



State of Arizona
Office
of the
Auditor General

PERFORMANCE AUDIT

**DEPARTMENT
OF
HEALTH SERVICES**

SUNSET FACTORS

**Report to the Arizona Legislature
By Debra K. Davenport
Acting Auditor General
September 1999
Report No. 99-19**

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and Contact Person (602) 553-0333
Lisa Eddy—*Audit Senior*
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DEBRA K. DAVENPORT, CPA
ACTING AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

September 22, 1999

Members of the Legislature

The Honorable Jane Dee Hull, Governor

Dr. James Allen, Director
Department of Health Services

Transmitted herewith is a report of the Auditor General, the Department of Health Services' Sunset Factors. This report was prepared as part of the Sunset review set forth in A.R.S. §§41-2951 through 41-2957 and addresses the 12 statutory Sunset Factors for the Department of Health Services.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on September 23, 1999.

Sincerely,

A handwritten signature in black ink that reads "Debbie Davenport".

Debbie Davenport
Acting Auditor General

Enclosure

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has prepared agency-wide sunset factors for the Department of Health Services (Department). These sunset factors were prepared as part of the sunset review set forth in Arizona Revised Statutes (A.R.S.) §§41-2951 through 41-2957. Sunset factors for the Department's Division of Behavioral Health Services were addressed in a separate report (Auditor General Report No. 99-12). Those factors accompany a series of five performance audit reports issued previously on the Department in 1998 and 1999. (See Scope and Methodology, page 3).

Organization of the Department

The Department is divided into five divisions, with several bureaus, offices, and programs within each division:

- **The Division of Behavioral Health Services**—(1,001.9 FTE) provides publicly funded behavioral health services through four major programs: services to adults with serious mental illness, services to adults with substance abuse problems or general mental health disorders, services to children in need of behavioral health treatment, and operation of the Arizona State Hospital. The Arizona State Hospital (ASH) is organized as a component of the Division of Behavioral Health Services. ASH is the only state-funded psychiatric hospital in Arizona.
- **The Division of Public Health Services**—(569.6 FTE) includes the bureaus of Community and Family Health Services, Emergency Medical Services, Epidemiology and Disease Control Services, Health Systems Development, Public Health Statistics, and State Laboratory Services. It also contains the offices of Border Health, Local and Minority Health, the Tobacco Education and Prevention Program, and Vital Records.

The Division administers numerous programs such as immunizations, the prevention and control of injuries and disabilities, diabetes, stroke, asthma, and tobacco use. Additionally, it administers programs for older adult health, HIV/STD services, and infectious disease services and environmental health, as well as several other programs. It also certifies emergency medical technicians and regulates ambulance service. Furthermore, the Division contains registries for cancer, birth defects, and hospital discharges, and also conducts monthly behavioral health risk factor telephone surveys.

- **The Division of Assurance and Licensure Services**—(199.6 FTE) provides information, establishes standards, and licenses and regulates health and childcare facilities. It also issues licenses for childcare facilities, behavioral health facilities, and group homes for the developmentally disabled. It certifies childcare group homes and is responsible for health and safety inspections for foster homes. Additionally, it examines and licenses individuals fitting and dispensing hearing aids or engaging in the practice of audiology or speech-language pathology. Further, it monitors alcohol and other drug screening, education, or treatment programs and facilities. Finally, it adopts and enforces standards for approval of domestic violence offender treatment programs.

- **The Division of Information Technology Services**—(129.4 FTE) provides technical support to the various divisions, bureaus, and offices within the Department. It integrates information technology planning with agency business objectives and the State's information technology goals.

- **The Division of Business and Financial Services**—(78.0 FTE) works to ensure that the Department is compliant with the state procurement code and public finance laws. It prepares all the Department's financial statements and reports required by the state or federal governments. It also maintains financial internal controls over agency revenues, expenditures, payrolls, assets, and liabilities as required by agency, state, or federal requirements.

Scope and Methodology

The Department's performance was analyzed in accordance with the 12 statutory sunset factors. Previous audit work at the Division of Assurance and Licensure Services (Auditor General Report No. 98-17), the Bureau of Emergency Medical Services (Auditor General Report No. 99-6), the Arizona State Hospital (Auditor General Report No. 99-9), the Tobacco Education and Prevention Program (Auditor General Report No. 99-17), and the Bureau of Epidemiology and Disease Control Services (Auditor General Report No. 99-18) provided a basis for the responses to the Sunset Factors. Also included is information obtained through interviews with staff from the Governor's Regulatory Review Council and the Office of the Attorney General.

