

**Oklahoma State Department of Health
Board of Health – Financial Brief
February 2013**

**OKLAHOMA STATE DEPARTMENT OF HEALTH
SFY 2013 BUDGET AND EXPENDITURE FORECAST: AS OF 01/29/2013**

SUMMARY

<u>Division</u>	<u>Current Budget</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Forecasted Expenditures</u>	<u>Surplus/(Deficit)</u>	<u>Performance Rate</u>
Public Health Infrastructure	\$22,725,619	\$8,823,928	\$5,613,103	\$6,989,985	\$1,298,602	94.29%
Protective Health Services	\$66,741,422	\$27,507,442	\$6,087,380	\$31,828,513	\$1,318,087	98.03%
Prevention & Preparedness Services	\$61,167,640	\$18,921,886	\$24,054,197	\$14,405,243	\$3,786,314	93.81%
Information Technology	\$7,363,900	\$3,865,102	\$3,428,803	\$3,733	\$66,262	99.10%
Health Improvement Services	\$25,603,416	\$7,622,448	\$7,224,974	\$9,399,332	\$1,356,661	94.70%
Community & Family Health Services	\$238,618,772	\$96,687,278	\$25,521,977	\$115,375,144	\$1,034,373	99.57%
Totals:	\$422,220,769	\$163,428,085	\$71,930,433	\$178,001,951	\$8,860,300	97.90%

<90%	90% - 95%	95% - 102.5%	102.5% - 105%	>105%
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Expenditure Forecast Assumptions

- Payroll forecasted through June 30, 2013 including vacancies likely to fill within the current budget period
- Encumbrances shown as actual as of the report date
- Expenditure forecasts limited to realistic amounts expected to spend out during the current budget period
- Surplus/(Deficit) is projected as of June 30, 2013

Explanation of Dashboard Warning(s)

- Overall the Department is forecasted to spend 97.90% of its budget, which is an improvement from the previous month's 97.45%.
- Community and Family Health Services and Protective Health Services have "Green Lights" as they have had for the last several months.
- The Health Improvement Services' budget performance rate of 94.70% is a significant improvement from last month's "Red Light". The improvement is due to the development and initiation of plans associated with improving access to care and the refinement of reimbursement estimates for Federally Qualified Health Centers.
- Prevention and Preparedness Services and Public Health Infrastructure have "Yellow Lights" with performance rates of 93.81% and 94.29%, respectively. These have not significantly changed since the January report but are near "Green Light" status and are expected to improve over the remainder of the fiscal year.
- All expenditures will be monitored closely and adjustments in spending will be made as needed to ensure optimal budget performance for the Department.

Request for Information related to the Budget Control Act of 2011

As most of you are aware, the Budget Control Act of 2011 mandated that the deficit had to be reduced by \$1.2 trillion over the next ten years. A super committee was formed for this purpose. The committee failed to reach an agreement on these reductions and so, unless other federal legislation intervenes, there will be an automatic sequestration of federal funds on January 1, 2013. The Speaker-Elect of the Oklahoma House of Representatives will be conducting an interim study (IS12-088) on this topic on October 16, 2012. With this in mind, and assuming this was taken into consideration during your budget request process, we are asking for the following information from each agency impacted by the sequestration:

- 1.) What agency programs will be directly or indirectly affected if the automatic sequestration takes place? Sequestration of federal funds will affect most public health programs as approximately 56% of agency revenue is federal. Programs that will receive a reduction as a result of sequestration include state mandated public health functions developed to protect vulnerable populations and the general public from infectious disease, manmade or natural disasters. Federal funding is provided to the OSDH through more than 70 categorical grants, cooperative agreements, and contracts. Thus, the opportunity for OSDH to have significant input into funding reductions is somewhat limited. However, the department is preparing for sequestration by monitoring federal budgetary actions and identifying likely impacts on each program. Listed below are anticipated impacts to OSDH core public health programs that would be affected by a 10% sequestration of federal funding.

Hospital, Home Health, Ambulatory Surgical Centers & End Stage Renal Disease (Dialysis Treatment Centers) Inspections - A 10% reduction in funding would eliminate 6.5 surveyor positions which will result in 240 fewer surveys and complaint investigations each year. Inadequate or untimely inspections could result in injury or death to persons residing in these facilities.

Long Term Care National Background Check Program - Reductions in funding could lead to delays in background checks or some checks not being conducted on nurse aides resulting in the possibility of an abuser or violent felon working in a facility for elderly and vulnerable populations.

Public Health Emergency and Response Programs (PHEP and Emergency Systems) - Reductions in federal funding would result in the loss of local emergency response personnel, an infectious disease epidemiologist and laboratory personnel. These losses could jeopardize disease investigations, the identification of persons exposed to disease, timely laboratory information necessary to resolve disease outbreaks and rapid response in natural disasters and emergencies. Additional reductions would be taken in training, supplies necessary for surge capacity and the local medical response volunteer program.

