

Arizona State Hospital

Department of Health Services

Program Summary

Program Description

The Arizona State Hospital (ASH) is Arizona's sole public psychiatric hospital. Located in Phoenix and administered by the Department of Health Services (DHS), ASH provides 360 beds for the long term treatment of the seriously mentally ill.

The Civil Adult Rehabilitation program has 116 available beds for individuals who are civilly committed as a danger to self or others, gravely disabled, or persistently and acutely disabled. Patients must receive a minimum of 25 days of care in a community hospital before they are eligible for civil commitment. In FY 2018, the Civil Hospital had an average daily census of 96 patients, for an occupancy rate of 83%.

The Forensic Adult program has 143 available beds and includes 3 distinct populations. The *Restoration to Competency* (RTC) program houses and provides treatment to patients that have been charged of a crime but are not yet fit to stand trial. The *Post-Trial Forensic* program houses individuals who have stood trial for a criminal charge, but have either been ruled guilty except insane (GEI) or not guilty by reason of insanity (NGRI). The *Community Reintegration* program includes post-trial forensic patients that have a plan of conditional release into the community. In FY 2018, the Forensic Hospital housed an average of 113 patients per day for an occupancy rate of 79%.

The ASH campus also includes a separate 100-bed facility that houses the Arizona Community Protection and Treatment Center (ACPTC), which supervises and treats persons classified as sexually violent persons (SVPs). In FY 2018, ACPTC had an average daily census of 93 patients, for an occupancy rate of 93%.

In January 2014, the settlement of *Arnold v. Sarn* placed a limit on the average daily census of ASH patients with a civil commitment that are from Maricopa County. The settlement requires that DHS find community living arrangements for any ASH patients from Maricopa County that could benefit from residing in the community, and stipulates that the census of ASH patients from Maricopa County with a civil commitment not exceed 55 people.

Program Funding

The FY 2019 budget includes \$71.5 million in total appropriated funding for ASH, including \$68.2 million from the General Fund. The remaining appropriation is from the ASH Fund and the ASH Land Earnings Fund.

ASH Fund

ASH receives revenues from the ASH Fund, which collects county payments for RTC and SVP clients and federal reimbursement for ASH patients covered by Medicaid. The FY 2019 budget includes \$2.6 million for ASH from the ASH Fund.

The FY 2019 Health Budget Reconciliation Bill (BRB) (Laws 2018, Chapter 284) continues to require counties to pay for 100% of the daily cost of care for RTC patients. In FY 2018, DHS charged a per diem rate of \$743 for RTC clients. The state funded a portion of RTC before FY 2010, but since that time counties have assumed the full costs of daily care for RTC. Since the state required counties to pay 100% of RTC costs, the number of RTC patients as a percentage of all annual admissions has dropped from 44% in FY 2009 to 9% in FY 2018. In FY 2018, ASH received \$556,100 in county payments for RTC.

Counties started to pay for a portion of the cost of care for SVP patients in FY 2010, when the state required counties to pay 25% of program costs. In FY 2012 that contribution rate increased to 50%, and from FY 2014 through FY 2018 the county contribution rate was 33% or lower. The FY 2019 Health BRB shifted the full cost of SVP care to the state and added \$3.0 million in General Fund monies to the ASH budget to replace county payments. In FY 2018, DHS charged a per diem rate of \$305 for SVP patients in full confinement, and between \$211 and \$344 for SVP patients assigned to Least Restrictive Alternative treatment. In FY 2018, the ASH Fund received \$3.4 million in county payments for SVP clients.

Federal monies from Medicaid are also deposited into the ASH Fund. Because ASH is classified by Medicaid as an Institution for Mental Disease (IMD), Medicaid’s IMD exclusion only permits reimbursement for up to 30 days of care for patients that are between the ages of 21 and 65. In FY 2018, ASH received \$1.7 million in Medicaid payments.

In total, the ASH Fund received \$5.7 million in FY 2018, compared to an appropriation of \$6.8 million. *Table 1* shows the fund’s revenues from FY 2016 to FY 2019 by type of revenue, as well as budget changes made to offset revenue declines.