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SUNSET FACTORS

In accordance with Arizona Revised Statutes (A.R.S.) §41-2954, the Legislature should consider the following 12 factors in determining whether the Arizona Department of Health Services should be continued or terminated. Sunset factors for the Department's Division of Behavioral Health Services were addressed in a separate report (Auditor General Report No. 99-12).

1. The objective and purpose in establishing the Department.

The Department of Health Services (the Department) was established pursuant to Laws 1973, Chapter 158 (A.R.S. §36-102, et seq.), by consolidating several programs and agencies into a single department with a variety of responsibilities. The Department succeeded to the duties and responsibilities of the State Department of Health, Arizona Health Planning Authority, Crippled Children Services, Arizona State Hospital, Arizona State Hospital for Disabled Miners, Arizona Pioneers' Home, and the Anatomy Board. According to the Department's enabling act, the Legislature intended that the Department would provide or promote the following seven activities:

“ . . . 1. Quality health care, in coordination with the private sector of health providers, to the citizens of this state. 2. Cost control mechanisms that will insure that the costs of health care to the citizens of this state are justified and equitable. 3. Control of the quantity and quality of health care facilities within the state. 4. Necessary health services for medically dependent citizens of this state. 5. Essential health care services, including but not limited to, emergency medicine, preventive medicine, mental, maternal and medical rehabilitation. 6. Comprehensive and continuing planning, including assessment, identification and publication of health needs in this state. 7. Compliance with standards in licensing of health facilities.”

The purpose of the act was to provide an integration of health services to the people of Arizona in a pattern that

would reduce duplication of administrative efforts, services, and expenditures through planning and coordination.

2. The effectiveness with which the Department has met its objective and purpose and the efficiency with which it has operated.

The Department has met its overall objective and purpose. However, in a series of six reports, the Auditor General has identified numerous ways the Department of Health Services could improve its efficiency and effectiveness.

- The audit of the Division of Assurance and Licensure Services (ALS), Auditor General Report No. 98-17, found that ALS could increase its effectiveness through the use of a stronger enforcement policy for supervisory and adult care homes and childcare facilities. The Division has not taken sufficient enforcement action to prevent repeated noncompliance and to ensure that facilities corrected serious deficiencies. Some facilities have been chronically out of compliance with rules and regulations, but ALS has not taken enforcement action. This problem has persisted since it was first reported in the Auditor General's 1988 performance audit of the Division (Auditor General Report No. 88-12).
- The Bureau of Emergency Medical Services (EMS) audit, Auditor General Report No. 99-6, reported that EMS could improve its system for investigating and resolving complaints against emergency medical technicians, paramedics, ambulance companies, and related entities. Since August 1998, the Bureau has taken steps to ensure final resolution decisions are made in a more timely manner. However, the Bureau continues to have systematic problems in how it handles informal and formal complaints, including a lack of appropriate staff training, long delays, inadequate file tracking, and an inappropriate computer tracking system. That report also found that Arizona's Certificate of Necessity (CON) system provides more regulation than is necessary for overseeing ambulance service. The CON system guarantees neither coverage throughout the State nor quality assurance, and further, limits competition in the provi-

sion of ambulance service. Additionally, the current system may prevent the introduction of service improvements that would better meet a community's needs.

- The performance audit of the Arizona State Hospital (ASH), Auditor General Report No. 99-9, concluded that ASH has difficulty providing adequate staff to care for its patients, since the hospital suffers from high vacancy and turnover levels. The effects of staffing shortages are compounded by ASH's method used to allocate staff among the patient units, which does not always allocate sufficient staff levels to the patient treatment units. These staffing problems contributed to the Federal Health Care Financing Administration's decision to deny ASH's 1998 application to participate in the Medicare reimbursement program, a step that eliminates federal, state, and local reimbursements for both Medicare and AHCCCS/Title XIX patients. Additionally, the report found that ASH's facilities are inadequate and it lacks long-term plans to guide its future. ASH facilities are deteriorating, overcrowded, and do not provide an appropriate therapeutic environment for the hospital's patients. ASH has not adequately planned for the future and has only recently initiated a planning effort that may contribute to policymakers' future facility decisions.

