

Department of Health Services
Administration

A.R.S. § 36-103

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	FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
OPERATING BUDGET				
Full Time Equivalent Positions	400.0	400.0	419.4 ^{1/}	419.4 ^{1/}
Personal Services	6,793,200	6,989,300	7,192,800	7,555,500
Employee Related Expenditures	1,391,600	1,476,900	1,619,800	1,591,100
Professional and Outside Services	398,400	213,900	189,600	212,700
Travel - In State	37,000	89,900	89,900	89,900
Travel - Out of State	13,500	6,100	6,100	6,100
Other Operating Expenditures	3,738,200	4,585,000	4,312,300	4,365,600
Equipment	402,000	165,400	170,400	165,400
<i>Operating Subtotal</i>	12,773,900	13,526,500	13,580,900	13,986,300
Assurance and Licensure	5,164,400	5,423,700	6,774,100	7,210,100 ^{2/}
Newborn Screening Fund - Indirect Costs	260,900	478,600	478,600	478,600
Indirect Cost Fund	3,953,300	5,325,300	7,801,100	6,477,300
TOTAL APPROPRIATIONS	22,152,500	24,754,100	28,634,700 ^{3/}	28,152,300 ^{3/}
FUND SOURCES				
General Fund	17,933,200	18,690,200	19,902,500	20,745,800
<u>Other Appropriated Funds</u>				
Nursing Care Institution Resident Protection Fund	5,100	260,000	38,000	38,000
Newborn Screening Program Fund	260,900	478,600	478,600	478,600
Indirect Cost Fund	3,953,300	5,325,300	7,801,100	6,477,300
Emergency Medical Services Operating Fund	0	0	19,800	17,900
Federal Child Care and Development Fund Block Grant	0	0	394,700	394,700
<i>Subtotal - Other Appropriated Funds</i>	4,219,300	6,063,900	8,732,200	7,406,500
TOTAL APPROPRIATIONS	22,152,500	24,754,100	28,634,700	28,152,300

COST CENTER DESCRIPTION – *The Administration program encompasses most centralized functions including the Director’s Office, business and financial services, and information technology services. The program also provides Assurance and Licensure services which include the monitoring and enforcement of statutes and rules concerning home and community-based adult health care, behavioral health and child care facilities.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• % of relicensure surveys completed on time:				
Child Care Facilities	NA	NA	50	46
Health Care Facilities	NA	NA	50	46
• % complaint investigations initiated later than investigative guidelines:				
Child Care Facilities	NA/14	NA/19	24	29
Health Care Facilities	NA/44	NA/46	51	56
• Days to process enforcement action	NA	NA/46.0	43.7	41.6/40.0
• Administration as a % of total cost	NA	3.3	3.3	2.3/2.0

^{1/} Includes 224.4 FTE Positions funded from Special Line Items in FY 2002 and FY 2003.

^{2/} The Department of Health Services shall report to the Joint Legislative Budget Committee by November 1, 2002 on the status of licensure backlogs in the Assurance and Licensure Division. (General Appropriation Act footnote)

^{3/} General Appropriation Act funds are appropriated as a Modified Lump Sum for the Program.

Healthcare Integrity and Protection Database — The approved amount includes a FY 2002 General Fund increase of \$19,400 and 1 FTE Position above FY 2001 and a FY 2003 General Fund increase of \$15,800 and 1 FTE Position above FY 2001 to the Administration Program for the Healthcare Integrity and Protection Database. The FY 2003 increase is lower due to the elimination of one-time equipment. The approved amount also includes a FY 2002 increase of \$19,500 above FY 2001 and a FY 2003 increase of \$17,000 above FY 2001 from the EMS Operating Fund for this issue. The FY 2003 increase is lower due to the elimination of one-time equipment.

Section 1128-E of the Social Security Act, enacted by Congress as part of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), established the Healthcare Integrity and Protection Data Bank. States are required to report to the databank any final actions taken against health care practitioners, providers, and suppliers since August 1996. The department is required to report actions from the Assurance and Licensure Division and the Bureau of Emergency Medical Services (EMS) but has not yet begun reporting to the databank. The approved funding would provide for the databank reporting and information retrieval related to the reporting requirements.

