

## Department of Health Services

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	1,632.1	1,632.1	1,176.7 <sup>1/</sup>
Personal Services	51,422,500	52,311,100	52,311,100
Employee Related Expenditures	21,900,800	21,671,100	21,602,800
Professional and Outside Services	10,990,800	12,874,000	12,874,000
Travel - In State	408,600	485,000	485,000
Travel - Out of State	53,100	67,400	67,400
Other Operating Expenditures	37,595,200	45,102,300	44,195,300
Equipment	970,500	617,700	617,700
<b>OPERATING SUBTOTAL</b>	<b>123,341,500</b>	<b>133,128,600 <sup>2/</sup></b>	<b>132,153,300 <sup>3/4/5/6/7/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
<b>Behavioral Health</b>			
Medicaid Behavioral Health - Traditional	771,649,800	1,085,072,200 <sup>8/</sup>	1,085,236,200 <sup>9/10/11/</sup>
Medicaid Behavioral Health - Proposition 204	483,899,500	154,696,100 <sup>8/</sup>	137,985,600 <sup>9/10/11/12/</sup>
Proposition 204 Administration	5,635,700	6,446,700	6,446,700 <sup>12/</sup>
Medicare Clawback Payments	8,581,500	12,541,500	13,838,800
Medicaid Special Exemption Payments	24,827,400	24,795,500	24,383,000
Non-Medicaid Seriously Mentally Ill Services	0	0	95,238,000
Non-Medicaid Prescription Medication	34,472,300	40,154,900	0
Supported Housing	5,019,700	5,324,800	5,324,800
Crisis Services	16,858,200	16,391,100	0
Community Placement Treatment	0	1,130,700	1,130,700
<b>Public and Family Health</b>			
Adult Cystic Fibrosis	52,600	105,200	105,200
AHCCCS - Children's Rehabilitative Services	70,254,100	0	0
AIDS Reporting and Surveillance	895,500	1,000,000	1,000,000
Alzheimer's Disease Research	0	1,125,000	1,125,000 <sup>13/</sup>
Biomedical Research	0	500,000	0
Breast and Cervical Cancer and Bone Density Screening	1,013,800	1,346,700	1,346,700
County Tuberculosis Provider Care and Control	503,700	590,700	590,700
Emergency and Trauma Services	0	0	300,000
Folic Acid	182,100	400,000	400,000
High Risk Perinatal Services	1,910,400	2,543,400	2,543,400
Newborn Screening Program	4,950,500	6,256,900	6,260,700
Poison Control Centers Funding	666,300	990,000	990,000
Renal and Nonrenal Disease Management	110,000	198,000	198,000 <sup>14/</sup>
<b>AGENCY TOTAL</b>	<b>1,554,824,600</b>	<b>1,494,738,000</b>	<b>1,516,596,800</b>
<b>FUND SOURCES</b>			
General Fund	428,305,800	509,332,400	587,120,700
<u>Other Appropriated Funds</u>			
Arizona State Hospital Fund	8,088,300	13,820,800	12,507,400
ASH Land Earnings Fund	169,100	1,150,000	650,000
Capital Outlay Stabilization Fund	1,587,100	1,245,500	1,146,500
Child Fatality Review Fund	95,000	93,200	93,400
Emergency Medical Services Operating Fund	3,894,700	5,038,200	5,044,100
Environmental Laboratory Licensure Revolving Fund	650,000	909,600	910,800
Federal Child Care and Development Fund Block Grant	820,700	827,800	829,400
Health Services Licensing Fund	7,623,600	8,293,400	7,904,300
Hearing and Speech Professionals Fund	309,700	309,300	309,900
Indirect Cost Fund	7,655,200	7,527,900	8,886,700
Long Term Care System Fund	0	0	1,379,600
Newborn Screening Program Fund	4,950,500	6,688,800	6,692,600
Nursing Care Institution Resident Protection Fund	0	438,000	438,100

