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# **Department of Health and Mental Hygiene Fiscal 2014 Budget Overview**

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**Department of Legislative Services  
Office of Policy Analysis  
Annapolis, Maryland**

**January 2013**

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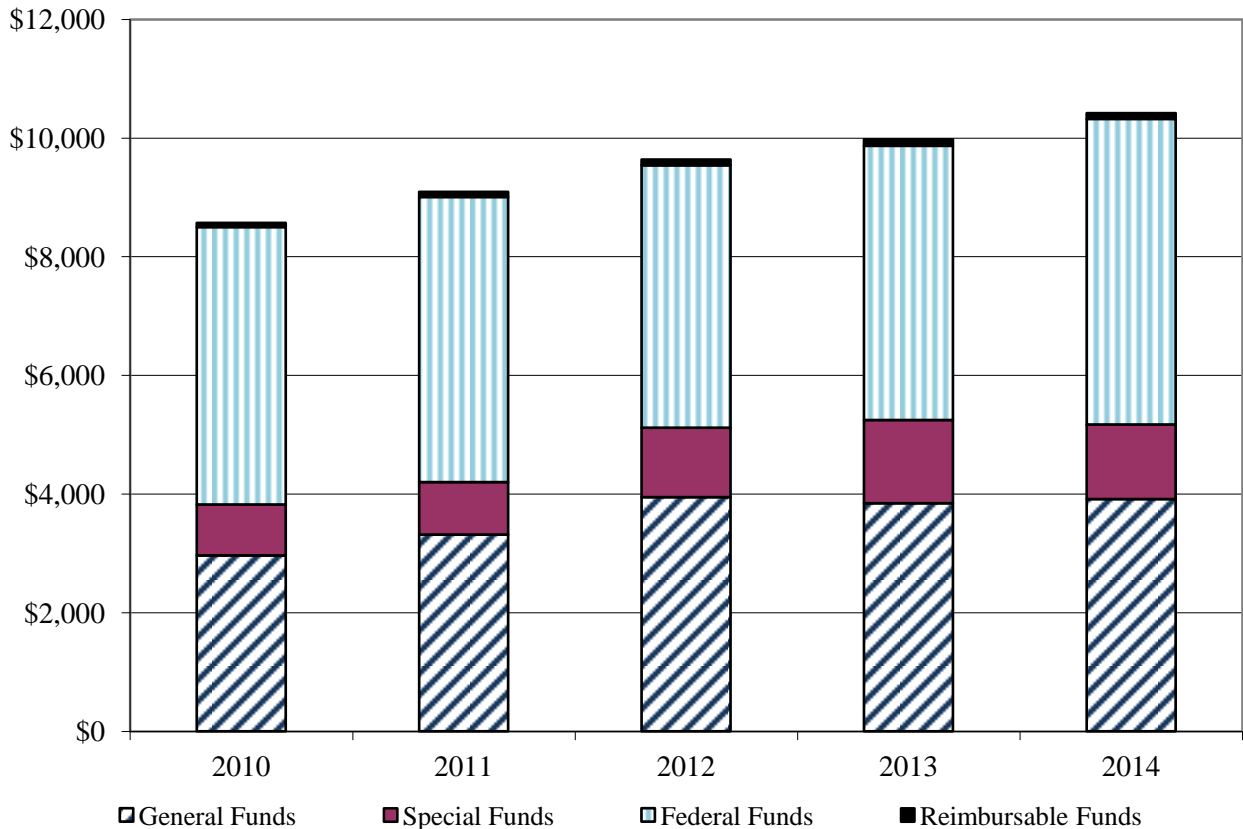
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*Analysis of the FY 2014 Maryland Executive Budget, 2013*

*M00 – DHMH – Fiscal 2014 Budget Overview*

**M00**  
**Department of Health and Mental Hygiene**  
**Fiscal 2014 Budget Overview**

**Department of Health and Mental Hygiene**  
**Five-year Funding Trends**  
**Fiscal 2010-2014**  
**(\$ in Millions)**



Note: Includes fiscal 2013 deficiencies and fiscal 2014 back of the bill reduction. Excludes funding in the Department of Budget and Management for that share of the fiscal 2014 cost-of-living adjustment and merit increase attributable to the Department of Health and Mental Hygiene.