Agency Reorganization — The approved amount includes a General Fund decrease of \$(128,400) and (3) FTE Positions in both FY 2002 and FY 2003 from FY 2001 for agency reorganization. The approved amount transfers 3 FTE Positions to other programs within the department to reflect organizational changes requested by the department. Of this amount, 2 FTE Positions and \$81,500 is transferred to the Public Health program and 1 FTE Position and \$46,900 is transferred to the Community and Family Health Services program. The net General Fund change for the agency is \$0.

Special Line Items

Assurance and Licensure — Monies in this line item are used to provide licensure services which include the monitoring and enforcement of statutes and rules intended to assure health and safety standards for home and community-based adult health care facilities, nursing homes, residential behavioral health facilities, and child care facilities. The approved amount includes \$6,341,400 in FY 2002 and \$6,777,400 in FY 2003 from the General Fund, \$394,700 in both FY 2002 and FY 2003 from the Federal Child Care and Development Fund Block Grant, and \$38,000 in both FY 2002 and FY 2003 from the Nursing Care Institution Resident Protection Fund. The approved amount includes funding for 137.7 FTE Positions in both FY 2002 and FY 2003.

The Assurance and Licensure approved amount includes a total FY 2002 increase of \$1,350,400 above FY 2001 and FY 2003 increase of \$1,786,400 above FY 2001. These

increases include both technical adjustments and policy issues. The increases for the policy issues are detailed below.

Licensure Backlogs — The approved amount includes a FY 2002 General Fund increase of \$323,300 and 12.6 FTE Positions above FY 2001 for half-year funding for staff increases to address the backlog of facility applications and investigations in the Assurance and Licensure Division. The approved amount also includes a FY 2003 General Fund increase of \$552,400 and 12.6 FTE Positions above FY 2001 to provide full year funding for this issue. The Division has facility backlogs in the offices that license assisted living facilities, medical facilities, long-term care facilities, behavioral health facilities and child care facilities. These staff increases, along with the accompanying salary adjustments (see below) should allow the Division to eliminate the backlogs by the end of FY 2004.

The approved amount also includes a Federal Child Care and Development Fund Block Grant increase of \$394,700 and 4 FTE Positions in both FY 2002 and FY 2003 above FY 2001 for additional staff increases for child care facility licensure. The Department of Economic Security passes through a portion of the Federal Child Care and Development Fund Block Grant to the Assurance and Licensure Special Line Item for the licensure of child care facilities. Previously, these monies were appropriated in the DES budget. The approved amount shifts the monies to the Assurance and Licensure Special Line Item. The DES budget shows a corresponding decrease for no net change in the total Federal Child Care and Development Fund Block Grant appropriation.

Because facilities that serve Title XIX clients are licensed by the Assurance and Licensure Division, certain positions in the division are funded in the AHCCCS budget and received federal matching funds. In FY 2002, the AHCCCS budget includes an increase of \$72,200 and 1.4 FTE Positions from the General Fund and \$72,200 and 1.4 FTE Positions in Federal Funds in the AHCCCS DHS Pass-Through Special Line Item. In FY 2003, these amounts are reduced by \$(7,000) General Fund and \$(7,000) Federal Funds for the elimination of one-time equipment. (*See DHS Licensure Staff policy issue in AHCCCS Administration program for more information*). In addition to the Federal Funds passed through from DES and AHCCCS, the Assurance and Licensure Special Line Item will also receive \$272,100 and 10.3 FTE Positions in FY 2002 and \$466,800 and 10.3 FTE Positions in non-appropriated Federal Funds for similar functions.