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u> ^{1/}	<u>FY 2019</u> ^{1/}
Beginning Balance	\$0.6	\$ 0.9	\$1.6	\$2.3
Revenue	6.9	4.8	5.0	2.0
Transfers ^{2/}	<u>2.4</u>	<u>5.0</u>	<u>2.5</u>	<u>0.0</u>
Total Available	\$9.9	\$10.7	\$9.1	\$4.3
Spending ^{3/ 4/}	<u>9.1</u>	<u>9.1</u>	<u>6.8</u>	<u>2.6</u>
Ending Balance	\$0.8	\$ 1.6	\$2.3	\$1.7

^{1/} FY 2018 and FY 2019 reflect estimated revenues and expenditures.
^{2/} The FY 2017 General Appropriation Act transferred \$2.4 million from the Health Services Lottery Monies Fund to the ASH Fund in FY 2016. The FY 2018 General Appropriation Act transferred \$3.8 million from the Indirect Cost Fund and \$1.2 million from the AHCCCS Non-Medicaid SMI line item in FY 2017, and \$1.3 million from the Health Services Lottery Monies Fund and \$1.2 million from the AHCCCS Non-Medicaid SMI line item in FY 2018.
^{3/} The FY 2018 General Appropriation Act reallocated \$2.8 million in General Fund monies from the DHS operating budget to the ASH - Operating line item in FY 2018. The ASH Fund appropriation had a corresponding decrease of \$(2.8) million.
^{4/} The FY 2019 budget transferred \$1.2 million from the AHCCCS Non-Medicaid SMI line item General Fund appropriation to the ASH - Operating line item. The ASH Fund appropriation had a corresponding decrease of \$(1.2) million. The FY 2019 budget also shifted 31% of the cost of daily care for SVP patients from counties to the state. The General Fund appropriation was increased by \$3.0 million, with a corresponding decrease from the ASH Fund of \$(3.0) million.

The FY 2018 budget required DHS to transfer \$3.8 million from the Indirect Cost Fund to the ASH Fund in FY 2017 and \$1.3 million from the Health Services Lottery Monies Fund to the ASH Fund in FY 2018. Beginning in FY 2017, a footnote in the budget also required AHCCCS to transfer \$1.2 million from the Non-Medicaid Seriously Mentally Ill Services line item to ASH for the prescription medication costs of ASH patients. The FY 2018 budget also reallocated \$2.8 million from the DHS General Fund operating budget to ASH to further offset revenue declines.

The FY 2019 budget deleted the footnote requiring AHCCCS to transfer monies to DHS, and replaced the footnote with a direct \$1.2 million General Fund appropriation to ASH on an ongoing basis. The ASH Fund has a corresponding decrease of \$(1.2) million. The budget also eliminated a requirement for counties to pay 31% of the cost of daily care for SVPs at ASH, increasing the General Fund appropriation by \$3.0 million. The ASH Fund had another corresponding decrease of \$(3.0) million. The overall level of resources available at ASH from all funds remains unchanged from FY 2018 to FY 2019.

ASH Land Earnings Fund

The ASH Land Earnings Fund generates revenue for ASH from land held in trust by the State of Arizona. The FY 2019 budget includes \$650,000 from the ASH Land Earnings Fund.

In May 2016, the voters approved Proposition 123, increasing the annual distribution rate for all beneficiaries of the Arizona State Land Trust from 2.5% to 6.9% beginning in FY 2016. Prior to the increase, the Treasurer’s distribution to the ASH Land Earnings Fund was \$138,400 in FY 2015. In FY 2019, the distribution increases to \$1.2 million. The expected fund balance at the end of FY 2019 is \$2.0 million.

ASH Funding Trends

Between FY 2008 and FY 2019, total funding for ASH declined by (3.1)%. As Table 2 shows, the General Fund expenditures for ASH have increased by 0.6% since FY 2008.

