

Department of Health Services

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,632.1	1,176.7	1,176.7 ^{1/}
Personal Services	53,164,900	55,495,400	55,759,900
Employee Related Expenditures	22,566,800	23,317,500	23,312,000
Professional and Outside Services	12,138,500	14,038,500	14,038,500
Travel - In State	517,600	485,900	485,900
Travel - Out of State	65,900	67,900	67,900
Other Operating Expenditures	40,566,000	38,901,100	41,805,300
Equipment	1,873,600	1,308,700	1,308,700
OPERATING SUBTOTAL	130,893,300	133,615,000	136,688,200
SPECIAL LINE ITEMS			
Behavioral Health			
Medicaid Behavioral Health - Traditional	809,510,500	1,085,237,300 ^{2/}	878,054,300 ^{3/4/5/}
Medicaid Behavioral Health - Proposition 204	424,635,000	137,985,600 ^{2/}	105,251,500 ^{3/4/5/6/}
Medicaid Behavioral Health - Comprehensive Medical and Dental Program	0	0	140,896,200 ^{3/4/5/}
Proposition 204 Administration	5,283,000	6,446,700	6,446,700 ^{6/}
Medicare Clawback Payments	12,541,500	13,838,800	14,925,100
Medicaid Insurance Premium Payments	18,712,700	24,383,000	22,487,100
Non-Medicaid Seriously Mentally Ill Services	0	95,238,000	78,846,900
Non-Medicaid Prescription Medication	37,755,100	0	0
Supported Housing	5,215,500	5,324,800	5,324,800
Crisis Services	16,360,400	0	16,391,100
Community Placement Treatment	0	1,130,700	1,130,700
Mental Health First Aid	0	0	250,000 ^{7/}
One-Time Electronic Medical Records Start-Up	0	0	3,850,000
Public and Family Health			
Adult Cystic Fibrosis	78,900	105,200	105,200
AIDS Reporting and Surveillance	1,000,000	1,000,000	1,000,000
Alzheimer's Disease Research	1,125,000	1,125,000	1,125,000 ^{8/}
Breast and Cervical Cancer and Bone Density Screening	960,100	1,363,300	1,369,400
County Tuberculosis Provider Care and Control	486,300	590,700	590,700
Emergency and Trauma Services	0	300,000	300,000
Folic Acid	362,200	400,000	400,000
High Risk Perinatal Services	2,077,600	2,543,400	2,543,400
Newborn Screening Program	4,948,500	6,296,100	6,307,000
Nursing Facility Study	0	0	90,000
Poison Control Centers Funding	666,300	990,000	990,000
Nonrenal Disease Management	198,000	198,000	198,000 ^{9/}
Renal Dental Care and Nutrition Supplements	0	0	300,000
AGENCY TOTAL	1,472,809,900	1,518,111,600^{10/}	1,425,861,300^{11/-14/}
FUND SOURCES			
General Fund	506,370,400	588,109,400	550,646,400
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	9,476,200	12,517,800	14,918,500
ASH Land Earnings Fund	1,081,800	650,000	650,000
Capital Outlay Stabilization Fund	1,244,800	1,146,500	1,559,800
Child Fatality Review Fund	94,800	94,500	94,800
Emergency Medical Services Operating Fund	4,188,700	5,100,900	5,121,400
Environmental Laboratory Licensure Revolving Fund	749,500	923,100	926,900
Federal Child Care and Development Fund Block Grant	834,800	830,900	830,400
Health Services Licensing Fund	7,983,200	8,068,000	8,842,400

