

## Department of Health Services

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,176.7	1,176.7	1,176.7
Personal Services	55,430,600	19,178,500	19,178,500
Employee Related Expenditures	22,479,800	8,160,100	8,160,100
Professional and Outside Services	13,405,300	2,004,700	2,004,700
Travel - In State	448,000	400,500	400,500
Travel - Out of State	70,900	70,300	70,300
Other Operating Expenditures	33,585,100	34,883,600	34,883,600
Equipment	600,900	1,194,800	1,194,800
<b>OPERATING SUBTOTAL</b>	<b>126,020,600</b>	<b>65,892,500</b>	<b>65,892,500</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Behavioral Health</b>			
Medicaid Behavioral Health - Traditional	752,526,300	819,169,600	908,242,700
Medicaid Behavioral Health - Proposition 204	365,207,500	533,313,600	561,091,000
Medicaid Behavioral Health - Comprehensive Medical and Dental Program	155,731,500	182,521,300	179,366,100
Medicaid Behavioral Health - Adult Expansion	0	73,805,900	40,130,800
Proposition 204 Administration	4,007,100	6,446,700	6,446,700
Medicare Clawback Payments	14,925,100	14,100,700	14,228,600
Medicaid Insurance Premium Payments	25,803,400	23,795,400	33,627,700
Non-Medicaid Seriously Mentally Ill Services	76,261,100	78,846,900	78,846,900
Supported Housing	5,249,500	5,324,800	5,324,800
Crisis Services	16,382,800	16,391,100	16,391,100
Mental Health First Aid	167,300	250,000	250,000
<b>Arizona State Hospital</b>			
Arizona State Hospital - Operating	0	58,366,200	58,366,200
Arizona State Hospital - Restoration to Competency	0	900,000	900,000
Arizona State Hospital - Sexually Violent Persons	0	9,731,700	9,731,700
<b>Public Health/Family Health</b>			
Adult Cystic Fibrosis	78,900	105,200	105,200
AIDS Reporting and Surveillance	902,700	1,000,000	1,000,000
Alzheimer's Disease Research	1,125,000	2,375,000	1,125,000
Biomedical Research Support	0	2,000,000	2,000,000
Breast and Cervical Cancer and Bone Density Screening	844,300	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	522,300	590,700	590,700
Emergency and Trauma Services	300,000	0	0
Folic Acid	379,800	400,000	400,000
High Risk Perinatal Services	1,829,300	2,543,400	2,543,400
Newborn Screening Program	5,785,300	6,307,700	6,307,700
Nursing Facility Study	0	50,000	0
Poison Control Centers Funding	742,500	990,000	990,000
Nonrenal Disease Management	44,300	198,000	198,000
Renal Dental Care and Nutrition Supplements	1,000	300,000	300,000
School-Based Prevention Education	0	300,000	300,000
<b>AGENCY TOTAL</b>	<b>1,554,837,600</b>	<b>1,907,385,800</b>	<b>1,996,066,200</b>
<b>FUND SOURCES</b>			
General Fund	562,482,400	613,362,100	622,273,500
<b>Other Appropriated Funds</b>			
Arizona State Hospital Fund	9,385,400	9,588,600	9,588,600
ASH Land Earnings Fund	623,700	650,000	650,000
Capital Outlay Stabilization Fund	1,559,800	1,559,800	1,559,800
Child Fatality Review Fund	69,400	94,800	94,800

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
Emergency Medical Services Operating Fund	4,257,100	5,122,400	5,122,400
Environmental Laboratory Licensure Revolving Fund	660,700	927,100	927,100
Federal Child Care and Development Fund Block Grant	830,400	879,400	879,400
Health Services Licensing Fund	8,616,100	9,275,100	9,275,100
Indirect Cost Fund	8,833,200	8,573,500	8,573,500
Newborn Screening Program Fund	5,785,300	6,739,600	6,739,600
Nursing Care Institution Resident Protection Revolving Fund	59,000	88,200	38,200
Substance Abuse Services Fund	2,250,000	2,250,000	2,250,000
TTHCF Health Research Fund	1,000,000	3,000,000	3,000,000
TTHCF Medically Needy Account	35,147,800	35,467,000	35,467,000
Vital Records Electronic Systems Fund	2,456,000	3,635,500	3,635,500
SUBTOTAL - Other Appropriated Funds	81,533,900	87,851,000	87,801,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>644,016,300</b>	<b>701,213,100</b>	<b>710,074,500</b>
<b>Expenditure Authority Funds</b>			
Federal Medicaid Services	910,821,300	1,206,172,700	1,285,991,700
SUBTOTAL - Expenditure Authority Funds	910,821,300	1,206,172,700	1,285,991,700
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>1,554,837,600</b>	<b>1,907,385,800</b>	<b>1,996,066,200</b>
Other Non-Appropriated Funds	125,647,800	128,886,600	128,886,600
Federal Funds	299,867,900	301,854,200	301,854,200
<b>TOTAL - ALL SOURCES</b>	<b>1,980,353,300</b>	<b>2,338,126,600</b>	<b>2,426,807,000</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 2016 General Fund spending would increase by \$8,911,400, or 1.5%. The Baseline includes:

- \$19,874,100 for formula adjustments.
- \$(8,253,300) for the reduction of costs associated with mandatory federal health care legislation.
- \$(1,459,400) for the reduction of costs associated with an increased federal match rate associated with the Childless Adult population.
- \$(1,250,000) for the elimination of one-time funding from the Alzheimer's Disease Research line item.