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
Prescription Drug Rebate Fund	0	33,900,000	0
Substance Abuse Services Fund	2,250,000	2,250,000	2,250,000
TTHCF Health Research Account	0	1,500,000	1,000,000
TTHCF Medically Needy Account	34,575,600	35,167,000	35,167,000
Vital Records Electronic Systems Fund	166,800	3,603,000	3,607,500
SUBTOTAL - Other Appropriated Funds	72,836,300	122,762,500	88,817,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>501,142,100</b>	<b>632,094,900</b>	<b>675,938,000</b>
<u>Expenditure Authority Funds</u>			
Federal Medicaid Services	1,053,682,500	862,643,100	840,658,800
SUBTOTAL - Expenditure Authority Funds	1,053,682,500	862,643,100	840,658,800
<b>SUBTOTAL - Appropriated\Expenditure Authority Funds</b>	<b>1,554,824,600</b>	<b>1,494,738,000</b>	<b>1,516,596,800</b>
Other Non-Appropriated Funds	112,749,500	115,854,200	115,854,200
Federal Funds	297,293,200	295,088,300	295,088,300
<b>TOTAL - ALL SOURCES</b>	<b>1,964,867,300</b>	<b>1,905,680,500</b>	<b>1,927,539,300</b>

**AGENCY DESCRIPTION** — The Department of Health Services (DHS) is responsible for the provision of most public health programs not administered by AHCCCS, most behavioral health programs, the Arizona State Hospital (ASH), emergency medical services, state laboratory support, vital records maintenance, disease control, and epidemiological monitoring.

- 1/ Includes 1 GF and 24.1 OF FTE Positions funded from Special Line Items in FY 2013.
- 2/ In addition to these amounts, a total of \$1,448,400 GF, \$775,000 OF, and \$103,100 FMA is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)
- 3/ In addition to the appropriation for the Department of Health Services, earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated to the State Hospital in compliance with the Enabling Act and the Constitution of Arizona. (General Appropriation Act footnote)
- 4/ The department shall report to the Joint Legislative Budget Committee by March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be no more than 2%. Before implementation of any changes in capitation rates for any behavioral health line items, the Department of Health Services shall report its expenditure plan for review by the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 5/ A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded electronically to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, and the Director of the Joint Legislative Budget Committee by the 30th of the following month. The report shall include an estimate of potential shortfalls in programs, potential Federal and Other Funds, such as the statewide assessment for indirect costs, that may be available to offset these shortfalls, and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation, and total expenditure authority of the month and year-to-date for federally-matched services. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 7/ In addition to these amounts, the General Appropriation Act included one-time FY 2013 adjustments for a state employee health insurance payment holiday and employee retention payments. These specific adjustments will be allocated to individual agencies at a later time. (Please see the General Provisions section.)
- 8/ For FY 2012, the Department of Health Services may use monies in the IGA and ISA Fund as the state Medicaid match for behavioral health services. Before using the monies, the department shall report to the Director of the Joint Legislative Budget Committee the proposed amount of the IGA and ISA Fund monies to be used for the match, the source of those monies, including reconciliation payments and penalties, and the total amount of reconciliation payments and penalties in the fund. (General Appropriation Act footnote)
- 9/ On or before January 7, 2013, the Arizona Health Care Cost Containment System administration and the Department of Health Services shall report to the Director of the Joint Legislative Budget Committee the total amount of Medicaid reconciliation payments and penalties received by that date since July 1, 2012. On June 30, 2013, the administration and department shall report the same information for all of FY 2013. (General Appropriation Act footnote)
- 10/ The Department of Health Services shall report to the Joint Legislative Budget Committee 30 days after the end of each calendar quarter on the progress the department is making toward settling the *Arnold v. Sarn* lawsuit. The report shall include at a minimum the department's progress towards meeting the exit criteria and whether the department is in compliance with the exit criteria schedule. (General Appropriation Act footnote)
- 11/ It is the intent of the Legislature that the percent attributable to administration/profit for the Regional Behavioral Health Authority in Maricopa County is 9% of the overall capitation rate. (General Appropriation Act footnote)
- 12/ The amounts included in the Proposition 204 Administration and Medicaid Behavioral Health - Proposition 204 Special Line Items include all available sources of funding consistent with A.R.S. § 36-2901.01B. (General Appropriation Act footnote)
- 13/ Of the \$1,125,000 for Alzheimer's Disease Research, \$1,000,000 of that amount is from the Tobacco Tax and Health Care Fund - Health Research Account. (General Appropriation Act footnote)
- 14/ The Department of Health Services may use up to 4% of the amounts appropriated for Renal and Nonrenal Disease Management for the administrative costs to implement the program. (General Appropriation Act footnote)