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
Hearing and Speech Professionals Fund	316,600	318,700	0
Indirect Cost Fund	7,292,500	8,953,100	10,390,400
Long Term Care System Fund	0	1,379,600	0
Newborn Screening Program Fund	4,948,500	6,728,000	6,738,900
Nursing Care Institution Resident Protection Revolving Fund	144,400	438,200	128,200
Prescription Drug Rebate Fund	33,900,000	0	0
Substance Abuse Services Fund	2,250,000	2,250,000	2,250,000
TTHCF Health Research Account	1,000,000	1,000,000	1,000,000
TTHCF Medically Needy Account	35,129,200	35,167,000	35,467,000
Vital Records Electronic Systems Fund	2,019,500	3,629,000	3,634,700
SUBTOTAL - Other Appropriated Funds	112,654,500	89,195,300	92,553,400
SUBTOTAL - Appropriated Funds	619,024,900	677,304,700	643,199,800
Expenditure Authority Funds			
Federal Medicaid Services	853,785,000	840,806,900	782,661,500
SUBTOTAL - Expenditure Authority Funds	853,785,000	840,806,900	782,661,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,472,809,900	1,518,111,600	1,425,861,300
Other Non-Appropriated Funds	109,305,400	113,030,400	113,030,400
Federal Funds	306,362,800	314,980,400	314,980,400
TOTAL - ALL SOURCES	1,888,478,100	1,946,122,400	1,853,872,100

- 1/ Includes 1 GF and 24.1 OF FTE Positions funded from Special Line Items in FY 2014.
- 2/ For FY 2013, the Department of Health Services may use monies in the IGA and ISA Fund as the state Medicaid match for behavioral health services. Before using the monies, the department shall report to the Director of the Joint Legislative Budget Committee the proposed amount of the IGA and ISA Fund monies to be used for the match, the source of those monies, including reconciliation payments and penalties, and the total amount of reconciliation payments and penalties in the fund. (General Appropriation Act footnote)
- 3/ On or before January 6, 2014, the Department of Health Services shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received by that date since July 1, 2013. On June 30, 2014, the department shall report the same information for all of FY 2014. (General Appropriation Act footnote)
- 4/ 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)
- 5/ 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)
- 6/ The amounts included in the Proposition 204 Administration and Medicaid Behavioral Health - Proposition 204 Special Line Items include all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 7/ It is the intent of the Legislature that monies in the Mental Health First Aid line item be spent to train mental health first aid instructors. (General Appropriation Act footnote)
- 8/ Of the \$1,125,000 for Alzheimer's Disease Research, \$1,000,000 of that amount is from the Tobacco Tax and Health Care Fund - Health Research Account. (General Appropriation Act footnote)
- 9/ The Department of Health Services may use up to 4% of the amounts appropriated for Nonrenal Disease Management for the administrative costs to implement the program. (General Appropriation Act footnote)
- 10/ In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(649,700) GF for a state employee health insurance premium holiday. (Please see the FY 2013 General Fund Adjustments section.)
- 11/ In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated to the State Hospital in compliance with the Enabling Act and the Constitution of Arizona. (General Appropriation Act footnote)
- 12/ The department shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be no more than 2%. Before implementation of any changes in capitation rates for any behavioral health line items, the Department of Health Services shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 13/ A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded electronically to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall include an estimate of potential shortfalls in programs, potential Federal and Other Funds, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, and total expenditure authority of the month and year-to-date for federally-matched services. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

AGENCY DESCRIPTION — The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, most behavioral health programs, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring.

Summary

DHS' FY 2014 General Fund spending would decrease by \$(37,463,000), or (6.4)%. The budget includes:

- \$(57,611,800) for formula adjustments.
- \$15,816,000 for mandatory costs associated with federal health care legislation.
- \$3,779,600 for changes to programs funded by the operating budget.
- \$303,200 for statewide adjustments.
- \$250,000 for Mental Health First Aid.

Operating Budget

The budget includes \$136,688,200 and 1,151.6 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	<u>FY 2014</u>
General Fund	\$82,780,500
Arizona State Hospital Fund	11,387,800
ASH Land Earnings Fund	650,000
Capital Outlay Stabilization Fund	1,559,800
Child Fatality Review Fund	94,800
Emergency Medical Services (EMS) Operating Fund	4,671,400
Environmental Laboratory Licensure Revolving Fund	926,900
Federal Child Care and Development Fund (CCDF) Block Grant	830,400
Health Services Licensing Fund	8,842,400
Indirect Cost Fund	8,940,400
Newborn Screening Program Fund	431,900
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,634,700
Federal Medicaid Authority (FMA)	11,899,000

These amounts fund the following adjustments:

Increase State SVP Contribution

The budget includes an increase of \$1,800,000 from the General Fund in FY 2014 to increase the state share of costs for the treatment of Sexually Violent Persons (SVP) at the Arizona State Hospital (ASH).