#### Operating Budget

The Baseline includes \$65,892,500 and 451.6 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	<b>FY 2016</b>
General Fund	\$23,920,200
Capital Outlay Stabilization Fund	1,559,800
Child Fatality Review Fund	94,800
Emergency Medical Services (EMS) Operating Fund	4,672,400
Environmental Laboratory Licensure Revolving Fund	927,100

Federal Child Care and Development Fund (CCDF) Block Grant	879,400
Health Services Licensing Fund	9,275,100
Indirect Cost Fund	8,573,500
Newborn Screening Program Fund	431,900
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,635,500
Federal Medicaid Authority (FMA)	11,884,600

These amounts are unchanged from FY 2015.

#### 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). (Please see Table 3 for more information.)

#### Formula Adjustments

Formula adjustments totaling \$19,874,100 from the General Fund are comprised of FY 2016 changes to 1) capitation rates, 2) Medicare Clawback payments, 3) caseloads and 4) the federal match rate. Formula adjustments do not include costs associated with federal

health care expansion. (Please see Table 1 and Mandatory Expansion and Optional Medicaid Expansion sections of this report for additional information.)

<b>Formula Adjustments</b>	
FY 2016 Caseload Growth	\$ 19
FY 2016 3% Capitation Rate Increase	10
FY 2016 Federal Match Rate Increase	(9)
Clawback Payment Increase	0
<i>Subtotal</i>	<i>\$ 20</i>
<b>Mandatory Expansion</b>	
Child Expansion	\$ (5)
Health Insurer Fee	(3)
Currently Eligible But Not Enrolled <sup>1/</sup>	--
<i>Subtotal</i>	<i>\$ (8)</i>
<b>Optional Medicaid Expansion</b>	
Childless Adults and Adult Expansion	\$ (1)
<b>Other Adjustments</b>	
One-Time Funding for Alzheimer's Research	\$ (1)
<b>Total Spending Change <sup>2/</sup></b>	<b>\$ 9</b>

<sup>1/</sup> Amounts are included in the formula adjustment above.  
<sup>2/</sup> Numbers do not add due to rounding.

Most populations funded by the Traditional, Proposition 204, and Adult Expansion line items are projected to grow by 2% in FY 2016. This assumption reflects state population growth.

The SMI and CMDP populations are projected to experience higher rates of growth. The SMI population receiving integrated services in Maricopa County is projected to grow by 5% in FY 2016. This estimate is based on a 5-year annual growth average of 5.1%. The CMDP program enrollment is projected to grow 7% in FY 2016.

In the aggregate, the caseload growth is estimated to result in a \$18,558,700 General Fund cost increase in FY 2016.

In June 2016, there are projected to be 1,553,834 individuals eligible for Medicaid Behavioral Health services. DHS receives a monthly capitation payment from AHCCCS for every eligible individual, although only an estimated average of 8.8%, or 137,373, of the eligible population will utilize services. (See Table 2 for more information.)

Capitation rate growth is assumed to be 3% above FY 2015 for all Medicaid Behavioral Health programs. This assumption reflects recent state capitation trends in the program and national trends in the consumer price index for Medical Care and Medicaid per enrollee spending. The 3% capitation rate increase is estimated to cost the General

Fund \$9,901,200 in FY 2016. Capitation rates include a risk corridor to limit profits and losses of the Regional Behavioral Health Authorities (RBHA) that administer Medicaid Behavioral Health services. (See Risk Corridor in Other Issues for Legislative Consideration section for more information.)

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. The federal government provides an approximate 2:1 match for the traditional Medicaid program. During FY 2016, the base FMAP for Medicaid will increase to 68.81% (0.66% increase). The formula adjustments include a decrease of \$(8,713,700) in General Fund spending reflecting savings from the federal rate increase.

Adjustments to Medicare Clawback payments will increase General Fund costs by \$127,900.

The Baseline includes an \$8,726,700 supplemental from the General Fund in FY 2015 to cover shortfalls associated with higher-than-expected Medicaid caseload growth. (See FY 2015 Supplemental in Other Issues for Legislative Consideration for more information.)

<b>By Line Item</b>	<b>Eligible <sup>1/</sup></b>	<b>No. Using Services</b>	<b>Rate of Use</b>
Traditional	1,028,082	74,426	7.2%
Proposition 204	468,643	48,702	10.4
CMDP	16,726	10,026	59.9
Adult Expansion <sup>2/</sup>	40,383	4,219	10.4
<b>Total Member Months</b>	<b>1,553,834</b>	<b>137,373</b>	<b>8.8%</b>
<b>By Service Type</b>	<b>Eligible <sup>1/</sup></b>	<b>No. Using Services</b>	<b>Rate of Use</b>
CBH	691,927	39,032	5.6%
SMI <sup>3/</sup>	845,181	32,685	3.9
GMH/SA <sup>3/</sup>	16,726	55,630	6.6
CMDP	16,726	10,026	59.9
<b>Total Member Months</b>	<b>1,553,834</b>	<b>137,373</b>	<b>8.8%</b>

<sup>1/</sup> Projections in this table differ from total enrollment projections in the AHCCCS agency section as some populations enrolled in AHCCCS are not eligible to enroll in DHS. Additionally, some individuals receive all of their care through AHCCCS on an integrated basis.  
<sup>2/</sup> Parents and Childless Adults from 100%-133% of the federal poverty level (FPL).  
<sup>3/</sup> Each adult enrollee is eligible for both SMI and GMH/SA services.

#### **Mandatory Expansion**

Federal health care legislation, known as the Affordable Care Act (ACA), expanded mandatory levels of Medicaid coverage beginning on January 1, 2014. The General Fund cost of this expanded coverage is estimated to decrease by \$(8,253,300) in FY 2016. Of this amount, \$(5,334,000) is the result of lower-than-projected DHS Medicaid caseloads and an FMAP increase. The remaining decrease of \$(2,919,300) reflects a lower health insurer fee.