- The audit of the Tobacco Education and Prevention Program (TEPP), Auditor General Report No. 99-___, stated that TEPP should develop an evaluation strategy, including an evaluation plan, to correspond with TEPP goals, improve communication with local projects, and attempt to obtain tobacco-related information from other state entities. Additionally, the report recommends that TEPP conduct strategic planning and establish policies and procedures for statewide and local projects. Finally, TEPP has not adequately defined or monitored its local projects' administrative costs, and, therefore, has no assurance that administrative costs are within the established limit of 10 percent.

- The audit of the Bureau of Epidemiology and Disease Control Services (Auditor General Report No. 99-18),

recommended that the Bureau develop a system to ensure the completeness and timeliness of disease reporting, more frequently disseminate disease surveillance information to a broader base of constituents, and address deficiencies in its information technology systems. It also found that the scope of activities for the Office of Environmental Health should be reviewed and the Office should determine, and propose to the Legislature, what the appropriate set of activities should be. The report further recommends that the Arizona Immunization Program Office correct design flaws in the Arizona State Immunization Information System and enforce its reporting requirements, verify school immunization data reports from selected schools, and coordinate with the Arizona Department of Education to promote immunization objectives.

Audit work also revealed that the Department has inadequate information technology support for many of its functions. Specifically,

- The Division of Information Technology Services has been unable to provide the Bureau of Epidemiology and Disease Control with system improvements, such as report format programming within the Tuberculosis Information Management System, or maintenance of existing services, such as the Internet Web site.
- Programming changes at the Division of Behavioral Health Services have sometimes taken over two years to make.
- The Division of Assurance and Licensure Services suffers from a complaint database that lacks sufficient controls to ensure accurate and consistent data entry and fails to provide adequate information.
- The complaint tracking system at the Bureau of Emergency Medical Services was developed for use in another Department Division and has not been modified to fit the Bureau's requirements.
- The Arizona State Hospital reported having no Local Area Network (LAN) or voice mail, limited electronic

mail, and no coordination or sharing of information between various departments and systems.

In December 1998, 40 of 120 funded positions were vacant within the Division of Information Technology Services. The inability to recruit and retain qualified programmers has hampered the division's ability to meet the Department's technology needs.

3. The extent to which the agency has operated within the public interest.

The Department of Health Services has generally operated in the public interest by developing, coordinating, monitoring, and providing health care and health-related activities. For example, the Department was the lead public health agency in identifying the source of hantavirus, a virus carried by rodents that causes a variety of illnesses in humans, including severe respiratory infections and, in some cases, hemorrhaging, kidney disease, and death. In addition, the Department was a national leader in eliminating lead-based paint from playground equipment and mini-blinds. Moreover, its "Tumor-causing, teeth-staining, smelly, puking habit" anti-smoking campaign received national acclaim.

Some other examples of how the Department has operated in the public interest include:

- The Department licenses and regulates approximately 2,000 childcare facilities, approximately 1,035 residential facilities, and about 25 adult daycare programs. In addition, it regulates approximately 170 skilled nursing facilities and 11 intermediate care facilities for the mentally retarded. Approximately 815 agencies, representing more than 1,450 behavioral health programs, are subject to the Department's regulation. Furthermore, approximately 1,310 health care providers, such as hospitals, outpatient treatment centers, hospices, and home health agencies, are also regulated by the Department. Finally, the Department certifies emergency medical technicians and regulates ambulance service.

- The Department provides education, assistance, and programs to promote the public health, safety, and welfare. It provides programs for the prevention and control of communicable diseases, environmentally provoked diseases, and vaccine-preventable diseases, as well as the prevention and reduction of tobacco use through public health education. The Department promotes a tobacco-free Arizona through establishment and operation of community programs, education, and enforcement. It also provides administrative support to several advisory committees and provides assistance and advice to county health departments and health care providers.

- The Department provides service to individuals in need of inpatient psychiatric services. The Arizona State Hospital (ASH) is the only state-operated psychiatric hospital in Arizona. ASH serves civil patients under court orders to receive treatment at the hospital because they pose a threat to themselves or others; and forensic patients, who have been ordered to ASH by the criminal courts. Community behavioral health services are provided under the Division of Behavioral Health Services, which is discussed in a separate report (Auditor General Report No. 99-12).

