



Office of the Director

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JANICE K. BREWER, GOVERNOR
WILL HUMBLE, INTERIM DIRECTOR

February 19, 2009

Dear Arizonan:

The Arizona Department of Health Services has faced a difficult challenge over the last few weeks. Our task has been to examine carefully the Department's budget and determine where we can reduce or eliminate more than \$30 million in expenditures to help balance Arizona's Fiscal Year 2009 budget.

Our entire management team spent a great deal of time and effort to determine where we could reduce spending while minimizing the impact that these reductions will have on the people whom we serve through behavioral health and public health services, and inspection and licensing programs. Our budget analysis was thoughtful and deliberate and our decision-making was based on our sincere desire to minimize both the short-term and long-term impact of these funding reductions.

The attached documents display the FY09 reductions for ADHS programs. The budget reduction plan includes lower spending on various public health programs such as vaccine purchases and reimbursement for visits to community health centers. Spending is reduced for treating Arizonans for substance abuse and other behavioral health services. The budget also reduces significantly ADHS personnel expenses through unpaid furloughs for all employees and the elimination of more than 80 staff positions.

This process has been difficult but necessary. We recognize that our final FY09 budget reduction decisions will have real impacts on the lives of many Arizonans. I hope you all know that we have made every effort to develop and implement our budget package in a thoughtful way, minimizing the overall impact to the services that we provide the folks of Arizona and protecting to the extent possible the long-term health of Arizona's public health and behavioral health systems.

I don't need to tell you that these are difficult times for Arizonans. But we have shown over and over that we are tough, and we will get through these difficult times together.

Sincerely,

A handwritten signature in black ink, appearing to read "Will Humble". The signature is written in a cursive, flowing style.

Will Humble

ARIZONA DEPARTMENT OF HEALTH SERVICES
 FY 2009 PERSONNEL/ADMIN REDUCTIONS
 FEBRUARY 18, 2009

NON-HOSPITAL OPERATING LINE PERSONNEL SAVINGS

PHS OPERATING	329,083
FHS OPERATING	450,000
CRS ADMIN	86,653
BHS OPERATING	350,000
LICENSING	350,000
OPERATIONS	300,000
INDIRECT	453,800
INDIRECT PRSNL	160,600
FIRST ROUND CUTS	2,008,000
	<u>4,486,136</u>

ADDITIONAL NON-HOSPITAL PERSONNEL SAVINGS

FURLOUGH	1,000,000
VACANCY	449,040
	<u>1,449,040</u>

TOTAL REDUCTION 5,937,176

TOTAL BUDGET 33,676,860

% REDUCTION 18%

HOSPITAL ADMINISTRATION

HOSPITAL REDUCTION	1,000,000
FURLOUGH	160,800
FIRST RND CUT	1,000,000
	<u>2,160,800</u>

TOTAL REDUCTION 2,160,800

TOTAL BUDGET 61,341,200

% REDUCTION 4%

**Arizona Department of Health Services
FY 2009 Budget Adjustments**

	FY 2009 GF APPN After Enacted Lump Sum Reduction (Except as noted)	Final FY 2009 BUDGET REDUCTION	Estimated Impact
	643,432,000	(28,489,604)	
COUNTY TUBERCULOSIS PROVIDER CARE AND CONTROL	1,210,500	(242,100)	Reduce county contracts for tuberculosis care and control by 20 percent.
VACCINES	6,132,900	(4,170,200)	Shift vaccines funding to federal funds through Federally Qualified Health Centers and counties (120,000 shots).
AZ STATEWIDE IMMUNIZATION INFO. SYSTEM	477,600	(95,000)	Reduce funding for Az Statewide Immunization Info. System.
LABORATORY SERVICES	4,088,600	(221,000)	Close the Tucson Health Laboratory, discontinue non-essential testing (enterovirus, adenovirus, Hepatitis B, Haemophilus and Pneumococcal) and leave positions vacant.
HEPATITIS C SURVEILLANCE	309,400	(152,190)	Suspend Hepatitis C surveillance and information program.
DIABETES PREVENTION AND CONTROL	100,000	(36,473)	Reduce community grants for diabetes education.
TERATOGEN	60,000	(25,000)	Suspend DHS contribution to U of A teratogen phone line for information regarding hazards (e.g., drugs, chemicals) to fetal development.
DIRECT GRANTS TO COUNTIES	460,300	(115,075)	Reduce funding for rural county grants for local health infrastructure by 25 percent.
REIMBURSEMENT TO COUNTIES	67,900	(16,975)	Reduce funding for rural county grants for local health infrastructure by 25 percent.
LOAN REPAYMENT	100,000	(61,430)	Reduce unused provider loan repayment funds.
COMMUNITY HEALTH CENTERS	8,981,400	(2,405,048)	Suspend primary care services for 5,529 individuals; suspend CHC contracts beginning March 1, 2009.
TELEMEDICINE	260,000	(52,000)	Suspend telemedicine retinal and podiatry screenings for 416 diabetic patients.
ALZHEIMER DISEASE RESEARCH	3,250,000 *	(1,125,000)	Reduce Alzheimer's Disease Research Funding.
<i>* Includes \$1,000,000 Health Research Fund</i>			
SCORPION ANTIVENOM	150,000	(30,000)	Reduce funding for U of A scorpion antivenom vaccine development.
UNIVERSITY OF ARIZONA POISON CENTER FUNDING	1,275,000	(249,500)	May require the center to suspend operations, requiring individuals to dial 911 for assistance.
POISON CONTROL CENTER FUNDING	675,000	(150,500)	May require the center to suspend operations, requiring individuals to dial 911 for assistance.
PUBLIC HEALTH OPERATING BUDGET	5,379,700	(329,083)	See admin page.