**Table 3****General Fund Medicaid Behavioral Health Appropriations**

	<b>FY 2015 Appropriated</b>	<b>FY 2015 Revised</b>	<b>FY 2016</b>	<b>FY 2016 Above FY 2015 Original</b>
Medicare Clawback Payments	\$ 14,100,700	\$ 13,786,100	\$ 14,228,600	\$ 127,900
Medicaid Insurance Premium Payments	7,578,300	8,751,500	8,835,900	1,257,600
<b>State Match for Medicaid <sup>1/</sup></b>				
CBH	95,170,200	93,528,600	95,124,500	(45,700)
SMI	106,139,900	129,186,500	133,456,600	27,316,700
GMH/SA	58,218,800	49,904,400	50,735,700	(7,483,100)
<b>State Match for Proposition 204</b>				
CBH	1,150,100	741,100	761,700	(388,400)
SMI	75,121,000	68,367,100	64,715,800	(10,405,200)
GMH/SA	41,204,500	45,897,500	43,228,400	2,023,900
State Match for CMDP	<u>58,128,500</u>	<u>55,375,900</u>	<u>55,928,300</u>	<u>(2,200,200)</u>
<b>Total</b>	<b>\$456,812,000</b>	<b>\$465,538,700</b>	<b>\$467,015,500</b>	<b>\$10,203,500 <sup>2/</sup></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> The \$1,292,100 difference between this total and the overall DHS General Fund change from the FY 2015 Original to the FY 2016 estimate is related to the elimination of one-time funding from the Alzheimer's Disease Research line item and an FMAP change to the Proposition 204 Administrative line item.

After January 1, 2014, individuals are required to have health insurance or pay a fine unless they meet certain criteria. Uninsured individuals also have access to health insurance through newly-created health insurance exchanges, and individuals under 400% FPL are eligible for premium subsidies.

Most individuals eligible for Medicaid but not enrolled are not subject to the ACA fine. Nonetheless, publicity surrounding the individual mandate and additional availability of health insurance may induce some who are currently eligible but not enrolled to sign up. As a result, the Baseline assumes a FY 2015 enrollment growth of 7.1% in the Traditional and Proposition 204 population line items.

(See *Mandatory Changes Resulting from Federal Health Care Legislation in the AHCCCS section of this report.*)

### **Optional Medicaid Expansion**

The FY 2014 Health and Welfare BRB (Laws 2013, 1<sup>st</sup> Special Session, Chapter 10) made a number of changes to Medicaid coverage, including the restoration of coverage for Childless Adults from 0% to 100% and expansion of coverage for adults up to 133% of the Federal Poverty Level (FPL).

Chapter 10 removed the enrollment freeze that had been in effect since FY 2012 and restored coverage for the Childless Adult population. The FY 2016 Baseline includes a higher match rate than the standard 2:1 match for the Childless Adult population between 0% and 100% FPL. The increased match was 85.48% in FY 2015 and will increase to 89.05% in FY 2016. In AHCCCS, the state match for Childless Adults is paid by the Hospital

Assessment. In DHS, however, this cost is paid by the General Fund.

The FY 2016 Baseline also includes the federal government paying 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 General Fund cost of Medicaid Restoration and Expansion is estimated to decrease \$(1,459,400) in FY 2016. This decrease is the result of the enhanced federal match. (See *Childless Adult Restoration, Adult Expansion, and the Hospital Assessment in the AHCCCS section for additional information.*)

### **Medicaid Behavioral Health - Traditional**

The Baseline includes \$908,242,700 in FY 2016 for Medicaid Behavioral Health - Traditional. This amount consists of:

General Fund	244,549,800
Tobacco Tax and Health Care Fund	34,767,000
Medically Needy Account	
Federal Medicaid Authority	628,925,900

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF 19,787,900</b>
	<b>FMA 69,285,200</b>

The formula adjustments include:

- 2% enrollment growth.
- A change in the federal match rate from 68.15% to 68.81%.
- 3% capitation rate increase.

*Background* – This line item provides behavioral health treatment to Medicaid eligible adults and children. In June 2016, there are projected to be 1,028,082 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 7.2%, or 74,426, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appears in *Table 2*.

**Medicaid Behavioral Health - Proposition 204**

The Baseline includes \$561,091,000 in FY 2016 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	108,705,900
Federal Medicaid Authority	452,385,100

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF (8,769,700)</b>
	<b>FMA 36,547,100</b>

The formula adjustments include:

- 2% enrollment growth.
- An increase in the federal match rate for the non-Childless Adult population from 68.15% to 68.81%.
- An increase in the federal match rate for Childless Adults from 85.48% to 89.05%.
- 3% capitation rate increase.

*Background* – This line item provides behavioral health treatment to Proposition 204 - Medicaid eligible adults and children. In June 2016, there are projected to be 468,643 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated average 10.4%, or 48,702, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appears in *Table 2*.

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

The Baseline includes \$179,366,100 in FY 2016 for Medicaid Behavioral Health - Comprehensive Medical and Dental Program (CMDP). This amount consists of:

General Fund	55,928,300
Federal Medicaid Authority	123,437,800

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF (2,200,200)</b>
	<b>FMA (955,000)</b>

The formula adjustments include 7% enrollment growth, an increase to the federal match rate, and a 3% capitation rate 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 will primarily be administered by the Department of Child Safety (DCS), beginning in FY 2015. DHS administers behavioral health services for these clients. Prior to FY 2014, DHS administered CMDP behavioral health through its CBH program. During FY 2014, DES administered acute care services for this population before this responsibility was transferred to DCS. In June 2016, there are projected to be 16,726 eligible individuals. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for CMDP, and it is estimated that an average of 59.9%, or 10,026, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appears in *Table 2*.