Audits of the Department identified ways it can better protect the public's interest. These activities include (1) using all available enforcement authority against supervisory and adult care homes and child care facilities that fail to meet minimum licensure standards, thus threatening the health, safety, and welfare of those in their care (Auditor General Report No. 98-17); (2) implementing a pool of nursing staff, filling vacancies, and taking steps to reduce turnover in order to provide appropriate levels of treatment and safety at ASH (Auditor General Report No. 99-9); and (3) reevaluating the certificate of necessity system for regulating ambulance service, which limits competition and fails to either ensure coverage throughout the State or provide quality assurance (Auditor General Report No. 99-6.)

According to Department officials, it is taking action in these areas. For example, a system is being instituted to track adult care and other facilities regulated by the Division of

Assurance and Licensure Services and/or providers with a history of noncompliance. Additionally, the Department has sought legislation that could improve the enforcement process. At ASH, nursing positions with competitive hourly rates have been created and several vacancies have been filled. A Medical Recruiter position has been created and a standardized exit interview instrument has been developed to address recruiting and turnover issues at the State Hospital. Further, the Department has agreed to implement, pending approval from the Governor and/or Legislature, the recommendations of the Auditor General pertaining to the Bureau of Emergency Medical Services certificate of necessity system.

4. The extent to which rules and regulations promulgated by the agency are consistent with legislative mandate.

According to the Governor's Regulatory Review Council and the Attorney General's representative assigned to the Department, the rules promulgated by the Department are consistent with its legislative mandate. Three divisions within the Department (Assurance and Licensure Services, Public Health Services, and Behavioral Health Services), write and revise rules.

However, the Department has not promulgated rules as required by statute for the Arizona State Hospital, as required by A.R.S. §36-201, according to Department officials.

According to agency officials, the Department's ability to promulgate rules has been significantly impacted by A.R.S. §41-1056. That law provides that if a five-year review report is not submitted to the Governor's Regulatory Review Council (GRRC) by an established due date, the rules subject to review automatically expire. The Department is required to submit an average of 9 five-year review reports each calendar year. Additionally, the Department is required to submit progress reports to GRRC, updating it on the status of commitments contained in the five-year review reports. In addition to the standard rulemaking process, the Department must also periodically issue exempt rules as defined by A.R.S. §41-1005, which are not subject to the regular review process, such as the Assisted Living rules prom-

ulgated last year and the Abortion Clinic rules due by December 1999. Finally, the Department tracks the status of its rules through a cumbersome manual tracking system.

The Department is in the process of promulgating several rules:

- Licensing and regulating health and safety at group homes for persons with developmental disabilities, as required by A.R.S. §36-132;
- Treatment programs for sexually violent persons, as mandated by A.R.S. §§36-3701 and 36-3707; and
- Licensing audiologists and speech language pathologists, as required by A.R.S. §36-1902, enacted in 1995.

The deadline for public comments on these rules has expired and they are expected to become effective later in 1999.

Additionally, the Department is seeking an exemption from the rulemaking process for the approval of domestic violence offender treatment programs pursuant to A.R.S. §13-3601.01. Finally, the Department has postponed promulgating rules related to the collection of license fees from health care facilities, as mandated by A.R.S. §36-405, pending statutory changes that would clarify that licensure fees are nonrefundable and applied to initial licensure and renewal of licensure, change licensure fees to be based on licensed capacity, change the definition of “beds” to “licensed capacity,” and exempt state-operated health care institutions from paying licensure fees. Such statutory changes were proposed as part of the omnibus bill (HB2481) vetoed by the Governor.

- 5. The extent to which the agency has encouraged input from the public before promulgating its rules and regulations and the extent to which it has informed the public as to its actions and their expected impact on the public.**

When the Department drafts rules, it solicits input from all affected parties. Rule proposals are sent to associations, and interested parties and stakeholders, including all local

health officials. Meetings are then held with affected persons and surveys are conducted. The proposed rules, including a notice of dates and locations of hearings being held to obtain public comment, are published in the *Arizona Administrative Register*. The Department sends a copy of the notice of proposed rulemaking, including the text of the rule, to each of the Department's district liaison offices. Additionally, the Division of Assurance and Licensure posts proposed rules on its Internet Web site.

The Department also provides education about its rules through meetings with groups and associations. It also works with associations to disseminate its rulemaking activities through association newsletters. Moreover, it notifies the public of its rulemaking and where to make public comment through press releases to newspapers. Rulemaking information is also included in the Department newsletter, *Healthlink*.

