



Office of the Director

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JANICE K. BREWER, GOVERNOR
WILL HUMBLE, DIRECTOR

March 26, 2010

Dear Arizonan,

All of us that serve you in state government have faced unprecedented challenges over the last couple of years, just as many of you have been facing economic challenges in your personal lives. Some of the challenges that you have been facing are a result of budget reductions that have been occurring at all levels of government, including State government.

State revenues have declined for nearly 3 years now, and we have dramatically reduced spending and investment in services we provide and our staffing levels in an effort to bring spending in line with state revenues. Excluding the money that goes toward the matching funds that are required for Medicaid (AHCCCS) behavioral health and children's rehabilitative services, the overall Arizona Department of Health Services General Fund budget has been reduced by more than 47% over the last 3 years.

On July 1, 2008, the ADHS budget for non-Medicaid services was approximately \$270M, compared with \$143M for the fiscal year that will begin on July 1, 2010; a reduction of more than \$127M. But these are just numbers. The practical and real impact of these reductions on the lives of Arizonans is what is most important.

The attached table displays the line-by-line reductions that have occurred over the last 3 years along with a brief description of the practical impact.

The dominant budget reduction that will occur during Fiscal Year 2011 is an additional and substantial reduction to the behavioral health services that are provided to folks who don't qualify for the state Medicaid program (AHCCCS). Beginning in July, the only behavioral health services that will remain for individuals who don't qualify for AHCCCS will be medications and related necessary services for adults with serious mental illness, crisis services, and some housing support. People who qualify for their behavioral health services under AHCCCS will continue to qualify for their current services.

Our management team has spent a great deal of time and effort to do our very best to make our budget reductions in a thoughtful way and to minimize their impacts. However, with General Fund budget reductions that have approached 50%, this has been a real challenge. This challenge will grow dramatically if Proposition 100, which will bring in crucial revenue, doesn't pass in May.

We know that these budget reductions have had and will continue to have real effects on people and families like yours. We will continue to do our very best to try to minimize the impacts to the extent possible.

Sincerely,

A handwritten signature in blue ink that reads "Will Humble".

Will Humble
Director
Arizona Department of Health Services

**Arizona Department of Health Services -
General Fund Budget Reductions ¹
FY 2008 through FY 2011**

Special Line Items	Total General Fund Reductions	Impact	FY 2008 Beginning GF Appropriation	FY 2011 GF Appropriation
Operations	(\$2,133,900)	Holds approximately 20 positions unfilled - minimizes non-mandatory services and non-fixed operating costs	\$9,560,000 ²	\$7,426,100
Licensing	(\$10,014,300)	Holds 25 surveyor positions unfilled - delaying surveys and compliant investigations - \$8.6 M Offset by new fees	\$10,014,300	\$0
Attorney General	(\$23,700)	Reduced 6 percent of Attorney General services at the Department	\$394,900	\$371,200
Public & Family Health	(\$3,324,900)	Reduced epidemiologists, public health scientists, and vital records staff, as well as restructuring the division	\$9,644,900	\$6,320,000
Tuberculosis	(\$818,800)	Reduced county contracts for tuberculosis care by 58%	\$1,410,500	\$591,700
Diabetes Prevention	(\$400,000)	Suspended grants for diabetes awareness and prevention	\$400,000	\$0
Vaccines	(\$10,410,400)	Shifted of vaccines to federal funding through Federally Qualified Health Centers	\$10,410,400	\$0
Immunization Information System	(\$297,100)	Reduced funding for immunization information system, negatively affecting database programming and queries	\$517,500	\$220,400
STD Control	(\$26,300)	Suspended assistance to local venereal disease control programs	\$26,300	\$0
AIDS	(\$125,000)	Suspended funding for database monitoring - no medication funding affected	\$1,125,000	\$1,000,000
Laboratory Services	(\$606,400)	Closed the Tucson Health Laboratory, discontinued non-essential testing (enterovirus, adenovirus, Hepatitis B, Haemophilus and Pneumococcal) and froze positions	\$4,357,900	\$3,751,500
Kidney Program	(\$50,500)	Suspended provider reimbursements for transportation and medication	\$50,500	\$0
Renal & Nonrenal Disease	(\$270,000)	Reduced funding for medication and transportation services by 58%	\$468,000	\$198,000
Hepatitis C Surveillance	(\$409,300)	Suspended surveillance and control program	\$409,300	\$0
Valley Fever Surveillance	(\$300,000)	Suspended surveillance program	\$300,000	\$0
Local Health Direct Grants	(\$460,300)	Suspend grants to rural local health departments	\$460,300	\$0
Reimbursement to Counties	(\$67,900)	Suspended matching funds to rural local health departments	\$67,900	\$0
County Public Health	(\$200,000)	Suspended funds to local health departments	\$200,000	\$0
Loan Repayment	(\$100,000)	Minimal impact to provider loan repayment availability due to alternative funding	\$100,000	\$0
Community Health Centers	(\$10,481,300)	Suspended grants to community health centers for primary care services	\$10,481,300	\$0
Telemedicine	(\$260,000)	Suspended retinal and podiatry screenings in rural communities	\$260,000	\$0
Alzheimer's Research	(\$2,875,000)	Reduced grants for research	\$3,000,000	\$125,000
Teratogen	(\$60,000)	Suspended grant to UofA for provider teratogen hotline	\$60,000	\$0
Poison Control	(\$1,210,000)	Reduced call center funding for state-wide call centers	\$2,200,000	\$990,000

