

Department of Health Services

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,047.7	1,176.7	1,036.5
Personal Services	21,373,600	28,235,900	19,144,900
Employee Related Expenditures	8,922,300	12,034,000	8,136,700
Professional and Outside Services	1,452,800	1,534,300	1,032,800
Travel - In State	363,400	355,400	336,800
Travel - Out of State	80,500	74,700	71,500
Other Operating Expenditures	28,298,100	20,608,100	18,222,600
Equipment	360,200	2,833,800	2,254,700
OPERATING SUBTOTAL	60,850,900	65,676,200	49,200,000
SPECIAL LINE ITEMS			
Behavioral Health			
Medicaid Behavioral Health - Traditional Services	847,628,600	873,803,300	0
Medicaid Behavioral Health - Proposition 204 Services	529,432,900	533,810,200	0
Medicaid Behavioral Health - Comprehensive Medical and Dental Program	175,012,100	174,324,200	0
Medicaid Behavioral Health - Adult Expansion Services	38,478,000	41,459,300	0
Proposition 204 Administration	5,622,500	6,446,700	0
Medicare Clawback Payments	14,100,700	14,228,600	0
Medicaid Insurance Premium Payments	34,505,300	33,167,700	0
Non-Medicaid Seriously Mentally Ill Services	74,241,300	78,846,900	0
Supported Housing	5,194,500	5,324,800	0
Crisis Services	16,308,500	16,391,100	0
Mental Health First Aid	184,100	0	0
Arizona State Hospital			
ASH - Operating	56,518,300	59,268,700	59,268,700
ASH - Restoration to Competency	900,100	900,000	900,000
ASH - Sexually Violent Persons	9,361,700	9,684,900	9,684,900
One-Time Electronic Medical Records Start-Up	2,688,100	0	0
Public Health/Family Health			
Adult Cystic Fibrosis Care	105,200	105,200	105,200
AIDS Reporting and Surveillance	993,600	1,000,000	1,000,000
Alzheimer's Disease Research	2,375,000	1,125,000	1,125,000
Biomedical Research Support	997,500	2,000,000	2,000,000
Breast and Cervical Cancer and Bone Density Screening	914,000	1,369,400	1,369,400
County Tuberculosis Provider Care and Control	485,900	590,700	590,700
Emergency and Trauma Services	0	442,000	442,000
Folic Acid Program	396,300	400,000	400,000
High Risk Perinatal Services	1,736,400	2,543,400	2,543,400
Newborn Screening Program	5,371,300	6,297,300	6,297,300
Nursing Care Special Projects	45,100	100,000	100,000
Poison Control Centers Funding	656,800	990,000	990,000
Nonrenal Disease Management	89,200	198,000	198,000
Renal Dental Care and Nutrition Supplements	225,000	300,000	300,000
School-Based Prevention Education	17,800	0	0
AGENCY TOTAL	1,885,436,700	1,930,793,600	136,514,600

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
FUND SOURCES			
General Fund	611,180,000	602,738,300	85,433,600
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	10,308,700	9,575,300	9,575,300
ASH Land Earnings Fund	585,100	650,000	650,000
Capital Outlay Stabilization Fund	1,559,800	1,559,900	1,559,900
Child Fatality Review Fund	91,700	95,000	95,000
Emergency Medical Services Operating Fund	4,556,200	5,368,800	5,368,800
Environmental Laboratory Licensure Revolving Fund	720,500	926,400	926,400
Federal Child Care and Development Fund Block Grant	879,400	876,100	876,100
Health Services Licensing Fund	8,789,300	9,264,200	9,264,200
Indirect Cost Fund	9,451,900	8,559,800	8,559,800
Newborn Screening Program Fund	5,774,500	6,738,300	6,738,300
Nursing Care Institution Resident Protection Fund	45,100	138,200	138,200
Substance Abuse Services Fund	2,250,000	2,250,200	0
TTHCF Health Research Account	1,997,500	3,000,000	3,000,000
TTHCF Medically Needy Account	35,388,300	35,467,000	700,000
Vital Records Electronic Systems Fund	2,075,000	3,629,000	3,629,000
SUBTOTAL - Other Appropriated Funds	84,473,000	88,098,200	51,081,000
SUBTOTAL - Appropriated Funds	695,653,000	690,836,500	136,514,600
<u>Expenditure Authority Funds</u>			
Federal Medicaid Services	1,189,783,700	0	0
ISA Behavioral Health Services Fund	0	1,239,957,100	0
SUBTOTAL - Expenditure Authority Funds	1,189,783,700	1,239,957,100	0
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,885,436,700	1,930,793,600	136,514,600
Other Non-Appropriated Funds	123,538,600	128,130,700	65,534,300
Federal Funds	295,902,400	291,116,300	249,596,000
TOTAL - ALL SOURCES	2,304,877,700	2,350,040,600	451,644,900

AGENCY DESCRIPTION — The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring. DHS currently administers most behavioral health programs, but these programs will be transferred to AHCCCS on July 1, 2016. ASH will remain in DHS.

Summary

DHS' FY 2017 General Fund spending would decrease by \$(517,304,700), or (85.8)%, from FY 2016.

The Baseline includes the transfer of behavioral health services from DHS to AHCCCS pursuant to Laws 2015, Chapters 19 and 195. Of the \$(517,304,700) being transferred, \$(418,991,900) is for Medicaid-funded behavioral health services and \$(98,312,800) is for non-Medicaid behavioral health services. Net of the behavioral health transfer, DHS' General Fund spending is unchanged from FY 2016.

Behavioral Health Transfer

Laws 2015, Chapters 19 and 195 transfer administration of Medicaid-funded and non-Medicaid funded behavioral health services from DHS to AHCCCS effective July 1, 2016. DHS will continue to operate the Arizona State Hospital.

