

## Department of Health Services

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,176.7	1,176.7	1,176.7
Personal Services	53,124,100	58,284,000	58,284,000
Employee Related Expenditures	20,705,400	22,311,700	22,311,700
Professional and Outside Services	12,913,300	15,705,400	15,705,400
Travel - In State	486,700	547,300	547,300
Travel - Out of State	67,200	88,300	88,300
Other Operating Expenditures	32,429,600	38,051,700	36,251,700
Equipment	918,000	1,699,800	1,699,800
<b>OPERATING SUBTOTAL</b>	<b>120,644,300</b>	<b>136,688,200</b>	<b>134,888,200</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Behavioral Health</b>			
Medicaid Behavioral Health - Traditional	829,920,400	878,220,400	826,820,300
Medicaid Behavioral Health - Proposition 204	327,724,200	138,346,800 <sup>1/</sup>	535,859,000
Medicaid Behavioral Health - Comprehensive Medical and Dental Program	0	140,896,200	182,521,300
Medicaid Behavioral Health - Adult Expansion	0	17,687,600 <sup>1/</sup>	73,805,900
Proposition 204 Administration	5,579,200	6,446,700	6,446,700
Medicare Clawback Payments	13,838,800	14,925,100	14,100,700
Medicaid Insurance Premium Payments	23,337,600	22,487,100	23,998,500
Non-Medicaid Seriously Mentally Ill Services	94,411,200	78,846,900	78,846,900
Supported Housing	5,218,100	5,324,800	5,324,800
Crisis Services	0	16,391,100	16,391,100
Community Placement Treatment	0	1,130,700	0
Mental Health First Aid	0	250,000	250,000
One-Time Electronic Medical Records Start-Up	0	3,850,000	0
<b>Public and Family Health</b>			
Adult Cystic Fibrosis	76,900	105,200	105,200
AIDS Reporting and Surveillance	983,100	1,000,000	1,000,000
Alzheimer's Disease Research	1,125,000	1,125,000	1,125,000
Breast and Cervical Cancer and Bone Density Screening	1,110,100	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	517,300	590,700	590,700
Emergency and Trauma Services	300,000	300,000	300,000
Folic Acid	316,000	400,000	400,000
High Risk Perinatal Services	1,961,400	2,543,400	2,543,400
Newborn Screening Program	5,428,500	6,307,000	6,307,000
Nursing Facility Study	0	90,000	50,000
Poison Control Centers Funding	580,700	990,000	990,000
Nonrenal Disease Management	198,000	198,000	198,000
Renal Dental Care and Nutrition Supplements	0	300,000	300,000
<b>AGENCY TOTAL</b>	<b>1,433,270,800</b>	<b>1,476,810,300</b>	<b>1,914,532,100</b>
<b>FUND SOURCES</b>			
General Fund	582,926,600	550,646,400	615,551,600
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	10,453,700	14,918,500	9,587,800
ASH Land Earnings Fund	186,900	650,000	650,000
Capital Outlay Stabilization Fund	210,000	1,559,800	1,559,800
Child Fatality Review Fund	94,400	94,800	94,800
Emergency Medical Services Operating Fund	4,209,900	5,121,400	5,121,400
Environmental Laboratory Licensure Revolving Fund	745,600	926,900	926,900
Federal Child Care and Development Fund Block Grant	694,500	830,400	830,400

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 BASELINE
Health Services Licensing Fund	7,784,800	8,842,400	8,842,400
Hearing and Speech Professionals Fund	317,800	0	0
Indirect Cost Fund	8,746,700	10,390,400	8,940,400
Long Term Care System Fund	1,379,600	0	0
Newborn Screening Program Fund	5,652,100	6,738,900	6,738,900
Nursing Care Institution Resident Protection Revolving Fund	54,700	128,200	88,200
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	35,083,000	35,467,000	35,467,000
Vital Records Electronic Systems Fund	2,456,200	3,634,700	3,634,700
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>81,319,900</b>	<b>92,553,400</b>	<b>85,732,700</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>664,246,500</b>	<b>643,199,800</b>	<b>701,284,300</b>
<b>Expenditure Authority Funds</b>			
Federal Medicaid Services	769,024,300	833,610,500	1,213,247,800
<b>SUBTOTAL - Expenditure Authority Funds</b>	<b>769,024,300</b>	<b>833,610,500</b>	<b>1,213,247,800</b>
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>1,433,270,800</b>	<b>1,476,810,300</b>	<b>1,914,532,100</b>
Other Non-Appropriated Funds	128,294,400	127,320,600	127,320,600
Federal Funds	313,217,000	310,573,100	310,781,000
<b>TOTAL - ALL SOURCES</b>	<b>1,874,782,200</b>	<b>1,914,704,000</b>	<b>2,352,633,700</b>

**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 2015 General Fund spending would increase by \$64,905,200, or 11.8%. The Baseline includes:

- \$19,826,300 for formula adjustments.
- \$36,854,400 for the annualization of costs associated with mandatory federal health care legislation.
- \$16,474,500 for the annualization of costs associated with Medicaid expansion and the Childless Adult restoration.
- \$(8,250,000) for shifting services of most enrollees in the Children's Rehabilitative Services program to Arizona Health Care Cost Containment System (AHCCCS).

### Operating Budget

The Baseline includes \$134,888,200 and 1,151.6 FTE Positions in FY 2015 for the operating budget. These amounts consist of:

	<b>FY 2015</b>
General Fund	\$82,780,500
Arizona State Hospital Fund	9,587,800
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

FY 2015 adjustments would be as follows:

<sup>1/</sup> Laws 2013, 1<sup>st</sup> Special Session, Chapter 10 appropriated "sufficient monies" from the Expenditure Authority fund source for the purposes of implementing A.R.S. § 36-2901.01 and A.R.S. § 36-2901.07. Includes an additional \$33,095,300 in the Proposition 204 Services line item and \$17,687,600 in the Adult Expansion line item.