Laws 2013, Chapter 220 requires AHCCCS, DES and DHS to determine and report on the most effective method for delivering medical, dental and behavioral health services to children who qualify for CMDP, considering the possibility of an administratively integrated system. The report is due by October 1, 2015. (*See Integration of Health Services in Other Issues for Legislative Consideration for a broader discussion of integration.*)

**Medicaid Behavioral Health - Adult Expansion**

The Baseline includes \$40,130,800 from Federal Medicaid Authority in FY 2016 for the Adult Expansion. FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>FMA (33,675,100)</b>
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The formula adjustments include a lower-than-expected FY 2015 enrollment, 2% enrollment growth in FY 2016, and a 3% capitation rate increase.

*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. The Baseline assumes that 40,383 individuals will be enrolled in June 2016. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for the Adult Expansion, and it is estimated that an average of 10.4%, or 4,219, of the eligible population will utilize services. A summary of projections for eligibility and service utilization appears in *Table 2*.

**Proposition 204 Administration**

The Baseline includes \$6,446,700 in FY 2016 for Proposition 204 Administration. This amount consists of:

General Fund	2,011,000
Federal Medicaid Authority	4,435,700

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>(42,100)</b>
	<b>FMA</b>	<b>42,100</b>

The Baseline includes a decrease of \$(42,100) from the General Fund and a corresponding increase of \$42,100 from Federal Medicaid Authority in FY 2016 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 \$14,228,600 from the General Fund in FY 2016 for Medicare Clawback Payments. FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>127,900</b>
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The Baseline includes an increase of \$127,900 from the General Fund in FY 2016 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 2016) of the estimated drug costs.

**Medicaid Insurance Premium Payments**

The Baseline includes \$33,627,700 in FY 2016 for Medicaid Insurance Premium Payments. This amount consists of:

General Fund	8,835,900
Federal Medicaid Authority	24,791,800

FY 2016 adjustments would be as follows:

<b>Formula Adjustments</b>	<b>GF</b>	<b>1,257,600</b>
	<b>FMA</b>	<b>8,574,700</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 RBHAs.

**Non-Medicaid Seriously Mentally Ill Services**

The Baseline includes \$78,846,900 from the General Fund in FY 2016 for Non-Medicaid Seriously Mentally Ill (SMI) Services. This amount is unchanged from FY 2015.

*Background* – This line item provides funding for Non-Medicaid SMI clients. The state had been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population.

In January 2014, an exit agreement from the litigation was signed by Arizona’s Governor, Maricopa County, and the plaintiffs in the case. The Maricopa County Superior Court approved the agreement in February 2014. The exit agreement requires the state to begin meeting requirements by June 2016 for providing assertive community treatment, supported housing, supported employment, crisis services, and family and peer support services to individuals with a serious mental illness. (See *Non-Medicaid Behavioral Health Services Funding in Other Issues for Legislative Consideration for more information and the FY 2015 Appropriations Report for history of the case.*)

**Supported Housing**

The Baseline includes \$5,324,800 from the General Fund in FY 2016 for Supported Housing. This amount is unchanged from FY 2015.

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 served an average of 1,539 clients per month in FY 2014.

**Crisis Services**

The Baseline includes \$16,391,100 in FY 2016 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 2015.

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 2,590 clients per month in FY 2014.

**Mental Health First Aid**

The Baseline includes \$250,000 from the General Fund in FY 2016 for Mental Health First Aid. This amount is unchanged from FY 2015.

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. In FY 2014 and FY 2015, DHS allocated \$134,500 and \$160,500, respectively, to RBHAs to provide training and materials in their regions and an additional \$79,000 and \$74,000, respectively, to train people to teach Mental Health First Aid classes.

**Arizona State Hospital**

**ASH - Operating**

The Baseline includes \$58,366,200 and 587.5 FTE Positions in FY 2016 for ASH - Operating. These amounts consist of:

General Fund	52,049,800
ASH Fund	5,666,400
ASH Land Earnings Fund	650,000

These amounts are unchanged from FY 2015.

This line item provides funding for inpatient psychiatric hospitalization services for adult seriously mentally ill residents. Over the 12-month period from November 2013 through November 2014, the Arizona State Hospital has had an average monthly census of 238 patients.

**ASH - Restoration to Competency**

The Baseline includes \$900,000 from the ASH Fund in FY 2016 for ASH - Restoration to Competency. This amount is unchanged from FY 2015.

*Background* – ASH provides treatment to restore to competency individuals who are found incompetent to stand trial. Prior to 1997, counties paid 100% of the cost of restoring patients to competency. In FY 1997, the state assumed the full cost of RTC treatment. In FY 2002, the state began requiring cities and counties to pay 86% of the costs of the program. The state continued to vary the required reimbursement rate over the next several years. Beginning in FY 2010, budget-related session laws have required all counties to pay 100% of the daily cost of care for RTC patients treated at ASH.

**ASH - Sexually Violent Persons**

The Baseline includes \$9,731,700 and 112.5 FTE Positions in FY 2016 for ASH - Sexually Violent Persons. These amounts consist of:

General Fund	6,709,500
ASH Fund	3,022,200

These amounts are unchanged from FY 2015.

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. 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 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. The FY 2015 Health and Welfare BRB requires that the counties' cost of care percentage for SVP treatment not increase from the FY 2014 levels. DHS determined that counties paid 33% of daily SVP costs in FY 2014 and expect that counties will be billed at the same percentage in FY 2015.