The Baseline includes a reduction of \$(517,304,700) from the General Fund, \$(1,239,020,700) from Federal Medicaid Authority, and \$(141,057,100) from other funds in DHS in FY 2017 for the transfer, and includes a corresponding increase from each of these fund sources in AHCCCS.

The transfer could also generate administrative savings in behavioral health services. One of the goals of the

transfer was to simplify the administration of behavioral health services by having 1 state agency retain responsibility for these services instead of 2 separate agencies. AHCCCS reported \$(2,192,000) in FY 2017 administrative savings resulting from the transfer, which consists of \$(607,500) in General Fund savings and \$(1,584,500) in Federal Medicaid Authority savings. As a starting point for discussions on the appropriate level of administrative resources, the Baseline includes these savings. The JLBC Staff will continue to evaluate this issue. The Baseline adds administrative costs for behavioral health services to AHCCCS' operating budget, and to the Proposition 204 – Behavioral Health Administration line item transferred from DHS.

Table 1 shows the total resources that the Baseline transfers to AHCCCS for behavioral health services, net of the administrative savings. AHCCCS would have an increase of \$1,895,190,500 in total fund spending, including \$516,697,200 from the General Fund, \$1,237,436,200 from Federal Medicaid Authority, and \$141,057,100 from other funds.

Table 1	
Behavioral Health Transfer	
General Fund	\$ 516,697,200
TTHCF Medically Needy Account	34,767,000
Substance Abuse Services Fund	2,250,200
Federal Medicaid Authority	<u>1,237,436,200</u>
<i>Subtotal</i>	<i>\$1,791,150,600</i>
Non-Appropriated Funds	<u>104,039,900</u>
Total Funds	1,895,190,500

As a result of the administrative savings, the Baseline includes a net decrease of (28.2) FTE Positions across AHCCCS and DHS. That amount includes a decrease of (140.2) FTE Positions in DHS in FY 2017 as requested by DHS, as well as an increase of 112 FTE Positions in AHCCCS in FY 2017. The increase of 112 FTE Positions in AHCCCS is based on a report issued jointly by AHCCCS and DHS indicating AHCCCS currently only intends to transfer 112 behavioral health services employees from DHS to AHCCCS.

The Baseline also includes a session law provision retaining the Interagency Service Agreement for Behavioral Health Services Fund until June 30, 2017 to allow DHS to continue to pay claims for services incurred before the transfer. The Baseline would, as session law, only permit DHS to use monies in the fund to pay for behavioral health services claims incurred on or before June 30, 2016. Any monies remaining in the fund no later than June 30, 2017 would revert to the General Fund. DHS is currently projecting that the fund will have a balance of \$36 million once DHS pays all behavioral health claims made prior to the transfer.

The behavioral health transfer is an outgrowth of prior integration efforts. AHCCCS and DHS currently integrate acute care services and behavioral health services for Medicaid-eligible adults with a serious mental illness (SMI). 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. Mercy Maricopa Integrated Care, a partnership between Mercy Care and Maricopa Integrated Health System, was awarded the contract to provide these services. The Baseline assumes that integrated services will be provided to approximately 21,500 SMI clients in Maricopa County by June 2017.

DHS expanded integrated services for all Medicaid-eligible SMI adults outside Maricopa County through the Non-Maricopa RBHA contracts on October 1, 2015. The Non-Maricopa RBHAs serve clients in 2 Geographic Service Areas (GSAs) outside of Maricopa County. The North GSA RBHA is Health Choice Integrated Care, a partnership between Northern Arizona RBHA and Health Choice Arizona. The North GSA includes Apache, Coconino, Gila, Mohave, Navajo, and Yavapai Counties, as well as a small portion of Graham County. The South GSA includes Cochise, Graham, Greenlee, La Paz, Pima, Pinal, Santa Cruz, and Yuma Counties. The Baseline assumes that the Non-Maricopa RBHAs will provide integrated services to 20,800 clients by June 2017.

This integrated 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 average capitation rate paid to the RBHAs in FY 2017 for integrated SMI services is approximately \$1,900 per member per month, or approximately \$550 for acute care services and \$1,350 for behavioral health services.

AHCCCS has also pursued integration of behavioral health and acute care with other populations. The Children's Rehabilitative Services (CRS) contractor provides all acute care, behavioral health, and CRS services for most children enrolled in CRS. AHCCCS acute care contractors also began providing integrated acute care and behavioral health services to AHCCCS beneficiaries that have Medicare coverage and utilize general mental health services and/or substance abuse services in October 2015.

Operating Budget

The Baseline includes \$49,200,000 and 311.4 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	FY 2017
General Fund	\$19,333,600
Capital Outlay Stabilization Fund	1,559,900
Child Fatality Review Fund	95,000
Emergency Medical Services (EMS) Operating Fund	4,476,800
Environmental Laboratory Licensure Revolving Fund	926,400
Federal Child Care and Development Fund (CCDF) Block Grant	876,100
Health Services Licensing Fund	9,264,200
Indirect Cost Fund	8,559,800
Newborn Screening Program Fund	441,000
Nursing Care Institution Resident Protection Revolving Fund	38,200
Vital Records Electronic Systems Fund	3,629,000

FY 2017 adjustments would be as follows:

Behavioral Health Transfer	GF (4,602,400)
	OF (200)
	EA (10,937,200)

The Baseline includes a decrease of \$(15,539,800) and (140.2) FTE Positions in FY 2017 from the operating budget to shift operating expenses for behavioral health services from the DHS budget to the AHCCCS budget. This amount consists of:

General Fund	(4,602,400)
Substance Abuse Services Fund	(200)
Federal Medicaid Authority	(10,937,200)

(See Behavioral Health Transfer section for additional information.)