The FY 2014 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 10) deletes an ongoing session law that required counties to pay 50% of the cost of care of sexually violent persons in the ASH. As session law, it is intended that the department set the percentage rate at a level that would

increase the state share of the cost by \$1,800,000 in FY 2014.

Realign Long-Term Care System Fund with DES

The budget includes an increase of \$1,379,600 from the General Fund and a corresponding decrease of \$(1,379,600) from the Long-Term Care (LTC) System Fund in FY 2014 to shift these resources back to the Department of Economic Security (DES). The FY 2013 budget shifted these monies from DES to DHS to fund a 2% provider rate increase in Medicaid behavioral health services.

Electronic Medical Records

The budget includes \$600,000 from the General Fund in FY 2014 for ongoing electronic medical record costs. (*Please see the One-Time Electronic Medical Records Start-Up line item for additional information.*)

Transfer Hearing and Speech Professionals Fund to the Health Services Licensing Fund

The budget includes an increase of \$402,100 in FY 2014 to consolidate licensing expenditures. This amount consists of:

Health Services Licensing Fund	712,000
Hearing and Speech Professionals Fund	(309,900)

Laws 2013, Chapter 33 repeals the Hearing and Speech Professionals Fund and consolidates revenues collected by the department from the examination and licensing of hearing professionals into the Health Services Licensing Fund.

The FY 2014 Health and Welfare BRB transfers any unexpended monies in the Hearing and Speech Professionals to Health Services Licensing Fund.

Nursing Care Study

The budget includes a decrease of \$(400,000) from the Nursing Care Institution Resident Protection Revolving Fund in FY 2014 to reduce funding for a one-time quality improvement study of nursing care facilities.

Statewide Adjustments

The budget includes an increase of \$671,100 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	297,100
Arizona State Hospital Fund	700
Capital Outlay Stabilization Fund	413,300
Child Fatality Review Fund	300

Table 1

General Fund Medicaid Behavioral Health Appropriations

	FY 2013 Appropriated	FY 2013 Revised	FY 2014	FY 2014 Above FY 2013 Revised
Medicare Clawback Payments	\$ 13,838,800	\$ 13,858,000	\$ 14,925,100	\$ 1,067,100
Medicaid Insurance Premium Payments	8,269,500	7,897,900	7,456,700	(441,200)
State Match for Medicaid^{1/}				
CBH	144,232,600	144,791,400	93,320,400	(51,471,000)
SMI	175,913,000	160,544,700	149,652,100	(10,892,600)
GMH/SA	47,911,300	48,650,200	48,190,100	(460,100)
State Match for Proposition 204				
CBH	1,652,800	1,652,200	1,631,200	(21,000)
GMH/SA	45,144,800	39,255,500	33,270,200	(5,985,300)
State Match for CMDP ^{2/}	<u>0</u>	<u>0</u>	<u>50,573,200</u>	<u>50,573,200</u>
Total	\$436,962,800	\$416,649,900	\$399,019,000	\$ (17,630,900)

^{1/} Base amounts include \$34,767,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

^{2/} Prior to FY 2014 State Match for CMDP was a component of funding for the CBH population.

Emergency Medical Services (EMS) Operating Fund	20,500
Environmental Laboratory Licensure Revolving Fund	3,800
Federal Child Care and Development Fund (CCDF) Block Grant	(500)
Health Services Licensing Fund	62,400
Hearing and Speech Professionals Fund	(8,800)
Indirect Cost Fund	(12,700)
Vital Records Electronic Systems Fund	5,700
Federal Medicaid Authority (FMA)	(110,700)

(Please see the Agency Detail and Allocations section.)