	<b>FY 2014</b> <b>Appropriated</b>	<b>FY 2014</b> <b>Revised</b>	<b>FY 2015</b>	<b>FY 2015 Above</b> <b>FY 2014</b> <b>Revised</b>
Medicare Clawback payments	\$ 14,925,100	\$ 14,057,100	\$ 14,100,700	\$ 43,600
Medicaid Insurance Premium Payments	7,456,700	7,758,800	7,642,900	(115,900)
<b>State Match for Medicaid <sup>1/</sup></b>				
CBH	93,320,400	84,422,000	96,073,600	11,651,600
SMI	149,652,100	161,143,700	107,147,500	(53,996,200)
GMH/SA	48,190,100	51,284,200	58,771,500	7,487,300
<b>State Match for Proposition 204</b>				
CBH	1,631,200	932,800	927,400	(5,400)
SMI	0	0	75,787,900	75,787,900
GMH/SA	33,270,200	36,898,600	41,570,500	4,671,900
State Match for CMDP <sup>2/</sup>	<u>46,721,200</u>	<u>56,308,300</u>	<u>58,128,500</u>	<u>1,820,200</u>
<b>Total</b>	<b>\$395,167,000</b>	<b>\$412,805,500</b>	<b>\$460,150,500</b>	<b>\$47,345,000</b>
<sup>1/</sup> Base amounts include \$34,767,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.				
<sup>2/</sup> Prior to FY 2014 State Match for CMDP was a component of funding for the CBH population.				

**Annualize County SVP OF (1,800,000) Contribution**

The Baseline includes a decrease of \$(1,800,000) from the Arizona State Hospital (ASH) Fund in FY 2015 to reflect the increase in the state share of costs for the treatment of Sexually Violent Persons (SVP) at ASH in the FY 2014 budget. Last year, the county share of SVP costs was reduced by shifting \$1,800,000 to the General Fund. County SVP contributions are deposited into the ASH Fund. The ASH Fund was not reduced by a commensurate amount in FY 2014. The Baseline reflects the FY 2014 cost sharing arrangement by reducing the appropriation for the ASH Fund accordingly.

**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 4) Comprehensive Medical and Dental Program (CMDP). (See Table 1 for more information.)

**Formula Adjustments**

Formula adjustments are comprised of FY 2014 and FY 2015 changes to caseloads, FY 2015 changes in capitation rates, and FY 2015 changes to the federal match rate.

Capitation rate inflation is assumed to be 3% above FY 2014 for all Medicaid Behavioral Health programs. The 3% capitation rate increase is estimated to cost the General Fund \$12,658,700 in FY 2015. Adjustments to Medicare Clawback payments will reduce General Fund costs by \$(824,400).

Aside from caseload growth due to federal health care legislation, Medicaid expansion, and Childless Adult restoration, Traditional acute care and Proposition 204 populations are projected to increase by 1% while the

CMDP population is projected to grow by 3% in FY 2015. Caseload growth in FY 2014 and FY 2015 is estimated to result in additional General Fund costs of \$25,987,300 in FY 2015.

The Federal Medical Assistance Percentage (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 2015, the FMAP for Medicaid will increase to 68.15% (1.31% increase). The formula adjustments include a decrease of \$(17,995,300) in General Fund spending reflecting savings from the federal rate increase.

**Mandatory Federal Health Care Changes**

Federal health care legislation passed in 2010, known as the Affordable Care Act (ACA), expands mandatory levels of Medicaid coverage beginning on January 1, 2014. The additional General Fund cost of this expanded coverage is estimated to be \$36,854,400 in FY 2015. Changes resulting from the legislation are projected to increase DHS Medicaid caseloads by 90,690 by June 2014 and by 169,665 by June 2015. New enrollees in mandatory coverage will receive a regular FMAP of 68.15% in FY 2015. (Please see Mandatory Changes Resulting from Federal Health Care Legislation in the AHCCCS section of this report.)

**Medicaid Expansion**

The FY 2014 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2013, 1<sup>st</sup> Special Session, Chapter 10) made a number of changes to Medicaid coverage, including the expansion of coverage for adults up to 133% of the Federal Poverty Level (FPL) and the restoration of coverage for the Childless Adult population. The federal government will pay 100% of the cost of the Adult Expansion (parents and childless adults whose incomes are from 100% to 133% FPL) in 2014 to 2016. The Childless

Adult population from 0% to 100% FPL will also receive a higher match rate than the standard 2:1 match. The increased match starts at 83.62% in 2014 and increases to 85.48% in FY 2015. Medicaid expansion is estimated to result in additional General Fund costs of \$16,474,500 in FY 2015 and 246,168 additional enrollees by June 2015. (Please see *Medicaid Expansion, Childless Adult Restoration, and the Hospital Assessment in the AHCCCS section for additional information.*)

**Children’s Rehabilitative Services (CRS) Integration**

On October 1, 2013, AHCCCS integrated care for most children in the CRS program. Most CRS children that had been receiving behavioral health services from DHS now receive all their health care services through one CRS contractor. Some behavioral health costs that were previously paid for in DHS will, therefore, be shifted to AHCCCS. This cost shift is being addressed in FY 2014 through an interagency agreement. In FY 2015, the Baseline shifts these costs from DHS to AHCCCS. The Baseline includes a decrease of \$(8,250,000) from the General Fund in FY 2015 in DHS and a corresponding increase in AHCCCS.

**Medicaid Behavioral Health - Traditional**

The Baseline includes \$826,820,300 in FY 2015 for Medicaid Behavioral Health - Traditional. This amount consists of:

General Fund	227,225,600
Tobacco Tax and Health Care Fund	34,767,000
Medically Needy Account	
Federal Medicaid Authority	564,827,700

FY 2015 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF 39,492,000</b>
	<b>FMA 124,028,800</b>

The formula adjustments include:

- 1.0% enrollment growth.
- A change in the federal match rate from 66.84% to 68.15%.
- 3% capitation rate increase.
- The annualization of costs associated with federal health care legislation.