## Summary

DHS' FY 2013 General Fund spending would increase by \$77,788,300, or 15.3%. The budget includes:

- An increase of \$100,000 for additional Arizona State Hospital (ASH) operating funding.
- An increase of \$4,944,800 for Medicaid caseload growth.
- An increase of \$33,900,000 to backfill a one-time other fund appropriation for FY 2012 caseload growth.
- An increase of \$38,692,000 for additional Non-Medicaid Seriously Mentally Ill Services.
- An increase of \$300,000 for maintaining emergency and trauma services in La Paz County.
- A decrease of \$(148,500) for statewide adjustments.

(See the Behavioral Health section for additional information.)

## Operating Budget

The budget includes \$132,153,300 and 1,151.6 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	<b>FY 2013</b>
General Fund	\$77,732,900
Arizona State Hospital Fund	11,376,700
ASH Land Earnings Fund	650,000
Capital Outlay Stabilization Fund	1,146,500
Child Fatality Review Fund	93,400
Emergency Medical Services (EMS) Operating Fund	4,594,100
Environmental Laboratory Licensure Revolving Fund	910,800
Federal Child Care and Development Fund (CCDF) Block Grant	829,400
Health Services Licensing Fund	7,904,300
Hearing and Speech Professionals Fund	309,900
Indirect Cost Fund	8,886,700
Long-Term Care System Fund	1,379,600
Newborn Screening Program Fund	431,900
Nursing Care Institution Resident Protection Revolving Fund	438,100
Vital Records Electronic Systems Fund	3,607,500
Federal Medicaid Authority (FMA)	11,861,500

These amounts fund the following adjustments:

### BHS General Fund Shift

The budget includes an increase of \$1,379,600 from the Long-Term Care System Fund and a corresponding decrease of \$(1,379,600) from the General Fund in FY 2013 to provide monies eligible for state match to fund a 2% provider rate increase in Medicaid behavioral health services.

### ASH Operating Shift

The budget includes an increase of \$1,320,200 from the Indirect Cost Fund and a corresponding decrease of \$(1,320,200) from the ASH Fund in FY 2013 to shift operating costs from the ASH Fund to other appropriated funds due to declining revenues.

### Additional ASH Operating Funding

The budget includes an increase of \$100,000 from the General Fund in FY 2013 to provide additional funding for ASH operating costs. The budget also continues an FY 2012 supplemental increase of \$2,500,000 from the General Fund in FY 2013.

### Align Spending with Revenues

The budget includes a decrease of \$(902,600) in FY 2013 to align spending from other appropriated funds with revenues. This amount consists of:

ASH Land Earnings Fund	(500,000)
Health Services Licensing Fund	(402,600)

### Statewide Adjustments

The budget includes a decrease of \$(172,700) in FY 2013 for statewide adjustments. This amount consists of:

General Fund	(148,500)
Arizona State Hospital Fund	6,800
Capital Outlay Stabilization Fund	(99,000)
Child Fatality Review Fund	200
Emergency Medical Services (EMS) Operating Fund	5,900
Environmental Laboratory Licensure Revolving Fund	1,200
Federal Child Care and Development Fund (CCDF) Block Grant	1,600
Health Services Licensing Fund	13,500
Hearing and Speech Professionals Fund	600
Indirect Cost Fund	38,600
Nursing Care Institution Resident Protection Revolving Fund	100
Vital Records Electronic Systems Fund	4,500
Federal Medicaid Authority (FMA)	1,800

(Please see the Agency Detail and Allocations section.)