Licensing Decrease	EA (936,400)
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The Baseline includes a decrease of \$(936,400) in Federal Medicaid Authority in FY 2017 from the operating budget as requested by the agency to eliminate Medicaid funding for DHS licensing operations. DHS receives Federal Medicaid Authority funds to license long term care facilities used by AHCCCS enrollees pursuant to an interagency service agreement (ISA) with AHCCCS. DHS continues to license these facilities, but this ISA is no longer in effect.

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).

Medicaid Behavioral Health - Traditional Services

The Baseline includes no funding in FY 2017 for Medicaid Behavioral Health - Traditional Services. FY 2017 adjustments would be as follows:

Behavioral Health Transfer	GF (233,735,000)
	OF (34,767,000)
	EA (605,301,300)

The Baseline includes a decrease of \$(873,803,300) in FY 2017 to shift the Medicaid Behavioral Health - Traditional Services line item from the DHS budget to the AHCCCS budget. This amount consists of:

General Fund	(233,735,000)
Tobacco Tax and Health Care Fund Medically Needy Account	(34,767,000)
Federal Medicaid Authority	(605,301,300)

Background – This line item provides behavioral health treatment to Medicaid eligible adults and children. DHS currently administers Traditional behavioral health services, but this responsibility will shift to AHCCCS beginning July 1, 2016. *(See Behavioral Health Transfer section for additional detail.)*

Medicaid Behavioral Health - Proposition 204 Services

The Baseline includes no funding in FY 2017 for Medicaid Behavioral Health - Proposition 204 Services. FY 2017 adjustments would be as follows:

Behavioral Health Transfer	GF (101,389,500)
	EA (432,420,700)

The Baseline includes a decrease of \$(533,810,200) in FY 2017 to shift the Medicaid Behavioral Health - Proposition 204 Services line item from the DHS budget to the AHCCCS budget. This amount consists of:

General Fund	(101,389,500)
Federal Medicaid Authority	(432,420,700)

Background – This line item provides behavioral health treatment to Proposition 204 - Medicaid eligible adults and children. DHS currently administers Proposition 204 behavioral health services, but this responsibility will shift to AHCCCS beginning July 1, 2016. *(See Behavioral Health Transfer section for additional detail.)*

Medicaid Behavioral Health - Comprehensive Medical and Dental Program

The Baseline includes no funding in FY 2017 for Medicaid Behavioral Health - Comprehensive Medical and Dental

Program (CMDP). FY 2017 adjustments would be as follows:

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

Behavioral Health Transfer	GF	(54,355,600)
	EA	(119,968,600)

The Baseline includes a decrease of \$(174,324,200) in FY 2017 to shift the Medicaid Behavioral Health - CMDP line item from the DHS budget to the AHCCCS budget. This amount consists of:

General Fund	(54,355,600)
Federal Medicaid Authority	(119,968,600)

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. DCS currently administers the acute care services for this population. DHS currently administers CMDP behavioral health services, but this responsibility will shift to AHCCCS beginning July 1, 2016. (See Behavioral Health Transfer section for additional detail.)

This line item provides funding for the administrative component of the Proposition 204 population. DHS currently administers Proposition 204 behavioral health services, but this responsibility will shift to AHCCCS beginning July 1, 2016. (See Behavioral Health Transfer section for additional detail.)

Medicare Clawback Payments

The Baseline includes no funding in FY 2017 for Medicare Clawback Payments. FY 2017 adjustments would be as follows:

Behavioral Health Transfer	GF	(14,228,600)
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The Baseline includes a decrease of \$(14,228,600) from the General Fund in FY 2017 to shift funding for Medicare Clawback Payments from the DHS budget to the AHCCCS budget.

Medicaid Behavioral Health - Adult Expansion Services

The Baseline includes no funding in FY 2017 for Medicaid Behavioral Health - Adult Expansion Services. FY 2017 adjustments would be as follows:

Behavioral Health Transfer	EA	(41,459,300)
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The Baseline includes a decrease of \$(41,459,300) in Federal Medicaid Authority in FY 2017 to shift the Medicaid Behavioral Health - Adult Expansion Services line item from the DHS budget to the AHCCCS budget.

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. DHS currently makes behavioral health Clawback payments to the federal government, but this responsibility will shift to AHCCCS beginning July 1, 2016. (See Behavioral Health Transfer section for additional detail.)

The Adult Expansion provides behavioral health treatment for adults from 100%-133% FPL who are not eligible for another Medicaid program. DHS currently administers Adult Expansion behavioral health services, but this responsibility will shift to AHCCCS beginning July 1, 2016. (See Behavioral Health Transfer section for additional detail.)

Medicaid Insurance Premium Payments

The Baseline includes no funding in FY 2017 for Medicaid Insurance Premium Payments. FY 2017 adjustments would be as follows:

Behavioral Health Transfer	GF	(8,669,800)
	EA	(24,497,900)

The Baseline includes a decrease of \$(33,167,700) in FY 2017 to shift Medicaid Insurance Premium Payments from the DHS budget to the AHCCCS budget. This amount consists of:

General Fund	(8,669,800)
Federal Medicaid Authority	(24,497,900)

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. DHS currently pays Medicaid insurance premium taxes for the RBHAs, but this responsibility will

Proposition 204 Administration

The Baseline includes no funding in FY 2017 for Proposition 204 Administration. FY 2017 adjustments would be as follows:

Behavioral Health Transfer	GF	(2,011,000)
	EA	(4,435,700)

The Baseline includes a decrease of \$(6,446,700) in FY 2017 to shift the Proposition 204 Administration line item from the DHS budget to the AHCCCS budget. This amount consists of:

shift to AHCCCS beginning July 1, 2016. (See Behavioral Health Transfer section for additional detail.)

