



Office of the Director

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JANICE K. BREWER, GOVERNOR
WILL HUMBLE, INTERIM DIRECTOR

October 19, 2009

Dear Arizonan,

The Arizona Department of Health Services' (ADHS) budget has been dramatically decreased over the past year. In February 2009, the Department's budget was reduced by more than \$30 million dollars, resulting in reductions to a number of programs and services earlier this calendar year. In September 2009, the Department's budget was reduced by an additional \$30 million dollars, requiring further reduction or elimination of Department programs and services.

But, these are just dollar figures. What really matters is what these reductions have meant to Arizona's public health and behavioral health systems. At this point, due to these budget reductions, ADHS has taken the following actions:

Implemented Cuts:

- Suspended enrollment in Children's Rehabilitative Services for 3,500 children who are not enrolled in AHCCCS;
- Reduced approximately 8,800 home visits to newborns previously in Intensive Care;
- Suspended all grants to counties for prenatal services for 19,000 women and children;
- Eliminated the Hepatitis C and Valley Fever public health prevention programs;
- Suspended remaining funding for seniors' farmers market;
- Reduced county contracts for tuberculosis care by more than 50%;
- Eliminated all state funding for children's vaccines;
- Suspended remaining HIV surveillance contracts with Maricopa and Pima County;
- Suspended remaining county grants for diabetes prevention;
- Eliminated more than \$10 million dollars for primary care at community health centers (however, the Program is now temporarily funded through stimulus funding);

- Suspended all retinal and podiatry screenings;
- Suspended all grants to counties for public health personnel;
- Reduced support for both Arizona Poison Control Centers by more than 50%;
- Eliminated all birth defect call center services;
- Eliminated all Medicare Part-D copayment subsidies for medications for dual-eligible behavioral health recipients, except those with a serious mental illness;
- Reduced all appropriated funds for non-Medicaid treatment for substance abuse by 60%, for children by 11%, for adult general mental health services by 29%, and for adults with serious mental illness by 7%;
- Closed the Adolescent Treatment Unit at the State Hospital; and
- Reduced the Department's agency-wide operational budget by 20%.

As you can see, the magnitude and scale of the budget reduction actions that we have taken thus far in 2009 are staggering. We recognize that these actions have had a real impact on the lives of Arizonans, and we have tried our best to make the best decisions possible.

However, in recent weeks, it has become clear that additional, and even more dramatic, budget reductions may become necessary. In order to prepare for a potential additional reduction of 15% to the Department, we have prepared a roadmap that outlines how we would proceed. The following incremental actions may become unavoidable if a solution to the State's current budget problem is not implemented:

Proposed Cuts:

- Eliminate the High Risk Perinatal Program, which would end services for over 5,000 critically ill newborns and their families in Arizona. Working families may be faced with the devastating cost of an infant in the Newborn Intensive Care Unit and would no longer receive nursing home visits for these infants who are at significantly higher risk of developmental delays. The loss of funding would also end the statewide 1-800 emergency neonatal or maternal consultation and transport line, leaving the rural areas without help to ensure sick babies get to a hospital best equipped to care for them.
- Eliminate all appropriated funding for behavioral health services for individuals who do not qualify for Medicaid with the exception of behavioral health crisis services for all ages and supported housing (rental subsidy) for adults with serious mental illness who qualify for Medicaid. This includes 14,700 adults with serious mental illness, 11,700 adults with general mental health related illnesses, 6,300 adults with substance use disorders, and 4,600 children/adolescents with behavioral health needs. This reduction would apply to all recipients that do not qualify for the Arizona Medicaid program (AHCCCS). The elimination of these services, including inpatient, residential, medication and outpatient services would likely result in an increased use of crisis services, emergency room visits, and uncompensated care at hospitals.

- Eliminate rental subsidy funding for 2,685 adults with serious mental illness who qualify for Medicaid. The elimination of the supported housing program will result in the eviction of many if not most of these persons leading to increased homelessness. This will result in using more expensive and more restrictive housing arrangements, such as congregate residential settings. Elimination of housing supports could also lead to increased use of crisis and inpatient services.
- Eliminate Arizona's behavioral health crisis system, including crisis phones, mobile teams and psychiatric urgent care walk-in centers. The current system receives approximately 10,600 calls a month and crisis mobile teams respond on-site to behavioral health emergencies and work along side first responders in approximately 3,200 situations every month. 24/7 walk-in centers provide sub-acute and observation beds for individuals in crisis. Without these services, the burden would fall on police, ambulatory services, and hospital emergency rooms to respond to and treat behavioral health crisis situations.

