

ARIZONA STATE SENATE

46TH LEGISLATURE
FIRST REGULAR SESSION

MINUTES OF COMMITTEE ON HEALTH

DATE: February 20, 2003 **TIME:** 9:00 a.m. **ROOM:** SHR 1

CHAIRMAN: Senator Allen **VICE CHAIRMAN:** Senator Binder

ANALYST: Julie Keane **INTERN:** Kimberly Coleman

ASSISTANT ANALYST: Brandy Martin **COMMITTEE SECRETARY:** Carol Dager

ATTENDANCE

BILLS

<u>Committee Members</u>	<u>Pr</u>	<u>Ab</u>	<u>Ex</u>	<u>Bill Number</u>	<u>Disposition</u>
Senator Cannell	X			SB 1178	HELD
Senator Garcia	X			SB 1207	DPA
Senator Harper	X			SB 1230	HELD
Senator Hellon	X			SB 1231	DPA
Senator Jackson	X				
Senator Leff	X				
Senator Miranda	X				
Senator Binder, Vice Chairman	X				
Senator Allen, Chairman	X				

GOVERNOR'S APPOINTMENTS

<u>Name</u>	<u>Position</u>	<u>Recommendation</u>
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PRESENTATIONS

Catherine R. Eden, Director, Arizona Department of Health Services (DHS)
Phyllis Biedess, Director, Arizona Health Care Cost Containment System (AHCCCS)

Chairman Allen called the meeting to order at 9:48 a.m., and attendance was taken.

APPROVAL OF MINUTES

**Senator Binder moved the minutes of February 13, 2003 be approved.
Without objection, the minutes were approved as distributed.**

PRESENTATIONS

Catherine R. Eden, Director, Arizona Department of Health Services (DHS), indicated that 76% of their budget is federal dollars. She pointed out that there are four major items in the general fund: 1) Arizona State Hospital (ASH); 2) licensing hospitals, nursing homes, and daycare centers; 3) money to draw down federal funds; and 4) maintenance of effort. She stressed that they already have sustained an \$18 million reduction in the budget, as well as a \$10 million hold on renovation of the old buildings at ASH.

Ms. Eden explained that in this budget year, there is a problem with behavioral health. She indicated that there will be an \$18.8 million supplement and an additional \$36 million to keep the centers open for May and June.

Ms. Eden mentioned that DHS contracts with the Regional Behavioral Health Authorities (RBHA) and explained that monies cannot be taken from the RBHAs.

Ms. Eden pointed out that in FY 2004, they are hurting in the public and behavioral health areas. Some of the specific areas include vaccines, tuberculous, vital records, perinatal, prenatal, and emergency medicine. Also under public health is the elimination of the tobacco tax for the medically needy account. She stressed that with the \$1 million cut in the Acquired Immune Deficiency Syndrome (AIDS) program, DHS will lose \$6.6 million in federal funds. With a reduction of \$10.4 million for primary care programs, there will be a loss of 159 sites, and in some areas, those sites are the only source of primary care. She noted that there will be a \$500,000 reduction in the immunization information system and \$500,000 reduction for kidney and organ transplants. She stated that with the loss of \$10.8 million for psychotropic drugs, approximately 5,400 people will lose their drugs. With the loss of State funds in many of the programs, they also will lose federal funds.

Senator Allen mentioned that it will be necessary to prioritize budget items and she is concerned about the programs that affect health issues for people.

In response to Senator Miranda, Ms. Eden replied that if DHS loses the \$10.4 million for the community health centers, some will be closed and others may experience reduced hours. Senator Miranda voiced his concern about the community health centers in his district because there are no hospitals in that area. Senator Hellon asked what happens to the people who are using the community health centers if they close. Ms. Eden responded that most of these people would then go to an emergency room for services.

Senator Cannell addressed the immunization issue, noting that children aged 2 to 6 that do not have insurance will not be immunized. However, children must be immunized before starting school. Also, if the immunization tracking system is eliminated, no one will know what immunizations a child has had. If there is no documentation as to what immunizations a child has had, they will have to be immunized again. This is a waste of the vaccines and a risk for the children.

Senator Allen mentioned that the Joint Legislative Budget Committee (JLBC) recently provided a report to Committee members indicating the programs that have matching federal funds and the losses the State would realize by cutting these programs.

Phyllis Biedess, Director, Arizona Health Care Cost Containment System (AHCCCS), distributed a handout (Attachment A) and presented an overview of the 2004 budget issues. JLBC provides no funding for KidsCare, which has federal matching funds of three dollars for every one dollar spent by the State. JLBC proposes eliminating the Health Insurance Flexibility and Accountability (HIFA) parents program, which also has federal three-to-one matching funds. With the 10% reduction to the AHCCCS administrative budget, AHCCCS will be unable to perform the core business functions that the agency is designed to do.

Ms. Biedess next discussed the \$5 million subsidy elimination to the Healthcare Group, the reduction in coverage period for the acute care program, higher cost sharing for AHCCCS enrollees, and several optional programs that are earmarked for elimination.