Non-Medicaid Seriously Mentally Ill Services

The Baseline includes no funding in FY 2017 for Non-Medicaid Seriously Mentally Ill (SMI) Services. FY 2017 adjustments would be as follows:

Behavioral Health Transfer GF (78,846,900)

The Baseline includes a decrease of \$(78,846,900) from the General Fund in FY 2017 to shift the Non-Medicaid Seriously Mentally Ill Services line item from the DHS budget to the AHCCCS budget.

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. An exit agreement from the litigation requires the state to provide assertive community treatment, supported housing, supported employment, crisis services, and family and peer support services to individuals with a serious mental illness. DHS is currently responsible for providing these services, but this responsibility will shift to AHCCCS beginning July 1, 2016. (See the Behavioral Health Transfer section for additional detail.)

Supported Housing

The Baseline includes no funding in FY 2017 for Supported Housing. FY 2017 adjustments would be as follows:

Behavioral Health Transfer GF (5,324,800)

The Baseline includes a decrease of \$(5,324,800) from the General Fund in FY 2017 to shift the Supported Housing line item from the DHS budget to the AHCCCS budget.

Background – 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. DHS currently funds supported housing for SMI clients, but this responsibility will shift to AHCCCS beginning July 1, 2016. (See the Behavioral Health Transfer section for additional detail.)

Crisis Services

The Baseline includes no funding in FY 2017 for Crisis Services. FY 2017 adjustments would be as follows:

Behavioral Health Transfer GF (14,141,100)
OF (2,250,000)

The Baseline includes a decrease of \$(16,391,100) in FY 2017 to shift the Crisis Services line item from the DHS budget to the AHCCCS budget. This amount consists of:

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

Background – 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. DHS currently funds crisis services, but this responsibility will shift to AHCCCS beginning July 1, 2016. (See the Behavioral Health Transfer section for additional detail.)

Arizona State Hospital

ASH - Operating

The Baseline includes \$59,268,700 and 587.5 FTE Positions in FY 2017 for the ASH operating budget. These amounts consist of:

General Fund 52,952,300
ASH Fund 5,666,400
ASH Land Earnings Fund 650,000

These amounts are unchanged from FY 2016.

This line item provides funding for inpatient psychiatric hospitalization services for adult seriously mentally ill (SMI) residents. ASH residents that are subject to court-ordered treatment are treated in ASH’s civil hospital and residents charged with or serving a sentence for committing a crime are treated in ASH’s forensic hospital. In FY 2015, ASH had an average monthly census of 109 patients in its civil commitment unit, 121 patients in its forensic unit, and 92 Sexually Violent Persons (SVP), for a total of 322 patients.

ASH - Restoration to Competency

The Baseline includes \$900,000 from the ASH Fund in FY 2017 for ASH - Restoration to Competency. This amount is unchanged from FY 2016.

The FY 2016 Health Budget Reconciliation Bill (BRB) (Laws 2015, Chapter 14) requires counties to pay 100% of the daily cost of care for Restoration to Competency (RTC) patients treated at ASH. The Baseline continues 100% county funding for RTC.

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. In FY 2015, there was an average monthly census of 4 RTC patients treated at ASH. RTC patients are treated in ASH’s forensic unit.

ASH - Sexually Violent Persons

The Baseline includes \$9,684,900 and 112.5 FTE Positions in FY 2017 for ASH - Sexually Violent Persons. These amounts consist of:

General Fund	6,676,000
ASH Fund	3,008,900

These amounts are unchanged from FY 2016.

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, 3rd 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.

The FY 2016 Health BRB requires counties to pay 31% of their total SVP costs in FY 2016. The Baseline maintains the county share of SVP funding of 31%. Of the total amount appropriated for SVP care in FY 2017, counties would pay \$3,022,200. The BRB provision also clarifies that counties must pay their share of SVP costs throughout the entire commitment process, including pre-adjudication proceedings.

In FY 2015, ASH had an average monthly census of 92 SVPs.

Public Health/Family Health

Adult Cystic Fibrosis Care

The Baseline includes \$105,200 from the General Fund in FY 2017 for Adult Cystic Fibrosis Care. This amount is unchanged from FY 2016.

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 2017 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2016.

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 (ADAP), which also receives Federal Funds for the medications. The ADAP program served approximately 1,451 clients in FY 2015.

Alzheimer’s Disease Research

The Baseline includes \$1,125,000 in FY 2017 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 2016.

Background – DHS distributes funding in the line item to the Arizona Alzheimer’s Consortium (AAC). The AAC provides dollar-for-dollar matching grants to universities, hospitals, and research centers for research on the causes of Alzheimer’s disease.

The Baseline continues to permit the department to use Tobacco Tax and Health Care Fund - Health Research Account monies for Alzheimer’s disease research.

Biomedical Research Support

The Baseline includes \$2,000,000 from the Tobacco Tax and Health Care Fund-Health Research Account in FY 2017 for Biomedical Research Support. This amount is unchanged from FY 2016.

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 in FY 2015 through FY 2019 from the Tobacco Tax and Health Care Fund - Health Research Account. As a result of the Chapter 18 funding, these monies do not appear in subsequent year General Appropriation Acts.

This line item is to provide 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.

DHS distributed monies from this line in FY 2015 to the Translational Genomics Research Institute (TGen), a nonprofit medical research institution headquartered in Arizona. In addition to these monies, Chapter 18 appropriated \$3,000,000 from the General Fund in FY 2015 through FY 2019 to Northern Arizona University (NAU) for biotechnology. NAU allocated its FY 2015 appropriation to TGen. *(Please see the NAU narrative for more information.)*

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. At that time, however, there was no funding through NAU.