The FY 2014 Health and Welfare BRB also continues to require that all counties pay 100% of the daily cost of care for Restoration to Competency (RTC) patients at ASH. Treatment for RTC patients is funded through the agency operating budget.

increase. The 2% capitation rate increase is estimated to cost the General Fund \$10,681,900 in FY 2014. Adjustments to Medicare Clawback payments will cost the General Fund an additional \$1,086,300.

Aside from caseload growth due to federal health care legislation, DHS caseloads are expected to decline by (4,358) from June 2013 to June 2014. This net decrease consists of 2 different components. Prior to mandatory federal health care changes described below, the Traditional population is expected to grow by 1.5%. This increase is offset by a freeze of enrollment for the Childless Adults population, which is projected to result in a Proposition 204 decrease of (3.3)%. As a result of the freeze on enrollment of Childless Adults and lower than expected Traditional caseload growth, FY 2013 caseloads were lower than budgeted. The lower than projected FY 2013 caseload growth, coupled with the decline in FY 2014 caseloads, is expected to produce a General Fund savings of \$(60,634,800) relative to the FY 2013 budget.

Behavioral Health

These line items fund 4 types of services; 1) Serious Mental Illness (SMI), 2) Children’s Behavioral Health (CBH), 3) General Mental Health and Substance Abuse (GMH/SA) and Comprehensive Medical and Dental Program (CMDP). *(See Table 1 for more information.)*

Formula Adjustments

The budget includes formula adjustments that are comprised of changes to capitation rates, caseloads, mandatory changes from federal health care legislation and changes to the Federal Medical Assistance Percentage (FMAP).

Capitation rate inflation is assumed to be 2% above FY 2013 for all Medicaid Behavioral Health programs. Recent budgets have not included a capitation rate

The FMAP is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. Typically the federal government provides an approximate 2:1 match for most Medicaid services. During FY 2014, the FMAP for Medicaid will increase to 66.84% (0.75% increase). The formula adjustments include a decrease of \$(8,745,200) in General Fund spending to offset the federal rate increase.

Mandatory Federal Health Care Changes

Mandatory changes involved with federal health care legislation passed in 2010, known as the Affordable Care Act (ACA), will result in additional costs to various Medicaid programs of which DHS is a participant, resulting in an additional General Fund cost of \$15,816,000. *(Please see Mandatory Changes Resulting from Federal Health Care legislation in the AHCCCS section of this report.)*

Medicaid Expansion

The United States Supreme Court’s ruling on ACA made the expansion of Medicaid eligibility for adults optional up to 133% of the Federal Poverty Level (FPL) beginning January 1, 2014. The Adult Expansion population, those parents and childless adults whose incomes are from 100% to 133% FPL will receive 100% coverage from FY 2014 to FY 2016. The federal share will gradually decrease to 90% by FY 2020.

As permanent law, the FY 2014 Health and Welfare BRB requires AHCCCS to establish an assessment on hospital revenue, discharges, or bed days for the purpose of funding the state match portion of the Medicaid expansion beginning January 1, 2014. The hospital assessment does not include behavioral health. The FY 2014 Health and Welfare BRB expands Medicaid eligibility for adults whose household’s modified adjusted gross income is between 100% and 133% FPL. (Please see Medicaid Expansion and Restoration in the AHCCCS section for additional information.)

Medicaid Behavioral Health - Traditional

The budget includes \$878,054,300 in FY 2014 for Medicaid Behavioral Health - Traditional. This amount consists of:

General Fund	256,395,600
Tobacco Tax and Health Care Fund	34,767,000
Medically Needy Account	
Federal Medicaid Authority	586,891,700

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(54,670,400) in FY 2014 for Medicaid Behavioral Health - Traditional caseload and capitation rate changes. This amount consists of:

General Fund	(26,321,100)
Federal Medicaid Authority	(28,349,300)

The formula adjustments include 1.5% enrollment growth after the continuation of the FY 2013 caseload savings, an increase to the federal match rate, and a 2% capitation increase.