In response to Senator Harper, Ms. Biedess replied that they provide services for people between 100% to 200% of the federal poverty level.

In response to Senator Leff, Ms. Biedess explained that many of the AHCCCS programs are mandatory and must be run in order to participate in the Medicaid program. Other programs are considered optional programs and the State chooses to enroll in those programs. Senator Leff noted that she is most concerned about the breast and cervical cancer program and feels it is not really an optional program.

Senator Hellon emphasized that there are certain programs that have to be funded. When the Legislature cuts funding for certain programs, other funds must be found to keep those programs going. Senator Allen added that she has asked the Attorney General's Office about the legality of some of the voter initiatives that are being toyed with.

Senator Miranda suggested that the State has an obligation to help those people who are just above the poverty level.

Ms. Biedess also provided a handout (Attachment B) regarding the Medically Needy Account Program.

Tom Betlach, Deputy Director, AHCCCS, explained that there is no specific program in the Medically Needy Account that is voter protected. Proposition 303 only addresses depositing the money into that account. The Legislature is responsible for determining the allocation for that account.

CONSIDERATION OF BILLS

Senator Allen announced that she would be holding the following bills:

SB 1178 – health care professionals; hospitals – HELD

SB 1230 – AHCCCS; medically needy account allocations – HELD

SB 1207 – hospital districts; funding – DO PASS AMENDED

Sharad Desai, Finance Committee Research Intern, explained that SB 1207 allows a hospital district with boundaries coterminous with a county that has a population less than 45,000 people to levy a transaction privilege tax. He also explained the Cannell five-line amendment dated 2/19/03 at 1:24 p.m.

In response to Senator Harper, Mr. Desai replied that the hospital district board of directors may unanimously vote to apply this transaction privilege tax or they may place it on a ballot for taxpayer votes.

Senator Cannell pointed out that the La Paz Regional Hospital in Parker is in a financial crisis. This bill would assist the hospital in keeping their doors open. Current law allows the board to unanimously vote to assess a property tax without the vote of the people. This bill asks that they also be able to assess a sales tax. The problem in La Paz County is there is very little property to tax. Assessing a property tax would not generate enough money to keep the hospital open. Also many people using the hospital are not subject to property taxes, such as California residents and visitors. The bill stipulates that the board cannot assess both a property and sales tax and if the sales tax carries on for four years, it would go to the vote of the people.

Senator Cannell suggested the La Paz Regional Hospital is important to the many people who visit the river recreation areas.

Vickie Clark, Administrator, La Paz Regional Hospital, noted four reasons why assessing property tax in La Paz County would not work: 1) only 5.3% of the property is private or corporate owned; 2) it is the second smallest county in the state with approximately 20,000 people; 3) approximately 5,000 California residents use many services such as grocery shopping but do not pay property tax; and 4) winter visitors are unique to the area, living in motor homes and not paying property tax.

Senator Leff suggested that there are probably other counties that could benefit from a sales tax rather than a property tax.

Jeffrey Kros, Legislative Liaison, Department of Revenue (DOR), testified that they are neutral on the bill. He indicated that perhaps there should be an amendment to show an effective date. There also should be an amendment stating that the county should give DOR notice if a vote is passed that does levy a tax so that they have 90 days to notify the taxpayers.

In response to Senator Jackson, Senator Cannell replied that all the rural hospitals are in trouble for various reasons.

Senator Binder moved SB 1207 be returned with a DO PASS recommendation.

Senator Binder moved the Cannell five-line amendment dated 02/19/03, 1:24 p.m. be ADOPTED. The motion CARRIED by voice vote. (Attachment C)

Senator Binder moved SB 1207 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED with a roll call vote of 8-1-0. (Attachment 1)

Senator Allen announced the individuals who registered their position on the bill (Attachment D).

SB 1231 – hospital districts; facilities – DO PASS AMENDED

Julie Keane, Health Committee Research Analyst, explained that SB 1231 allows an existing hospital district operating at a single location to expand to a second location if the hospital district board of directors finds at a public hearing that it is reasonably necessary. She also explained the Cannell five-line amendment dated 2/18/03 at 3:37 p.m.

Senator Cannell noted that this bill was brought forth by the district hospital in Yuma. Current legislation allows hospitals to have a building only at one location. The board at the Yuma hospital would like to purchase property for a future satellite site in South Yuma County.

Senator Allen announced the individuals who registered their position on the bill (Attachment D).

Senator Binder moved SB 1231 be returned with a DO PASS recommendation.

Senator Binder moved the Cannell five-line amendment dated 02/18/03, 3:37 p.m. be ADOPTED. The motion CARRIED by voice vote. (Attachment E)

Senator Binder moved SB 1231 be returned with an AS AMENDED, DO PASS recommendation. The motion CARRIED with a roll call vote of 8-1-0. (Attachment 2)

There being no further business, the meeting was adjourned at 10:58 a.m.

Respectfully submitted,

Carol Dager
Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)