

Department of Health Services
Behavioral Health

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	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	166.0	155.5	153.0
Personal Services	3,509,700	5,000,100	5,000,100
Employee Related Expenditures	1,315,900	2,145,500	2,145,500
Professional and Outside Services	628,000	613,800	613,800
Travel - In State	40,500	32,000	32,000
Travel - Out of State	700	1,300	1,300
Other Operating Expenditures	7,166,100	6,645,400	6,645,400
Equipment	32,800	40,300	40,300
OPERATING SUBTOTAL	12,693,700	14,478,400	14,478,400
SPECIAL LINE ITEMS			
Administration			
Contract Compliance	3,340,100	4,861,800	4,861,800
Dual Eligible Part D Copay Subsidy	466,800	0	0
Medicare Clawback Payments	10,718,100	11,932,800	12,258,200
Medicaid Special Exemption Payments	21,825,900	23,096,500	25,677,100
Proposition 204 Administration	5,849,800	6,680,600	6,680,600
Children's Behavioral Health			
Children's Behavioral Health Services	8,313,800	8,320,700	8,320,700
CBH State Match for Title XIX	400,119,300	408,538,000	503,477,600
Proposition 204 Children's Behavioral Health Services	3,249,300	5,114,300	10,832,700
Seriously Mentally Ill			
Seriously Mentally Ill Non-Title XIX	53,899,700	57,849,700	57,849,700
Seriously Mentally Ill State Match for Title XIX	201,851,700	231,932,600	181,820,100
Proposition 204 Seriously Mentally Ill Services	235,190,300	234,503,400	250,983,300
Court Monitoring	197,500	197,500	197,500
Arnold v. Sarn	32,741,100	34,170,200	34,180,400
General Mental Health and Substance Abuse			
Mental Health Non-Title XIX	1,947,200	1,747,300	1,747,300
Substance Abuse Non-Title XIX	12,010,000	6,339,400	6,339,400
Mental Health and Substance Abuse State Match for Title XIX	114,266,400	121,462,700	129,527,600
Proposition 204 General Mental Health and Substance Abuse	124,597,700	121,536,000	177,237,100
Prior Year Federal Funds Draw Down	65,310,000	0	0
PROGRAM TOTAL	1,308,588,400	1,292,761,900	1,426,469,500
FUND SOURCES			
General Fund	414,182,000	474,956,700	517,587,900
Other Appropriated Funds			
Substance Abuse Services Fund	2,375,000	2,250,000	2,250,000
TTHCF Medically Needy Account	25,785,500	35,924,800	35,924,800
SUBTOTAL - Other Appropriated Funds	28,160,500	38,174,800	38,174,800
SUBTOTAL - Appropriated Funds	442,342,500	513,131,500	555,762,700
Expenditure Authority Funds			
Federal Title XIX Funds	866,245,900	779,630,400	870,706,800
SUBTOTAL - Expenditure Authority Funds	866,245,900	779,630,400	870,706,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,308,588,400	1,292,761,900	1,426,469,500

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
Other Non-Appropriated Funds	63,698,200	66,924,700	66,924,700
Federal Funds	40,058,100	39,978,000	39,978,000
TOTAL - ALL SOURCES	1,412,344,700	1,399,664,600	1,533,372,200

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	42,631,200	9.0%
Other Appropriated Funds	0	0.0%
Expenditure Authority Fund	91,076,400	11.7%
Total Appropriated/Expenditure Authority Funds	133,707,600	10.3%
Non-Appropriated Funds	0	0.0%
Total - All Sources	133,707,600	9.6%

COST CENTER DESCRIPTION — The Behavioral Health program administers most mental health services for the state 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.

Note: All policy issues are stated at the regular federal match rate.

Title XIX Caseload and Inflation Overview

The Baseline includes an increase of \$133,707,600 for expected growth in the Title XIX Behavioral Health Programs. This adjustment would consist of \$42,631,200 from the General Fund and \$91,076,400 from Federal Title XIX Expenditure Authority (EA).