Source: Department of Legislative Services; Department of Budget and Management

*M00 – DHMH – Fiscal 2014 Budget Overview*

**Department of Health and Mental Hygiene  
Budget Overview: Constraint on Expenditure Growth Continues  
Fiscal 2010-2014  
(\$ in Millions)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change 2013-14</u>
<b>General Funds</b>	<b>\$2,963</b>	<b>\$3,236</b>	<b>\$3,949</b>	<b>\$3,890</b>	<b>\$3,917</b>	
Fiscal 2013 Deficiencies				-47		
Back of Bill Reductions					-1	
<b>Adjusted General Funds</b>	<b>\$2,963</b>	<b>\$3,236</b>	<b>\$3,949</b>	<b>\$3,843</b>	<b>\$3,916</b>	<b>\$73</b>
<b>Special Funds</b>	<b>\$858</b>	<b>\$886</b>	<b>\$1,166</b>	<b>\$1,366</b>	<b>\$1,255</b>	
Fiscal 2013 Deficiencies				35		
Back of Bill Reductions					0	
<b>Adjusted Special Funds</b>	<b>\$858</b>	<b>\$886</b>	<b>\$1,166</b>	<b>\$1,401</b>	<b>\$1,255</b>	<b>-\$147</b>
<b>Federal Funds</b>	<b>\$4,675</b>	<b>\$4,739</b>	<b>\$4,426</b>	<b>\$4,661</b>	<b>\$5,153</b>	
Fiscal 2013 Deficiencies				-35		
Back of Bill Reductions					0	
<b>Adjusted Federal Funds</b>	<b>\$4,675</b>	<b>\$4,739</b>	<b>\$4,426</b>	<b>\$4,626</b>	<b>\$5,153</b>	<b>\$526</b>
<b>Reimbursable Funds</b>	<b>\$73</b>	<b>\$87</b>	<b>\$97</b>	<b>\$106</b>	<b>\$97</b>	<b>-\$9</b>
<b>Total</b>	<b>\$8,570</b>	<b>\$8,948</b>	<b>\$9,637</b>	<b>\$9,977</b>	<b>\$10,420</b>	<b>\$443</b>
<b>% Change from Prior Year</b>	<b>5.4%</b>	<b>4.4%</b>	<b>7.7%</b>	<b>3.5%</b>	<b>4.4%</b>	

Note: Excludes funding in the Department of Budget and Management for that share of the fiscal 2014 cost-of-living adjustment and merit increase.

Source: Department of Legislative Services; Department of Budget and Management

*M00 – DHMH – Fiscal 2014 Budget Overview*

**Department of Health and Mental Hygiene  
Fiscal 2013 Deficiencies**

<b><u>Program</u></b>	<b><u>Item</u></b>	<b><u>General Funds</u></b>	<b><u>Total Funds</u></b>
Medicaid	Realization of the Cigarette Restitution Fund special fund revenues based on Budget Reconciliation and Financing Act of 2012 actions	\$0	\$21,288,143
Regulatory Commissions	Supplemental funding for administrative expenses and the Uncompensated Care Fund	0	11,023,453
Public Health Administration	Supplemental funding in the Office of Preparedness and Response for emergency preparedness upgrades, bioterrorism preparedness, and other activities.	0	5,922,869
Mental Hygiene	Funding for various community mental health initiatives	0	2,386,986
Prevention and Health Promotion	Supplementary funding for an integrated behavioral health/primary care network and to develop strategic plans to allow local health departments to bill for immunization services	0	1,907,645
Prevention and Health Promotion	Additional funding for Women, Infants, and Children	0	1,827,885
Health Boards and Commissions	Board of Nursing funding for administrative costs and Disaster Recovery Plan activities	0	1,071,281
Regulatory Commissions	Supplementary funding to support patient centered medical homes and the Small Employer Health Benefit Premium Subsidy Program	0	1,063,419
Health Boards and Commissions	Board of Physicians funding for an integrated medical licensure and investigation information technology system	0	600,000
Medicaid	Reduction to fiscal 2013 Medicaid provider reimbursements based on favorable enrollment trends	-46,934,000	-93,868,000
<b>Fiscal 2013 Deficiencies Total</b>		<b>-\$46,934,000</b>	<b>-\$46,776,319</b>