<b>SMI Reclassification</b>	<b>GF (60,412,000)</b>
	<b>FMA (129,279,500)</b>

The Baseline includes a decrease of \$(189,691,500) in FY 2015 to shift Proposition 204 SMI clients back to the Proposition 204 line item. The FY 2011 appropriation previously shifted these individuals to the Traditional SMI population because they were assumed to also be Supplemental Security Income (SSI) eligible. Some SSI eligible clients would receive Traditional services even if Proposition 204 had not been enacted. The FY 2015 Baseline shifts this population back to the Proposition 204 line item to reflect how the individuals are currently

enrolled. A corresponding increase can be found in the Proposition 204 line item.

<b>CRS Shift to AHCCCS</b>	<b>GF (8,250,000)</b>
	<b>FMA (16,979,400)</b>

The Baseline includes a decrease of \$(25,229,400) in FY 2015 to shift behavioral health services to the CRS line item in AHCCCS. A corresponding increase can be found in AHCCCS.

The CRS program offers health care to children with handicapping or potentially handicapping conditions.

*Background* – This line item provides behavioral health treatment to Medicaid eligible children who are not enrolled in CMDP and adults. In June 2015, there would be approximately 1,287,636 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 10.61%, or 136,618, of the eligible population will utilize services.

**Medicaid Behavioral Health - Proposition 204**

The Baseline includes \$535,859,000 in FY 2015 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	118,285,800
Federal Medicaid Authority	417,573,200

FY 2015 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF 22,972,400</b>
	<b>FMA 184,848,300</b>

The formula adjustments include:

- 1.0% enrollment growth.
- A change in the federal match rate for the non-Childless Adult population from 66.84% to 68.15%.
- A change in the federal match rate for childless adults from 83.62% to 85.48%.
- 3% capitation rate increase.
- The annualization of costs associated with federal health care legislation and Childless Adult restoration.

<b>SMI Reclassification</b>	<b>GF 60,412,000</b>
	<b>FMA 129,279,500</b>

(Please see *Medicaid Behavioral Health - Traditional for additional information.*)

*Background* – This line item provides behavioral health treatment to Medicaid eligible children and adults. In June 2015, there would be 654,285 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 10.61%, or 69,419, of the eligible population will utilize services.

**Medicaid Behavioral Health - Comprehensive Medical and Dental Program**

The Baseline includes \$182,521,300 in FY 2015 for Medicaid Behavioral Health - Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	58,128,500
Federal Medicaid Authority	124,392,800

FY 2015 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>11,407,300</b>
	<b>FMA</b>	<b>30,217,800</b>

The formula adjustments include 3% enrollment growth, an increase to the federal match rate, and a 3% capitation increase.

*Background* – 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. In June 2015, there would be approximately 14,427 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for CMDP, and it is estimated that an average of 64.17%, or 9,258, of the eligible population will utilize services.

**Medicaid Behavioral Health - Adult Expansion**

The Baseline includes \$73,805,900 from Federal Medicaid Authority in FY 2015 for the Adult Expansion.

FY 2015 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>FMA</b>	<b>56,118,300</b>
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The formula adjustments include the annualization and phase-in of this population.

*Background* – Beginning on January 1, 2014, the Adult Expansion provides Medicaid services for adults from 100%-133% FPL who are not eligible for another Medicaid program. The federal government will pay 100% of the cost of this population from 2014 to 2016. The federal share will gradually decline to 90% by 2020. It is estimated that 58,894 individuals will be enrolled in this line item in June 2015.

**Proposition 204 Administration**

The Baseline includes \$6,446,700 in FY 2015 for Proposition 204 Administration. This amount consists of:

General Fund	2,053,100
Federal Medicaid Authority	4,393,600

FY 2015 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>(78,300)</b>
	<b>FMA</b>	<b>78,300</b>

The Baseline includes a decrease of \$(78,300) from the General Fund and a corresponding increase from Federal Medicaid Authority in FY 2015 due to a change in the federal match rate.

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

**Medicare Clawback Payments**

The Baseline includes \$14,100,700 from the General Fund in FY 2015 for Medicare Clawback Payments. FY 2015 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>(824,400)</b>
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The Baseline includes a decrease of \$(824,400) from the General Fund in FY 2015 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 a certain percent (75.0% in 2015) of the estimated drug costs.

**Medicaid Insurance Premium Payments**

The Baseline includes \$23,998,500 in FY 2015 for Medicaid Insurance Premium Payments. This amount consists of:

General Fund	7,642,900
Federal Medicaid Authority	16,355,600

FY 2015 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>186,200</b>
	<b>FMA</b>	<b>1,325,200</b>

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 Baseline includes \$78,846,900 from the General Fund in FY 2015 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2014.

*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 *Other Issues for Legislative Consideration and Table 2 for more information.*)

**Supported Housing**

The Baseline includes \$5,324,800 from the General Fund in FY 2015 for Supported Housing. This amount is unchanged from FY 2014.

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. The program serviced an average of 3,097 clients per month in FY 2013.

**Crisis Services**

The Baseline includes \$16,391,100 from the General Fund in FY 2015 for Crisis Services. This amount consists of:

General Fund	14,141,100
Substance Abuse Services Fund	2,250,000

These amounts are unchanged from FY 2014.

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. The program served an average of 17,738 clients per month in FY 2013.

**Community Placement Treatment**

The Baseline includes no funding in FY 2015 for Community Placement Treatment. FY 2015 adjustments would be as follows:

**Eliminate SLI Funding OF (1,130,700)**

The Baseline includes a decrease of \$(1,130,700) from the ASH Fund in FY 2015 for the elimination of the Community Placement Treatment SLI because the annual appropriation has not been expended by the department

since FY 2009. The department reports these services are funded through Behavioral Health Services (BHS) contracts with Regional Behavioral Health Authorities.

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

The Baseline includes approximately \$66,000,000 for inpatient hospitalization services at the State Hospital for the SMI population. As of October 2013, the ASH census was 239 patients. (See *Other Issues for Legislative Consideration and Table 3 for more information.*)

**Mental Health First Aid**

The Baseline includes \$250,000 from the General Fund in FY 2015 for Mental Health First Aid. This amount is unchanged from FY 2014.