The Health Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 299) continues to require that all counties pay 50% of the daily cost of care of Sexually Violent Persons (SVP) in the ASH. Treatment for SVP patients is funded through the agency operating budget.

The Health BRB also continues to require that all counties pay 100% of the daily cost of care for Restoration to Competency (RTC) patients at ASH. Treatment for RTC patients is funded through the agency operating budget.

**Table 1**

**General Fund Medicaid Behavioral Health Appropriations**

	<b>FY 2012 Appropriated</b>	<b>FY 2012 Revised</b>	<b>FY 2013</b>	<b>FY 2013 Above FY 2012 Revised</b>
Medicare Clawback Payments	\$ 12,541,500	\$ 12,541,500	\$ 13,838,800	\$ 1,297,300
Medicaid Special Exemption Payments	7,292,100	8,198,000	8,269,500	71,500
<b>State Match for Medicaid <sup>1/2/</sup></b>				
CBH	117,332,200	132,747,300	144,232,600	11,485,300
SMI	182,412,600	180,947,700	175,911,800	(5,035,900)
GMH/SA	26,480,100	45,056,300	47,911,300	2,855,000
<b>State Match for Proposition 204</b>				
CBH	2,588,100	1,645,000	1,652,800	7,800
GMH/SA	<u>35,790,600</u>	<u>49,501,400</u>	<u>45,144,800</u>	<u>(4,356,600)</u>
<b>Total</b>	<b>\$384,437,200</b>	<b>\$430,637,200</b>	<b>\$436,961,600</b>	<b>\$ 6,324,400</b>

<sup>1/</sup> Base amounts include \$34,767,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund.

<sup>2/</sup> FY 2012 Revised amounts include \$33,900,000 from the Prescription Drug Rebate Fund.

**Behavioral Health**

These line items fund 3 types of services; 1) Serious Mental Illness (SMI), 2) Children’s Behavioral Health (CBH) and 3) General Mental Health and Substance Abuse (GMH/SA). (See Table 1 for more information.)

**Formula Adjustments**

Formula adjustments are comprised of changes to caseloads, provider rate increases, and changes to the Federal Medical Assistance Percentage (FMAP). The budget includes no provider rate increases but adjustments are made for both caseloads and the FMAP.

The FMAP is the rate at which the federal government matches state contributions to the Medicaid programs. These rates are set on a state-by-state basis and are revised each year. Typically the federal government provides an approximate 2:1 match for most Medicaid services. The formula adjustments include an increase in General Fund spending to offset the federal rate decline.

**Medicaid Behavioral Health - Traditional**

The budget includes \$1,085,236,200 in FY 2013 for Medicaid Behavioral Health - Traditional. This amount consists of:

General Fund	333,288,700
Tobacco Tax and Health Care Fund Medically Needy Account	34,767,000
Federal Medicaid Authority	717,180,500

These amounts fund the following adjustments:

**Formula Growth**

The budget includes a decrease of \$(3,449,000) in FY 2013 for Medicaid Behavioral Health - Traditional

caseload and capitation rate changes. This amount consists of:

General Fund	8,080,400
Federal Medicaid Authority	(11,529,400)

**Provider Rate Increase**

The budget includes an increase of \$3,613,000 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. This amount consists of:

General Fund	1,224,000
Federal Medicaid Authority	2,389,000

**Backfill One-Time Appropriation**

The budget includes an increase of \$33,900,000 from the General Fund and a corresponding decrease of \$(33,900,000) from the Prescription Drug Rebate Fund in FY 2013 to backfill a one-time other fund appropriation. The revised FY 2012 budget included a supplemental appropriation of \$33,900,000 in one-time Prescription Drug Rebate Fund monies for caseload costs.

The FY 2012 supplemental added \$33,900,000 from the Prescription Drug Rebate Fund and \$68,633,100 from Federal Medicaid Authority for additional caseload growth in FY 2012. The FY 2012 supplemental is incorporated into the FY 2012 figures in the table above.