The Behavioral Health Services (BHS) Title XIX enrollment growth represents a 5.5% increase from June 2010 to June 2011. FY 2010 enrollment growth was originally budgeted at 8.9%, but is currently projected to grow by 21%.

The Baseline increase includes an adjustment for the utilization rate of Title XIX Seriously Mentally Ill (SMI) and Title XIX General Mental Health and Substance Abuse (GMH/SA) services. FY 2010 utilization of SMI and GMH/SA was originally budgeted at 5.1% and 10.2%, respectively. Current data indicates that utilization of Title XIX SMI services is 4.1% and utilization of Title XIX GMH/SA services is 9.8%. The Baseline assumes a utilization rate of 3.7% for the Title XIX SMI population and 9.7% for the Title XIX GMH/SA population in FY 2011.

The utilization rate is the actual number of individuals receiving services as a percentage of the total eligible population for that program. The department receives a flat amount for each Title XIX eligible individual per month, regardless of whether or not those individuals actually receive treatment.

During the economic downturn, the number of individuals requiring behavioral health services has not grown at the

same rate as the overall caseload. As a result, the overall utilization rate has been lowered to prevent excess funding of services. (There was no downward utilization adjustment for Children's Behavioral Health.)

While the utilization rate has been reduced, the actual number of individuals receiving services will still grow each year. *Table 1* below summarizes utilization actuals, as well as projected utilization for the end of FY 2010 and FY 2011, for the 3 Title XIX behavioral health populations.

	Jun. 2009 <u>Actual</u>	Nov. 2009 <u>Actual</u>	Jun. 2010 <u>Estimate</u>	Jun. 2011 <u>Estimate</u>
CBH	30,420	32,136	33,905	35,834
SMI	23,266	24,098	24,672	24,924
GMH/SA	55,573	57,301	61,333	65,365

The Baseline increase does not include medical inflation growth. Actual BHS capitation rate growth was 0% in FY 2010, 3.6% in FY 2009, 11.3% in FY 2008, 5.2% in FY 2007, 11.4% in FY 2006, and 12.8% in FY 2005.

Table 2 on the following page summarizes the FY 2011 General Fund projections, as well as estimated Clawback payments in FY 2010 and FY 2011.

State monies provide approximately a 34% match to the Federal Funds (EA) received. An increase in the Federal Medical Assistance Percentage (FMAP) means the state will pay approximately \$(831,700) less in state match in FY 2011. These amounts are incorporated into *Table 1*. The increase also includes changes in behavioral health

Table 2

General Fund Title XIX Behavioral Health Projections^{1/}

	FY 2010 Appropriated	FY 2010 Revised	FY 2011	FY 2011 Above FY 2010 Appropriated
Medicare Clawback Payments	\$ 11,932,800	\$ 11,781,700	\$ 12,258,200	\$ 325,400
Medicaid Special Exemption Payments	7,909,400	8,792,800	8,775,200	865,800
CBH	140,782,500	158,487,000	172,063,400	31,280,900
CBH Proposition 204	1,762,400	3,110,600	3,702,100	1,939,700
SMI	79,924,100	72,955,600	62,130,300	(17,793,800)
SMI Proposition 204	80,859,700	96,255,600	85,773,500	4,913,800
GMH/SA ^{2/}	41,856,100	42,517,100	44,266,100	2,410,000
GMH/SA Proposition 204	<u>41,881,400</u>	<u>55,550,900</u>	<u>60,570,800</u>	<u>18,689,400</u>
Total	\$406,908,400	\$449,451,300	\$449,539,600	\$42,631,200

^{1/} These amounts represent spending under the regular FMAP.

^{2/} Base amounts include \$3,600,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

services and Medicaid Special Exemption Payments but does not address any changes in administrative costs. These amounts do not include adjustments to the FMAP under the American Recovery and Reinvestment Act.