Comprehensive Medical and Dental Program

The budget shifts \$(152,512,600) in FY 2014 to a new Medicaid Behavioral Health - Comprehensive Medical and Dental Program (CMDP) line item. This amount consists of:

General Fund	(50,573,200)
Federal Medicaid Authority	(101,939,400)

This line item provides behavioral health treatment to Medicaid eligible children who are not enrolled in CMDP and adults. In June 2014, there would be approximately 1,125,477 eligible individuals. This estimate does not include those individuals who would receive services under the Medicaid expansion up to 133% FPL. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 10.66%, or 119,976, of the eligible population will utilize services.

Medicaid Behavioral Health - Proposition 204

The budget includes \$105,251,500 in FY 2014 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	34,901,400
Federal Medicaid Authority	70,350,100

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(32,734,100) in FY 2014 for Medicaid Behavioral Health - Proposition 204 caseload and capitation rate changes. This amount consists of:

General Fund	(11,896,200)
Federal Medicaid Authority	(20,837,900)

The formula adjustments include (3.3)% enrollment decline after the continuation of the FY 2013 caseload savings, an increase to the federal match rate, and a 2% capitation increase.

This line item provides behavioral health treatment to Medicaid eligible children and adults. In June 2014, there would be 205,728 eligible individuals. This estimate does not include those individuals who would receive services under the Medicaid expansion up to 133% FPL. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 10.66%, or 21,931, of the eligible population will utilize services.

Medicaid Behavioral Health - Comprehensive Medical and Dental Program

The budget includes \$140,896,200 in FY 2014 for a new Medicaid Behavioral Health - Comprehensive Medical and Dental Program (CMDP) Special Line Item. This amount consists of:

General Fund	46,721,200
Federal Medicaid Authority	94,175,000

These amounts fund the following adjustments:

Comprehensive Medical and Dental Program

The budget shifts \$152,512,600 in FY 2014 to a new Medicaid Behavioral Health - Comprehensive Medical and Dental Program (CMDP) line item. This amount consists of:

General Fund	50,573,200
Federal Medicaid Authority	101,939,400

Formula Growth

The budget includes a decrease of \$(11,616,400) in FY 2014 for Medicaid Behavioral Health - Comprehensive Medical and Dental Program caseload and capitation rate changes. This amount consists of:

General Fund	(3,852,000)
Federal Medicaid Authority	(7,764,400)

This line item provides behavioral health treatment to CMDP eligible children. CMDP is the health plan responsible for providing health services for children in foster care and is primarily administered by the DES, although DHS administers behavioral health services for these clients. Prior to FY 2014, DHS administered CMDP behavioral health through its Children's Behavioral Health (CBH) program. *(Please see CPS Reform in the Department of Economic Security section for additional information.)* In June 2014, there would be approximately 13,480 eligible individuals. This estimate does not include those individuals who would receive services under the Medicaid expansion up to 133% FPL. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for CMDP, and it is estimated that an average of 62.52%, or 8,428, of the eligible population will utilize services.

Proposition 204 Administration

The budget includes \$6,446,700 in FY 2014 for Proposition 204 Administration. This amount consists of:

General Fund	2,131,400
Federal Medicaid Authority	4,315,300

These amounts are unchanged from FY 2013.

This line item provides funding for the administrative component of the Proposition 204 population.

Medicare Clawback Payments

The budget includes \$14,925,100 from the General Fund in FY 2014 for Medicare Clawback Payments. This amount funds the following adjustments:

Formula Growth

The budget includes an increase of \$1,086,300 from the General Fund in FY 2014 for formula growth associated with 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 76.7% of the estimated prescription drug cost of this population in 2014. The state's share of 76.7% declines annually by 1.7% and the Clawback cost per member is annually increased based on national health trend information.

Medicaid Insurance Premium Payments

The budget includes \$22,487,100 in FY 2014 for Medicaid Insurance Premium Payments. This amount consists of:

General Fund	7,456,700
Federal Medicaid Authority	15,030,400

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(1,895,900) in FY 2014 for Medicaid Insurance Premium Payments related to caseload growth and FMAP adjustments. This amount consists of:

General Fund	(812,800)
Federal Medicaid Authority	(1,083,100)

This line item provides 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 Regional Behavioral Health Authorities.