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. DHS has allocated \$195,000 to Regional Behavioral Health Authorities to provide training and materials in their regions. DHS will use the remaining \$55,000 to train persons who will teach Mental Health First Aid classes.

**One-Time Electronic Medical Records Start-Up**

The Baseline includes no funding in FY 2015 for Electronic Medical Records Start-Up. FY 2015 adjustments would be as follows:

**Remove One-Time Funding OF (3,850,000)**

The Baseline includes a decrease of \$(3,850,000) in FY 2015 for one-time Electronic Medical Records start-up costs. This amount consists of:

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

This line item funded 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 Baseline includes \$105,200 from the General Fund in FY 2015 for Adult Cystic Fibrosis. This amount is unchanged from FY 2014.

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 Baseline includes \$1,000,000 from the General Fund in FY 2015 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2014.

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 1,823 clients per month in FY 2013.

***Alzheimer’s Disease Research***

The Baseline includes \$1,125,000 in FY 2015 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 2014.

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 Baseline includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2015 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2014.

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 Baseline includes \$590,700 from the General Fund in FY 2015 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2014.

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 Baseline includes \$300,000 from the General Fund in FY 2015 to provide additional funding for the purpose of maintaining essential emergency department and Level IV trauma services. This amount is unchanged from FY 2014.

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.

***Folic Acid***

The Baseline includes \$400,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund in FY 2015 for Folic Acid. This amount is unchanged from FY 2014.

This line item provides for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2013, 27,455 low-income women of childbearing age received only multivitamins and 9,739 women received folic acid education and multivitamins.

***High Risk Perinatal Services***

The Baseline includes \$2,543,400 in FY 2015 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 2014.

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 Baseline includes \$6,307,000 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2015 for the Newborn Screening Program. These amounts are unchanged from FY 2014.

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 Baseline includes \$50,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2015 for a quality improvement study of nursing care facilities. FY 2015 adjustments would be as follows:

<b>Nursing Care Study</b>	<b>OF</b>	<b>(40,000)</b>
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The Baseline includes a decrease of \$(40,000) from the Nursing Care Institution Resident Protection Revolving Fund in FY 2015 for the continuation of a quality improvement study of nursing care facilities.

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

#### ***Poison Control Centers Funding***

The Baseline includes \$990,000 from the General Fund in FY 2015 for Poison Control Centers. This amount is unchanged from FY 2014.

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 2014.

A.R.S. § 32-1907 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 Baseline includes \$198,000 from the General Fund in FY 2015 for Nonrenal Disease Management. This amount is unchanged from FY 2014.

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 Baseline includes \$300,000 from the Tobacco Tax and Health Care Fund - Medically Needy Account in FY 2015 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2014.

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.

\* \* \*

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

#### **FOOTNOTES**

##### *Standard Footnotes*

##### Departmentwide

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.

##### Behavioral Health

On or before January 6, 2015, 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, 2014. On June 30, 2015, the department shall report the same information for all of FY 2015.

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. Sam* 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.

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.

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.

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.

#### Public and Family Health

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.

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.

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.

#### *Deletion of Prior Year Footnotes*

The Baseline would delete the footnote permitting DHS to use the department's IGA and ISA Fund as the state Medicaid match for behavioral health services.

### **STATUTORY CHANGES**

The Baseline would:

- As session law, continue requiring all cities and counties to pay 100% of their Restoration to Competency costs.
- As session law, require all counties to pay 32% of their Sexually Violent Persons (SVP) costs, excluding any indirect and administrative costs associated with DHS providing SVP care. The Baseline would, as session law, also allow counties to use any source of county revenue to make the transfers and exempt county contributions from county expenditure limitations. (*See Other Issues for Legislative Consideration.*)
- As session law, continue to notwithstanding A.R.S. § 36-773 to permit DHS to use Tobacco Tax and Health

Care Fund – Health Research Account monies for Alzheimer's disease research.

- As session law, require the Directors of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting to agree to the content and format of a revenue and expenditure report for the DHS' IGA/ISA Fund by August 1, 2014. Beginning September 30, 2014, DHS shall report annually to the Joint Legislative Budget Committee on the revenues, expenditures, and ending balances from the previous, current, and subsequent fiscal years.

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

#### ***FY 2014 Balance***

DHS General Fund spending is projected to exceed the agency's appropriation by \$18 million in FY 2014. This estimate is due to higher than budgeted funding formula costs in BHS. Primary components of the net \$18 million estimate include:

- Increasing projected enrollment growth of the CMDP population to 7%, from the 1.5% budgeted rate. CMDP enrollment grew 15.1% in FY 2013 and 4.3% through the first 4 months of FY 2014.
- Actual capitation rate growth of 9.2% for CMDP and 3.6% for SMI populations while capitation rate growth was budgeted to be 2% in FY 2014.
- A slower decline than projected in the childless adult population for the last 3 months of FY 2013 and first 4 months of FY 2014. This population was subject to an enrollment freeze through December 31, 2013.

The summary tables for DHS' FY 2014 budget have not been updated to reflect any supplemental. The net \$18 million estimate in DHS could potentially be funded by a portion of AHCCCS' projected \$(73) million FY 2014 balance.

#### ***Non-Medicaid Behavioral Health Services Funding***

The FY 2015 Baseline 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 2014. When compared with the original FY 2009 appropriation for Non-Medicaid behavioral health services, the FY 2015 Baseline 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 separated Crisis Services from the Non-Medicaid SMI Services SLI.