In its FY 2016 budget request, DHS estimates direct and indirect expenditures for SVP care will be approximately \$9,731,700 in FY 2016. Of that amount, the counties would pay \$3,022,200, or approximately 31% of total costs.

In order to provide counties with a consistent and predictable rate, the Baseline sets the FY 2016 county rate at 33% of daily SVP costs.

**Public Health/Family Health**

**Adult Cystic Fibrosis**

The Baseline includes \$105,200 from the General Fund in FY 2016 for Adult Cystic Fibrosis. This amount is unchanged from FY 2015.

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 2016 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2015.

The line item provides \$100,000 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 \$850,000 to provide medications under the Arizona AIDS Drug Assistance Program, which also receives Federal Funds for the medications. The program served an average of 35 clients per month in FY 2014.

### ***Alzheimer's Disease Research***

The Baseline includes \$1,125,000 in FY 2016 for Alzheimer's Disease Research. This amount consists of:

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

FY 2016 adjustments would be as follows:

#### **Remove One-Time Funding GF (1,250,000)**

The Baseline includes a decrease of \$(1,250,000) from the General Fund in FY 2016 to eliminate one-time funding for Alzheimer's disease research.

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.

### ***Biomedical Research Support***

The Baseline includes \$2,000,000 from the Tobacco Tax and Health Care Fund-Health Research Account in FY 2016 for Biomedical Research Support. This amount is unchanged from FY 2015.

This line item is funded by Section 128 of the FY 2015 General Appropriation Act (Laws 2014, Chapter 18). Section 128 appropriates \$2,000,000 annually from FY 2015 to FY 2019 from the Tobacco Tax and Health Care Fund-Health Research Account and will not appear in the General Appropriation Act.

This line item provides funding to a nonprofit medical research institute headquartered in Arizona that specializes in biomedical research, conducts molecular epidemiological analyses to assist with disease outbreak investigations, and collaborates with universities, hospitals, and other public and private bioscience and related industries in this state. Section 128 requires the recipient of monies in this line item to submit an annual

audit of expenditures of these monies to DHS by February 1 of each year.

In prior years, DHS has distributed biomedical research support funding to the Translational Genomics Research Institute (TGen), a nonprofit medical research institution headquartered in Arizona. In FY 2013 and FY 2014, respectively, DHS allocated \$4,100,000 and \$2,000,000 to TGen from non-appropriated Health Research Account monies. Information regarding the FY 2015 contract recipients was unavailable at the time of publication.

The appropriation from this line item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations.

### ***Breast and Cervical Cancer and Bone Density Screening***

The Baseline includes \$1,369,400 and 1 FTE Position from the General Fund in FY 2016 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2015.

The Well Woman Healthcheck program provides contracted cancer screenings for women over age 40 who lack 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 2016 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2015.

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.

### ***Folic Acid***

The Baseline includes \$400,000 from the Tobacco Tax and Health Care Fund-Medically Needy Account in FY 2016 for Folic Acid. This amount is unchanged from FY 2015.

This line item provides for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2014, 33,317 women received folic acid education and multivitamins.

### ***High Risk Perinatal Services***

The Baseline includes \$2,543,400 in FY 2016 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 2015.

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 \$6,307,700 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2016 for the Newborn Screening Program. These amounts are unchanged from FY 2015.

This line item funds the centralized testing of all newborns in the state for a standard set of 29 disorders plus Chapter 171 provisions described below. In FY 2014, the program provided screening for approximately 84,593 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.

Laws 2014, Chapter 171 requires DHS to screen newborns for critical congenital heart defects (CCHD) and permits DHS to adopt tests for Severe Combined Immunodeficiencies (SCID) and Krabbe Disease if the department performs a cost benefit analysis and seeks stakeholder input. The law also allows DHS to designate other laboratories as testing facilities for conditions or tests added to the screening program. Prior to the enactment of this law, DHS was required to contract only with the State Health Laboratory.

***Nursing Facility Study***

The Baseline includes no funding from the Nursing Care Institution Resident Protection Revolving Fund in FY 2016 for a quality improvement study of nursing care facilities. FY 2016 adjustments would be as follows:

**Remove One-Time Funding OF (50,000)**

The Baseline includes a decrease of \$(50,000) from the Nursing Care Institution Resident Protection Revolving Fund in FY 2016 to eliminate one-time funding for a study of nursing care facilities.

***Poison Control Centers Funding***

The Baseline includes \$990,000 from the General Fund in FY 2016 for Poison Control Centers. This amount is unchanged from FY 2015.

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 2015.

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 2016 for Nonrenal Disease Management. This amount is unchanged from FY 2015.

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 2016 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2015.

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.

***School-Based Prevention Education***

The Baseline includes \$300,000 from the General Fund in FY 2016 for School-Based Prevention Education. This amount is unchanged from FY 2015.

This line item provides funding to organizations that implement school-based prevention education programs promoting positive life choices and focusing on the topics of substance abuse, mental health, violence, and other risky behaviors. Prior to disbursement of monies from this line item, DHS must submit an expenditure plan for review by the Joint Legislative Budget Committee. As of December 2014, DHS has not submitted its plan.

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

## FOOTNOTES

### *Standard Footnotes*

#### Departmentwide

The Department of Health Services shall electronically forward a monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals 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 on or before the 30th of the following month. The report must 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, 2016, 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 on or before that date since July 1, 2015. On June 30, 2016, the department shall report the same information for all of FY 2016.