Non-Medicaid Seriously Mentally Ill Services

The budget includes \$78,846,900 in FY 2014 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount consists of:

General Fund	76,596,900
Tobacco Tax and Health Care Fund	2,250,000
Medically Needy Account	

These amounts fund the following adjustments:

Crisis Services

The budget shifts \$(16,391,100) from the General Fund in FY 2014 to a new Crisis Services line item.

Background – This line item provides funding for Non-Medicaid Seriously Mentally Ill clients. The state has been a longstanding defendant in the *Arnold v. Sarn*

litigation concerning the level of services provided to the SMI population. Due to the state's fiscal condition, the plaintiffs and the state agreed in March 2010 to suspend the lawsuit for 2 years due to lack of funding. As part of the suspension, the FY 2011 budget reduced Non-Medicaid behavioral health spending by \$(41,754,000). The FY 2013 budget restored the majority of this reduction. In accordance with the May 2012 agreement to end the suspension, the state has agreed to utilize the restored funding to provide *Arnold* class members with access to name-brand prescription medication, additional crisis services, and expanded support services. Additionally, the agreement requires that the amount of class members receiving treatment at the Arizona State Hospital is capped at 55, in order to encourage greater use of community-based treatment and living arrangements. (See Table 2 for more information.)

Supported Housing

The budget includes \$5,324,800 from the General Fund in FY 2014 for Supported Housing. This amount is unchanged from FY 2013.

This line item funds housing services that will enable individuals to live in the community. These funds may serve Medicaid and 100% state funded recipients. Medicaid, however, does not provide a match for housing assistance.

Crisis Services

The budget includes \$16,391,100 from the General Fund in FY 2014 for a new Crisis Services line item. This amount funds the following adjustments:

Crisis Services

The budget shifts \$16,391,100 from the General Fund in FY 2014 to a new Crisis Services line item. These monies were previously in the Non-Medicaid Seriously Mentally Ill (SMI) Services line item.

This line item provides funding for persons in need of emergency behavioral health assistance. These services may include 24-hour crisis telephone lines, crisis mobile teams, and facility-based crisis services. These funds serve 100% state funded recipients.

Community Placement Treatment

The budget includes \$1,130,700 from the ASH Fund in FY 2014 for Community Placement Treatment. This amount is unchanged from FY 2013.

This line item provides funding for housing, transportation, clinical support, and meaningful day activities for State Hospital patients treated in the community.

The budget includes approximately \$66,000,000 for inpatient hospitalization services at the State Hospital for the SMI. As of April 2013, the ASH census was 236 patients.

Mental Health First Aid

The budget includes \$250,000 from the General Fund in FY 2014 for a new Mental Health First Aid Special Line Item (SLI). This amount funds the following adjustments:

Mental Health First Aid Funding

The budget includes an increase of \$250,000 from the General Fund in FY 2014 to provide additional resources for Mental Health First Aid services.

This line item provides training for Mental Health First Aid instructors. The Mental Health First Aid program is a public education effort to teach the public to identify, understand, and respond to signs of mental illnesses and substance abuse.

One-Time Electronic Medical Records Start-Up

The budget includes \$3,850,000 in FY 2014 for one-time Electronic Medical Records start-up costs. This amount consists of:

ASH Fund	2,400,000
Indirect Cost Fund	1,450,000

These amounts fund the following adjustments:

One-Time Appropriation

The budget includes an increase of \$3,850,000 in FY 2014 for one-time electronic medical records costs. This amount consists of:

ASH Fund	2,400,000
Indirect Cost Fund	1,450,000

This line item funds one-time start-up costs to implement a new electronic medical records system at the Arizona State Hospital.

Public and Family Health

Adult Cystic Fibrosis

The budget includes \$105,200 from the General Fund in FY 2014 for Adult Cystic Fibrosis. This amount is unchanged from FY 2013.