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 2017 for Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2016.

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 2017 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2016.

This line item provides 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 Medical Services Local Allocation

The Baseline includes \$442,000 from the EMS Operating Fund in FY 2017 for the Emergency Medical Services Local Allocation line item. This amount is unchanged from FY 2016.

This line item provides funding to 4 regional EMS Councils that distribute funding for EMS training and equipment to cities and towns with a population of fewer than 90,000 people.

Folic Acid Program

The Baseline includes \$400,000 from the Tobacco Tax and Health Care Fund - Medically Needy Account in FY 2017 for the Folic Acid Program. This amount is unchanged from FY 2016.

This line item provides funding for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2015, 30,105 women received folic acid education and multivitamins.

High Risk Perinatal Services

The Baseline includes \$2,543,400 in FY 2017 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 2016.

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 \$6,297,300 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2017 for the Newborn Screening Program. These amounts are unchanged from FY 2016.

Background – 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 2015, the program provided screening for 85,978 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 perform hearing tests on all newborns and screen them for critical congenital heart defects (CCHD). Chapter 171 also 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.

In October 2014, the Newborn Screening Advisory Committee recommended DHS include the screening test for SCID. The department determined that the testing fee would need to be increased by \$10 to pay for new equipment and other related costs. In June 2015, DHS established new rules for newborn screening that allow the department to screen for SCID if sufficient funding becomes available, but the screen does not include SCID as of December 2015.

Nursing Care Special Projects

The Baseline includes \$100,000 from the Nursing Care Institution Resident Protection Revolving Fund in FY 2017 for special projects related to long-term care facilities. This amount is unchanged from FY 2016.

Background – The Nursing Care Institution Resident Protection Revolving Fund receives deposits from civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications. Historically, DHS' operating budget has included an ongoing appropriation of \$38,000 from this fund for emergency patient relocation and patient personal property replacement. Additional amounts have been appropriated to fund specific projects

in past fiscal years, including the recently eliminated nursing facility study.

Poison Control Centers Funding

The Baseline includes \$990,000 from the General Fund in FY 2017 for Poison Control Centers. This amount is unchanged from FY 2016.

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. The Board of Pharmacy transferred \$200,000 to the Poison Controls Centers in FY 2015.

Nonrenal Disease Management

The Baseline includes \$198,000 from the General Fund in FY 2017 for Nonrenal Disease Management. This amount is unchanged from FY 2016.

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 2017 for Renal Dental Care and Nutrition Supplements. This amount is unchanged from FY 2016.

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

The Department of Health Services shall electronically forward 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 a monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals on or before the 30th of the following month. The report shall include an estimate of potential shortfalls in programs, potential federal and other monies, 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.

Arizona State Hospital

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.

Public Health/Family Health

Of the \$1,125,000 for Alzheimer's Disease Research, \$1,000,000 is from the Tobacco Tax and Health Care Fund - Health Research Account established by A.R.S. § 36-773.

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 footnotes that will be obsolete following the transfer of behavioral health services to AHCCCS. All of these footnotes will be either directly transferred to AHCCCS, or incorporated into existing AHCCCS footnotes. These footnotes include requirements for DHS to:

- Report Medicaid reconciliation payments for behavioral health services.
- Report on progress in implementing the *Arnold v. Sarn* agreement.
- Limit the administration/profits of the Maricopa County RBHA.
- Use all available funding sources in the Proposition 204 line items.
- Report on capitation rate changes to the Legislature.

The Baseline would also delete a footnote requiring DHS to report on the revenues, expenditures, and balances in its IGA/ISA funds. This footnote is no longer necessary, as this report is now required by A.R.S. § 36-108.01.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to require all cities and counties to pay 100% of the Restoration to Competency Costs.
- As session law, continue to require all counties to pay 31% 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 session law, retain the ISA for Behavioral Health Services Fund in DHS until June 30, 2017. The Baseline would, as session law, prohibit DHS from spending the monies for any purpose except to pay for behavioral health services claims incurred June 30, 2016 or earlier. Any monies remaining in the fund after June 30, 2017 would revert to the General Fund.
- As permanent law, transfer the IGA for County Behavioral Health Services Fund to AHCCCS following the behavioral health services transfer.

Deleted Provisions

The Baseline would not continue the following one-time items:

- A provision that allows DHS to reduce behavioral health services provider rates by up to (5)%.
- A requirement for DHS to submit a report on strategies for increasing third party liability recoveries in behavioral health services. This provision will apply to AHCCCS following the transfer of behavioral health services on July 1, 2016.

Other Issues

This section includes information on the following topics:

- FY 2016 Supplemental
- Arizona State Hospital Plan of Correction
- Arizona State Hospital Fund Deficit
- October 2015 Special Session and Proposition 123

FY 2016 Supplemental

The Baseline includes an increase of \$21,412,000 from the General Fund in FY 2016 and \$112,373,300 in Federal Medicaid Authority to fund shortfalls in Medicaid behavioral health. The overall shortfall is the result of higher-than-projected caseload growth across Traditional, Proposition 204, and Adult Expansion populations.

Table 2 shows the differences in behavioral health caseload projections between the FY 2016 enacted budget and the FY 2017 Baseline. The Baseline is projecting additional enrollment of 171,257 relative to the FY 2016 budget.

