidy**

The JLBC includes \$802,600 from the General Fund for the Dual Eligible Part D Copay Subsidy in FY 2009. This amount is unchanged from FY 2008.

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 \$1.05 to \$5.60, 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 JLBC includes \$10,966,100 from the General Fund for Medicare Clawback Payments in FY 2009. FY 2009 adjustments would be as follows:

<b>Clawback Payments</b>	<b>GF</b>	<b>1,194,200</b>
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This adjustment would be an increase of \$1,194,200 from the General Fund in FY 2009 for estimated 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 86% of the estimated prescription drug cost of this population in FY 2009. The state's share of 86% 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 JLBC includes \$20,554,800 for Medicaid Special Exemption Payments in FY 2009. This amount consists of:

General Fund	7,013,800
Federal Title XIX Expenditure Authority	13,541,000

FY 2009 adjustments would be as follows:

<b>Formula Growth</b>	<b>GF</b>	<b>756,600</b>
	<b>EA</b>	<b>1,247,400</b>

This adjustment would be an increase of \$2,004,000 in FY 2009 for increased Medicaid Special Exemption

Payments related to Title XIX caseload and capitation rate growth. This amount consists of:

General Fund	756,600
Federal Title XIX Expenditure Authority	1,247,400

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 JLBC includes \$6,534,800 for Proposition 204 Administration in FY 2009. This amount consists of:

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

These amounts are unchanged from FY 2008.

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 JLBC includes \$9,351,800 from the General Fund for CBH Services in FY 2009. This amount is unchanged from FY 2008. 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 JLBC includes \$378,042,500 for CBH State Match for Title XIX in FY 2009. This amount consists of:

General Fund	128,940,400
Federal Title XIX Expenditure Authority	249,102,100

FY 2009 adjustments would be as follows:

<b>Formula Growth</b>	<b>GF</b>	<b>11,967,300</b>
	<b>EA</b>	<b>19,282,700</b>

This adjustment would be an increase of \$31,250,000 in FY 2009 for Title XIX Children's Behavioral Health

caseload and capitation rate growth. This amount consists of:

General Fund	11,967,300
Federal Title XIX Expenditure Authority	19,282,700

The FY 2009 adjustment would represent a 6% growth in the monthly capitation rate (from \$63.74 to \$67.56), and 4.2% growth in client population from June 2008 to June 2009.

This line item funds behavioral health treatment to Title XIX eligible children. This would result in approximately 468,854 eligible children per month served. DHS receives a monthly capitation payment from AHCCCS for every child eligible for Title XIX behavioral health services, although only an estimated 5.4% of the eligible population will utilize services.

**Proposition 204 Children's Behavioral Health Services**

The JLBC includes \$5,102,100 for Proposition 204 CBH Services in FY 2009. This amount consists of:

General Fund	1,741,000
Federal Title XIX Expenditure Authority	3,361,100

FY 2009 adjustments would be as follows:

<b>Formula Growth</b>	<b>GF</b>	<b>190,700</b>
	<b>EA</b>	<b>315,200</b>

This adjustment would be an increase of \$505,900 in FY 2009 for Proposition 204 Children's Behavioral Health caseload and capitation rate growth. This amount consists of:

General Fund	190,700
Federal Title XIX Expenditure Authority	315,200

The FY 2009 adjustment would represent a 6% growth in the monthly capitation rate (from \$63.74 to \$67.56), and 4.2% growth in client population from June 2008 to June 2009.

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 amount would provide capitation payments for an average of approximately 6,583 eligible children per month in FY 2009. DHS receives a monthly capitation payment from AHCCCS for every child eligible for Title XIX behavioral health services, although only an estimated 5.4% of the eligible population will utilize services.

***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 Emotionally Handicapped Children***

The JLBC includes \$500,000 from the General Fund for Seriously Emotionally Handicapped Children in FY 2009. This amount is unchanged from FY 2008.

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 Non-Title XIX***

The JLBC includes \$61,116,700 for SMI Non-Title XIX services in FY 2009. 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 2008. 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 JLBC includes \$199,103,500 for SMI State Match for Title XIX in FY 2009. This amount consists of:

General Fund	67,904,800
Federal Title XIX Expenditure Authority	131,198,700

FY 2009 adjustments would be as follows:

<b>Formula Growth</b>	<b>GF</b>	<b>10,479,100</b>
	<b>EA</b>	<b>18,373,300</b>

This adjustment would be an increase of \$28,852,400 in FY 2009 for Title XIX Seriously Mentally Ill caseload and capitation rate growth. This amount consists of:

General Fund	10,479,100
Federal Title XIX Expenditure Authority	18,373,300

The FY 2009 adjustment would represent a 6% increase in the monthly capitation rate (from \$78.10 to \$82.79), and 4.2% growth in client population from June 2008 to June 2009.

