

REPORT HIGHLIGHTS
SPECIAL AUDIT

Subject

This special audit reviews the delivery of behavioral health services to adults with serious mental illness (SMI) in Maricopa County where more than 18,000 adults are enrolled to receive these services.

Our Conclusion

Arizona has a well-funded mental health system managed by the Division of Behavioral Health Services (Division). The Division should increase its existing efforts to measure whether adults with SMI are making progress. The Division can also provide greater assurance that monies are spent appropriately and sufficient services are provided.



2006

SMI Enrollment and Funding Have Grown

SMI is not a specific mental disorder, but a designation used by states and the federal government.

People designated with SMI qualify for a wide range of services paid for by the State using state and federal monies.

SMI Designation in Arizona

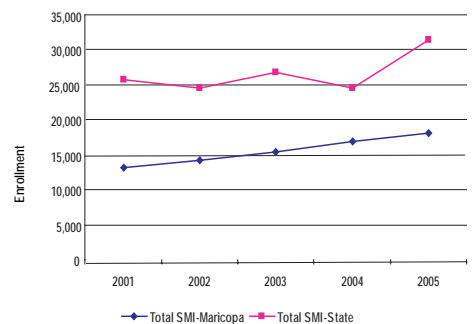
To obtain SMI designation, a person must meet all of the following criteria:

- Be at least 18 years old.
- Have a qualifying psychiatric diagnosis from 1 of 7 mental disorders:
 - Psychotic disorders
 - Bipolar disorders
 - Obsessive compulsive disorder
 - Major depression
 - Other mood disorders
 - Anxiety disorders
 - Personality disorders
- Be functionally impaired as a result of the psychiatric diagnosis.

SMI enrollment is growing—From 2000 to 2005, the number of people designated with SMI and enrolled for services has increased by over 50 percent in Maricopa County. SMI enrollment in Maricopa County now exceeds 18,000 people.

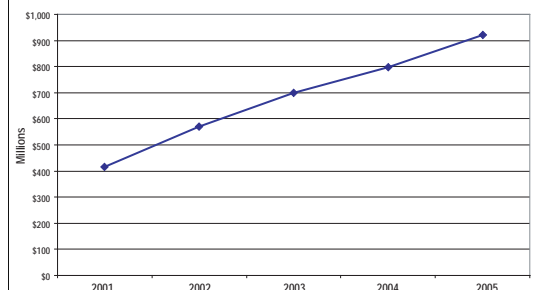
Growth in funding—Arizona has a well-funded mental health system. The amount of funding the State has dedicated to behavioral health services has more than doubled from 2001 to 2005 because of lowered Medicaid

SMI Enrollment Growth in Maricopa County and Arizona



income eligibility requirements (passed by Arizona voters in 2000) and an expansion of the types of behavioral health services covered by Medicaid. Arizona has also improved its ranking in state mental health spending. In 2005, Arizona ranked tenth in the U.S. in overall and seventh in per capita mental health spending (based on 2003 expenses).

Mental Health Funding Fiscal Years 2001-2005



Adults with SMI Receive Diverse Range of Services

Since 1998, the Division has contracted with a private company, VO of Arizona, Inc. (ValueOptions), to provide behavioral health services in Maricopa County through a combination of 23 direct care clinics and more than 100 subcontracted inpatient and outpatient service providers.

Maricopa County SMI substantial portion of total funding—In fiscal year 2005, ValueOptions received about one-half of the total money available for the state behavioral health system, mainly because it serves about one-half of the State's behavioral health consumers.

ValueOptions used one-half of that money for SMI services in Maricopa County, while using the remainder to provide services to children and other adults.

Case management is largest expenditure—ValueOptions spends about 42 percent (\$101 million) of its SMI monies on support services, which includes case management. The next largest expense is almost 17 percent (\$41.1 million) for medication. Other expenses, in order, include inpatient, residential, rehabilitation, treatment, medical, crisis intervention, and day program services.

Division Should Strengthen Focus on Outcomes

Research shows that many adults with SMI can recover, or make progress, and live meaningful and fulfilling lives. However, until recently, the Division and ValueOptions have focused more on the **process** of service delivery than on consumer **progress**. For example, ValueOptions emphasized meeting quotas for developing individual service plans (ISPs).

However, in May 2005, Boston University experts in the field of psychiatric rehabilitation and recovery observed ValueOptions' clinical teams and reported that these teams had difficulty developing meaningful ISPs.

In November 2005, the Division agreed with *Arnold v. Sam* plaintiffs to require ValueOptions to train its staff in Boston University's consumer recovery model.

Lawsuit requirements may impede model—In providing services to SMI consumers, the Division must comply with the provisions of court orders associated with the 1981 class action lawsuit, *Arnold v. Sam*. These provisions establish numerous processes the Division must

follow in providing SMI services in Maricopa County, and a court monitor samples cases to measure whether the Division is in compliance.