The Department of Health Services shall report to the Joint Legislative Budget Committee by December 31, 2015, and every 6 months thereafter, on the progress in implementing the *Arnold v. Sarn* lawsuit settlement. The report must include at a minimum the department's progress toward meeting all criteria specified in the 2014 joint stipulation, including the development and estimated cost of additional behavioral health service capacity in Maricopa County as follows: supported housing services for 1,200 class members, supported employment services for 750 class members, 8 assertive community treatment teams and consumer operated services for 1,500 class members. The department shall also report the amounts, by fund source, it plans to use to pay for expanded services. (*The reporting timeframe would be changed from quarterly to semi-annually.*)

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 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 State Land Funds are

appropriated to the Arizona State Hospital in compliance with the Enabling Act and the Constitution of Arizona.

The Department of Health Services shall report to the Joint Legislative Budget Committee on or before 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 may not be 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 more for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee.

#### Public Health/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.

The Department of Health Services shall distribute monies appropriated for School-Based Prevention Education on a competitive grant basis to grant applicants who will implement a proactive prevention education program in all middle and high schools in this state. (*This footnote is a simplified version of the FY 2015 language.*)

#### *New Footnotes*

On or before November 1 of each year, the Department of Health Services shall report to the Joint Legislative Budget Committee the revenues, expenditures, and ending balances of the department's Intergovernmental/ Interagency Service Agreements (IGA/ISA) Fund from the previous, current, and subsequent fiscal years. (*See IGA/ISA Fund Reporting in Other Issues for Legislative Consideration for more information.*)

## STATUTORY CHANGES

The Baseline would:

- As session law, continue to require all cities and counties to pay 100% of their Restoration to Competency Costs.
- As session law, continue to require all counties to pay 33% of their total Sexually Violent Persons (SVP) costs throughout the entire commitment process, including pre-adjudication proceedings. The Baseline would, as session law, also continue to allow counties to use any source of county revenue to make the transfers and exempt county contributions from county expenditure limitations. (*See ASH - Sexually Violent Persons for more information.*)
- 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 permanent law, establish 4 separate funds that DHS must use for intergovernmental/interagency service agreements. (*See IGA/ISA Fund Reporting in Other Issues for Legislative Consideration for more information.*)
- As permanent law, delete a DHS homeland security allocation and expenditure reporting requirement pursuant to A.R.S. § 41-4255. (*Because DHS has not received Homeland Security monies since FY 2008, this reporting requirement has become obsolete.*)

### Deleted Provisions

- The Baseline would not continue a provision in the General Appropriation Act that requires the Joint Legislative Budget Committee and the Governor's Office of Strategic Management and Budget to report on the feasibility of creating a common financial status report. This report was submitted to the Governor and the Joint Legislative Budget Committee in November 2014.
- The Baseline would not continue a provision that permits DHS to raise behavioral health service provider rates by 2% in FY 2015.

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

This section includes information on the following topics:

- FY 2015 Supplemental
- Long Term Budget Impacts
- Integration of Health Services
- SMI Funding
- IGA/ISA Fund Reporting
- Risk Corridor
- Non-Medicaid Behavioral Health Services Funding

### FY 2015 Supplemental

The Baseline includes an \$8,726,700 supplemental from the General Fund to cover shortfalls in the Medicaid

Traditional and Insurance Premium Payments line items. The overall shortfall is the result of higher-than-projected caseload growth. The summary table at the beginning of this narrative has not be updated to reflect the recommended supplemental.

### Long Term Budget Impacts

Beyond FY 2016 Baseline changes for DHS, JLBC Staff estimates that DHS' statutory caseload changes will require an additional \$25.8 million in FY 2017 above FY 2016 and an additional \$31.0 million in FY 2018 above FY 2017 for behavioral health services. This estimate assumes 2% enrollment growth, 3% capitation rate growth, and an increase to the federal match rate for Childless Adults offset by a decrease to the federal match rate for the Adult Expansion population.

### Integration of Health Services

AHCCCS and DHS currently integrate acute care services and behavioral health services for Medicaid-eligible SMI adults in Maricopa County. DHS' FY 2016 budget request seeks to expand integration services for all Medicaid-eligible SMI adults outside Maricopa County through the Non-Maricopa RBHA contracts.

### Maricopa Integrated SMI Health Services

In April 2014, AHCCCS and DHS entered into an agreement to integrate acute care services and behavioral health services for Medicaid-eligible SMI adults in Maricopa County. These dual services are provided to approximately 17,000 people by Mercy Maricopa Integrated Care (MMIC), the RBHA for Maricopa County. This integrated pilot program, unlike services provided to most Medicaid-eligible populations, uses an integrated capitation rate paid to one contractor (i.e., the acute care and behavioral health costs are combined into 1 rate as opposed to having 2 separate rates paid to 2 separate contractors by 2 separate agencies). The capitation rate for these services is paid on Medicaid-eligible SMI adults who live in Maricopa County. (*See SMI Funding in Other Issues for Legislative Consideration for more information on the costs associated with the SMI population.*)

### Non-Maricopa Integrated SMI Health Services

DHS is expanding integration services for all Medicaid-eligible SMI adults outside Maricopa County through the Non-Maricopa RBHA contracts. There would be 2 Geographic Service Areas (GSAs) for which a RBHA would administer and coordinate integrated services for eligible persons. The North GSA would include Apache, Coconino, Gila, Mohave, Navajo, and Yavapai Counties, as well as a small portion of Graham County. The South GSA would include Cochise, Graham, Greenlee, La Paz, Pima, Pinal, Santa Cruz, and Yuma Counties.

DHS awarded the North GSA contract to Health Choice Integrated Care, a partnership between Northern Arizona RBHA and Health Choice Arizona, and the South GSA contract to Cenpatico Integrated Care, a partnership between Cenpatico of Arizona and the University of

Arizona Health Network. These contracts will begin on October 1, 2015.