**Table 2**

**Non-Medicaid Behavioral Health Appropriations**

<b>Program</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2014 Change from FY 2009</b>
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 Substance Abuse	2,447,300 13,635,400	1,747,300 6,339,400	0	0	0	0	(2,447,300) (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	0	0	0	0	95,238,000	78,846,900	78,846,900
<b>Total</b>	<b>\$123,401,800</b>	<b>\$103,624,800</b>	<b>\$61,870,800</b>	<b>\$61,870,800</b>	<b>\$100,562,800</b>	<b>\$100,562,800</b>	<b>\$(22,839,000)</b>

**County Sexually Violent Persons Contributions**

After serving their prison sentence, some persons convicted of sexually violent crimes may be remanded by the courts for further confinement and treatment. These individuals are housed at the Arizona State Hospital (ASH). Since FY 2010, counties that have sent Sexually Violent Persons (SVP) to ASH are responsible for a portion of the daily cost of care. The FY 2010 Health and Welfare BRB (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 10) initially required counties to pay 25% of the daily cost of care. The FY 2012 Health BRB (Laws 2011, Chapter 31) increased the county share to 50% of daily SVP costs. The FY 2014 Health and Welfare BRB (Laws 2013, 1<sup>st</sup> Special Session, Chapter 10) permitted DHS to set the percentage rate at a level that would increase the state share of the cost by \$1.8 million in FY 2014.

Currently, DHS bills counties at 50% of program rates. Once DHS collects half of the expected full-year costs, it suspends billing for the remainder of year and will make any adjustments in the next fiscal year to reflect the additional \$1.8 million in cost-sharing that the state is paying. DHS estimates expenditures for SVP care will be approximately \$9.7 million for FY 2014. Although not specifically authorized by previous session laws related to SVP, DHS has also billed counties indirect and administrative costs associated with SVP care, which totaled \$1.6 million in FY 2013. Based on this methodology, JLBC Staff estimates total expenditures will be \$11.3 million for FY 2014. After the \$1.8 million cost shift to the state, counties will pay \$3.9 million, or 35%, of total SVP expenditures.

The Baseline would establish the county share at 32% of the daily cost of SVP care, excluding indirect and administrative costs associated with DHS providing SVP care. This percentage is derived from the amount counties would have paid to DHS in FY 2014 less indirect and

administrative costs. The impact of this policy would be two-fold: 1) DHS would bill counties at 32% during the entire year instead of making adjustments in the next fiscal year and 2) indirect and administrative costs would be borne entirely by DHS.

Using the Baseline scenario, JLBC Staff estimates that direct expenditures associated with SVP care in FY 2015 will be approximately \$9.8 million, of which the counties would pay \$3.1 million.

**Special Line Item Reporting**

The JLBC Staff recommends that for greater transparency, the spending for the Arizona State Hospital, SVP and Restoration to Competency (RTC) programs should be reported as their own individual line items. These monies would be shifted from DHS' operating budget to 3 new line items. Separate reporting for SVP and RTC will also help clarify the cost-sharing arrangement between the state and counties. The delineation is displayed in *Table 3*.

Table 3

**Expenditures by Fund Source:  
Arizona State Hospital, Sexually Violent Persons, and Restoration to Competency**

	<b>FY 2013 Actual</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Estimate</b>
<b>Arizona State Hospital Special Line Item</b>			
<u>Fund Source</u>			
General Fund	\$ 46,454,600	\$ 45,071,400	\$ 45,071,400
Arizona State Hospital Fund	5,562,500	7,766,400	5,666,400
State Hospital Land Earnings Fund	186,900	650,000	650,000
Indirect Cost Fund	0	1,450,000	0
<b>Total Funds Available</b>	<b>\$ 52,204,000</b>	<b>\$ 54,937,800</b>	<b>\$ 51,387,800</b>
<b>Sexually Violent Persons Special Line Item</b>			
<u>Fund Source</u>			
General Fund	\$ 4,704,400	\$ 6,707,300	\$ 6,707,300
Arizona State Hospital Fund	4,246,100	3,021,400	3,021,400
<b>Total Funds Available</b>	<b>\$ 8,950,500</b>	<b>\$ 9,728,700</b>	<b>\$ 9,728,700</b>
<b>Restoration to Competency Special Line Item</b>			
<u>Fund Source</u>			
Arizona State Hospital Fund	\$ 771,000	\$ 1,200,000	\$ 900,000
<b>Total Funds Available</b>	<b>\$ 771,000</b>	<b>\$ 1,200,000</b>	<b>\$ 900,000</b>

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
<b>Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> State monies and matching federal monies for disproportionate share payments at the Arizona State Hospital, Medicaid reimbursement for services provided at the Arizona State Hospital, and monies collected for services to clients at the state hospital. The FY 2014 Health Budget Reconciliation Bill (BRB) (Laws 2013, Chapter 10) continues to require that all counties pay 100% of the cost of care for Restoration to Competency patients.		
<b>Purpose of Fund:</b> To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
<b>Funds Expended</b>	10,453,700	14,918,500
<b>Year-End Fund Balance*</b>	1,457,500	(7,291,300)
<b>Arizona State Hospital Land Earnings Fund (HSA3128/A.R.S. § 36-211)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received from interest on the Arizona State Hospital's Permanent Land Fund, as established through Arizona's Enabling Act, Section 25, and the monies derived from the lease of these lands and miscellaneous revenue.		
<b>Purpose of Fund:</b> For the benefit and support of the Arizona State Hospital.		
<b>Funds Expended</b>	186,900	650,000
<b>Year-End Fund Balance</b>	1,189,700	1,014,700
<b>Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenues from special plate fees and renewals. Of the \$25 fee, \$8 is for administrative costs deposited to the State Highway Fund and \$17 is deposited into the Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund.		
<b>Purpose of Fund:</b> For breast and cervical cancer screening and diagnostic and outreach services.		
<b>Funds Expended</b>	337,200	288,100
<b>Year-End Fund Balance</b>	147,700	73,900