We developed the attached information so that Arizona's elected officials can examine what additional budget reductions would do to the services that the ADHS provides. Our hope is that our elected officials will find a fiscally responsible way to solve the current fiscal crisis, allowing us to preserve what remains of Arizona's public health and behavioral health systems.

Regardless of what happens in the coming months, our management team remains committed to responsibly managing future ADHS budgets while providing the highest quality services we can.

Sincerely,

A handwritten signature in black ink, appearing to read 'Will Humble', with a long, sweeping horizontal line extending to the right.

Will Humble
Interim Director

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF HEALTH SERVICES**

GENERAL FUND

FY 2010 General Fund Budget 458,166,667

AGENCY REDUCTION TARGET - GENERAL FUND \$68,725,000

Priority	Issue Title¹	Reductions Amount
3	Eliminate High-Risk Perinatal Program	\$1,046,681
4	100% Self-Funding for Az Community Protection and Treatment Center	\$7,428,612
5	Eliminate Non-Title XIX Behavioral Health Services Except for SMI Housing and Crisis	\$29,110,911
6	Eliminate Adult Cystic Fibrosis	\$52,600
7	Eliminate Non-Title XIX SMI Housing Services	\$1,520,950
8	Eliminate Non-Title XIX and Title XIX Crisis Services	\$17,359,300
9	Eliminate Other Title XIX Services Not Required by CMS	\$12,205,946
Issue Total		\$68,725,000

Fund Total as a Percentage of General Fund Reduction Target 100%

¹ Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF HEALTH SERVICES**

ALL NON-GENERAL FUNDS

FY 2010 All Non-General Funds Budget (less Federal Funds) 34,828,667

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$5,224,300

Fund	Reductions Amount	Percent Reductions
Emergency Medical Services Operating Fund	\$1,387,850	26.6%
Tobacco Tax and Health Care Fund - Health Research Account	\$1,000,000	19.1%
Substance Abuse Services Fund	\$1,125,000	21.5%
Tobacco Tax and Health Care Fund - Medical Needy Account	\$1,711,450	32.8%
Issue Total	\$5,224,300	

All Non-General Funds Total as a Percentage of Agency Non-GF Reduction Target 100%

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF HEALTH SERVICES**

EMERGENCY MEDICAL SERVICES OPERATING FUND

FY 2010 All Non-General Funds Budget (less Federal Funds) 34,828,667

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$5,224,300

Priority	Issue Title¹	Reductions Amount
1	100% Self-Funding for Emergency Medical Services	\$1,387,850
Issue Total		\$1,387,850

Fund Total as a Percentage of Non-General Fund Reduction Target 27%

¹ Please complete the attached Description and Impact Statement for each issue.

FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF HEALTH SERVICES
SUBSTANCE ABUSE SERVICES FUND

FY 2010 All Non-General Funds Budget (less Federal Funds) **34,828,667**

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) **\$5,224,300**

Priority	Issue Title¹	Reductions Amount
5	Eliminate Non-Title XIX Behavioral Health Services Except for SMI Housing and Crisis	\$1,125,000
	Issue Total	\$1,125,000

Fund Total as a Percentage of Non-General Fund Reduction Target **22%**

¹ Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF HEALTH SERVICES**

TOBACCO TAX AND HEALTH CARE FUND - HEALTH RESEARCH ACCOUNT

FY 2010 All Non-General Funds Budget (less Federal Funds) 34,828,667

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$5,224,300

Priority	Issue Title¹	Reductions Amount
2	Eliminate Public Health Appropriation	\$1,000,000
Issue Total		\$1,000,000

Fund Total as a Percentage of Non-General Fund Reduction Target 19%

¹ Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
DEPARTMENT OF HEALTH SERVICES**

TOBACCO TAX AND HEALTH CARE FUND - MEDICAL NEEDY ACCOUNT

FY 2010 All Non-General Funds Budget (less Federal Funds) 34,828,667

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$5,224,300

Priority	Issue Title¹	Reductions Amount
9	Eliminate Other Title XIX Services not Required by CMS	\$1,711,450
Issue Total		\$1,711,450

Fund Total as a Percentage of Non-General Fund Reduction Target 33%

¹ Please complete the attached Description and Impact Statement for each issue.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Health Services

Issue Title: 100% Self-Funding for Emergency Medical Services

Issue Priority: 1

Reduction Amounts:

Emergency Medical Services Operating Fund: \$1,387,850

Amount: \$ 1,387,850

Issue Description and Statement of Effects

Emergency Medical Services (EMS) provides direction for all statutorily mandated components of Arizona's EMS and trauma system including certification of Emergency Medical Technicians (EMT); certification and auditing of EMT training programs; testing of EMT applicants; certification and auditing of advanced life support base hospitals; inspection and registration of air and ground ambulances; issuance of Ambulance Certificates of Necessity; determination of Ambulance rates and complaint investigation. All of these activities are currently funded by an appropriation from the Emergency Medical Services Operating Fund, which receives funding from surcharges to fines for criminal offenses and traffic violations. There is no charge for many of the services including EMT certification and certification of base hospitals, while fees charged for ambulance inspection and registration are well below the actual cost of providing these services. The Agency proposes initiating fees where none exist and increasing other fees to meet the actual cost to the State of providing these services. This would allow for the elimination of 50% of the FY 2010 appropriation and 100% in future years. Emergency Medical Services is a part of the Division of Public Health Services and operates under ARS §§36-2201 through 36-2264.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Health Services

Issue Title: Elimination of Public Health Appropriation

Issue Priority: 2

Reduction Amounts:

Tobacco Tax and Health Care Fund – Health Research Account \$1,000,000

Amount: \$ 1,000,000

Issue Description and Statement of Effects

In FY 2010 the Arizona Legislature appropriated \$1 million to the Agency from the Tobacco Tax and Health Care Fund – Health Research Account as a Public Health Appropriation and reduced the appropriation by a like amount of General Fund. The Arizona Biomedical Research Commission has informed the Agency that it will not transfer this funding. This funding would have been used throughout the Division of Public Health Services, and its elimination will have an impact on Infectious Diseases, Children's Environmental Health, Vector-Borne Disease Control, Vital Records and Public Health Statistics. Possible alternative ways to fund these programs include seeking the award of additional grants and increasing fees for birth and death certificates.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Health Services

Issue Title: Elimination of High-Risk Perinatal Program

Issue Priority: 3

Reduction Amounts:

General Fund: \$1,046,681

Emergency Medical Services Operating Fund: \$225,000

Amount: \$ 1,271,681

Issue Description and Statement of Effects

The High-Risk Perinatal program helps provide a network of support to Arizona's sickest newborns. It provides transport services to soon-to-be mothers and newborns to Neonatal Intensive Care units where they can receive the care they need. It acts as a payer of last resort against catastrophic medical bills for these families that are uninsured and do not qualify for AHCCCS. It provides for home nursing visits to educate families on how to care for the fragile infants. This program is located within Family Health at the Agency and no alternative funding sources have been identified. It is feared that the withdrawal of the State funding provided through this Agency could lead to the eventual collapse of the entire network in Arizona.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Health Services

Issue Title: 100% Self-Funding for AZ Community Protection and Treatment Center

Issue Priority: 4

Reduction Amounts:

General Fund: \$7,428,612

Amount: \$7,428,612

Issue Description and Statement of Effects

The Arizona Community Protection and Treatment Center (ACPTC) is a program for the treatment, care and control of sexually violent persons. It is a Secure Residential Level I facility located on the campus of the Arizona State Hospital. Prior to FY 2010, ACPTC was funded entirely by an appropriation from the General Fund. The Forty-ninth Legislature, Third Special Session, 2009, Chapter 10, Section 32, authorizes the recovery of 25% of the State's cost of operating ACPTC from the counties and cities that are responsible for the residents of the facility. The Agency proposes increasing this percentage to 100% of the State's cost for the full year. This would allow for the elimination of the remaining \$7,428,612 in General Fund appropriation. ACPTC is operated under ARS §§36-3701 through 36-3717.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Health Services

Issue Title: Eliminate Non-Title XIX Behavioral Health Services Except for Crisis Services and SMI Housing

Issue Priority: 5

Reduction Amounts:

General Fund: \$29,110,911

Substance Abuse Services Fund: \$1,125,000

Amount: \$ 30,235,911

Issue Description and Statement of Effects

Funding which currently provides benefits to approximately 4,900 children, 6,500 adult substance abusers, 12,900 adults with general mental health related illnesses, and 14,700 adults who are seriously mentally ill, would be eliminated as of January 1, 2010 with the exception of funding for supported housing (for Title XIX SMI members only) and crisis services (for all populations).

Elimination of these services (inpatient, residential, medication and outpatient) would likely result in increased utilization of crisis services, emergency room visits, and uncompensated care at hospitals. Non-Title XIX members who are currently stable as a result of services would potentially regress and require more intensive and expensive treatment, which may eventually qualify them for AHCCCS as a result of spend-down. Elimination of these services could cause additional court sanctions against the State in the Arnold v. Sarn lawsuit, since court orders require all SMI members receive certain services regardless of Title XIX eligibility.