This compliance review reports on the consumer's status on the day of the review. If the court monitor deems that just one area of review—such as housing, employment, or social activities—is deficient on that day, the consumer is considered to have unmet needs. The Division is considered noncompliant with lawsuit requirements if a certain percentage of consumers have unmet needs.

However, this review process does not measure progress toward recovery. For example, in one review a 55-year-old man with schizophrenia was found to have unmet needs. But the review did not reflect the man's progress—after living in the state hospital for about 15 years, he was now living in an apartment.

Focus on outcomes needed—The Division needs to expand its use of outcome measures to assess SMI consumers' progress toward recovery. It

has begun efforts to measure outcomes by:

- Pilot testing a process to measure SMI outcomes in several areas such as

- employment, housing, and criminal justice involvement, and
- Participating in two national projects on collecting outcome data.

While these efforts show promise, the Division needs to take further steps.

Recommendations

The Division should:

- Continue training staff in the Boston University recovery model;
- Define additional outcome goals and develop appropriate outcome measures;
- Continue to incorporate outcomes and financial incentives into the ValueOptions contract; and
- Consider renegotiating the *Arnold v. Sam* order to focus more on outcomes rather than process goals.

Division Can Improve Financial Oversight and Limit Use of SMI Monies

The Division uses several mechanisms to monitor ValueOptions' solvency and spending by:

- Limiting administrative expenses to 7.5 percent of total division revenues;
- Limiting profits on revenues to 4 percent of service revenues;
- Requiring an annual independent financial audit and a compliance audit related to federal grants; and
- Analyzing monthly, quarterly, and annual financial statements to ensure ValueOptions complies with requirements.

Need to audit appropriateness of spending—Most of the audits the Division obtains focus on whether financial activities are properly recorded and not whether the expenses are proper and consistent with contract requirements,

such as limits on administrative expenses. The Division can improve its oversight of ValueOptions' spending by requiring compliance audits that focus on the appropriateness of spending.

Restrict transfers of SMI monies—Neither statute nor the contract restricts ValueOptions, or the State's other Regional Behavioral Health Authorities (RBHAs), from using SMI monies to make up for losses in other programs. For example, in fiscal years 2002 through 2004, ValueOptions used SMI Medicaid income to make up losses in other Medicaid programs. The Division should consider a contract provision that would limit use of SMI monies for other programs. The Legislature could similarly consider a statutory restriction as it has done for children's behavioral health monies.

Service revenues represent total division revenues provided less 7.5 percent allowed for administrative expenses, or 92.5 percent of total revenues the Division provided.

Recommendations

The Legislature could consider:

- A statutory restriction to not allow SMI monies to be used for other programs.

The Division should:

- Improve oversight of ValueOptions' use of program monies through compliance audits, and
- Consider limiting the use of SMI monies for other programs.

Division Needs Better Oversight to Ensure Sufficient Services

Because ValueOptions is paid in advance for services, oversight is critical to ensure that it provides sufficient services. The Division attempts to do this by requiring that ValueOptions reports services with a total value equal to at least 85 percent of service revenues, which translates to 78.6 percent of total contract revenues. This same requirement applies to RBHAs that serve other areas of the State. For fiscal year 2005, ValueOptions' amount was \$384.8 million. If ValueOptions did not report services of that value, the Division could withhold payments.

However, the contract does not set the dollar value for the services ValueOptions provides. As a result, the requirement does not accomplish the goal of ensuring sufficient services are provided.

ValueOptions often assigns much higher dollar values to the services it provides than: (1) the rates it has established with its subcontractors for services to adults with SMI, and (2) the values that AHCCCS has approved for fee-for-service claims for services to adults with SMI. The **Comparison of Hourly Rates** table compares the most frequent values for

some selected services to adults with SMI with these reference points (some values are rounded). ValueOptions officials explain that their costs are high due to contractual and *Arnold v. Sarn* lawsuit requirements, and therefore their service values are higher than these reference points.

Comparison of Hourly Rates

Service	VO of AZ	Sub-contractors	AHCCCS
Case Management			
Technician In-Office	\$ 62	\$ 62	\$ 32
Technician In-Home	113	70	46
Professional	138	92	104
Family Counseling	296	80	94
Group Self-Help/Peer Support	14	9	8
Group Skills Training	15	12	8

Finally, ValueOptions increased several of its services' dollar values for fiscal year 2006. For example, during fiscal year 2006 it increased some case management services from \$113 to \$150 per hour.

The Division has drafted changes to its *Financial Reporting Guide* as of July 1, 2006, to change the way it monitors the minimum service requirement.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333



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Contact person for this report:
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Recommendation

The Division should:

- Continue its efforts to improve its monitoring of service reporting.