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
<b>Capital Outlay Stabilization Fund (HSA1600/A.R.S. § 41-792.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Appropriations from the Arizona Department of Administration Capital Outlay Stabilization Fund and transfers from the Arizona Department of Administration ( <i>see Arizona Department of Administration for more detail on Capital Outlay Stabilization Fund</i> ).		
<b>Purpose of Fund:</b> Lease-purchase payments for the new state health laboratory (transfers from Arizona Department of Administration are spent for building renewal).		
<b>Funds Expended</b>	210,000	1,559,800
<b>Year-End Fund Balance</b>	0	0
<b>Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A \$1 surcharge on fees collected on all certified copies of death certificates, up to \$100,000. Any revenue collected in excess of \$100,000 is transferred from the fund to the Child Abuse Prevention Fund in the Department of Economic Security.		
<b>Purpose of Fund:</b> To organize county child fatality review teams and to study data collected by these teams to determine ways to reduce the state's child mortality rate.		
<b>Funds Expended</b>	94,400	94,800
<b>Year-End Fund Balance</b>	739,300	885,500
<b>Childhood Cancer and Rare Childhood Disease Research Fund</b> (No Fund Number/A.R.S. § 28-2442, A.R.S. § 36-121)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A deposit of \$17 of each \$25 original and annual renewal of Childhood Cancer Research special plate fee and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
<b>Purpose of Fund:</b> To issue Multiple Sclerosis special plates, if a person or entity pays \$32,000 by December 31, 2012. The required implementation fee of \$32,000 was received by the deadline and has been reimbursed to the person or entity that made the payment to ADOT. The person or entity that provided the \$32,000 shall design the Childhood Cancer Research special plates, subject to approval by ADOT. ADOT is to annually deposit these monies, excluding administrative fees, into the DHS-administered Childhood Cancer and Rare Childhood Disease Research Fund. DHS shall allocate monies from the fund to nonprofit health care providers and research institutions throughout the state for Phase I clinical trials relating to pediatric cancer or other rare pediatric diseases.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Disease Control Research Fund (HSA2090/A.R.S. § 36-274)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature and any gifts, contributions or other monies received by the Disease Control Research Commission from any other source, including Proposition 204.		
<b>Purpose of Fund:</b> To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development.		
<b>Funds Expended</b>	2,462,700	2,462,700
<b>Year-End Fund Balance</b>	4,977,400	4,952,800
<b>Donations - DHS (HSA3010/2025/A.R.S. § 36-132)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Individual donations for various health related purposes.		
<b>Purpose of Fund:</b> For specific purposes as designated by the donors. Monies donated pursuant to A.R.S. § 36-213 and A.R.S. § 36-204 for the Arizona State Hospital are accounted for separately.		
<b>Funds Expended</b>	185,000	181,400
<b>Year-End Fund Balance</b>	910,500	1,118,100
<b>Donations - Statewide (HSA2025/A.R.S. § 36-132)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Individual donations from employee recognition events.		
<b>Purpose of Fund:</b> Employee recognition purposes.		
<b>Funds Expended</b>	2,300	2,300
<b>Year-End Fund Balance</b>	4,500	4,400

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
<b>Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives 48.9% of the Medical Services Enhancement Fund revenues, which are collected from a 13% surcharge on fines charged for criminal offenses and civil motor vehicle statute violations.		
<b>Purpose of Fund:</b> To fund local and state emergency medical services systems.		
<b>Funds Expended</b>	4,209,900	5,121,400
<b>Year-End Fund Balance</b>	3,857,900	4,288,200
<b>Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
<b>Purpose of Fund:</b> For costs associated with licensing environmental laboratories by the Department of Health Services.		
<b>Funds Expended</b>	745,600	926,900
<b>Year-End Fund Balance</b>	524,700	332,400
<b>Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Federal formula grant.		
<b>Purpose of Fund:</b> A portion of the Federal Child Care and Development Block Grant provides the Assurance and Licensure Division with monies for the licensure of child care facilities.		
<b>Funds Expended</b>	694,500	830,400
<b>Year-End Fund Balance</b>	66,500	66,500
<b>Federal Grants (HSA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants and reimbursements from the federal government. Federal reimbursement for the Medicaid program is not included in this fund and can be found listed in the Medicaid Services and County Contributions Fund.		
<b>Purpose of Fund:</b> To provide health services in accordance with the terms of each specific grant.		
<b>Funds Expended</b>	311,830,100	310,371,800
<b>Year-End Fund Balance*</b>	(4,938,600)	(1,090,500)
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA) (HSA2999/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5)		
<b>Purpose of Fund:</b> One-time Federal Funds to be used by the department for Public Health and Family Health programs.		
<b>Funds Expended</b>	1,386,900	201,300
<b>Year-End Fund Balance</b>	276,300	264,900
<b>Federal Medicaid Services (HSA2500/A.R.S. § 35-142)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> The fund receives federal match dollars for treating behavioral health problems in Medicaid-eligible persons.		
<b>Purpose of Fund:</b> For accounting purposes, these monies are considered part of the Agreements/IGA Fund. However, for informational purposes, the revenues and expenditures related to behavioral health have been separated from the Agreements Fund.		
<b>Funds Expended</b>	769,024,300	833,610,500
<b>Year-End Fund Balance</b>	0	0
<b>Health Services Licensing Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Nonrefundable fees for health care institution licensing services and monies from the examination and licensing of hearing and speech professionals.		
<b>Purpose of Fund:</b> For health care institutions' licensing applications, initial license, renewal license and architectural drawing reviews. Pursuant to Laws 2013, Chapter 33, revenues from licensing and examination of hearing and speech professionals are deposited into this fund. DHS establishes nonrefundable fees for assurance and licensure. 90% of assurance and licensure fees have been deposited into this fund with the remaining 10% deposited into the General Fund.		
<b>Funds Expended</b>	7,784,800	8,842,400
<b>Year-End Fund Balance</b>	2,102,500	2,569,400

