

University of Arizona - Health Sciences Center

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,054.1	1,054.1	1,054.1 ^{1/}
Personal Services	48,061,200	50,886,300	50,886,300
Employee Related Expenditures	14,711,100	15,086,100	14,624,700
Professional and Outside Services	5,026,900	1,705,600	1,705,600
Travel - In State	60,500	41,200	41,200
Travel - Out of State	181,400	7,700	7,700
Other Operating Expenditures	5,252,900	2,102,900	1,601,600
Equipment	468,800	186,800	186,800
OPERATING SUBTOTAL	73,762,800	70,016,600	69,053,900
SPECIAL LINE ITEMS			
Clinical Rural Rotation	345,300	353,400	350,500
Clinical Teaching Support	8,587,000	8,587,000	8,484,400
Liver Research Institute	467,800	430,100	426,900
Phoenix Medical Campus	29,071,500	31,778,700	31,554,900
Telemedicine Network	1,854,200	1,854,400	1,838,500
AGENCY TOTAL	114,088,600	113,020,200	111,709,100 ^{2/3/}
FUND SOURCES			
General Fund	69,585,300	69,585,300	68,393,500 ^{4/5/6/}
<u>Other Appropriated Funds</u>			
University Collections Fund	44,503,300	43,434,900	43,315,600 ^{2/}
SUBTOTAL - Other Appropriated Funds	44,503,300	43,434,900	43,315,600
SUBTOTAL - Appropriated Funds	114,088,600	113,020,200	111,709,100
Other Non-Appropriated Funds	205,927,100	229,888,600	235,951,500
Federal Funds	93,795,100	94,186,800	97,012,500
TOTAL - ALL SOURCES	413,810,800	437,095,600	444,673,100

AGENCY DESCRIPTION — The University of Arizona's Health Sciences Center (UA-HSC) includes its Colleges of Medicine, Nursing, Pharmacy, and Public Health and its School of Health Professions enrolls over 2,779 full-time students as well as 456 medical students at its 48-acre campus in Tucson. UA-HSC currently operates a medical campus in Phoenix that opened in FY 2006. The Colleges of Pharmacy and Public Health also have a presence on the Phoenix Biomedical campus, which has increased its enrollment to 301 medical and 49 Master of Public Health students.

- ^{1/} Includes 424.9 GF FTE Positions funded from Special Line Items in FY 2016, including 212 FTE Positions filled by students and associated with the Clinical Teaching Support Special Line Item.
- ^{2/} The appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{4/} The state General Fund appropriations may not be used for alumni association funding. (General Appropriation Act footnote)
- ^{5/} It is the intent of the Legislature that the General Fund base funding for University of Arizona - Health Sciences Center is \$68,393,500. This appropriation includes a deferral of \$16,776,700 from FY 2016 to FY 2017. This deferral shall be paid as required in this act. (General Appropriation Act footnote, as adjusted for statewide adjustments) The FY 2016 General Fund budget as adjusted for statewide adjustments is \$68,393,500. This amount includes \$52,307,300 in UA-HSC's individual section of the FY 2016 General Appropriation Act less \$(690,500) for statewide adjustments, and \$16,776,700 appropriated in the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) to reflect the deferral of FY 2015 monies to FY 2016.
- ^{6/} The increased state General Fund appropriations from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- ^{7/} Any unencumbered balances remaining in the collections account on June 30, 2015 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

Operating Budget

The budget includes \$69,053,900 and 629.2 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	FY 2016
General Fund	\$34,037,000
University Collections Fund	35,016,900

These amounts fund the following adjustments:

Lump Sum Reduction

The budget includes a decrease of \$(501,300) from the General Fund in FY 2016 for a lump sum reduction. This amount represents UA–HSC’s allocation of a \$(99,000,000) General Fund reduction to the university system. *(Please see the ABOR section for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(461,400) in FY 2016 for statewide adjustments. This amount consists of:

General Fund	(361,900)
University Collections Fund	(99,500)

(Please see the Agency Detail and Allocations Section.)

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

Clinical Rural Rotation

The budget includes \$350,500 and 6.1 FTE Positions from the General Fund in FY 2016 for the Clinical Rural Rotation program. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,900) from the General Fund in FY 2016 for statewide adjustments.

This line item funds the Rural Health Professions Program, which enables nurse practitioner, medical, and pharmacy students to plan and complete clinical practice rotations in rural and medically under-served sites throughout the state.

Clinical Teaching Support

The budget includes \$8,484,400 and 212 FTE Positions from the General Fund in FY 2016 for Clinical Teaching Support. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(102,600) from the General Fund in FY 2016 for statewide adjustments.

Clinical Teaching Support provides hospital training, through internships and residencies, for medical, nursing, clinical, and other health students in a wide variety of specialty areas. Students fill all the above-mentioned FTE Positions. Since participation in the program has been stable for several years, the funding summary above includes these FTE Positions.

Liver Research Institute

The budget includes \$426,900 and 6.5 FTE Positions from the General Fund in FY 2016 for the Liver Research Institute. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(3,200) from the General Fund in FY 2016 for statewide adjustments.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

Phoenix Medical Campus

The budget includes \$31,554,900 and 185.4 FTE Positions in FY 2016 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,256,200
University Collections Fund	8,298,700

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(223,800) in FY 2016 for statewide adjustments. This amount consists of:

General Fund	(204,000)
University Collections Fund	(19,800)

The Phoenix Medical Campus currently has 301 medical students and 49 Master of Public Health students. By FY 2025,

UA envisions developing a campus of approximately 1,200,000 square feet incorporating research, instruction, and clinical facilities to serve a planned population of 480 medical students, 250 graduate students, and 1,660 science students.

