

REFERENCE TITLE: Arizona state hospital; private entity

State of Arizona
Senate
Fifty-sixth Legislature
Second Regular Session
2024

SB 1100

Introduced by
Senators Miranda: Fernandez, Gonzales, Gowan, Shope; Representative
Hernandez C

AN ACT

AMENDING SECTION 36-214, ARIZONA REVISED STATUTES; RELATING TO THE ARIZONA
STATE HOSPITAL.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 36-214, Arizona Revised Statutes, is amended to
3 read:

4 36-214. Arizona state hospital; private operation contract;
5 reporting requirements; reversion

6 A. Notwithstanding any law to the contrary, pursuant to requests
7 for proposals, the department of health services ~~may~~ SHALL enter into a
8 ~~five year~~ FIVE-YEAR contract with a private entity to administer the
9 Arizona state hospital and deliver client services. The contract shall
10 allow the department to renew the contract for two subsequent renewal
11 periods of not more than five years each and shall prescribe the
12 circumstances under which the department may terminate the contract before
13 the end of a ~~five year~~ FIVE-YEAR period. The department may issue
14 separate requests for proposals for criminal, civil, juvenile and adult
15 population categories in the state hospital.

16 B. The contract shall include the following requirements:

17 1. The contractor must successfully attain performance goals
18 prescribed by the department and the joint legislative budget committee
19 relating to improvement of the state hospital's administration and
20 delivery of client services.

21 2. The contractor shall not use subcontractors or subsidiaries to
22 deliver services prescribed in the contract.

23 C. To be considered for an award of a contract, the contractor must
24 demonstrate that it has:

25 1. The qualifications, operations and management experience and
26 experienced personnel necessary to carry out the terms of the contract.

27 2. The ability to comply with applicable standards and any specific
28 court order, if required.

29 3. A demonstrated history of successful operation and management of
30 secure behavioral health facilities.

31 4. A demonstrated history of successful delivery of behavioral
32 health services.

33 D. The contractor must agree:

34 1. That this state may cancel the contract at any time after the
35 first year of operation, without penalty to this state, on ninety days'
36 written notice.

37 2. To be in compliance at all times with all corrective action
38 plans that are in effect at the time the contract is entered into or that
39 are subsequently entered into by this state and the center for medicare
40 and medicaid services.

41 3. To comply with all medicare certification requirements.

42 E. A contract may provide for annual contract price or cost
43 adjustments, except that any adjustments may be made only once each year
44 effective on the anniversary of the effective date of the contract. If
45 any adjustment is made pursuant to the terms of the contract, it must be

1 applied to the total payments made to the contractor for the previous
2 contract year and shall not exceed the ~~percent~~ PERCENTAGE of change in
3 the average consumer price index as published by the United States
4 department of labor, bureau of labor statistics, between that figure for
5 the latest calendar year and the next previous calendar year. Any price
6 or cost adjustments different than those authorized in this subsection may
7 be made only if the legislature specifically authorizes the adjustments
8 and appropriates monies for that purpose, if required.

9 F. The department shall not award a contract unless:

10 1. It receives an acceptable proposal pursuant to any request for
11 proposals. For the purposes of this paragraph, "acceptable proposal"
12 means a proposal that substantially meets all of the requirements or
13 conditions prescribed in this section and that meets all of the
14 requirements in the request for proposals.

15 2. The proposal offers cost savings to this state based on the
16 standard cost comparison model approved by the joint legislative budget
17 committee.

18 3. The proposal offers a level and quality of services that equal
19 or exceed those that would be provided by this state.

20 4. The contractor provides audited financial statements for the
21 previous five years, or for each of the years the contractor has been in
22 operation, if fewer than five years, and provides other financial
23 information as requested.

24 5. The contractor provides an adequate plan of insurance,
25 specifically including coverage or insurance for civil rights claims and
26 liabilities as approved by the risk management division of the department
27 of administration.

28 6. The contractor agrees to be liable for the costs of any
29 emergency, public safety or security services provided to the contractor
30 by this state or any political subdivision of this state and to reimburse
31 this state or any political subdivision of this state for the cost of
32 those services.

33 G. The sovereign immunity of this state does not apply to the
34 contractor. Neither the contractor nor the insurer of the contractor may
35 plead the defense of sovereign immunity in any action arising out of the
36 performance of the contract.

37 H. The contract terms are subject to prior review by the joint
38 legislative budget committee before placement of any advertisement that
39 solicits a response to a request for proposals. Any proposed modification
40 or amendment to the contract is subject to prior review by the joint
41 legislative budget committee.

42 I. During its first year of operation, the contracting entity shall
43 submit monthly reports to the department and the joint legislative budget
44 committee as prescribed by the department. Thereafter, the contracting

1 entity shall submit quarterly reports to the department and the joint
2 legislative budget committee as prescribed by the department.

3 J. At the end of the fourth year of the contract, an independent
4 evaluator selected by the department shall conduct and complete a
5 performance review to determine if the contracting entity has met the
6 goals specified in the contract. The independent evaluator shall submit a
7 report of its findings to the governor, the president of the senate, the
8 speaker of the house of representatives and the joint legislative budget
9 committee ~~on or before May 1, 2010~~ WITHIN NINETY DAYS AFTER THE END OF THE
10 FOURTH YEAR OF THE CONTRACT and shall provide a copy of its report to the
11 secretary of state ~~and the director of the Arizona state library, archives~~
12 ~~and public records.~~

13 K. The department shall make a good faith attempt to place all
14 state hospital personnel who are under the state personnel system on the
15 effective date of the contract entered into pursuant to this section and
16 who are not offered continued employment by the contracting entity.

17 L. All appropriated monies that remain unexpended and unencumbered
18 on the effective date of the contract entered into pursuant to this
19 section revert to the state general fund.

20 ~~M. The department of health services shall report to the joint~~
21 ~~legislative budget committee by July 1, 2006 on whether the department~~
22 ~~intends to privatize the state hospital. If the department intends to~~
23 ~~privatize the state hospital, the report shall contain a time frame for~~
24 ~~issuing a request for proposals. If the department decides against~~
25 ~~privatizing the state hospital, the report shall include the department's~~
26 ~~rationale for not doing so.~~