Operating Budget

The Baseline includes \$14,478,400 and 110.6 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts consist of:

General Fund	\$3,728,900
Federal Title XIX Expenditure Authority	10,749,500

These amounts are unchanged from FY 2010.

Administration

Contract Compliance

The Baseline includes \$4,861,800 and 42.4 FTE Positions for Contract Compliance in FY 2011. These amounts consist of:

General Fund	1,182,700
Federal Title XIX Expenditure Authority	3,679,100

These amounts are unchanged from FY 2010.

This line item provides funding to improve contract monitoring and oversight, including additional personnel to evaluate contract compliance among the Regional Behavioral Health Authorities (RBHAs) and to ensure that DHS is meeting its obligations in both the *Arnold v. Sarn* and *JK v. Gerard* lawsuits.

Dual Eligible Part D Copay Subsidy

The Baseline includes no funding for the Dual Eligible Part D Copay Subsidy in FY 2011. This amount is unchanged from FY 2010.

This line item paid 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, the copayment ranges from \$1.05 to \$6.01, depending on the class of the drug as well as the recipient’s income.

Medicare Clawback Payments

The Baseline includes \$12,258,200 from the General Fund for Medicare Clawback Payments in FY 2011. FY 2011 adjustments would be as follows:

Clawback Payments	GF	325,400
The Baseline includes an increase of \$325,400 from the General Fund in FY 2011 for Medicare Clawback Payments.		

As part of the Medicare Modernization Act (MMA) effective January 1, 2006, DHS is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DHS is required to make “Clawback” payments to Medicare based on 83% of the estimated prescription drug cost of this population in FY 2011. The state’s share of 83% 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 Baseline includes \$25,677,100 for Medicaid Special Exemption Payments in FY 2011. This amount consists of:

General Fund	26,024,900
Tobacco Tax and Health Care Fund	31,824,800
Medically Needy Account	

These amounts are unchanged from FY 2010.

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 Baseline includes \$181,820,100 for SMI State Match for Title XIX in FY 2011. This amount consists of:

General Fund	62,130,300
Federal Title XIX Expenditure Authority	119,689,800

FY 2011 adjustments would be as follows:

Formula Growth	GF	(17,793,800)
	EA	(32,318,700)

The Baseline includes a decrease of \$(50,112,500) in FY 2011 for Title XIX Seriously Mentally Ill caseload and capitation rate growth. The FY 2011 adjustment assumes capitation enrollment growth of 5.7% from June 2010 to June 2011, and no increase in capitation rates.

This line item provides behavioral health treatment to Title XIX eligible SMI adults. There are approximately 277,693 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 3.7%, or 13,975, of the eligible population will utilize services. As of November 2009, there are 12,013 adults who utilize services in this program each month.

Proposition 204 Seriously Mentally Ill Services

The Baseline includes \$250,983,300 for Proposition 204 Seriously Mentally Ill (SMI) Services in FY 2011. This amount consists of:

General Fund	85,773,500
Federal Title XIX Expenditure Authority	165,209,800

FY 2011 adjustments would be as follows:

Formula Growth	GF	4,913,800
	EA	11,566,100

The Baseline includes an increase of \$16,479,900 in FY 2011 for Proposition 204 SMI caseload and capitation rate growth. The FY 2011 adjustment assumes capitation enrollment growth of 5% from June 2010 to June 2011, and no increase in capitation rates.

This line item provides behavioral health treatment to Title XIX eligible SMI adults. There are approximately 379,977 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible

for Title XIX behavioral health services, although only an estimated 3.7%, or 14,059, of the eligible population will utilize services. As of November 2009, there are 12,085 adults who utilize services in this program each month.