Laws 2008, Chapter 287 as amended by Laws 2009, 1st Special Session, Chapter 6 and Laws 2009, 3rd Special Session, Chapter 9 authorized the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities of which ABOR is required to allocate \$376,000,000 for the Phoenix Medical Campus.

In September 2014, the JCCR favorably reviewed UA's planned SPEED bond issuance of \$136,100,000 to fund construction of the Biosciences Partnership Building on the Phoenix Medical Campus. The bond was issued in February 2015, and debt service is paid with 80% from Lottery revenues and 20% from university system revenues.

Of the \$376,000,000 allocated for the Phoenix Medical Campus, the Joint Committee on Capital Review (JCCR) has reviewed \$275,545,000. *(For additional information on university lottery bonding, please see the Capital Outlay - ABOR Building System section of this report. For historical information, please see the FY 2015 Appropriations Report.)*

Telemedicine Network

The budget includes \$1,838,500 and 14.9 FTE Positions from the General Fund in FY 2016 for the Telemedicine Network. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(15,900) from the General Fund in FY 2016 for statewide adjustments.

Telemedicine is the use of computers, video imaging, broadband Internet channels, and other telecommunication technologies to diagnose and treat patients in rural communities and state penitentiaries.

Other Issues

Payment Deferral

The budget includes \$16,776,700 from the General Fund for FY 2015 payments that were deferred until FY 2016 and includes a FY 2016 General Fund payment deferral of \$(16,776,700) until FY 2017. These amounts constitute a portion of a \$200,000,000 universitywide payment

deferral. The payment deferral is unchanged from FY 2011. *(Please see the ABOR section for more information.)*

The FY 2016 General Fund budget as adjusted for statewide allocations is \$68,393,500. Of this amount:

- \$52,307,300 is included in UA-HSC's individual section of the FY 2016 General Appropriation Act.
- \$(690,500) is reduced for statewide adjustments.
- \$16,776,700 was appropriated in the FY 2015 General Appropriation Act to reflect the deferral of FY 2015 monies to FY 2016.

University of Arizona Health Network

In July 2014, the University of Arizona Health Network (UAHN) comprised of the 2 UA hospitals, its health plan division and physicians group, working with their academic medical partner, the UA announced plans to negotiate an affiliation with Banner Health. On February 27, 2015, the merger of Banner Health network and the UAHN was completed.

Prior to 1984, the University Medical Center was owned by the state. In 1984, the Arizona Legislature adopted A.R.S. § 15-1637 to allow ABOR to enter into an agreement in which University Medical Center was operated by the non-profit University Medical Center Corporation (UMCC). With the subsequent lease and conveyance agreement, the UMCC became responsible for the debt obligations and running the hospital (the full liability of operating a hospital was considered a burden to the state at the time of the agreement). ABOR leased the land to the UMCC, and ABOR conveyed the hospital building and equipment to the UMCC. The state remained responsible for a limited amount of liability for the hospital. UMCC eventually became the non-profit entity, UAHN, with the University Medical Center, other UAHN medical facilities, a health plan division, and a physicians group.

In January 2015, the terms of the contract were finalized:

- The purchase of the University Medical Center land site and additional land for a total of \$60 million. Of this amount, \$39 million was directed to the Academic Enhancement Fund, and the remaining \$21 million is for the use of the University of Arizona. The statutory authority to sell land rests with ABOR, and no legislative authority was necessary for the transaction.
- The removal of the risk management liability for University Medical Center that was still held by the state.
- Establishment of a \$300 million Academic Enhancement Fund endowment to provide \$20 million per year for ongoing funding for academic

enhancements, faculty recruitment, and program development at the Tucson and Phoenix medical schools. The endowment includes \$39 million of proceeds from the land sale.

- An additional \$20 million per year to support the clinical enterprise and additional funding support based on growth in revenues.
- \$500 million for capital improvements to University Medical Center and development of an outpatient center.
- The transfer to Banner Health of the contract that the UAHN health plan had with the Arizona Health Care Cost Containment System (AHCCCS). University Family Care (formerly operated by UA Health Plans) served an AHCCCS population of 129,000 members in 10 counties when AHCCCS approved the change of ownership to Banner in November 2014.
- The contract with the UA-South Campus hospital will remain in place with Pima County.
- UA faculty are dually employed by UA and Banner. University faculty hold teaching appointments at the University of Arizona and clinical duties at the hospital. Their time is cost allocated so UA-HSC spending only reflects time spent on academic issues.

The new entity for Banner Health's academic enterprise is called Banner - University Medicine. Within the new system, the individual entities changed to the following names:

- University Medical Center is now Banner - University Medical Center Tucson Campus.
- UA-South Campus is now Banner - University Medical Center South Campus.
- Banner Good Samaritan Medical Center (not previously associated with UAHN) is now Banner - University Medical Center Phoenix Campus.

The transaction does not change the operation of the UA Health Sciences Center. UA continues to be responsible for the education of students at the Colleges of Medicine in Phoenix and Tucson. Banner - University Medicine is the primary clinical partner to the Colleges of Medicine. An academic council comprised of 6 persons — 3 appointed by UA, and 3 by Banner — will oversee the clinical, clinical research, teaching operations of the physicians group, the residency program in the Tucson and Phoenix hospitals, and the medical student rotations at the Phoenix and Tucson campuses.

The University of Arizona will direct the expenditure of the \$21 million received from the sale of the land, and the yearly \$20 million from the endowed Academic Enhancement Fund to be used for academic enhancements, faculty recruitment, and program development at the medical schools.