To implement both the Maricopa and Non-Maricopa RBHA contracts, DHS and AHCCCS have requested to permanently shift the acute care appropriation of \$227.8 million in total funds from AHCCCS to DHS in the FY 2016 budget.

*Integration of Health Services for Dual Eligibles*

DHS and AHCCCS also seek to permanently shift the General Mental Health funding for the “dual eligible” population from DHS to AHCCCS. This request would shift \$16.6 million in total funds from DHS to AHCCCS in the FY 2016 budget. The dual eligible population consists of low-income individuals who qualify for both Medicare and Medicaid at the same time.

*Integrating Additional Health Services*

The FY 2016 Baseline does not integrate funding for these programs as proposed by the 2 agencies in their September 2014 budget request. The JLBC Staff recommends that prior to deciding whether to move funding between agencies, the Legislature should review the state’s long term policy toward integration of all acute and behavioral health services. AHCCCS and the Department of Health Services have already begun to implement smaller scale integration projects. The review could consider the broader long term policy goals and the organizational implications of consolidating all services within 1 agency.

**SMI Funding**

As shown in *Table 4* the total funding in FY 2016 for SMI behavioral health services is \$769.0 million to cover a projected 32,685 recipients. State and federal funding for this population is located in the Traditional, Proposition 204, and Adult Expansion line items of the DHS budget.

The General Fund cost for Medicaid-eligible SMI adults in Maricopa County is projected to be \$117.9 million in FY 2016, covering 18,953 recipients. This group receives integrated behavioral health and acute care services.

The General Fund cost for Medicaid-eligible SMI adults who live outside of Maricopa County is projected to be \$80.2 million in FY 2016, covering 13,732 recipients. This group does not currently receive integrated services.

Funding for acute care is located in the Traditional and Proposition 204, and Adult Expansion line items in the AHCCCS budget.

**IGA/ISA Fund Reporting**

The FY 2015 Health and Welfare BRB (Laws 2014, Chapter 11) required the Directors of the JLBC and the Governor’s Office of Strategic Planning and Budgeting (OSP) to agree to the content and format of a revenue and expenditure report of DHS’ Intergovernmental Agreements/Interagency Service Agreements Fund (IGA/ISA).

The IGA/ISA is used to transfer monies from one entity to DHS, usually for services which DHS has agreed to perform at the request of, or in conjunction with, public agencies. DHS funds a wide variety of programs from the IGA/ISA. The largest program, accounting for over 92% of revenues to the IGA/ISA, is behavioral health services.

The Directors agreed to a reporting format that divides revenues and expenditures into 4 categories:

1. Medicaid monies (including Title XIX/XXI) for behavioral health services;
2. County monies for primarily behavioral health services;
3. Lottery monies for an array of other public health services; and
4. Remaining monies.

Because of the wide array of programs supported by this fund, as well as the disproportionate share of behavioral health services costs, the FY 2016 Baseline includes a provision to divide funds currently located in the IGA/ISA Fund into 4 separate funds as defined by the categories above. This 4-fund structure would result in greater transparency and would help ensure that monies are not inappropriately comingled.

**Risk Corridor**

DHS contracts with community-based organizations, known as RBHAs, to administer behavioral health services. In turn, each RBHA contracts with a network of medical providers to deliver these services. DHS limits the service profit or loss of a RBHA to a percentage of the annual service revenue. If a RBHA exceeds the profit limit, then DHS can request the return of those excess profits. Conversely, if a RBHA experiences excess losses, then DHS will reimburse the RBHA. The profit/loss margin is called a “risk corridor.”

Currently, the risk corridor for all RBHAs is 3% –their profits or losses, as percentage of annual services revenues, are limited to 3%. The RBHA responsible for Maricopa County has a 4% risk corridor. Below is the list of RBHAs, by GSA, and their risk corridors:

**Table 4**

**JLBC Projected FY 2016 Behavioral Health Funding for SMI Services**

<b>By Fund</b>	<b>Integrated SMI (Maricopa County)<sup>1/</sup></b>	<b>All Other Adult Enrollees<sup>2/</sup></b>	<b>Total</b>
State Match	\$117,932,400	\$80,240,000	\$198,172,400
Federal Match	300,452,300	270,362,500	570,814,800
<b>Total Expenditures</b>	<b>\$418,384,700</b>	<b>\$350,602,500</b>	<b>\$768,987,200</b>
<b>June 1, 2016 Enrollees</b>	<b>18,953</b>	<b>13,732</b>	<b>32,685</b>

<sup>1/</sup> Excludes SMI enrollees who will receive integrated services outside of Maricopa County, beginning October 1, 2015. (See *Integration of Health Services in Other Issues for Legislative Consideration.*)

<sup>2/</sup> An SMI capitation rate is paid for all other adult enrollees, whether or not they use services.