This line item provides behavioral health treatment to Medicaid eligible children and adults. There is an average of 1,196,228 eligible individuals per month in FY 2012. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated 10.2%, or 122,015, will utilize services.

**Medicaid Behavioral Health - Proposition 204**

The budget includes \$137,985,600 in FY 2013 for Medicaid Behavioral Health - Proposition 204. This amount consists of:

General Fund	46,797,600
Federal Medicaid Authority	91,188,000

These amounts fund the following adjustments:

**Formula Growth**

The budget includes a decrease of \$(17,169,900) in FY 2013 for Medicaid Behavioral Health – Proposition 204 caseload and capitation rate changes as a result of a decline in the amount of childless adults receiving these services due to a freeze on new childless adults receiving services. This amount consists of:

General Fund	(4,504,400)
Federal Medicaid Authority	(12,665,500)

**Provider Rate Increase**

The budget includes an increase of \$459,400 in FY 2013 for a 2% provider rate increase beginning April 1, 2013. This amount consists of:

General Fund	155,600
Federal Medicaid Authority	303,800

The FY 2012 supplemental added \$12,300,000 from the General Fund and \$24,902,300 from Federal Medicaid Authority for additional caseload growth in FY 2012. The FY 2012 supplemental is incorporated into the FY 2012 figures in the table above.

This line item provides behavioral health treatment to Medicaid eligible children and adults. There is an average of 321,811 eligible individuals per month in FY 2012. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services. DHS receives a monthly capitation payment from AHCCCS for every individual eligible for Medicaid behavioral health services, although only an estimated 10.2%, or 32,825, will utilize services.

**Proposition 204 Administration**

The budget includes \$6,446,700 in FY 2013 for Proposition 204 Administration. This amount consists of:

General Fund	2,131,400
Federal Medicaid Authority	4,315,300

These amounts are unchanged from FY 2012.

This line item provides funding for the administrative component of the Proposition 204 population.

**Medicare Clawback Payments**

The budget includes \$13,838,800 from the General Fund in FY 2013 for Medicare Clawback Payments. This amount funds the following adjustments:

**Formula Growth**

The budget includes an increase of \$1,297,300 from the General Fund in FY 2013 for formula growth associated with Medicare Clawback Payments.

As part of the Medicare Modernization Act (MMA) effective January 1, 2006, DHS is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DHS is required to make “Clawback” payments to Medicare based on 78.7% of the estimated prescription drug cost of this population in 2013. The state’s share of 78.7% declines annually by 1.7% and the Clawback cost per member is annually increased based on national health trend information.

**Medicaid Special Exemption Payments**

The budget includes \$24,383,000 in FY 2013 for Medicaid Special Exemption Payments. This amount consists of:

General Fund	8,269,500
Federal Medicaid Authority	16,113,500

These amounts fund the following adjustments:

**Formula Growth**

The budget includes a decrease of \$(412,500) in FY 2013 for Medicaid Special Exemption Payments related to caseload growth and FMAP adjustments. This amount consists of:

General Fund	71,500
Federal Medicaid Authority	(484,000)

This line item provides funding necessary for insurance premium tax payments by DHS. The department is required to pay a 2% tax on the capitation payments it pays to Regional Behavioral Health Authorities.

**Non-Medicaid Seriously Mentally Ill Services**

The budget includes \$95,238,000 in FY 2013 for a new Non-Medicaid Seriously Mentally Ill (SMI) Services Special Line Item (SLI). This amount consists of:

General Fund	92,988,000
Tobacco Tax and Health Care Fund	2,250,000
Medically Needy Account	

These amounts fund the following adjustments:

**Consolidate Non-Medicaid Prescription Medication and Crisis Services**

The budget shifts \$56,546,000 in FY 2013 from the Non-Medicaid Prescription Medication and Crisis Services line items to a new Non-Medicaid Seriously Mentally Ill Services line item. This amount consists of:

General Fund	54,296,000
Tobacco Tax and Health Care Fund	2,250,000
Medically Needy Account	

**Additional Non-Medicaid Services**

The budget includes an increase of \$38,692,000 from the General Fund in FY 2013 to provide additional resources for Non-Medicaid SMI Services.