Arizona Department of Health Services
FY 2009 Budget Adjustments

	FY 2009 GF APPN After Enacted Lump Sum Reduction (Except as noted)	Final FY 2009 BUDGET REDUCTION	Estimated Impact
CHILDREN'S REHABILITATIVE SERVICES	3,587,000	(771,400)	Suspend Non-Title XIX Children's Rehabilitative Services for all 2,700 enrollees.
ADULT SICKLE CELL ANEMIA	33,000	(6,600)	End contract for laboratory testing of adults who may have sickle cell anemia
HIGH RISK PERINATAL SERVICES	4,780,600	(1,267,238)	Suspend hospital and transport services for high-risk infants, modify eligibility, and reduce home follow-up visits.
COUNTY PRENATAL SERVICES GRANT	1,033,600	(250,000)	Suspend contracts with counties for prenatal services as of 2/15/2009.
BREAST AND CERVICAL CANCER SCREENING	1,015,800	(465,129)	Suspend breast cancer screenings for women between 40 and 50 years-old.
SENIOR FOOD PROGRAM	500,000	(424,955)	Suspend 13,708 senior food boxes (each totaling 45 lbs of food).
FAMILY HEALTH SERVICES OPERATING BUDGET	2,814,395	(450,000)	See admin page.
CRS Administration (Part of the FHS BHS Budget)	708,105	(86,653)	See admin page.
MEDICARE PART D	802,600	(335,808)	Reduce Medicare Part D Co-payments to RBHAs.
CHILDREN'S BEHAVIORAL HEALTH SERVICES	8,851,800	(531,108)	Reduce the level of children's behavioral health state-only funded services (5,581 individuals).
SERIOUSLY MENTALLY ILL NON-TITLE XIX	61,116,700 *	(4,167,002)	Reduce the level of SMI state-only funded services (15,326 individuals).
* Includes \$30,191,900 Fund 1344 Tobacco Tax dollars for SERIOUSLY MENTALLY ILL NON-TITLE XIX			
ARNOLD v. SARN	27,500,000	(1,350,000)	Reduce the level of SMI state-only funded services (15,326 individuals).
MENTAL HEALTH NON-TITLE XIX	2,447,300	(500,000)	Reduce the level of general mental health state-only funded services (17,179 individuals).
SUBSTANCE ABUSE NON-TITLE XIX	11,135,400	(1,500,000)	Reduce the level of substance abuse state-only funded services (8,415 individuals).
CONTRACT COMPLIANCE	1,856,100	(673,400)	Reduce contract compliance of RBHAs.
COMMUNITY PLACEMENT TREATMENT	5,574,100	(2,310,930)	Suspend all remaining Community Placement Treatment funds; services are now provided through RBHAs.
ELECTRONIC MEDICAL RECORDS	300,000	(131,767)	Reduce Arizona State Hospital Electronic Medical Record funding.
ARIZONA STATE HOSPITAL OPERATING BUDGET	50,943,900	(1,000,000)	Vacancy savings, increased revenue collections, and offsetting medical expenses through TXIX.

**Arizona Department of Health Services
FY 2009 Budget Adjustments**

	FY 2009 GF APPN After Enacted Lump Sum Reduction (Except as noted)	Final FY 2009 BUDGET REDUCTION	Estimated Impact
ADMINISTRATION OPERATING LUMP SUM	14,051,600	(300,000)	See admin page.
LICENSING	9,344,700	(350,000)	Vacancy savings and prioritizing annual compliance inspections, complaint investigations and initial surveys.
FUND TOTAL FY 2009 APPROPRIATION	643,432,000	(26,710,564)	
Personnel Savings			
Vacancy Savings		(449,040)	
Furlough		(1,150,000)	Require all non-direct care employees to take 10 days without pay.
Health Crisis Fund		(500,000)	Suspend Health Crisis Fund.
	<u>643,432,000</u>	<u>(28,489,604)</u>	

**FRATs (Fund Reduction and Transfers), EBTs (Excess Balance Transfers), and Other Non-General Fund Reductions
FY 2009**

FRATs		
Fund Description	FRAT - Actual FY 09 APPN Reduction and Trf	Total APPN Impact
Emergency Medical Services Operating Fund (2171)	299,200	403,900
Environmental Lab Licensure Revolving Fund (3017)	-	17,300
Indirect Cost Fund (9001)	453,800	614,400
Newborn Screening Fund (2184)	340,300	421,300
Nursing Care Institution Protection Fund (2329)	-	-
Substance Abuse Services Fund (2227/2319)	125,000	125,000
Vital Records Electronic System Revolving Fund (3039)	25,000	31,700
Hear and Speech Professionals Fund (3041)	-	8,800
	<u>1,243,300</u>	<u>1,622,400</u>