1. Changes to TXIX Special Line Items not included
2. Excluding fixed costs

**Arizona Department of Health Services -
General Fund Budget Reductions ¹
FY 2008 through FY 2011**

Special Line Items	Total General Fund Reductions	Impact	FY 2008 Beginning GF Appropriation	FY 2011 GF Appropriation
Scorpion Antivenom	(\$30,000)	Reduced funding for U of A scorpion antivenom vaccine development	\$150,000	\$120,000
Children's Rehabilitative Services State-Only	(\$3,587,000)	Suspended services and enrollment for all participants not enrolled with AHCCCS	\$3,587,000	\$0
Abstinence Education	(\$1,500,000)	Suspended funding for community based prevention programs promoting abstinence	\$1,500,000	\$0
Adult Sickle Cell Anemia	(\$33,000)	Suspended contract for laboratory testing of adults who may have sickle cell anemia	\$33,000	\$0
County Nutrition Education	(\$330,300)	Suspended rural county nutrition education grants	\$330,300	\$0
County Prenatal Grants	(\$1,148,500)	Suspended grants to counties for prenatal services for 19,000 individuals	\$1,148,500	\$0
Health Start	(\$226,600)	Reduced grants for assisting high risk pregnant women obtain services (lottery funding still available)	\$226,600	\$0
High Risk Perinatal Services	(\$2,887,200)	Suspended approximately 8,800 home visits to babies previously in neonatal intensive care and reduced hospital and transport services for high-risk women and infants	\$4,980,600	\$2,093,400
Modular Dental Buildings	(\$200,000)	Suspended grants for modular dental construction	\$200,000	\$0
Senior Food	(\$600,000)	Suspended 13,708 senior food boxes in rural areas and farmer market coupon program	\$600,000	\$0
Women's Services	(\$501,500)	Suspended grants for agencies assisting women seeking alternatives to abortion	\$501,500	\$0
BHS Operating & Contract Compliance	(\$2,078,300)	Reduced administrative resources used to oversee the Behavioral Health system	\$6,989,900	\$4,911,600
Part D Copay	(\$802,600)	Suspended Medicare Part-D copayment assistance to members	\$802,600	\$0
Seriously Emotionally Handicapped Children	(\$500,000)	Reverted unspent funding	\$500,000	\$0
Court Monitor	(\$197,500)	Eliminated Office of the Court Monitor for Arnold v. Sarn lawsuit	\$197,500	\$0
Youth Meth Prevention	(\$500,000)	Suspended community based prevention program	\$500,000	\$0
Crisis Intervention Training	(\$250,000)	Suspended training grants for First Responders	\$250,000	\$0
Behavioral Health Services (State Only)	(\$50,680,400)	Limited behavioral health services to members not qualifying for AHCCCS to crisis services, supported housing, and medication services for SMIs	\$112,551,200	\$61,870,800
State Hospital	(\$6,425,300)	Closed the adolescent treatment unit, offset medical expenses through TXIX, and froze positions	\$51,732,100	\$45,306,800
Community Placement Treatment	(\$5,574,100)	Suspended payments to RBHAs for individuals discharged from State Hospital, and froze positions	\$5,574,100	\$0
Electronic Medical Records	(\$300,000)	Suspended transition to electronic medical records at State Hospital	\$300,000	\$0
Sexually Violent Person Unit	(\$3,889,200)	Reduced personnel costs - \$2 million offset by county contributions	\$11,628,100	\$7,738,900
Total	(\$127,166,600)		\$270,202,000	\$143,035,400

1. Changes to TXIX Special Line Items not included
2. Excluding fixed costs