This line item provides contracted care and treatment services through Phoenix Children's Hospital for 20 individuals with cystic fibrosis.

AIDS Reporting and Surveillance

The budget includes \$1,000,000 from the General Fund in FY 2014 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2013.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The program also receives \$875,000 to provide medications under the Arizona AIDS Drug Assistance Program, which also receives Federal Funds for the medications. The program served an average of 1,300 clients per month in FY 2012.

Alzheimer's Disease Research

The budget includes \$1,125,000 in FY 2014 for Alzheimer's Disease Research. This amount consists of:

General Fund	125,000
TTHCF Health Research Account	1,000,000

These amounts are unchanged from FY 2013.

This line item provides funding for grants to universities, hospitals, and research centers in Arizona for dollar-for-dollar matching grants for research on the causes of Alzheimer's disease.

The FY 2014 Health and Welfare BRB continues to permit the department to use Tobacco Tax and Health Care Fund Health Research Account monies for Alzheimer's disease research.

Breast and Cervical Cancer and Bone Density Screening

The budget includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2014 for Breast and Cervical Cancer and Bone Density Screening. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$6,100 from the General Fund in FY 2014 for statewide adjustments.

The Well Woman Healthcheck program contracts for cancer screening women over age 40 that do not have health insurance and have incomes less than 250% of the FPL. Women who are diagnosed with breast and cervical cancer through this program are eligible to receive treatment through AHCCCS.

County Tuberculosis Provider Care and Control

The budget includes \$590,700 from the General Fund in FY 2014 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2013.

This line item provides General Fund reimbursement to hospitals and physicians for the care of hospitalized tuberculosis patients and for assistance to all county health departments for local tuberculosis control programs.

Emergency and Trauma Services

The budget includes \$300,000 from the General Fund in FY 2014 to provide additional funding for the purpose of maintaining essential emergency department and Level IV trauma services. This amount is unchanged from FY 2013. A hospital must be located in a county with a population of less than 500,000 persons; be licensed to operate 25 or fewer beds; not be designated as a critical access hospital as of January 1, 2012, pursuant to U.S. Code 42 § 485, F; and located within 25 miles of a hospital operated by the Indian Health Service. La Paz Regional Hospital meets these criteria. *(This appropriation is located in Section 119 of the General Appropriation Act.)*

Folic Acid

The budget includes \$400,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund in FY 2014 for Folic Acid. This amount is unchanged from FY 2013.

This line item provides for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2012, 38,328 low-income women of childbearing age received multivitamins and 14,452 women received folic acid education and multivitamins.

High Risk Perinatal Services

The budget includes \$2,543,400 in FY 2014 for High Risk Perinatal Services. This amount consists of:

General Fund	2,093,400
Emergency Medical Services Operating Fund	450,000

These amounts are unchanged from FY 2013.

This line item provides contracted transport services for high risk expectant mothers and contracted physician follow-up services for uninsured newborns in intensive care centers. It also provides funding for 4 visits per year to families who have babies born at risk of having developmental problems (i.e. speech problems, poor motor skills, delay in walking, etc.). The purpose of the visits is to have children developmentally ready to enter school by age 5.

Newborn Screening Program

The budget includes \$6,307,000 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2014 for the Newborn Screening Program. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$10,900 from the Newborn Screening Program Fund in FY 2014 for statewide adjustments.

This line item funds the centralized testing of all newborns in the state for a standard set of 29 disorders. In FY 2013, the program provided screening for approximately 87,590 newborns. The program also provides for follow-up counseling for the parents of affected newborns. The State Health Laboratory is the designated laboratory for testing.

Nursing Facility Study

The budget includes an increase of \$90,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2014 for a new quality improvement study of nursing care facilities. This amount funds the following adjustments:

Nursing Care Study Appropriation

The budget includes a one-time appropriation of \$90,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2014 for a quality improvement study of nursing care facilities.

This line item provides funding to complete quality improvement studies of nursing care facilities that began in FY 2013.