*Background* – This line item provides funding for a benefit package for Non-Medicaid Seriously Mentally Ill clients. The state has been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the SMI population. Due to the state’s fiscal condition, the plaintiffs and the state agreed in March 2010 to suspend the lawsuit for 2 years due to lack of funding. As part of the suspension, the FY 2011 budget reduced Non-Medicaid behavioral health spending by \$(41,754,000). The FY 2013 budget restores the majority of this reduction. In accordance with the May 2012 agreement to end the suspension, the state has agreed to utilize the restored funding to provide *Arnold* class members with access to name-brand prescription medication, additional crisis services, and expanded support services. Additionally, the agreement requires that the amount of class members receiving treatment at the Arizona State Hospital is capped at 55, in order to encourage greater use of community-based treatment and living arrangements.

**Non-Medicaid Prescription Medication**

The budget shifts funding in FY 2013 for Non-Medicaid Prescription Medication. This amount funds the following adjustments:

**Consolidate Non-Medicaid Prescription Medication**

The budget shifts \$(40,154,900) from the General Fund in FY 2013 from this line item to a new Non-Medicaid Seriously Mentally Ill Services line item.

This line item provided funding for a benefit package for Non-Medicaid SMI clients to partially cover the costs of prescription medications and associated services, such as laboratory costs and prescribing clinician costs.

**Supported Housing**

The budget includes \$5,324,800 from the General Fund in FY 2013 for Supported Housing. This amount is unchanged from FY 2012.

This line item funds housing services that will enable individuals to live in the community. These funds may serve Medicaid and 100% state funded recipients. Medicaid, however, does not provide a match for housing assistance.

**Crisis Services**

The budget shifts funding in FY 2013 for Crisis Services. This amount funds the following adjustments:

**Consolidate Crisis Services**

The budget shifts \$(16,391,100) in FY 2013 from this line item to a new Non-Medicaid Seriously Mentally Ill Services line item. This amount consists of:

General Fund	(14,141,100)
Tobacco Tax and Health Care Fund	(2,250,000)
Medically Needy Account	

This line item provided funding for persons in need of emergency behavioral health assistance. These services may include 24-hour crisis telephone lines, crisis mobile teams, and facility-based crisis services. These funds serve 100% state funded recipients.

**Community Placement Treatment**

The budget includes \$1,130,700 from the ASH Fund in FY 2013 for Community Placement Treatment. This amount is unchanged from FY 2012.

This line item provides funding for housing, transportation, clinical support, and meaningful day activities for State Hospital patients treated in the community.

The budget includes approximately \$66,000,000 for inpatient hospitalization services at the State Hospital for the seriously mentally ill. As of March 2012, the ASH census was 240 patients.

**Public and Family Health**

**Adult Cystic Fibrosis**

The budget includes \$105,200 from the General Fund in FY 2013 for Adult Cystic Fibrosis. This amount is unchanged from FY 2012.

This line item provides contracted care and treatment services through Phoenix Children’s Hospital for 20 individuals with cystic fibrosis.

**AIDS Reporting and Surveillance**

The budget includes \$1,000,000 from the General Fund in FY 2013 for AIDS Reporting and Surveillance. This amount is unchanged from FY 2012.

The line item provides \$125,000 for a database system administered by Maricopa and Pima Counties to track the incidence of Acquired Immune Deficiency Syndrome (AIDS) and AIDS-related conditions. The program also receives \$875,000 to provide medications under the Arizona AIDS Drug Assistance Program, which also receives Federal Funds for the medications. The program served an average of 1,100 clients per month in FY 2011.

***Alzheimer’s Disease Research***

The budget includes \$1,125,000 in FY 2013 for Alzheimer’s Disease Research. This amount consists of:

General Fund	125,000
TTHCF Health Research Account	1,000,000

These amounts are unchanged from FY 2012.