	FY 2016	FY 2017	Net
	Budget	Baseline	Change
Traditional	1,002,035	1,078,270	76,235
Prop 204	454,147	501,726	47,579
CMDP	16,721	16,677	(44)
Adult Expansion	<u>41,689</u>	<u>89,176</u>	<u>47,487</u>
Total	1,514,592	1,685,849	171,257

Arizona State Hospital Plan of Correction

In May 2015, the Centers for Medicare and Medicaid Services (CMS) initiated an investigation into ASH following allegations of patient abuse. CMS identified several deficiencies in the quality of care at ASH, including failure to adequately monitor patients, insufficient nurse staffing, and a lack of an overall quality improvement plan. Without correcting these problems, ASH risked losing its CMS certification, which would disqualify ASH from drawing down Disproportionate Share Hospital payments to the General Fund.

In July, CMS approved the plan of correction submitted by the Hospital, and in a follow-up inspection in September, CMS confirmed that ASH is no longer at immediate risk of losing certification. ASH plans to hire additional nurses and other staff to support the continued implementation of the plan of correction.

Arizona State Hospital Fund Deficit

DHS reports that the ASH Fund has ongoing expenses that are higher than its ongoing revenues. Table 3 below shows actual ASH Fund revenues and spending from FY 2013 to FY 2015. The fund receives payments from counties for the Restoration to Competency program and the Sexually Violent Persons program, as well as a limited amount of reimbursement from Medicaid and Medicare. DHS currently projects that ASH Fund disbursements will exceed ASH Fund revenues by \$4.6 million in FY 2016.

In past years, DHS has offset this deficit by transferring ASH Fund expenses for prescription medications to the Non-Medicaid Seriously Mentally Ill Services line item, but AHCCCS will be administering this line item following the behavioral health transfer. The Baseline includes a footnote in the AHCCCS budget that requires AHCCCS to transfer \$1.2 million from the Non-Medicaid Seriously Mentally Ill line item to DHS in FY 2017 to help cover the prescription medication costs of ASH patients.

	FY 2013	FY 2014	FY 2015
Beginning Balance	\$3.2	\$4.7	\$4.5
Actual Revenue	<u>8.7</u>	<u>6.9</u>	<u>4.7</u>
Total Available	11.9	11.7	9.3
Actual Spending ^{1/}	10.5	9.4	8.6
Ending Balance ^{2/}	1.5	2.3	0.7

^{1/} FY 2015 Actual Spending includes an administrative adjustment of \$(1.7) million.
^{2/} According to DHS, the Ending Balance does not match the Beginning Balance in the succeeding fiscal year due to transfers of Non-Medicaid SMI monies to the ASH Fund.

October 2015 Special Session and Proposition 123

As a beneficiary of the Arizona State Land Trust, the Arizona State Hospital receives monies generated from lease revenues and the proceeds from land sales that are invested into a “permanent fund,” pursuant to Article X, Section 7 of the Arizona Constitution.

In FY 2015, the Arizona State Hospital received \$138,400 in monies distributed from its permanent fund.

Conditional upon voter approval in May 2016, Proposition 123 would increase the annual distribution rate from the State Land Trust Permanent Fund from 2.5% to 6.9% from FY 2016 through FY 2025.

As a result, the Arizona State Hospital would receive \$274,900 in additional funding beyond what it otherwise would in FY 2016 if the ballot proposition is approved. (Please see the Department of Education – Endowment Earnings section for more information.)

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Arizona State Hospital Fund (HSA3120/A.R.S. § 36-545.08)		Appropriated
Source of Revenue: 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 2016 Health Budget Reconciliation Bill (BRB) (Laws 2015, Chapter 14) continues to require that all counties pay 100% of the cost of care for Restoration to Competency patients and 31% of the costs of patients in the Sexually Violent Persons (SVP) program.		
Purpose of Fund: To provide treatment of patients at the Arizona State Hospital or to place Arizona State Hospital patients in the community.		
Funds Expended	10,308,700	9,575,300
Year-End Fund Balance*	701,200	(3,850,100)
Arizona State Hospital Land Earnings Fund (HSA3128/A.R.S. § 36-211)		Appropriated
Source of Revenue: 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.		
Purpose of Fund: For the benefit and support of the Arizona State Hospital.		
Funds Expended	585,100	650,000
Year-End Fund Balance	707,000	678,700
Breast and Cervical Cancer Screening and Diagnostic Special Plate Fund (HSA2513/A.R.S. § 36-119)		Non-Appropriated
Source of Revenue: 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.		
Purpose of Fund: For breast and cervical cancer screening and diagnostic and outreach services.		
Funds Expended	103,700	425,000
Year-End Fund Balance	323,800	117,200
Capital Outlay Stabilization Fund (HSA1600/A.R.S. § 41-792.01)		Appropriated
Source of Revenue: 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>).		
Purpose of Fund: Lease-purchase payments for the new state health laboratory (transfers from Arizona Department of Administration are spent for building renewal).		
Funds Expended	1,559,800	1,559,900
Year-End Fund Balance	0	0
Child Fatality Review Fund (HSA3036/A.R.S. § 36-3504)		Appropriated
Source of Revenue: 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 Child Safety.		
Purpose of Fund: 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.		
Funds Expended	91,700	95,000
Year-End Fund Balance	1,093,000	1,280,500