- GSA 1 (Apache, Coconino, Mohave, Navajo, and Yavapai) – Northern Arizona RBHA: 3%
- GSA 2 (La Paz, Yuma) – Cenpatico: 3%
- GSA 3 (Cochise, Graham, Greenlee, Santa Cruz), – Cenpatico: 3%
- GSA 4 (Gila, Pinal) – Cenpatico: 3%
- GSA 5 (Pima) – Community Partnership of Southern Arizona: 3%
- GSA 6 (Maricopa) – Mercy Maricopa Integrated Care: 4%

**Non-Medicaid Behavioral Health Services Funding**

The FY 2016 Baseline includes \$100,562,800 for Non-Medicaid behavioral health services, which are funded in the Non-Medicaid SMI Services, Supported Housing, and Crisis Services line items. This is the same funding level as in FY 2015. (See the *Non-Medicaid Seriously Mentally Ill Services, Supported Housing, and Crisis Services line items for more information and the FY 2015 Appropriations Report for more history on line item shifts.*)

Effective October 1, 2015, the RBHAs serving GSAs 1-5 will be replaced by 2 integrated RBHAs that cover the Northern and Southern regions of the state. These integrated contracts, like Mercy Maricopa Integrated Care’s contract, have 4% risk corridors. (See *Non-Maricopa Integrated SMI Health Services above for more information about these new RBHAs.*)

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 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 2015 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 11) 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>	9,385,400	9,588,600
<b>Year-End Fund Balance</b>	2,295,900	194,100
<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>	623,700	650,000
<b>Year-End Fund Balance</b>	1,066,400	918,400
<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>	138,800	180,000
<b>Year-End Fund Balance</b>	231,200	274,400
<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 (see <i>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>	1,559,800	1,559,800
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<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>	69,400	94,800
<b>Year-End Fund Balance</b>	908,700	1,080,800
<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 entity that made the payment to the Arizona Department of Transportation (ADOT). The 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>	3,162,100	4,157,500
<b>Year-End Fund Balance</b>	4,074,700	2,209,000
<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>	658,300	658,300
<b>Year-End Fund Balance</b>	974,800	1,040,300
<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>	4,100	2,200
<b>Year-End Fund Balance</b>	4,700	7,000
<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>	4,257,100	5,122,400
<b>Year-End Fund Balance</b>	5,096,200	5,238,500

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<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>	660,700	927,100
<b>Year-End Fund Balance</b>	651,300	520,300
<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>	830,400	879,400
<b>Year-End Fund Balance</b>	68,000	68,000
<b>Federal Funds (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. Monies from manufacturer rebates for the Women, Infants, and Children (WIC) program are also included in this fund.		
<b>Purpose of Fund:</b> To provide health services in accordance with the terms of each specific grant.		
<b>Funds Expended</b>	299,629,000	301,854,200
<b>Year-End Fund Balance</b>	3,140,200	6,714,700
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA)</b> (HSA2999/A.R.S. § 35-142)		<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>	238,900	0
<b>Year-End Fund Balance</b>	78,600	78,600
<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 IGA Fund. However, for informational purposes, the revenues and expenditures related to behavioral health have been separated from the IGA Fund.		
<b>Funds Expended</b>	910,821,300	1,206,172,700
<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 A.R.S. § 36-1903, 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>	8,616,100	9,275,100
<b>Year-End Fund Balance</b>	3,270,500	4,020,700

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<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 2015, DHS will receive \$56,914,000 from Maricopa and Pima County for behavioral health services, \$889,500 from the Arizona Health Care Cost Containment System (AHCCCS) for KidsCare, and \$13,864,500 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 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>	87,399,400	86,248,400
<b>Year-End Fund Balance</b>	55,348,600	50,868,900
<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>	8,833,200	8,573,500
<b>Year-End Fund Balance</b>	2,180,700	1,580,100
<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>	10,600	10,600
<b>Year-End Fund Balance</b>	121,000	110,400
<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 enforce the provisions of Proposition 203 (Arizona Medical Marijuana Act) enacted in the 2010 General Election. The Arizona Medical Marijuana Act regulates dispensation, prescription, and use of medical marijuana, including the establishment of an electronic registry of dispensary agents, patients and designated caregivers.		
<b>Funds Expended</b>	7,282,500	7,871,300
<b>Year-End Fund Balance</b>	8,972,000	9,712,700
<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 DHS. 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 attending medical school, in return for a service commitment to the state.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	111,500	149,200
<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 \$65 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>	5,785,300	6,739,600
<b>Year-End Fund Balance</b>	450,000	393,200

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<b>Nursing Care Institution Resident Protection Revolving Fund</b> (HSA2329/A.R.S. § 36-446.08)		<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>	59,000	88,200
<b>Year-End Fund Balance</b>	1,362,900	1,486,800
<b>Oral Health Fund</b> (HSA3038/A.R.S. § 36-138)		<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>	173,200	285,000
<b>Year-End Fund Balance</b>	778,200	759,600
<b>Risk Assessment Fund</b> (HSA2427/A.R.S. § 36-1693)		<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>	15,700	60,000
<b>Year-End Fund Balance</b>	46,400	46,400
<b>Serious Mental Illness Services Fund</b> (HSA2464/A.R.S. § 36-503.02)		<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</b> (HSA2555/A.R.S. § 41-3955.01)		<b>Partially-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>	2,724,900	2,035,300
<b>Year-End Fund Balance</b>	2,752,900	2,752,900
<b>Smoke Free Arizona Fund</b> (HSA2541/A.R.S. § 36-601.01)		<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>	2,779,400	3,000,000
<b>Year-End Fund Balance</b>	716,000	454,200

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
<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>	1,388,600	1,710,500
<b>Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)</b>		<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>	16,578,900	19,425,000
<b>Year-End Fund Balance</b>	9,772,600	8,475,600
<b>Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)</b>		<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. The FY 2015 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2014, Chapter 11) continues to permit DHS to use the fund for Alzheimer's disease research.		
<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	3,000,000
<b>Non-Appropriated Funds Expended</b>	4,719,900	4,953,000
<b>Year-End Fund Balance</b>	4,706,400	4,754,900
<b>Tobacco Tax and Healthcare Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)</b>		<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 (see <i>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>	35,147,800	35,467,000
<b>Non-Appropriated Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	323,200	213,300
<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>	2,456,000	3,635,500
<b>Year-End Fund Balance</b>	1,505,400	775,100