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
<b>Hearing and Speech Professionals Fund (HSA3041/A.R.S. § 36-1903)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies collected by DHS from the examination and licensing of hearing and speech professionals.		
<b>Purpose of Fund:</b> For the licensing and regulation of hearing and speech professionals. Laws 2013, Chapter 33 repeals the Hearing and Speech Professionals Fund and consolidates revenues collected by the department from the examination of licensing of hearing professional to the Health Services Licensing Fund. The FY 2014 Health and Welfare BRB (Laws 2013, Special Session, Chapter 10) transfers any unexpended monies in the Hearing and Speech Professionals Fund to the Health Services Licensing Fund.		
<b>Funds Expended</b>	317,800	0
<b>Year-End Fund Balance</b>	663,800	663,800
<b>IGA/County Contributions (HSA2144/2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> This fund receives revenues from intergovernmental agreements between DHS and other state and local entities, contributions from Maricopa and Pima Counties for treating persons with behavioral health problems, subaccounts for Liquor Services Fees authorized under A.R.S. § 4-203.02, and deposits from the State Lottery Fund pursuant to A.R.S. § 5-572. In FY 2014, DHS will receive \$53,628,600 from Maricopa and Pima County for behavioral health services, \$9,089,100 from the Arizona Health Care Cost Containment System (AHCCCS) for KidsCare, \$14,000,000 from the Department of Economic Security for nutrition services. The department also will receive \$6,967,000 from the State Lottery Fund for teenage pregnancy prevention, disease research, Health Start, and the Women, Infants, and Children (WIC) program.		
<b>Purpose of Fund:</b> To fund services which DHS has agreed to perform at the request of, or in conjunction with, public agencies.		
<b>Funds Expended</b>	91,498,200	90,493,500
<b>Year-End Fund Balance</b>	39,329,700	30,779,400
<b>Indirect Cost Fund (HSA9001/A.R.S. § 36-108)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
<b>Purpose of Fund:</b> To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
<b>Funds Expended</b>	8,746,700	10,390,400
<b>Year-End Fund Balance*</b>	1,367,200	(134,100)
<b>Internal Services Fund (HSA4202/A.R.S. § 36-108)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Charges from other DHS funds.		
<b>Purpose of Fund:</b> Revolving Fund used by DHS warehouse for the purchase of goods.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	115,300	115,300
<b>Long Term Care System Fund (HSA2223/A.R.S. § 36-2953)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Client revenue for room and board, third-party recovery, interest, and miscellaneous federal monies.		
<b>Purpose of Fund:</b> To fund, in most circumstances, Department of Economic Security administrative and program costs associated with the Long Term Care system. These monies were allocated to DHS for the cost of a provider rate increase in FY 2013. The cost was shifted to the General Fund in FY 2014.		
<b>Funds Expended</b>	1,379,600	0
<b>Year-End Fund Balance</b>	0	0
<b>Medical Marijuana Fund (HSA2544/A.R.S. § 36-2817)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
<b>Purpose of Fund:</b> To regulate dispensation, prescription, and use of medical marijuana, including an electronic registry of dispensary agents, patients and designated caregivers.		
<b>Funds Expended</b>	3,663,200	3,663,200
<b>Year-End Fund Balance</b>	7,497,600	9,616,400

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
<b>Medical Student Loan Fund (HSA3306/A.R.S. § 15-1725)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies from legislative appropriations, and loan repayments of principal, interest, and penalties received by the board. These monies are exempt from lapsing. The FY 2013 Higher Education Budget Reconciliation Bill (Laws 2012, Chapter 301) transferred the administration of the fund to the Department of Health Services. All monies in the fund are to be used for the Primary Care Provider Loan Repayment Program. There are no new legislative appropriations into this fund.		
<b>Purpose of Fund:</b> To provide loans to defray the medical education expenses of medical program graduates, in return for a service commitment to the state.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	74,000	148,000
<b>Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Monies received as part of the hospital charges for each child born in Arizona. Fee limits for newborn screening are \$30 for the first blood and hearing screening and \$40 for the second blood and hearing screening.		
<b>Purpose of Fund:</b> To provide monies for the centralized testing of all newborns in the state for a standard set of 29 metabolic and congenital (environmental/inherited) disorders. Every 4 years the department solicits bids for the contracting of these tests. The State Health Lab holds the current contract. In addition, the fund provides monies for follow-up counseling for the parents of affected infants.		
<b>Funds Expended</b>	6,652,100	6,738,900
<b>Year-End Fund Balance*</b>	978,400	(1,296,100)
<b>Nursing Care Institution Resident Protection Revolving Fund (HSA2329/A.R.S. § 36-446.08)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
<b>Purpose of Fund:</b> For the protection of the health and property of residents of nursing care facilities that are found deficient.		
<b>Funds Expended</b>	54,700	128,200
<b>Year-End Fund Balance</b>	1,261,000	1,314,100
<b>Oral Health Fund (HSA3038/A.R.S. § 36-138)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from AHCCCS contracts for dental services.		
<b>Purpose of Fund:</b> To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
<b>Funds Expended</b>	201,000	201,000
<b>Year-End Fund Balance</b>	677,900	729,600
<b>Prescription Drug Rebate Fund (HSA2546/A.R.S. § 36-2930)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Prescription drug rebate collections, interest from prescription drug rebate late payments and Federal monies made available to this state for the operation of the Medicaid Prescription Drug Rebate Program.		
<b>Purpose of Fund:</b> To pay for the administrative costs of the Prescription Drug Rebate Program, for payments to contractors or providers in the administration's medical services programs, and to offset General Fund costs for Medicaid programs. Also used to return the federal share of Prescription Drug Rebate collections and interest from late payments to the federal Centers for Medicare and Medicaid Services by offsetting future federal draws. Federal monies in this fund are non-appropriated through FY 2012. Beginning in FY 2013, federal monies are listed as Expenditure Authority. All Other monies are appropriated.		
<b>Appropriated Funds Expended</b>	0	0
<b>Non-Appropriated Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Risk Assessment Fund (HSA2427/A.R.S. § 36-1693)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies from the Department of Environmental Quality for risk services performed by DHS. The fund may also receive legislative appropriations, gifts, grants, or donations.		
<b>Purpose of Fund:</b> To conduct health effects studies and risk assessments of public health risks from environmental exposure, to evaluate and calculate cleanup standards, to communicate health risks to the public, and for administrative costs of those activities.		
<b>Funds Expended</b>	16,100	16,100
<b>Year-End Fund Balance</b>	47,600	76,500

