

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 2021, the Civil Hospital had an average daily census of 98 patients, for an occupancy rate of 84%.

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 2021, 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 2021, ACPTC had an average daily census of 95 patients, for an occupancy rate of 95%.

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 2022 budget includes \$74.8 million in total appropriated funding for ASH, including \$71.3 million from the General Fund. The remaining appropriation is from the ASH Fund and ASH Land Earnings Fund.

ASH Fund

ASH receives revenues from the ASH Fund, which collects county payments for RTC clients and federal reimbursement for ASH patients covered by Medicaid. The FY 2022 budget includes \$2.9 million for ASH from the ASH Fund.

In FY 2021, DHS charged a per diem rate of \$822 for RTC clients. The state funded a portion of RTC care 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 (a session law provision made permanent in FY 2020), the number of RTC patients as a percentage of all annual admissions has dropped from 44% in FY 2009 to 14% in FY 2020. In FY 2021, ASH received \$1.5 million 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 Budget Reconciliation Bill permanently shifted the full cost of SVP care back to the state and added \$3.0 million in General Fund monies to the ASH budget to replace county payments.

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 2021, ASH received \$2.7 million in Medicaid payments.

In total, the ASH Fund received \$4.2 million in FY 2021, compared to an appropriation of \$2.6 million.

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 2022 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 2022, the distribution increases to \$1.0 million. The expected fund balance at the end of FY 2022 is \$2.5 million.

ASH Funding Trends

Between FY 2008 and FY 2022, total funding for ASH increased by 1.4%. As Table 1 shows, the General Fund expenditures for ASH have increased by 5.1% since FY 2008.

	FY 2000	FY 2008	FY 2022	Change from FY 2000 to FY 2008	Change from FY 2008 to FY 2022	Net Change Between FY 2000 and FY 2022
General Fund	\$39,453,500	\$67,844,000	\$71,290,500	72.0%	5.1%	80.7%
ASH Fund	10,851,300	5,661,000	2,883,600	(47.8)%	(49.1)%	(73.4)%
ASH Land Earnings Fund	222,100	276,100	650,000	24.3%	135.4%	192.7%
Total Appropriated Funds	\$50,526,900	\$73,781,100	\$74,824,100	46.0%	1.4%	48.1%
Average Daily Census	438	350	306 ^{1/}	(20.1)%	(12.6)%	(30.1)%
Cost Per Patient Day	\$319	\$578	\$686 ^{1/}	81.2%	18.7%	115.0%

^{1/} The most recent data for Average Daily Census and Cost Per Patient Day are from FY 2021.

From FY 2000 through FY 2022, total funding has increased 1.4% and total inflation-adjusted spending has decreased (8.0)%. Although costs per patient per day have increased 58% in real terms since FY 2000, these increases have been partially offset by a (30)% 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 \$20.0 million in federal payments to the General Fund.

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