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Childhood Cancer and Rare Childhood Disease Research Fund (No Fund Number/A.R.S. § 28-2442, A.R.S. § 36-121)		Non-Appropriated
Source of Revenue: 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.		
Purpose of Fund: To issue Childhood Cancer Research 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.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Disease Control Research Fund (HSA2090/A.R.S. § 36-274)		Non-Appropriated
Source of Revenue: 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.		
Purpose of Fund: To be used for projects or services that may advance research in the causes, epidemiology and prevention of disease, including discovery and development.		
Funds Expended	1,956,100	2,203,700
Year-End Fund Balance	4,748,600	4,973,300
Donations - DHS (HSA3010/2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations for various health related purposes.		
Purpose of Fund: 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.		
Funds Expended	798,600	798,600
Year-End Fund Balance	860,800	744,900
Donations - Statewide (HSA2025/A.R.S. § 36-132)		Non-Appropriated
Source of Revenue: Individual donations from employee recognition events.		
Purpose of Fund: Employee recognition purposes.		
Funds Expended	2,700	2,800
Year-End Fund Balance	6,800	8,800
Emergency Medical Services Operating Fund (HSA2171/A.R.S. § 36-2218)		Appropriated
Source of Revenue: 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.		
Purpose of Fund: To fund local and state emergency medical services systems.		
Funds Expended	4,556,200	5,368,800
Year-End Fund Balance	5,398,200	5,381,300
Environmental Laboratory Licensure Revolving Fund (HSA3017/A.R.S. § 36-495.15)		Appropriated
Source of Revenue: Fees collected for environmental lab licensure, fees derived from department-sponsored workshops, and monies from gifts, grants, and donations.		
Purpose of Fund: For costs associated with licensing environmental laboratories by the Department of Health Services.		
Funds Expended	720,500	926,400
Year-End Fund Balance	692,400	528,600

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Federal Child Care and Development Fund Block Grant (HSA2008/U.S. P.L 104-193)		Appropriated
Source of Revenue: Federal formula grant.		
Purpose of Fund: 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.		
Funds Expended	879,400	876,100
Year-End Fund Balance	77,800	81,100
Federal Funds (HSA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: 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.		
Purpose of Fund: To provide health services in accordance with the terms of each specific grant. Any federal grants for the delivery of behavioral health services will be transferred to AHCCCS on July 1, 2016 in accordance with Laws 2015, Chapters 19 and 195. In FY 2016 \$43.1 million in federal grants will fund the delivery of behavioral health services.		
Funds Expended	295,902,400	291,116,300
Year-End Fund Balance	15,827,400	27,732,100
Federal Medicaid Services (HSA2500/A.R.S. § 35-142)		Expenditure Authority
Source of Revenue: The fund receives federal match dollars for treating behavioral health problems in Medicaid-eligible persons.		
Purpose of Fund: 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. In FY 2016, these monies can be found in the Interagency Services Agreement for Behavioral Health Services Fund.		
Funds Expended	1,189,783,700	0
Year-End Fund Balance	0	0
Health Services Licensing Fund (HSA1995/A.R.S. § 36-405, A.R.S. § 36-414)		Appropriated
Source of Revenue: Nonrefundable fees for health care institution licensing services and monies from the examination and licensing of hearing and speech professionals.		
Purpose of Fund: 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.		
Funds Expended	8,789,300	9,264,200
Year-End Fund Balance	4,495,600	5,054,400
Health Services Lottery Fund (HSA4250/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: State Lottery monies.		
Purpose of Fund: To fund teenage pregnancy prevention programs, the Health Start program, and the federal Women, Infants and Children (WIC) food program. Monies in this fund were included in the IGA/County Contributions Fund in FY 2015.		
Funds Expended	0	7,130,400
Year-End Fund Balance	0	11,681,700

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
IGA/County Contributions (HSA2144/2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: 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 2016, these monies are split between 3 new accounts: the Health Services Lottery Fund, IGA and ISA Fund, and the IGA for County Behavioral Health Services Fund.		
Purpose of Fund: To fund services which DHS has agreed to perform at the request of, or in conjunction with, public agencies.		
Funds Expended	85,347,400	0
Year-End Fund Balance	80,039,900	0
IGA and ISA Fund (HSA4500/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: Monies from intergovernmental agreements and interagency services agreements between the Department of Health Services and other state and local entities. In FY 2016, this fund will receive \$13,103,300 from DES pursuant to an interagency service agreement between DHS and DES that requires DHS to provide nutrition education in schools for grades 1-6 using funds from the Supplemental Nutrition Assistance Program (SNAP). The monies in this fund were included in the IGA/County Contributions Fund in FY 2015.		
Purpose of Fund: To fund services which DHS has agreed to perform at the request of, or in conjunction with, public agencies.		
Funds Expended	0	17,651,700
Year-End Fund Balance	0	0
IGA for County Behavioral Health Services Fund (HSA4503/A.R.S. § 36-108.01)		Non-Appropriated
Source of Revenue: County funds.		
Purpose of Fund: To fund the delivery of behavioral health services to seriously mentally ill (SMI) individuals, some mental health services for non-SMI individuals, and the administration of Local Alcohol Reception Centers to treat substance abuse. In FY 2016, the fund will receive \$55.2 million from Maricopa County and \$3.1 million from Pima County. These monies were included in the IGA/County Contributions Fund in FY 2015. This fund will be transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapters 19 and 195.		
Funds Expended	0	60,519,600
Year-End Fund Balance	0	944,500
Indirect Cost Fund (HSA9001/A.R.S. § 36-108)		Appropriated
Source of Revenue: Charges made to Federal Funds and interagency agreements in order to reimburse the agency for a portion of the administrative costs of the programs.		
Purpose of Fund: To pay a portion of the administrative personnel and overhead costs associated with various federal programs and interagency agreements.		
Funds Expended	9,451,900	8,559,800
Year-End Fund Balance	2,817,600	4,988,900
Interagency Service Agreement for Behavioral Health Services Fund (HSA4502/A.R.S. § 36-108.01)		Expenditure Authority
Source of Revenue: Federal monies from the Centers for Medicare and Medicaid Services.		
Purpose of Fund: To provide behavioral health services to Medicaid-eligible individuals. These monies were included in the Federal Medicaid Services Fund in FY 2015. The monies in this fund will be transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapters 19 and 195, and will be included in AHCCCS' Federal Medicaid Authority.		
Funds Expended	0	1,239,957,100
Year-End Fund Balance	0	70,605,600