	FY 2000	FY 2008	FY 2019	Change from FY 2000 to FY 2008	Change from FY 2008 to FY 2019	Net Change Between FY 2000 and FY 2019
General Fund	\$39,453,500	\$67,844,000	\$68,244,800	72.0%	0.6%	73.0%
ASH Fund	10,851,300	5,661,000	2,590,300	(47.8)%	(54.2)%	(76.1)%
ASH Land Earnings Fund	<u>222,100</u>	<u>276,100</u>	<u>650,000</u>	<u>24.3%</u>	<u>135.4%</u>	<u>192.7%</u>
Total Appropriated Funds	\$50,526,900	\$73,781,100	\$71,485,100	46.0%	(3.1)%	41.5%
Average Daily Census	438	350	302 ^{1/}	(20.1)%	(13.7)%	(31.1)%
Cost Per Patient Day	\$319	\$578	\$674 ^{1/}	81.2%	16.6%	111.3%

^{1/} The most recent data for Average Daily Census and Cost Per Patient Day are from FY 2018.

Recent declines in total funding for ASH represent a reversal of previous funding trends. Between FY 2000 and FY 2008, ASH received a 46% increase in total funding. From FY 2000 through FY 2019, total inflation-adjusted funding for ASH has remained approximately the same. Although costs per patient per day have increased 46% in real terms since FY 2000, these increases have been mostly offset by a (31)% reduction in average daily census.

DSH Payments for ASH

ASH generates General Fund revenues due to its status as a Disproportionate Share Hospital (DSH). The DSH program allows Arizona to receive federal matching payments for the costs of uncompensated care at ASH. Each year, in accordance with an agreement with the Centers for Medicare and Medicaid Services (CMS), ASH documents its uncompensated care costs through the certified public expenditure (CPE) process.

ASH's hospital-specific DSH allocation is capped by the federal government because ASH is an Institution for Mental Disease. As a result, ASH's DSH allocation may be less than the total cost of uncompensated care documented through the CPE process. Pursuant to federal guidelines, the cap on ASH's DSH allocation in a given year can be no higher than \$28.5 million. With the cap of \$28.5 million, ASH draws down \$19.9 million in federal payments to the General Fund.

Certification and Accreditation

ASH retains certification with the federal Centers for Medicare and Medicaid Services (CMS) for the civil hospital. CMS surveyors periodically inspect ASH to ensure that the quality of care delivered at ASH satisfies health and safety standards necessary to qualify for federal reimbursement from Medicare or Medicaid.

In August 2013, CMS investigated ASH following the death of a patient that swallowed foreign objects. CMS determined that ASH was not satisfying the Conditions of Participation for Medicare, and threatened to revoke its certification. ASH was cited for failing to re-examine patients after patients visited emergency rooms, neglecting to adequately supervise patients requiring close observation, and for failing to satisfy hospital protocols regarding staffing levels. In March 2014, CMS determined that ASH had taken adequate steps to avoid having its certification revoked.

In May 2015, CMS investigated ASH following new allegations of patient abuse. In July 2015, CMS concluded after inspecting ASH that there were deficiencies in the quality of care, including inadequate staffing levels, insufficient monitoring of patients, and a lack of an overall quality improvement plan. ASH developed a plan of correction to address these issues, and that plan was approved by CMS in September 2015. To facilitate the plan of correction,

the FY 2017 budget included an increase of \$1.5 million from the General Fund for additional nurses and campus security officers at ASH, as well as a one-time increase of \$230,100 from the ASH Land Earnings Fund to improve monitoring of patients. The FY 2018 budget appropriated \$320,000 from the ASH Land Earnings Fund to replace beds and light fixtures with ligature points in ASH patient rooms.

ASH also receives accreditation from the Joint Commission. The Joint Commission receives funds from member institutions to evaluate the quality of care and patient safety at hospitals and other health care providers. According to the Joint Commission, approximately 82% of the nation's hospitals have received accreditation from the Joint Commission. ASH's 2015 Accreditation Report indicated that ASH's performance on National Quality Improvement metrics was above the Joint Commission's target range, and ASH met the target goals for National Patient Safety. These measures include safety in the use of medications, reducing the risk of health-care-associated infections, and accuracy of patient identification, among others.

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