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
<b>Serious Mental Illness Services Fund (HSA2464/A.R.S. § 36-503.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated from the Tobacco Litigation Settlement Account, other legislative appropriations and interest earned on these monies. The fund received a one-time appropriation of \$50,000,000 from tobacco settlement funds in FY 2001. The final \$1,100,000 was spent in FY 2005.		
<b>Purpose of Fund:</b> To fund Community Housing, Vocational Rehabilitation, and other recovery support services to persons with serious mental illnesses.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,900	2,900
<b>Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receives \$2,000,000 from the proceeds of the sales of unclaimed property and interest income. A.R.S. § 44-313 states that the first \$2,000,000 in unclaimed property revenues are distributed to the Seriously Mentally Ill Housing Trust Fund. The second \$2,500,000 in unclaimed property revenues are distributed to the Housing Trust Fund, which is administered by the Department of Housing.		
<b>Purpose of Fund:</b> To fund housing projects for the seriously mentally ill. The appropriated portion pays for administration expenses, and may not exceed 10% of the Seriously Mentally Ill Housing Trust monies. The non-appropriated portion of the fund is used for the operation, construction or renovation of a facility that houses seriously mentally ill individuals.		
<b>Appropriated Funds Expended</b>	0	0
<b>Non-Appropriated Funds Expended</b>	586,800	586,800
<b>Year-End Fund Balance</b>	3,456,900	4,901,500
<b>Service Fees Increase Fund (HSA1050/Laws 2010, 7th Special Session, Chapter 12)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund fee increase from fees raised pursuant to Laws 2010, 7th Special Session, Chapter 12.		
<b>Purpose of Fund:</b> Operating activities.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Smoke-Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A 2¢ per pack tax on cigarettes. Any revenues not used by the department to enforce the smoking ban are deposited to the Tobacco Tax Products Fund to be used for education programs to reduce or eliminate tobacco use.		
<b>Purpose of Fund:</b> To enforce the provisions of Proposition 201 (Smoke-Free Arizona Act) enacted in the 2006 General Election. The Smoke-Free Arizona Act banned smoking in public places except retail tobacco stores, veteran and fraternal clubs, hotel rooms designated as smoking rooms, and outdoor patios.		
<b>Funds Expended</b>	2,915,100	2,915,100
<b>Year-End Fund Balance</b>	572,000	556,900
<b>Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives 23.6% of monies collected from Medical Services Enhancement Fund, which is a 13% penalty levied on criminal offenses, motor vehicle civil violations, and game and fish violations. Monies are deposited into 2 subaccounts.		
<b>Purpose of Fund:</b> To provide alcohol and other drug screening, education or treatment for persons court-ordered to attend and who do not have the financial ability to pay for the services, to contract for preventive or rehabilitative and substance abuse services, and to provide priority for treatment services to pregnant substance abusers.		
<b>Funds Expended</b>	2,250,000	2,250,000
<b>Year-End Fund Balance</b>	2,205,700	2,501,100
<b>Temporary Transaction Privilege and Use Tax – 1% Fund</b> (HSA1032/Article IX, Section 12.1 of State Constitution)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Temporary 3-year 1-cent sales and use tax authorized by voters during the May 2010 special election. The tax expires after May 31, 2013.		
<b>Purpose of Fund:</b> To provide funding for primary and secondary education, health and human services and public safety. Expenditures are not displayed to avoid double counting General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2013 Actual	FY 2014 Estimate
<b>Tobacco Tax and Health Care Fund - Health Education Account</b> (HSA1308/A.R.S. § 36-772)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The account receives 23¢ of each dollar deposited in the Tobacco Tax and Health Care Fund and 2¢ of each dollar in the Tobacco Products Tax Fund.		
<b>Purpose of Fund:</b> Monies are used for community-based education and evaluation, and other programs to discourage tobacco use among the general public, specifically targeting minors and culturally diverse populations. The monies from the Tobacco Products Tax Fund are used for the prevention and detection of the 4 leading causes of death.		
<b>Funds Expended</b>	17,481,400	18,600,000
<b>Year-End Fund Balance</b>	7,731,700	5,009,100
<b>Tobacco Tax and Health Care Fund - Health Research Account</b> (HSA2096/ A.R.S. § 36-275, A.R.S. § 36-773)		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund.		
<b>Purpose of Fund:</b> Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.		
<b>Appropriated Funds Expended</b>	1,000,000	1,000,000
<b>Non-Appropriated Funds Expended</b>	8,945,400	7,910,400
<b>Year-End Fund Balance</b>	1,573,500	296,500
<b>Tobacco Tax and Health Care Fund - Medically Needy Account</b> (HSA1306/A.R.S. § 36-774)		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> The account receives funding from the Medically Needy Account of the Tobacco Tax and Health Care Fund, which is managed by AHCCCS. All monies remaining unexpended at the end of the fiscal year revert to the AHCCCS Medically Needy Account. <i>(See Tobacco Tax Table in the AHCCCS section.)</i>		
<b>Purpose of Fund:</b> Monies are used for a variety of health programs that are intended to increase primary care and mental health services for uninsured and low-income populations.		
<b>Appropriated Funds Expended</b>	35,083,000	35,467,000
<b>Non-Appropriated Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected for searches, copies of records, applications to file delayed records, requests for supplementary birth certificates, following adoption, legitimation, paternity determination, surgical alterations, and chromosomal counts, or amendments to existing records. DHS is authorized by A.R.S. § 36-341 to set vital records fees for individuals and counties that access the vital records electronic system. Total revenues are limited to \$4,530,000. Of the first \$4,000,000, 85% will be required into the Vital Records Electronic Systems Fund and 15% will be deposited into the General Fund. For any revenue above \$4,000,000, 40% will be deposited into the Vital Records Electronic Systems Fund and 60% will be deposited into the General Fund.		
<b>Purpose of Fund:</b> To develop and operate a new vital records automated system.		
<b>Funds Expended</b>	2,456,200	3,634,700
<b>Year-End Fund Balance</b>	861,200	234,300

\*As reported by the agency. Actual ending balance will not be negative.