6. The extent to which the agency has been able to investigate and resolve complaints that are within its jurisdiction.

The Department has statutory authority to investigate complaints in a variety of areas and has inconsistently performed this function. The Arizona State Hospital has adopted a formal grievance process as prescribed in the Arizona Administrative Code. Although these rules apply only to persons committed to ASH under A.R.S., Title 36, ASH has extended a modified grievance and appeal process to forensic patients, which allows them to submit grievances, but does not allow them to appeal hospital decisions. Civil seriously mentally ill patients can appeal to the Division of Behavioral Health Services. However, the Department has not adequately fulfilled its complaint investigation and resolution responsibilities in several cases. Auditors' review of the Division of Assurance and Licensure Services and the Bureau of Emergency Medical Services found various problems with complaint resolution.

- The Division of Assurance and Licensure Services is responsible for investigating complaints against childcare providers, hospitals, nursing homes, home- and com-

munity-based programs, supervisory care homes, behavioral health facilities, and hearing aid providers. However, a review of the Division of Assurance and Licensure Services' Medical Facilities Program revealed that it does not always investigate complaints within the time frames established by its own complaint prioritization policy. Slow investigations have contributed to a complaint backlog and limited the Program's ability to protect and serve the public (Auditor General Report No. 98-17).

- The Division of Public Health is responsible for addressing complaints against emergency medical technicians, paramedics, ambulance companies, other emergency medical service entities, and private medical laboratories. The Auditor General's report (Auditor General Report No. 99-6) found that the Division's Bureau of Emergency Medical Services has systematic problems in how it handles formal and informal complaints, including the lack of appropriate staff training, long delays, inadequate file tracking, and an inappropriate computer tracking system. For example, approximately one in five complaints took over a year to resolve; however, the Bureau did not keep complainants adequately informed throughout the complaint process. The Bureau recognizes many of these problems and is beginning to make further improvements in some areas (Auditor General Report No. 99-6).

7. The extent to which the Attorney General or any other applicable agency of state government has the authority to prosecute actions under enabling legislation.

The Attorney General and the County Attorneys have authority under Department statutes to prosecute unlawful actions under the Department's enabling legislation. According to Department officials, depending on the type of unlawful action that has occurred, the responsible prosecuting entity is contacted by the appropriate division and the matter is then pursued by that entity. For example, the Division of Assurance and Licensure Services may, with the assistance of the Attorney General's Office, refer a legal ac-

tion related to a long-term care facility to the County Attorney in the county in which the facility is located.

8. The extent to which the agency has addressed deficiencies in the enabling statutes that prevent it from fulfilling its statutory mandate.

During the 1999 legislative session the Department requested or supported, and the Legislature approved, several bills to address specific statutory deficiencies. Some key pieces of legislation introduced and approved are as follows.

■ **HB 2478– Restoration to Competency**

The legislation eliminates the courts' ability to commit defendants to ASH in excess of its capacity. First, it makes court-ordered commitment for restoration to competency subject to funding appropriated by the Legislature. Second, it states that ASH or the Department is not required to provide restoration to competency treatment that exceeds the funded capacity. Also, as part of several changes regarding prisoners sentenced to death who are not competent to be executed, the legislation requires the Department of Corrections, instead of ASH, to provide housing for such prisoners.

■ **HB 2567– HIV Testing of Criminal Defendants**

The law improves the Department's ability to protect public health by clarifying reporting requirements regarding HIV testing of defendants alleged to have committed a sexual offense. It requires the prosecuting attorney to provide information to the Department to facilitate notifying victims of test results, and requires counseling in addition to notification of the defendant in cases where test results are positive.

■ **HB 2039– Rural Private Primary Care Providers**

The legislation enhances the Department's mission to promote quality health care by providing an annual appropriation of \$111,200 beginning in fiscal year 1999 from the Tobacco Tax Health Care Fund Medically Needy Account to help medical students pay off school loans in exchange for serving a minimum of two years

in an area of Arizona that is medically underserved. In addition, the legislation adds dentists to the professionals eligible for the school loan repayment program.