This line item provides behavioral health treatment to Title XIX eligible SMI adults. This would result in approximately 215,812 eligible adults served each month. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 5.1% of the eligible population will utilize services.

***Proposition 204 Seriously Mentally Ill Services***

The JLBC includes \$199,142,400 for Proposition 204 Seriously Mentally Ill (SMI) Services in FY 2009. This amount consists of:

General Fund	67,962,200
Federal Title XIX Expenditure Authority	131,180,200

FY 2009 adjustments would be as follows:

<b>Formula Growth</b>	<b>GF</b>	<b>13,430,200</b>
	<b>EA</b>	<b>24,040,100</b>

This adjustment would be an increase of \$37,470,300 in FY 2009 for Proposition 204 SMI caseload and capitation rate growth. This amount consists of:

General Fund	13,430,200
Federal Title XIX Expenditure Authority	24,040,100

The FY 2009 adjustment would represent a 6% increase in the monthly capitation rate (from \$78.10 to \$82.79), and 4.2% growth in client population from June 2008 to June 2009.

This line item provides behavioral health treatment to SMI adults who are Title XIX eligible pursuant to Proposition 204. This would result in approximately 212,312 eligible adults served each month. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 5.1% of the eligible population will utilize services.

***Seriously Mentally Ill Housing***

The JLBC includes no funding from the General Fund for Seriously Mentally Ill Housing in FY 2009. This amount is unchanged from FY 2008.

Laws 2006, Chapter 350 made a one-time appropriation of \$2,500,000 for FY 2007. According to the department, \$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. Due to tenant turnover, the program provided housing for a combined total of 200 individuals 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 affected 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 JLBC includes \$197,500 from the General Fund for Court Monitoring in FY 2009. This amount is unchanged from FY 2008. 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 JLBC includes \$37,153,100 for *Arnold v. Sarn* in FY 2009. This amount consists of:

General Fund	27,500,000
Federal Title XIX Expenditure Authority	9,653,100

FY 2009 adjustments would be as follows:

**Decreased FMAP EA (170,500)**

This adjustment would be a decrease of \$(170,500) in Federal Title XIX Expenditure Authority in FY 2009 to account for the expected change in the Federal Medical Assistance Percentage (FMAP) from Federal Fiscal Year (FFY) 2008 to FFY 2009.

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 JLBC includes \$2,447,300 from the General Fund for Mental Health Non-Title XIX services in FY 2009. This amount is unchanged from FY 2008. 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 JLBC includes \$14,635,400 for Substance Abuse Non-Title XIX services in FY 2009. This amount consists of:

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

These amounts are unchanged from FY 2008.

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 JLBC includes \$102,919,100 for Mental Health and Substance Abuse (GMH/SA) State Match for Title XIX in FY 2009. This amount consists of:

General Fund	35,125,000
Federal Title XIX Expenditure Authority	67,794,100

FY 2009 adjustments would be as follows:

**Formula Growth GF 3,245,900 EA 5,160,600**

This adjustment would be an increase of \$8,406,500 in FY 2009 for Title XIX GMH/SA caseload and capitation rate growth. This amount consists of:

General Fund	3,245,900
Federal Title XIX Expenditure Authority	5,160,600

The FY 2009 adjustment would represent a 6% growth in the monthly capitation rate (from \$39.84 to \$42.23) and 4.2% growth in client population from June 2008 to June 2009.

This line item provides mental health and substance abuse treatment to Title XIX eligible individuals. This amount would provide capitation payments for an average of approximately 215,812 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 10.2% of the eligible population will utilize services.

**Proposition 204 General Mental Health and Substance Abuse**

The JLBC includes \$101,349,800 for Proposition 204 GMH/SA in FY 2009. This amount consists of:

General Fund	34,589,000
Federal Title XIX Expenditure Authority	66,760,800

FY 2009 adjustments would be as follows:

<b>Formula Growth</b>	<b>GF</b>	<b>5,013,100</b>
	<b>EA</b>	<b>8,652,400</b>

This adjustment would be an increase of \$13,665,500 in FY 2009 for Proposition 204 GMH/SA caseload and capitation rate growth. This amount consists of:

General Fund	5,013,100
Federal Title XIX Expenditure Authority	8,652,400

The FY 2009 adjustment would represent a 6% growth in the monthly capitation rate (from \$39.84 to \$42.23) and 4.2% growth in client population from June 2008 to June 2009.

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 212,312 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 10.2% of the eligible population will utilize services.

**Substance Abuse Treatment**

The JLBC includes no funding from the General Fund for Substance Abuse Treatment in FY 2009. This amount is unchanged from FY 2008.