This line item provides funding for grants to universities, hospitals, and research centers in Arizona for dollar-for-dollar matching grants for research on the causes of Alzheimer’s disease.

***Biomedical Research***

The budget includes no funding from the Health Research Account of the Tobacco Tax and Health Care Fund in FY 2013 for the Arizona Biomedical Research Commission (ABRC). This amount funds the following adjustments:

**Eliminate ABRC Health Research Fund Appropriation**

The budget includes a decrease of \$(500,000) from the Health Research Account of the Tobacco Tax and Health Care Fund in FY 2013. Laws 2002, Chapter 186 appropriated \$500,000 from the Health Research Fund annually from FY 2003 to FY 2012 for biotechnology.

The FY 2012 Consolidation BRB (Laws 2011, Chapter 27) transferred the functions of the Arizona Biomedical Research Commission to DHS on July 1, 2011. The authority to disburse appropriated and non-appropriated funds has been transferred to the DHS Director, but ABRC will have an advisory role within the agency. The non-appropriated level of funding is \$9,217,700.

***Breast and Cervical Cancer and Bone Density Screening***

The budget includes \$1,346,700 and 1 FTE Position from the General Fund in FY 2013 for the Breast and Cervical Cancer and Bone Density Screening. These amounts are unchanged from FY 2012.

The Well Woman Healthcheck program contracts for cancer screening women over age 40 that do not have health insurance and have incomes less than 250% of the Federal Poverty Level. Women who are diagnosed with

breast and cervical cancer through this program are eligible to receive treatment through AHCCCS.

***County Tuberculosis Provider Care and Control***

The budget includes \$590,700 from the General Fund in FY 2013 for County Tuberculosis Provider Care and Control. This amount is unchanged from FY 2012.

This line item provides General Fund reimbursement to hospitals and physicians for the care of hospitalized tuberculosis patients and for assistance to all county health departments for local tuberculosis control programs.

***Emergency and Trauma Services***

The budget includes \$300,000 from the General Fund in FY 2013 to provide additional funding for the purpose of maintaining essential emergency department and Level IV trauma services. A hospital must be located in a county with a population of less than 500,000 persons; be licensed to operate 25 or fewer beds; not be designated as a critical access hospital as of January 1, 2012, pursuant to 42 § 485, F; and located within 25 miles of a hospital operated by the Indian Health Service. La Paz Regional Hospital meets these criteria.

***Folic Acid***

The budget includes \$400,000 from the Medically Needy Account of the Tobacco Tax and Health Care Fund in FY 2013 for Folic Acid. This amount is unchanged from FY 2012.

This line item provides for the distribution of folic acid to women of child bearing age to help prevent birth defects. In FY 2011, 7,875 low-income women of childbearing age received multivitamins and 12,000 women received folic acid education and multivitamins.

***High Risk Perinatal Services***

The budget includes \$2,543,400 in FY 2013 for High Risk Perinatal Services. This amount consists of:

General Fund	2,093,400
Emergency Medical Services Operating Fund	450,000

These amounts are unchanged from FY 2012.

This line item provides contracted transport services for high risk expectant mothers and contracted physician follow-up services for uninsured newborns in intensive care centers. It also provides funding for 4 visits per year to families who have babies born at risk of having developmental problems (i.e. speech problems, poor motor skills, delay in walking, etc.). The purpose of the visits is to have children developmentally ready to enter school by age 5.

### ***Newborn Screening Program***

The budget includes \$6,260,700 and 24.1 FTE Positions from the Newborn Screening Program Fund in FY 2013 for the Newborn Screening Program. These amounts fund the following adjustments.

#### **Statewide Adjustments**

The budget includes an increase of \$3,800 from the Newborn Screening Program Fund in FY 2013 for statewide adjustments.

This line item funds the centralized testing of all newborns in the state for a standard set of 29 disorders. In FY 2013, the program will provide screening for approximately 79,950 newborns. The program also provides for follow-up counseling for the parents of affected newborns. The State Health Laboratory currently holds the contract for testing.