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Internal Services Fund (HSA4202/A.R.S. § 36-108)		Non-Appropriated
Source of Revenue: Charges from other DHS funds.		
Purpose of Fund: Revolving Fund used by DHS warehouse for the purchase of goods.		
Funds Expended	7,700	7,700
Year-End Fund Balance	102,300	94,600
Medical Marijuana Fund (HSA2544/A.R.S. § 36-2817)		Non-Appropriated
Source of Revenue: The fund receives application and renewal fees from medical marijuana dispensaries, civil penalties and private donations.		
Purpose of Fund: 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 an electronic registry of dispensary agents, patients and designated caregivers.		
Funds Expended	9,476,200	10,198,700
Year-End Fund Balance	11,614,400	13,529,700
Medical Student Loan Fund (HSA3306/A.R.S. § 15-1725)		Non-Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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.		
Funds Expended	0	0
Year-End Fund Balance	195,800	280,100
Newborn Screening Program Fund (HSA2184/A.R.S. § 36-694.01)		Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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.		
Funds Expended	5,774,500	6,738,300
Year-End Fund Balance	2,248,100	2,734,300
Nursing Care Institution Resident Protection Revolving Fund (HSA2329/A.R.S. § 36-446.08)		Appropriated
Source of Revenue: Civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications.		
Purpose of Fund: For the protection of the health and property of residents of nursing care facilities that are found deficient.		
Funds Expended	45,100	138,200
Year-End Fund Balance	1,654,000	1,860,800
Oral Health Fund (HSA3038/A.R.S. § 36-138)		Non-Appropriated
Source of Revenue: Monies received from AHCCCS contracts for dental services.		
Purpose of Fund: To provide dental services to Medicaid-eligible children identified by the DHS Oral Health program.		
Funds Expended	131,400	353,800
Year-End Fund Balance	822,800	654,200

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Risk Assessment Fund (HSA2427/A.R.S. § 36-1693)		Non-Appropriated
Source of Revenue: Monies from the Department of Environmental Quality for risk services performed by DHS. The fund may also receive legislative appropriations, gifts, grants, or donations.		
Purpose of Fund: 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.		
Funds Expended	43,800	60,000
Year-End Fund Balance	62,800	62,800
Serious Mental Illness Services Fund (HSA2464/A.R.S. § 36-503.02 [repealed])		Non-Appropriated
Source of Revenue: 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. Laws 2015, Chapter 195 eliminated this fund, and required that any remaining balance revert to the General Fund on July 1, 2016.		
Purpose of Fund: To fund Community Housing, Vocational Rehabilitation, and other recovery support services to persons with serious mental illnesses.		
Funds Expended	0	0
Year-End Fund Balance	2,900	2,900
Seriously Mentally Ill Housing Trust Fund (HSA2555/A.R.S. § 41-3955.01)		Partially-Appropriated
Source of Revenue: 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.		
Purpose of Fund: To fund housing projects as well as rental assistance 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 rental assistance for seriously mentally individuals, as well as the operation, construction or renovation of a facility that houses seriously mentally ill individuals. This fund will be transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapters 19 and 195.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	822,500	2,000,000
Year-End Fund Balance	3,957,000	3,983,600
Smoke Free Arizona Fund (HSA2541/A.R.S. § 36-601.01)		Non-Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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.		
Funds Expended	3,163,700	3,160,000
Year-End Fund Balance	463,800	403,800
Substance Abuse Services Fund (HSA2227/A.R.S. § 36-2005)		Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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. This fund will be transferred to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapters 19 and 195.		
Funds Expended	2,250,000	2,250,200
Year-End Fund Balance	2,598,400	2,633,200

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
Tobacco Tax and Health Care Fund - Health Education Account (HSA1308/A.R.S. § 36-772)		Non-Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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.		
Funds Expended	20,343,900	20,343,900
Year-End Fund Balance	7,401,600	5,145,300
Tobacco Tax and Health Care Fund - Health Research Account (HSA2096/A.R.S. § 36-275, A.R.S. § 36-773)		Partially-Appropriated
Source of Revenue: The fund receives monies from the Health Research Account of the Tobacco Tax and Health Care Fund. The FY 2016 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2015, Chapter 14) continues to permit DHS to use the fund for Alzheimer's disease research.		
Purpose of Fund: Monies are used for research into the prevention and treatment of tobacco-related disease and addiction.		
Appropriated Funds Expended	1,997,500	3,000,000
Non-Appropriated Funds Expended	1,340,900	3,274,800
Year-End Fund Balance	8,966,900	10,996,700
Tobacco Tax and Health Care Fund - Medically Needy Account (HSA1306/A.R.S. § 36-774)		Partially-Appropriated
Source of Revenue: 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>		
Purpose of Fund: 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. Any monies in this fund used to pay for behavioral health services will be transferred from DHS to AHCCCS on July 1, 2016 pursuant to Laws 2015, Chapters 19 and 195. Of the \$35,467,000 estimated to be expended from this account in DHS in FY 2016, \$34,767,000 will be transferred to AHCCCS for behavioral health services in FY 2017, with \$700,000 remaining in DHS for public health programs.		
Appropriated Funds Expended	35,388,300	35,467,000
Non-Appropriated Funds Expended	0	0
Year-End Fund Balance	397,900	397,900
Vital Records Electronic Systems Fund (HSA3039/A.R.S. § 36-341.01)		Appropriated
Source of Revenue: 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.		
Purpose of Fund: To develop and operate a new vital records automated system.		
Funds Expended	2,075,000	3,629,000
Year-End Fund Balance	1,896,300	905,800

*As reported by the agency. Actual balance may be higher due to expense transfers from the ASH Fund to the Non-Medicaid Seriously Mentally Illness Services line item.