The Division of Behavioral Health Services provides these services under ARS § 36-3403; ARS § 36-141; ARS § 36-550 through 550.08; ARS § 36-3407

Some appropriation transfers between the Behavior Health SLI may be necessary to allow the effective use of the remaining funding.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Health Services

Issue Title: Elimination of Adult Cystic Fibrosis

Issue Priority: 6

Reduction Amounts:

General Fund: \$ 52,600

Amount: \$ 52,600

Issue Description and Statement of Effects

This program provides for partial reimbursement for medical care provided through the CRS program. Currently there are approximately 20 adults enrolled in the program. If this program were eliminated, then the families would be responsible for paying the full cost of these services. Some of these individuals may eventually require more intensive and expensive treatment, which may eventually qualify them for AHCCCS as a result of spend-down. This program operates under ARS § 36-143.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Health Services

Issue Title: Elimination of Non-Title XIX SMI Housing Services

Issue Priority: 7

Reduction Amounts:

General Fund: \$1,520,950

Amount: \$1,520,950

Issue Description and Statement of Effects

Currently, housing funding is used for SMI members to purchase permanent housing stock (small apartment complexes and/or houses); to provide rental subsidy; and to move members into safe, decent and affordable housing. Housing is not a Title XIX reimbursable service. Arnold v. Sarn mandates the Agency create a permanent stock of housing and a full array of housing related and supportive services for class members. Elimination of these services could cause additional court sanctions against the State.

Currently 2,685 adults with serious mental illness receive rental subsidies; the elimination of the housing program would result in the likely eviction of these members. This could result in utilization of more expensive and more restrictive housing arrangements, such as congregate residential settings. Elimination of housing supports could also lead to increased use of crisis and inpatient services.

The Division of Behavioral Health Services provides these services under ARS § 36-550 through 550.08; ARS § 36-3407

Some appropriation transfers between the Behavior Health SLI may be necessary to allow the effective use of the remaining funding.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Health Services

Issue Title: Elimination of Non-Title XIX and Title XIX Crisis Services

Issue Priority: 8

Reduction Amounts:

General Fund: \$17,359,300

Amount: \$ 17,359,300

Issue Description and Statement of Effects

The behavioral health crisis system consists of crisis telephone lines, crisis mobile teams and 24/7 psychiatric urgent care walk-in centers. Crisis telephone services provide emergency phone lines for persons in crisis and receive approximately 10,600 calls a month. Crisis mobile teams respond on-site to behavioral health emergencies and work along side first responders in approximately 3,200 situations every month. 24/7 walk-in centers provide sub-acute and observation beds for individuals in crisis.

Without these services, the burden would fall on police, ambulatory services, and hospital emergency rooms to respond to and treat behavioral health crisis situations.

The system is currently funded with both Non-Title XIX (\$9 million GF) and Title XIX (\$8.3 million GF) funding. Title XIX funding alone would not be sufficient to support current infrastructure; therefore, the Agency recommends that if Non-Title XIX crisis funding is eliminated, the entire crisis system responsibility be eliminated from T/RBHA contracts. Under the current CMS regulations each Title XIX General Fund dollar lost will cause the State to also lose approximately three dollars in federal matching funds.

The Division of Behavioral Health Services provides these services under ARS § 36-3403; ARS § 36-141; ARS § 36-3407.

Some appropriation transfers between the Behavior Health SLI may be necessary to allow the effective use of the remaining funding.

**STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

Department of Health Services

Issue Title: Elimination of Other Title XIX Services Not Required by CMS

Issue Priority: 9

Reduction Amounts:

General Fund: \$12,205,946

Tobacco Tax and Health Care Fund – Medical Needy Account: \$1,711,450

Amount: \$13,917,396

Issue Description and Statement of Effects

The Agency is analyzing currently covered behavioral health services that would need to be eliminated with additional cuts. The medication formulary would most likely be revised to eliminate most if not all non-generic medications. All changes to covered services would require adjustments to capitation rates and the state plan that would need to be approved by AHCCCS and CMS. Under the current CMS regulations each Title XIX General Fund dollar lost will cause the State to also lose approximately three dollars in matching federal funds.

The Division of Behavioral Health Services provides these services under ARS § 36-3403; ARS § 36-141; ARS § 36-550 through 550.08; ARS § 36-3407; ARS § 36-2907.

Some appropriation transfers between the Behavior Health SLI may be necessary to allow the effective use of the remaining funding.