Laws 2006, Chapter 337 made a one-time appropriation of \$3,000,000 for substance abuse treatment in FY 2007. Of that amount, \$2,500,000 was appropriated for rural detoxification programs. Monies were allocated to the 5 rural Regional Behavioral Health Authorities and Tribal Behavioral Health Authorities to fund projects including mobile outreach, acute and outpatient detoxification beds, aftercare therapy, and housing support. The remaining \$500,000 was substance abuse prevention programming for children. In FY 2007, the monies were awarded to the Boys' and Girls' Clubs for their MethSMART Program. This funding was continued in FY 2008 but moved to the Youth Methamphetamine Prevention Programs Special Line Item. *(For more information, see the Youth Methamphetamine Prevention Programs SLI.)*

**Institutions for Mental Disease**

The JLBC includes \$8,340,300 for Institutions for Mental Disease (IMD) in FY 2009. This amount consists of:

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

FY 2009 adjustments would be as follows:

<b>In Lieu of Services Provision</b>	<b>GF</b>	<b>(2,000,000)</b>
	<b>EA</b>	<b>2,072,600</b>

This adjustment would be a decrease of \$(2,000,000) from the General Fund and an increase of \$2,072,600 from Federal Title XIX Expenditure Authority.

In FY 2008, the General Appropriation Act provided an additional \$2,000,000 from the General Fund to offset the anticipated decrease of \$(2,072,600) from Federal Title XIX Expenditure Authority due to the anticipated loss of the 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 two-thirds 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.

Over the past few months, the Arizona Health Care Cost Containment System (AHCCCS) has been in contact with the Centers for Medicare and Medicaid Services (CMS) regarding a provision whereby members can receive equivalent services in a more cost-effective way. Under this proposal, DHS will be able to provide services in licensed, alternative inpatient settings, in lieu of services in more expensive inpatient non-specialty hospitals. Related payments would be fully-matched with Federal Funds. This would offset the loss of federal funding as noted above. Moreover, the additional \$2,000,000 General Fund appropriation added to the IMD Special Line Item would no longer be needed for this purpose. Although AHCCCS

is still waiting for official approval for this proposal from CMS, they anticipate that it will likely be approved.

### ***Youth Methamphetamine Prevention Programs***

The JLBC includes \$500,000 from the General Fund for the Youth Methamphetamine Prevention Programs Special Line Item in FY 2009. This amount is unchanged from FY 2008.

In FY 2007, funding for the MethSMART program was provided to 16 Boys' and Girls' Clubs statewide and 9,719 youths and teens participated in the program.

### ***Crisis Intervention Training Grants***

The JLBC includes \$250,000 from the General Fund for Crisis Intervention Training Grants in FY 2009. This amount is unchanged from FY 2008. This line item 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.

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**FORMAT** — Operating Lump Sum with Special Line Items by Program

### **FOOTNOTES**

#### *Standard Footnotes*

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.

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.

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.

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.

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 FOR FY 2009 BY AUGUST 31, 2009.

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.~~

#### *Deletion of Prior Year Footnotes*

The JLBC deletes the footnote related to the capitation rate increase for Children's Behavioral Health Services attributable to the *JK v. Gerard* lawsuit. The FY 2008 footnote limited the statewide average capitation rate increase for Children's Behavioral Health Services to \$4.70 per member per month in FY 2008. The footnote was specific to FY 2008.

The JLBC deletes the footnote related to presenting a proposed expenditure to the JLBC for Contract Compliance since it was specific to FY 2008.

### **OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

#### *FY 2008 Supplemental*

The current JLBC estimate for a FY 2008 shortfall is \$17,393,100. This amount consists of \$7,814,600 from the General Fund and \$9,578,500 from Federal Title XIX Expenditure Authority.

*Table 2* displays the expected allocations of the FY 2008 General Fund shortfall.

<b>Table 2</b>	
	<b><u>FY 2008 GF Shortfall</u></b>
CBH	\$ (999,400)
Proposition 204 CBH	3,700
SMI	3,170,200
Proposition 204 SMI	6,160,100
GMH/SA	(292,800)
Proposition 204 GMH/SA	1,304,500
IMD Waiver	(2,000,000)
Medicaid Special Exemption Payments	44,300
Medicare Clawback Payments	<u>424,000</u>
<b>TOTAL</b>	<b><u>\$7,814,600</u></b>

The primary cause for the FY 2008 shortfall is higher than budgeted caseloads in all programs. During the beginning of FY 2007, overall caseloads were declining. Beginning in the spring, caseloads began and continued to increase. The FY 2008 budget included a June over June growth rate of 1.5% in all programs. The JLBC now estimates the weighted average growth to be approximately 5.4% from June 2007 to June 2008.

This shortfall can be partly offset, however, due to a savings of \$2,000,000 from no longer needing additional General Fund monies to cover the loss of the IMD Waiver.