Court Monitoring

The Baseline includes \$197,500 from the General Fund for Court Monitoring in FY 2011. This amount is unchanged from FY 2010. 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 Baseline includes \$34,180,400 for *Arnold v. Sarn* in FY 2011. This amount consists of:

General Fund	24,569,500
Federal Title XIX Expenditure Authority	9,610,900

FY 2011 adjustments would be as follows:

Increased FMAP	EA	10,200
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The Baseline includes an increase of \$10,200 in Federal Title XIX Expenditure Authority in FY 2011 to account for the expected change in the Federal Medical Assistance Percentage (FMAP) from Federal Fiscal Year (FFY) 2010 to FFY 2011.

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 Baseline includes \$1,747,300 for Mental Health Non-Title XIX services in FY 2011. This amount consists of:

General Fund	1,247,300
Tobacco Tax and Health Care Fund	500,000
Medically Needy Account	

These amounts are unchanged from FY 2010.

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 Baseline includes \$6,339,400 for Substance Abuse Non-Title XIX services in FY 2011. This amount consists of:

General Fund	4,089,400
Substance Abuse Services Fund	2,250,000

These amounts are unchanged from FY 2010.

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 Baseline includes \$129,527,600 for Mental Health and Substance Abuse (GMH/SA) State Match for Title XIX in FY 2011. This amount consists of:

General Fund	40,666,100
Tobacco Tax and Health Care Fund	3,600,000
Medically Needy Account	
Federal Title XIX Expenditure Authority	85,261,500

FY 2011 adjustments would be as follows:

Formula Growth	GF	2,410,000
	EA	5,654,900

The Baseline includes a decrease of \$8,064,900 in FY 2011 for Title XIX GMH/SA caseload and capitation rate growth.

The FY 2011 adjustment assumes capitation enrollment growth of 5.7% from June 2009 to June 2010, and no increase in capitation rates.

This line item provides behavioral health treatment to Title XIX eligible SMI adults. There are approximately 277,693 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 9.7%, or 26,936, of the eligible population will utilize services. As of November 2009, there are 28,565 adults who utilize services in this program each month.

Proposition 204 General Mental Health and Substance Abuse

The Baseline includes \$177,237,100 for Proposition 204 GMH/SA in FY 2011. This amount consists of:

General Fund	60,570,800
Federal Title XIX Expenditure Authority	116,666,300

FY 2011 adjustments would be as follows:

Formula Growth	GF	18,689,400
	EA	37,011,700

The Baseline includes an increase of \$55,701,100 in FY 2011 for Proposition 204 GMH/SA caseload and capitation rate growth. The FY 2011 adjustment assumes capitation enrollment growth of 5% from June 2010 to June 2011, and no increase in capitation rates.

This line item provides behavioral health treatment to Title XIX eligible SMI adults. There are approximately 379,977 eligible adults. DHS receives a monthly capitation payment from AHCCCS for every adult eligible for Title XIX behavioral health services, although only an estimated 9.7%, or 36,858, of the eligible population will utilize services. As of November 2009, there are 28,736 adults who utilize services in this program each month.

Prior Year Federal Funds Draw Down

The Baseline includes no funding for Prior Year Federal Funds Draw Down in FY 2011.

The FY 2009 budget appropriated \$19,871,400 from the General Fund to DHS for additional FY 2009 supplemental funding for Behavioral Health Services. DHS used that \$19,871,400 to obtain federal matching funds of \$45,438,600. Of the total \$65,310,000, the Legislature instructed DHS to use \$25,438,600 as supplemental funding for Behavioral Health Services, and to transfer the remaining \$39,871,400 back to the General Fund by June 30, 2009.

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

FOOTNOTES

Standard Footnotes

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote requiring the Joint Legislative Budget Committee to review transfers from the appropriations for Children's Behavioral Health Services to facilitate the agency's allocation of its available funding.

STATUTORY CHANGES

The Baseline would, as session law, continue to require DHS to provide a list of priority services for non-title XIX services on their website and provide 30 days' notice before revising priorities. It would continue to specify that behavioral health providers and division contractors are not liable for refusing to provide uncompensated or underfunded nonemergency, non-title XIX behavioral health services to persons who are not seriously mentally ill.