### ***Poison Control Centers Funding***

The budget includes \$990,000 from the General Fund in FY 2013 for Poison Control Centers. This amount is unchanged from FY 2012.

A.R.S. § 36-1161 requires 2 poison control centers to be maintained in Arizona. DHS allocated \$647,300 to the University of Arizona Poison Information Center and \$342,700 to the Banner Poison Control Center in FY 2012.

Laws 2012, Chapter 317 allows the Board of Pharmacy to transfer up to \$1,000,000 from the Arizona State Board of Pharmacy Fund to the University of Arizona Poison Control Information Center. However, this amount is not reflected in the table at the beginning of this narrative.

### ***Renal and Nonrenal Disease Management***

The budget includes \$198,000 from the General Fund in FY 2013 for Renal and Nonrenal Disease Management. This amount is unchanged from FY 2012.

This line item provides funding for medication and other transplant-related services for renal and nonrenal transplant patients who are ineligible for other public assistance programs.

### ***Other Issues***

#### ***FY 2012 Supplementals***

##### Formula Changes

The revised FY 2012 budget included \$46,200,000 for DHS formula changes, as delineated by *Table 2*.

**Table 2**

#### **FY 2012 Budget Changes**

<b><u>Funding Issue</u></b>	<b><u>Adjustment</u></b>
Caseload and Capitation Adjustment	\$41,117,200
Lower Level of Medicaid Waiver Savings	5,082,800
<b>Total</b>	<b>\$46,200,000</b>
<b><u>Fund Source</u></b>	<b><u>Amount</u></b>
General Fund	\$12,300,000
Prescription Drug Rebate Fund	33,900,000
<b>Total</b>	<b>\$46,200,000</b>

DHS' actual capitation rates were higher than budgeted, resulting in \$41,117,200 of additional Medicaid costs. The Medicaid Waiver plan for Proposition 204 enacted in FY 2012 resulted in a cost of \$5,082,800 above budgeted savings.

These additional costs were covered through 2 adjustments. First, DHS' FY 2012 General Fund appropriation was increased by a \$12,300,000 supplemental. An amount of \$(12,300,000) was ex-appropriated from the Department of Economic Security (DES) resulting in no net statewide General Fund increase. Second, the remaining \$33,900,000 was appropriated from the balance of the Prescription Drug Rebate Fund.

##### Additional ASH Funding

The revised FY 2012 budget included an increase of \$2,500,000 from the General Fund for additional Arizona State Hospital funding.

##### ***Reduce Vacant FTE Positions***

The FY 2013 budget reduced FTE ceilings for large agencies with a significant number of unfunded, unfilled positions. Although there were variations, the general policy was to reduce the vacancy factor to 10% for agencies with more than 100 FTE positions. The budget for the Department of Health Services includes a reduction of (389.8) GF FTE Positions and (65.6) OF FTE positions in FY 2013 for this policy, incorporated into the figures above.

##### ***Attorney General Charge***

Laws 2012, Chapter 302, the FY 2013 Criminal Justice Budget Reconciliation Bill (BRB), revises the mechanism for agencies to pay their Attorney General pro rata charges. Prior to FY 2013, agencies paid a percent of their personal services to the Attorney General as part of a statewide allocation of that department's expenses. This pro rata charge was separate from any funding arrangement contained in an agency's intergovernmental agreement with the Attorney General.

The Criminal Justice BRB eliminated the pro rata personal services charge. An agency's General Fund appropriation will no longer be charged for Attorney General Services. The pro rata Non-General Fund charge has been converted into a flat dollar amount as annually specified by the General Appropriations Act. Section 134 of the General Appropriations Act specifies a statewide FY 2013 Non-General Fund charge of \$1,906,400 for Attorney General services. State Parks Board's share of this Non-General Fund charge will be \$170,000. Agencies will pay this charge from their appropriated and non-appropriated non-General Fund sources; the Criminal Justice BRB requires agencies to report to JLBC by September 1 annually the specific funds used.