The Hospital Preparedness Program - Sequestration would likely impact contractor staffing levels as previous federal reductions have resulted in elimination of funding for supplies and equipment. Reduced staffing levels will negatively impact coordinated medical response capabilities. Additional reductions would be taken in response training offered to the hospitals, EMS and other medical response partners statewide potentially reducing the capability of these emergency and medical responders during a disaster.

Infectious Disease Control Programs – Reduction in these programs encompass the prevention & treatment of Tuberculosis, HIV Prevention, HIV/AIDS Surveillance, Hepatitis Prevention, STD Prevention Systems, Ryan White HIV Care, and Epidemiology & Laboratory Capacity. Federal reductions would have the following impacts:

- Prevention & Treatment of Tuberculosis – Federal reductions could result in the loss of a TB clinician that would hamper our ability to diagnose, treat, and manage 725 cases of TB across the state. This could result in hundreds of additional TB cases in the long term, as well as premature death for those left untreated.
- HIV Prevention Program – Federal reductions would reduce the HIV counseling and testing program by 1,000 tests. Testing reductions would result in approximately 10 individuals with HIV not knowing they are infected and potentially spreading disease.
- HIV/AIDS Surveillance- Reductions would result in the loss of epidemiologic staff that produces information necessary to target HIV testing resources, prevention and intervention services.

- Hepatitis Prevention Program – Sequestration will result in the loss of the Viral Hepatitis Position that focuses on educating and providing referrals to those newly diagnosed, integrating hepatitis interventions with HIV and coordinating hepatitis programs. This will only contribute to the morbidity associated with chronic hepatitis infection and loss of productive years. With an estimated 45,000 people identified in Oklahoma as having been infected with hepatitis C, the economic impact would be catastrophic.
- STD Prevention Systems – The loss of STD Prevention funding would eliminate a high risk screening and treatment program in the Oklahoma City jail and 806 gonorrhea and Chlamydia screenings. Reductions in screening will result in approximately 10 syphilis cases and 35 gonorrhea and chlamydia infections going unidentified and untreated. This will increase the spread of disease and result in health complications for infected individuals. For example, genital sores (chancres) caused by syphilis make it easier to transmit and acquire HIV infection sexually. There is an estimated 2- to 5-fold increased risk of acquiring HIV if exposed when syphilis is present.
- Ryan White HIV Care - Loss of Ryan White funding would result in 25 individuals infected with HIV who would not receive the Antiretroviral Therapy necessary to treat their HIV infection resulting in a rapid progression of HIV disease to AIDS and death. Lack of medications allows the virus to replicate resulting in extremely high viral loads which then make the infected client very infectious with the possibility of infecting others. 450 HIV clients would not receive dental care visits which increase the risk of infections as well as tooth decay and gum disease, 150 HIV infected individuals would not receive medical visits by their care provider and 550 individuals would not receive the monitoring lab work that indicates if their drug therapy is effective.
- Epidemiology & Laboratory Capacity - This federal reduction will result in discontinuing the established statewide mosquito surveillance program, which was instituted for the detection of emerging mosquito-borne diseases (e.g., West Nile Virus) and targeted disease control efforts. Additionally, a 10% reduction would lead to the loss of partial support for a clinical laboratorian, the West Nile Virus surveillance coordinator, critical laboratory supplies to test for West Nile Virus in humans, the elimination of molecular Pertussis testing, and would lengthen the amount of time necessary for uploading influenza testing results to the World Health Organization.

Children's Health Programs – Federal reductions would impact many OSDH children's health programs including Maternal and Child Health (Title V), Women Infants and Children (WIC), Oklahoma Early Hearing Detection, Child Abuse Prevention, Newborn Hearing/Screening, Oklahoma Birth Defects Registry and other child health programs. Reductions would have the following impacts:

- Reductions in Federal Title V negatively impact the statewide infant mortality reduction program Preparing for a Lifetime, It's Everyone's Responsibility. Public and healthcare professional awareness of the leading causes of infant death, and evidence based strategies to prevent them, is critical to reducing Oklahoma's unacceptably high infant death rate. Other reductions will include the loss of a temporary nursing position who abstracts approximately 300 cases of children born with metabolic disorders and reductions to Oklahoma City-County Health Department and Tulsa County Health Department contracts.
- Newborn Hearing Screening
Federal funding has already been reduced for this program in 2012. Additional reductions will continue to lead to reduced availability of early screening and treatment of hearing loss. Lack of screenings will result in a delay of hearing diagnosis and early intervention affecting speech and language outcomes. Those children will need additional services such as SoonerStart and possibly Special Education services at a much higher cost than if identified and treated early.
- Women, Infants and Children (WIC) - A 10% federal reduction would result in 50,400 fewer clients receiving WIC food instruments each year.
- Oklahoma Birth Defects Registry Program - Reductions will result in a delay in abstracting the medical records of 100 children with birth defects, referring cases to appropriate treatment and identifying causes and prevention strategies for birth defects.