Poison Control Centers Funding

The budget includes \$990,000 from the General Fund in FY 2014 for Poison Control Centers. This amount is unchanged from FY 2013.

A.R.S. § 36-1161 requires 2 poison control centers to be maintained in Arizona. DHS allocated \$647,300 to the University of Arizona Poison Information Center and \$342,700 to the Banner Poison Control Center in FY 2013.

Laws 2012, Chapter 317 allows the Board of Pharmacy to transfer up to \$1,000,000 from the Arizona State Board of Pharmacy Fund to the University of Arizona Poison Control Information Center. However, this amount is not reflected in the table at the beginning of this narrative.

Nonrenal Disease Management

The budget includes \$198,000 from the General Fund in FY 2014 for Nonrenal Disease Management. This amount is unchanged from FY 2013.

This line item provides funding for medication and other transplant-related services for nonrenal transplant patients who are ineligible for other public assistance programs.

Renal Dental Care and Nutrition Supplements

The budget includes \$300,000 from the Tobacco Tax and Health Care Fund in FY 2014 for a new Renal Dental and Nutrition Supplements SLI. This amount funds the following adjustments:

Renal Dental Care and Nutrition Funding

The budget includes an increase of \$300,000 from the Tobacco Tax and Health Care Fund in FY 2014 for renal dental and nutrition supplements.

This line item provides pre-operative dental care and ongoing nutritional assistance for low-income renal disease patients. Funding in this line item treats kidney disease and associated kidney damage.

Additional Legislation

Extended Rulemaking Exemption

The FY 2014 Health and Welfare BRB extends the department's exemption from rulemaking from July 1, 2013 to April 30, 2014 for reducing regulatory costs, promotion of behavioral health organizations and facilitating licensure of integrated behavioral health programs.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency's funds associated with its proportionate share of costs for replacement of the state's financial accounting system. (*Please see the Automation Projects narrative for more details.*)

Non-Medicaid Behavioral Health Services Funding

The FY 2014 budget includes \$100,562,800 for Non-Medicaid behavioral health services, which are funded in the Non-Medicaid Seriously Mentally Ill (SMI) Services Special Line Item (SLI), Crisis Services SLI and the Supported Housing SLI. This is the same funding level as in FY 2013. When compared with the original FY 2009 appropriation for Non-Medicaid behavioral health services, the FY 2014 budgeted amount represents a reduction of \$(22,839,000). *Table 2* on the following page summarizes Non-Medicaid behavioral health funding totals and changes to funding in SLIs from FY 2009 to FY 2014. The FY 2011 budget consolidated Non-Medicaid behavioral health services into 3 SLIs. The FY 2013 budget further consolidated the Non-Medicaid behavioral health services SLIs to reflect additional monies that were added as part of the agreement to settle the *Arnold v. Sarn* lawsuit. The FY 2014 budget separates Crisis Services from the Non-Medicaid SMI Services SLI.

Table 2**Non-Medicaid Behavioral Health Appropriations**

Program	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	FY 2014 Change from <u>FY 2009</u>
CBH	\$ 8,851,800	\$ 7,320,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ (8,851,800)
SMI	61,116,700	53,849,700	0	0	0	0	(61,116,700)
Court Monitor	197,500	197,500	0	0	0	0	(197,500)
Arnold v. Sarn	37,153,100	34,170,200	0	0	0	0	(37,153,100)
Mental Health	2,447,300	1,747,300	0	0	0	0	(2,447,300)
Substance Abuse	13,635,400	6,339,400	0	0	0	0	(13,635,400)
Prescription Medication	0	0	40,154,900	40,154,900	0	0	0
Supported Housing	0	0	5,324,800	5,324,800	5,324,800	5,324,800	5,324,800
Crisis Services	0	0	16,391,100	16,391,100	0	16,391,100	16,391,100
Non-Medicaid SMI Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>95,238,000</u>	<u>78,846,900</u>	<u>78,846,900</u>
Total	\$123,401,800	\$103,624,800	\$61,870,800	\$61,870,800	\$100,562,800	\$100,562,800	\$(22,839,000)