The following table illustrates the total funds and FTE Positions the agency will receive:

**FY 2002 and FY 2003 Assurance and Licensure
Approved Increases**

	FY 2002 Approved Increase	FY 2003 Approved Increase	FTE Positions
Assisted Living Licensure			
DHS - GF	\$ 63,800	\$110,500	2.3
AHCCCS - GF	21,200	19,200	0.4
AHCCCS - Federal Funds	21,200	19,200	0.4
Medical Facilities Licensure			
DHS - GF	80,500	138,500	3.0
DHS - Federal Funds	164,600	283,200	6.1
Child Care Licensure			
DHS - GF	117,900	198,400	5.0
DHS - Federal Child Care Block Grant	394,700	394,700	4.0
Long Term Care Licensure			
DHS - GF	32,800	56,000	1.3
AHCCCS - GF	24,000	21,500	0.5
AHCCCS - Federal Funds	24,000	21,500	0.5
DHS - Federal Funds	107,500	183,600	4.2
Behavioral Health Licensure			
DHS - GF	28,300	49,000	1.0
AHCCCS - GF	27,000	24,500	0.5
AHCCCS - Federal Funds	<u>27,000</u>	<u>24,500</u>	<u>0.5</u>
Total General Fund	\$395,500	\$617,600	14.0
Total Federal Funds	<u>739,000</u>	<u>926,700</u>	<u>15.7</u>
Total	\$1,134,500	\$1,544,300	29.7

Salary Adjustment — The approved amount also includes a General Fund increase of \$231,500 in both FY 2002 and FY 2003 above FY 2001 for salary increases in the Assurance and Licensure Division to reduce staff turnover, which has contributed to the license renewal and complaint backlogs in the division offices. These increases are in addition to the 5% statewide salary adjustments scheduled for April 1, 2002 and 2003.

Group Home Database — The approved amount also includes a FY 2002 General Fund increase of \$44,300 and 1 FTE Position above FY 2001 and a FY 2003 General Fund increase of \$39,300 and 1 FTE Position above FY 2001 to implement the provisions of Laws 2000, Chapter 270. The FY 2003 amount is lower due to the elimination of one-time equipment. This legislation requires the department to establish a central registry of approximately 1,100 juvenile group homes licensed by the state and also requires that all complaints that relate to an immediate threat to the health or safety of a child be referred to the Assurance and Licensure Division. The approved amount provides for the establishment of the registry and for the increased complaint investigations that will likely result from the provisions of the legislation.

In FY 2002, the approved amount also includes a General Fund increase of \$22,100 and a Federal Funds increase of \$22,200 above FY 2001 in the AHCCCS budget for this issue. In FY 2003, these amounts are reduced by \$(2,500)

due to the elimination of one-time equipment, for a net increase of \$19,600 from the General Fund and \$19,700 from Federal Funds above FY 2001. (See *DHS Licensure Staff policy issue in AHCCCS Administration program for more information*).

Board of Fingerprinting — The approved amount also includes a FY 2002 General Fund increase of \$44,700 above FY 2001 and a FY 2003 General Fund increase of \$39,700 above FY 2001 for DHS staff for the Board of Fingerprinting, as requires by A.R.S. § 41-619.52. The FY 2003 amount is lower due to the elimination of one-time equipment. The department currently does not have a full-time board representative. However, the workload of the board is expected to increase due to both increased mandates and an effort to reduce the backlog of juvenile cases, which will require a full-time representative.

Other Adjustments — The approved amount includes a General Fund decrease of \$(22,700) and a (0.5) FTE Position in both FY 2002 and FY 2003 from FY 2001 for technical adjustments. The technical adjustments would provide the appropriate state match for federal Title XIX positions funded in the AHCCCS budget. An equivalent increase is reflected in the AHCCCS budget, resulting in a zero net effect to the General Fund.

The approved amount also includes a \$(222,000) decrease from the Nursing Care Institution Resident Protection Fund in both FY 2002 and FY 2003 below FY 2001 due to less than anticipated revenue in the fund. The Nursing Care Institution Resident Protection Fund receives monies from civil penalties paid by nursing care institution administrators and assisted living facility managers for violations of their licenses or certifications. These monies are used for the protection of the health or property of residents of nursing facilities that are found deficient. The approved amount adjusts the appropriation from this fund to reflect the actual fund revenue, for a total appropriation from the fund of \$38,000 in both FY 2002 and FY 2003.