The Department also sought several other legislative changes in the 1999 session, which were not enacted. Among those were bills to authorize the Arizona Health Care Cost Containment System to reimburse up to 4 percent of administrative costs for all tobacco tax-funded programs administered by the Department, adopt the legislative changes recommended by the Office of the Auditor General in its audit of the Division of Assurance and Licensure Services (Auditor General Report No. 98-17), repeal the authority of the Department to regulate bedding manufacturers, and remove the requirement that emergency measures can be defined and prescribed only for new (as opposed to emerging or re-emerging) communicable or infectious diseases or conditions under A.R.S. §§36-136 and 36-136.03. Additionally, the Department sponsored other measures to address deficiencies in its enabling statutes, which were not adopted prior to the end of the legislative session, such as House Bill 2592, which would have established a program in the Department to analyze public health risks associated with environmental exposures.

9. The extent to which changes are necessary in the laws of the agency to adequately comply with the factors in the Sunset Laws.

Previous reports from the Office of the Auditor General identified several statutory changes the Legislature may wish to consider.

In the performance audit of the Division of Assurance and Licensure (Auditor General Report No. 98-17), the Auditor General recommended:

- Modifying A.R.S. §§36-891, 36-897.06, and 36-431.01 to allow the Division of Assurance and Licensure Services to impose higher civil penalties against supervisory and adult care homes and child care facilities that have been chronically out of compliance with rules and regulations, without requiring ALS to physically document

each day a violation occurs, to reduce civil fines if a child care facility waives its right to a hearing, and to use monies collected for programs that improve the quality of care;

- Modifying A.R.S. §§36-891.01 and 36-897.08 to allow intermediate sanctions to be imposed immediately against child care facilities and possibly amending A.R.S. §§36-427(C), 36-891.01(A), and 36-897.08(A) to allow for mentoring and/or monitoring as intermediate sanction options;
- Amending A.R.S. §36-887 to enable ALS to provide public information over the telephone by removing the signature requirement for reviewing child care public files and require all licensed health and child care providers to post the availability of regulatory information and to make this information available in an area accessible to all consumers, through changes to A.R.S. §§36-425(A), 36-882(L), and 36-897.01(H).

Auditor General Report No. 99-9, Department of Health Services, Arizona State Hospital recommends:

- Allowing the Arizona State Hospital to hire an expert or initiate an advisory body to assist in developing a request for proposal, preparing a detailed schedule and budget, and overseeing contractors to ensure that a new state hospital facility will meet the hospital's needs.

Auditor General Report No. 99-6, Department of Health Services, Bureau of Emergency Medical Services, recommends:

- Directing the Bureau of Emergency Medical Services to form a study group to evaluate possible changes in the manner in which Arizona regulates ambulance services. This group would study various options, including licensing providers to ensure quality, without limiting competition, by controlling the number of providers or licensing providers and allowing local governments to establish operating areas through a competitive process.

Depending on the study group's findings, statutory changes to the Arizona Revised Statutes could be needed.

10. The extent to which the termination of the agency would significantly harm the public health, safety or welfare.

Terminating the Department of Health Services would likely require that other state agencies and local governments assume the Department's functions because regulation of health care and health care-related activities is necessary for the protection of the public health, safety, and welfare. The need for oversight, education, intervention, and monitoring of health care and its activities is well-established. All 50 states and the federal government regulate health care activities. Restaurant and food inspections, child immunizations, newborn blood screening, psychiatric inpatient services, nutrition programs, laboratory testing for a variety of diseases, and public health surveillance are only a few of the many activities within the Department that have a significant impact on the public health, safety, and welfare. For example, termination of the Department would mean that citizens would have no protection or assurance that medical or childcare facilities were operating within the law or that the quality of care was being maintained. Additionally, the loss of immunization programs could leave children vulnerable to disease and permanent disabilities. The closure of the Arizona State Hospital would likely have a significant impact on the court system, the sexually violent persons program, and civilly committed patients. Also, people would not be able to secure birth or death certificates through the Office of Vital Records.

11. The extent to which the level of regulation exercised by the agency is appropriate and whether less or more stringent levels of regulation would be appropriate.

Audit work suggests that the Department of Health Services' regulation is appropriate in most areas. However, audit work conducted in the Bureau of Emergency Medical Services found that the statutory Certificate of Necessity system

provides more regulation than is necessary for overseeing ambulance service and also limits competition among ambulance services. Additionally, the licensing of bedding manufacturers by the Bureau of Epidemiology and Disease Control Services appears to have little impact on protecting the public health, safety, and welfare.