Immunization & Vaccine Programs – Federal reductions in funding would result in a reduction of the purchase of hepatitis B Immune Globulin being made available to approximately 180 babies born to Hepatitis B Surface Antigen positive mothers. These newborns will be in danger of contracting hepatitis B disease immediately following birth. Funding cuts will also result in the loss of two contractual positions which would eliminate visits being to approximately 75 provider offices, not only putting us in

non-compliance with a grant requirement, but potentially increasing the fluctuation of vaccine temperatures over time increasing wastage.

Chronic Disease Programs - Funding reductions would impact a variety of chronic disease programs including Diabetes, Asthma, Cardiovascular Disease, Coordinated Chronic Disease and National Cancer Prevention and Control and Early Case Capture Programs. Activities including collecting data to inform clinical providers of the most effective disease management methods, developing local action plans and committees to address chronic disease, identifying screening networks for early identification and treatment of high blood pressure and cholesterol, community based initiatives to reduce chronic disease and unnecessary hospitalizations. Cancer screening programs would be specifically reduced as follows:

- Eliminating breast and cervical cancer screening for 515 uninsured, low income Oklahoma women.
- Eliminate collection of data associated with excessive sun exposure and cancer survivorship in order to prevent and treat skin cancer in Oklahoma.
- Reduction of multiple cancer staff that will impact ability to monitor cancer data quality, timeliness and completeness and impair the ability of the OSDH to provide data that is useful and reliable for cancer clinicians and researchers.
- Loss of funds for the Early Case Capture Program would have an impact on efforts to develop and implement a system whereby pediatric cancer cases would be reported within 30 days of diagnosis rather than the current 120 days. The implementation of such a system would afford the OK Central Cancer Registry the ability to provide data that is usable and reliable for cancer researchers to rapidly improve the treatment of pediatric cancer.

- 2.) If these programs are matching fund programs, what amounts will be lost both due to the sequestration and potential loss of matching funds?

In SFY 2013, the sequestration of federal funds would eliminate **\$9,467,608 in federal funding** that is leveraged with **\$489,995 in state appropriated matching funds.**

- 3.) What will the broader impact be of these reductions in programs (e.g., FTEs, cost-sharing programs, reduction of services)?

Sequestration would impact core public health programs such as regulatory licensing, facility inspection services, complaint investigations, infectious disease control, and public health emergency response, as well as many other priority programs for public health. On the heels of three consecutive years of state appropriated reductions (SFY '10 – SFY '12) and the significant loss of FTE, it has the potential to weaken the department's ability to respond effectively to an emergency or natural disaster. Significant impacts of federal funding reductions on these programs were highlighted in Question #1.

In addition, sequestration of federal funding will result in the elimination of 16.86 **OSDH FTE**. The impact would be most felt by nursing, epidemiology and data collection staff. Sequestration would also impact contractors across the state that would be forced to eliminate **10 FTE**. Some public health programs have already experienced a reduction in federal funds or are preparing for impending reductions including the following:

- Hospital Preparedness – Prior funding reductions have resulted in the elimination of supplies and equipment for medical response programs. Additional cuts will be realized through reduction of contracted FTE.
- Newborn Hearing Screening – Screening equipment and the availability of hearing testing has been reduced. Additional reductions will further delay hearing/screenings.
- WIC – Clinic consolidations and review of cost and performance data has begun in preparation for significant federal reductions.

- 4.) Assuming no additional state funding is available, what are your plans to maintain mission-critical programs and which programs will be altered significantly or eliminated if the sequestration takes place?

During the state revenue reductions the OSDH undertook the task of reviewing all revenue streams, department mandates and governing documents in order to prioritize and maintain mission-critical functions. The result of this process was a restructuring of OSDH budgets and the development of the OSDH Business Plan. The OSDH will utilize these documents to ensure the maintenance of mission-critical programs if possible, however, the fact that OSDH receives federal funds through more than 70 categorical cooperative agreements, grants and contracts means that the department may have limited ability to influence budgetary reductions.

- 5.) List and describe any alternative funding sources your agency is considering (e.g. carryover, revolving funds, other sources of funding).

The OSDH will request available carryover funds from state and federal sources. Further, the OSDH will consider alternative grant funds if it is consistent with the OSDH Business Plan.

- 6.) What amount of federal funding received by your agency is classified as non-exempt discretionary or non-exempt mandatory and will be subject to sequester?

Approximately 56% of the OSDH budget is federal and is received through approximately 70 categorical grants. These funds are not exempt from sequestration. The **total financial impact to OSDH would be \$9,957,603** in federal and state matching funds that support public health in Oklahoma.

- 7.) Feel free to add any additional information you believe relevant to the topic at hand.

OSDH is the secondary recipient of approximately \$49 million of federal funding from other state agencies. These funds were not included in the analysis above to prevent duplicative reporting.

Please provide your response by October 5, 2011. Thank you.