The approved amount also includes an increase of 2 FTE Positions in both FY 2002 and FY 2003 above FY 2001 for the licensing of urgent care centers. Laws 1999, Chapter 333 appropriated \$100,000 to DHS for the licensing of urgent care centers that do not operate under a hospital's license or are not considered a qualifying community health center. The legislation did not specify additional FTE Positions for the department and the approved amount provides the FTE Positions associated with the funding.

Newborn Screening Fund – Indirect Costs — Monies in this line item provide funding for the indirect administrative costs of the Newborn Screening Program, such as accounting, procurement, and personal services. The approved amount is funded from the Newborn Screening Program Fund.

Indirect Cost Fund — Monies in this line item consist of charges made to federal and non-appropriated funds and interagency agreements which are then deposited in the Indirect Cost Fund. These monies are used for the administrative overhead costs associated with operating the programs. The approved amount is funded from the Indirect Cost Fund and includes funding for a total of 86.7 FTE Positions in FY 2002 and FY 2003.

The approved amount includes a FY 2002 increase of \$667,700 and 1.3 FTE Positions above FY 2001 and a FY 2003 increase of \$573,900 and 1.3 FTE Positions above FY 2001 to implement the provisions of HIPAA that relate to Administrative Simplification. HIPAA requires the standardization of health care claims by October 2002. The department will have to standardize claims relating to Behavioral Health contracts with Regional Behavioral Health Authorities, and for AHCCCS reimbursements for Children's Rehabilitative Services and Primary Care Services in Community Health Centers. The approved amount would provide for the state portion of the total project cost and assumes a federal match of 75%. This funding is contingent on approval from the Information Technology Advisory Committee (ITAC), which is expected in June 2001.

The approved amount also includes a one-time FY 2002 increase of \$1,426,000 above FY2001 to convert the department's software package from Corel Office to Microsoft Office.

The approved amount also includes an increase of \$106,300 in both FY 2002 and FY 2003 above FY 2001 for the relocation of the Family Health Program. In FY 2001, the department consolidated the offices of the Family Health program into one location. A portion of the Family Health rent costs is paid for out of the Indirect Cost Fund. The approved increase provides the Indirect Cost Fund share of funding for the increased lease costs associated with the relocation.

In FY 2001, the department received a supplemental appropriation (Laws 2001, Chapter 232) of \$195,900 for technical adjustments to Employee Related Expenditures. The approved FY 2002 and FY 2003 amounts continue this funding.

Additional Legislation: Nursing Care Institutions; Incentive Grants (Chapter 365) — This legislation requires DHS to award a financial incentive grant to nursing care institutions that receive an quality rating of excellent for 2 consecutive years on their annual facility compliance and licensure survey. The legislation also transfers to DHS \$1,500,000 in FY 2002 from the Medically Needy Account of the Tobacco Tax and Health Care Fund for the incentive grants. These monies are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

Other Issues: No Wrong Door — The Government Information Technology Agency was appropriated \$232,700 in FY 2002 and \$56,300 in FY 2003 from the Federal Temporary Assistance for Needy Families (TANF) Block Grant to implement the screening and referral phase of the No Wrong Door Initiative. The initiative is intended to address citizen access to approximately 50 independently-operated state government programs that serve children and families. The agencies participating in the initiative include the Department of Economic Security, the Arizona Health Care Cost Containment System, the Department of Health Services, the Department of Juvenile Corrections and the Judiciary. The other 2 phases of the No Wrong Door initiative include Information Sharing (Phase 2) and Plan Development (Phase 3).

In addition, Laws 2001, Chapter 235, appropriates additional funding in FY 2002 and FY 2003 from the General Fund for the screening and referral phase of No Wrong Door. These appropriations are contingent on the availability of excess revenues in FY 2001 and FY 2002. (*See Government Information Technology Agency for more information on No Wrong Door.*)

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