12. The extent to which the agency has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished.

The Department uses contracting extensively. A major use of contractors by the Department is in the Division of Behavioral Health Services, which contracts services out to Regional Behavioral Health Authorities (RBHAs). For further information on sunset factors for the Division of Behavioral Health Services, see Auditor General Report No. 99-12. Housekeeping, grounds and engineering services, and the pharmacy department at the Arizona State Hospital have been contracted out to private companies. The Arizona State Laboratory has privatized several functions in recent years, such as routine throat cultures, urinalysis exams, routine clinical testing for parasites (such as lice), respiratory virus blood tests, asbestos testing, and tests for solvents in soil. In 1997, the Division of Assurance and Licensure Services used private-sector architects to reduce a backlog of architectural reviews of childcare centers and group homes.

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Agency Response

Office of the Director

1740 W. Adams Street
Phoenix, Arizona 85007-2670
(602) 542-1025
(602) 542-1062 FAX

JANE DEE HULL, GOVERNOR
JAMES R. ALLEN, MD, MPH, DIRECTOR

**Arizona
Department of
Health Services**

SEP 09 1999

Debbie Davenport
Acting Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85004

Dear Ms. Davenport:

Thank you for the opportunity to review and respond to the Sunset Factors for the Arizona Department of Health Services (ADHS).

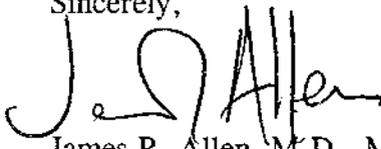
This report on Sunset Factors is partly based on six audits by your staff: Division of Assurance and Licensure Services; Bureau of Emergency Medical Services; Arizona State Hospital; Division of Behavioral Health Services; Tobacco Education and Prevention Program; and the Bureau of Epidemiology and Disease Control Services. Because the findings and recommendations have already been discussed in these other performance audits, the audit team agreed that we should not repeat responses to each of those findings in this audit. However, for each of the individual performance audits:

The findings of the auditor general are agreed to and the audit recommendations will be implemented.

Enclosed you will find responses to findings not covered in the individual performance audits.

Thank you again for the opportunity to comment on the Sunset Factors. As I have noted before, the ADHS staff has greatly appreciated the opportunity to work with your staff on these audits, and we value the insights and recommendations you have provided us. We will do our best to use these recommendations to improve the quality and effectiveness of the services rendered by the ADHS.

Sincerely,



James R. Allen, M.D., M.P.H.
Director

JRA:BD:ah

Enclosure

**Arizona Department of Health Services (ADHS)
Response to Recommendations for the Agency Sunset Factors**

The Division of Information Technology Services

Findings, Recommendations and Responses

Finding: The department [ADHS] has inadequate information technology support for many of its functions. Specifically, the Division of Information Technology Services (ITS) has been unable to provide the Bureau of Epidemiology and Disease Control with system improvements, such as report format programming within the Tuberculosis Information Management System (TIMS), or maintenance of existing services, such as the Internet Web Site.

Response: The finding of the Auditor General is agreed to and the audit recommendations will be implemented.

Actions: TIMS is a third party software package supplied and supported by the Center for Disease Control, which explains ITS' inability and/or unwillingness to implement system improvements. ITS is addressing the issue of the Internet Web Site by defining and establishing a position to serve as the agency Web Master. Recruitment and hiring will take place toward the end of the calendar year. As an interim step, an ITS resource is available on a part-time basis to assist and respond to inquires regarding modification to the department Web site.

Finding: Programming changes at the Division of Behavioral Health Services (BHS) have sometimes taken two years to make.

Response: The finding of the Auditor General is agreed to and the audit recommendations will be implemented.

Actions: During the past several months, the joint ITS BHS application support team has undergone management and programming staff changes. A process has been implemented and workplans established to identify task and resource assignments with BHS and ITS mutually agreeing upon priorities and timeframes. Weekly meetings are conducted to monitor task and workplan status. This new process provides for issue and priority conflict resolution and has significantly improved the turnaround time for programming requests and system maintenance.

Finding: The Division of Assurance and Licensure Services (ALS) suffers from a complaint database that lacks sufficient controls to ensure accurate and consistent data entry and fails to provide adequate information.

Response: The finding of the Auditor General is agreed to and the audit recommendations will be implemented.

Actions: ITS and ALS are working to revise and integrate data fields in ALS's complaint tracking system and facilities database to improve the accuracy and consistency of the data entry for both systems. ALS has also contracted with the Governor's Office for Excellence in Government (OEG) to assist in the consolidation of the current complaint and facilities databases into the Health Care Financing Administration's ASPEN System. This integration will be a three-and-one-half year process. When completed, it will improve the availability of essential elements of data information and eliminate the duplication of data entry into multiple databases.

Finding: The complaint tracking system at the Bureau of Emergency Medical Services (EMS) was developed for use in another division in ADHS and has not been modified to fit the Bureau's requirements.

Response: The finding of the Auditor General is agreed to and the audit recommendations will be implemented.

Action: The ITS team supporting EMS is scheduled to address this issue after the completion of their Year 2000 efforts. We anticipate that the definition of the requirements needed for development of a new system designed specifically for EMS complaint tracking to begin at the end of the calendar year.

Finding: The Arizona State Hospital (ASH) reported having no Local Area Network (LAN) or voice mail, limited electronic mail, and no coordination or sharing of information between departments and systems.

Response: The finding of the Auditor General is agreed to and the audit recommendations will be implemented.

Action: These important issues are currently being addressed through the high-priority ASH Automation project. The first phase of the project was successfully completed on July 1, 1999, which included the installation of a LAN and the deployment of 29 workstations connected to the ADHS Wide Area Network to provide access to department e-mail and other departmental systems. Over the next two fiscal years,

phase two of the project will provide connections for an additional 108 workstations. Voice mail options are currently being reviewed for the ASH as well.

Finding: In December 1998, 40 of 120 funded positions were vacant within ITS. The inability to recruit and retain staff has hampered the division's ability to meet department technology needs.

Response: The finding of the Auditor General is agreed to and the audit recommendations will be implemented.

Actions: For fiscal year 2000, the division is allocated: 87.60 direct-funded full-time employees (FTE); 16.40 indirect FTE; and 8 FTE that are 100% federally funded. Since December 1998, the division has filled 27 vacant positions. Although the numbers reflect an overall vacancy reduction, the division continues to contend with a 20% vacancy rate in the programming staff. These positions include programmers, project leaders and project managers. Of 35 positions, 8 (22%) are currently vacant. Additionally, as positions are being filled, the division continues to receive resignations from employees being offered 15-20% higher salaries from the private sector. While the division has been successful in filling several key management and network support positions, our inability to recruit and retain information technology professionals continues to hamper the division's ability to meet ADHS technology needs.

The Division of Assurance and Licensure Services - Auditor General Report #98-17

The findings of the Auditor General are agreed to and the audit recommendations will be implemented.

The Division of Behavioral Health Services - Auditor General Report #99-12

The findings of the Auditor General are agreed to and the audit recommendations will be implemented.

The Bureau of Emergency Medical Services - Auditor General Report #99-6

The findings of the Auditor General are agreed to and the audit recommendations will be implemented.

The Arizona State Hospital - Auditor General Report #99-9

The findings of the Auditor General are agreed to and the audit recommendations will be implemented.

The Tobacco Education and Prevention Program - Auditor General Report #99-17

The findings of the Auditor General are agreed to and the audit recommendations will be implemented.

The Bureau of Epidemiology and Disease Control - Auditor General Report #99-18

The findings of the Auditor General are agreed to and the audit recommendations will be implemented.

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Other Performance Audit Reports Issued Within the Last 12 Months

98-15	Podiatry Board	99-9	Department of Health Services— Arizona State Hospital
98-16	Board of Medical Examiners		
98-17	Department of Health Services— Division of Assurance and Licensure	99-10	Residential Utility Consumer Office/Residential Utility Consumer Board
98-18	Governor’s Council on Develop- mental Disabilities	99-11	Department of Economic Security— Child Support Enforcement
98-19	Personnel Board	99-12	Department of Health Services— Division of Behavioral Health Services
98-20	Department of Liquor		
98-21	Department of Insurance	99-13	Board of Psychologist Examiners
98-22	State Compensation Fund	99-14	Arizona Council for the Hearing Impaired
99-1	Department of Administration, Human Resources Division	99-15	Arizona Board of Dental Examiners
99-2	Arizona Air Pollution Control Commission	99-16	Department of Building and Fire Safety
99-3	Home Health Care Regulation	99-17	Department of Health Services’ Tobacco Education and Prevention Program
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99-7	Arizona Drug and Gang Policy Council		
99-8	Department of Water Resources		

Future Performance Audit Reports

Arizona State Board of Accountancy
Department of Environmental Quality