Source: Department of Legislative Services; State Budget

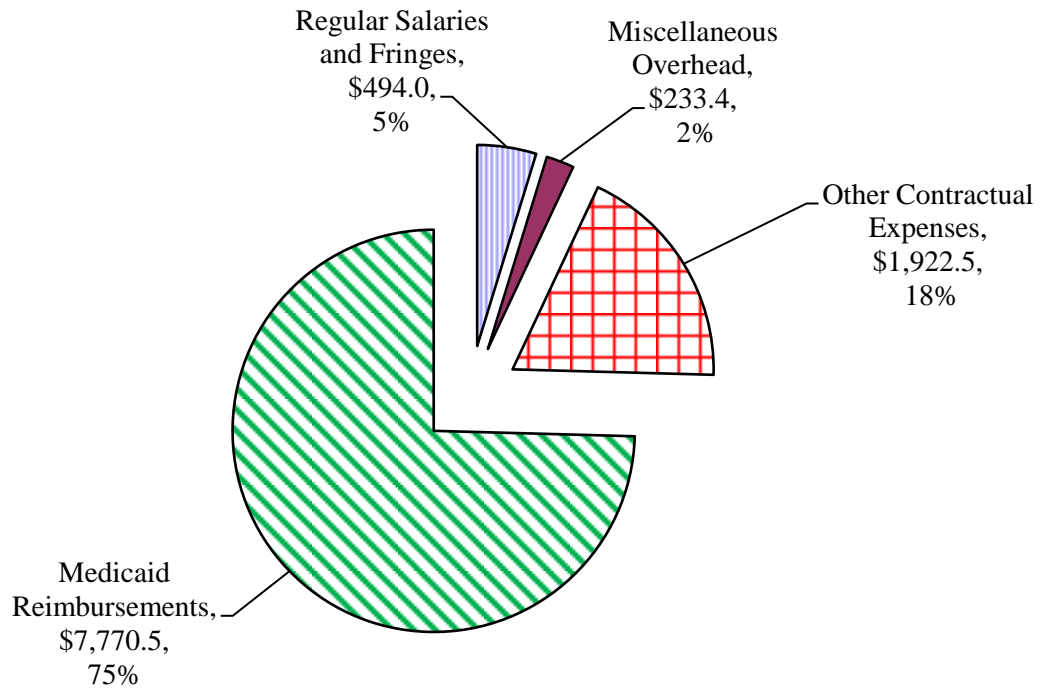
*M00 – DHMH – Fiscal 2014 Budget Overview*

**Department of Health and Mental Hygiene  
Fiscal 2014 Back of the Bill Reduction and Other Budget Reconciliation and  
Financing Act of 2013 Action**

<b><u>Program</u></b>	<b><u>Item</u></b>	<b><u>General Funds</u></b>	<b><u>Total Funds</u></b>
Department of Health and Mental Hygiene	Department share of statewide \$5 million health insurance reduction	-\$655,764	-\$816,190
Medicaid	The Budget Reconciliation and Financing Act of 2013 includes language requiring the achievement of \$30 million in general fund savings from tiered rates for hospital outpatient and emergency department services in fiscal 2014 or from lower than budgeted hospital update factors; a consultant study to estimate the level of savings; and a methodology for achieving \$30 million in general fund savings if the report indicates that the level of savings is less than that amount.		

Source: Department of Legislative Services; State Budget

**Department of Health and Mental Hygiene  
Functional Breakdown of Spending  
Fiscal 2014 Allowance  
(\$ in Millions)**



Source: Department of Legislative Services; State Budget

*M00 – DHMH – Fiscal 2014 Budget Overview*

**Department of Health and Mental Hygiene  
Budget Overview: All Funding Sources  
Fiscal 2012-2014  
(\$ in Thousands)**

	<u>Actual 2012</u>	<u>Working 2013</u>	<u>Allowance 2014</u>	<u>\$ Change 2013-14</u>	<u>% Change 2013-14</u>
<b>Medical Programs/Medicaid</b>	<b>\$6,816,898</b>	<b>\$7,069,760</b>	<b>\$7,380,370</b>	<b>\$310,610</b>	<b>4.4%</b>
Provider Reimbursements	6,541,114	6,760,928	7,036,884	275,956	4.1%
Maryland Children’s Health Program	187,710	197,673	220,083	22,410	11.3%
Other	88,074	111,159	123,403	12,244	11.0%
<b>Mental Hygiene</b>	<b>\$1,081,293</b>	<b>\$1,071,098</b>	<b>\$1,138,675</b>	<b>\$67,577</b>	<b>6.3%</b>
Program Direction	8,522	8,820	8,879	60	0.7%
Community Services	806,131	798,934	860,891	61,956	7.8%
Facilities	266,641	263,344	268,905	5,561	2.1%
<b>Developmental Disabilities</b>	<b>\$845,863</b>	<b>\$889,975</b>	<b>\$949,983</b>	<b>\$60,008</b>	<b>6.7%</b>
Program Direction	5,401	6,436	8,273	1,837	28.5%
Community Services	800,820	843,996	900,900	56,904	6.7%
Facilities	39,642	39,542	40,809	1,267	3.2%
<b>Health Systems and Infrastructure</b>					
<b>Administration</b>	<b>\$44,496</b>	<b>\$45,121</b>	<b>\$47,119</b>	<b>\$1,998</b>	<b>4.4%</b>
Targeted Local Health	42,766	42,544	44,542	1,998	4.7%
Other	1,730	2,577	2,577	\$0	0.0%
<b>Prevention and Health Promotion</b>					
<b>Administration</b>	<b>\$340,939</b>	<b>\$354,897</b>	<b>\$356,220</b>	<b>\$1,323</b>	<b>0.4%</b>
Women, Infants, and Children	107,282	113,243	118,765	5,522	4.9%
CRF Tobacco and Cancer	20,254	23,307	35,136	11,828	50.8%
Maryland AIDS Drug Assistance Program	70,466	78,988	63,319	-15,670	-19.8%
Other	142,937	139,359	139,001	-357	-0.3%
<b>Alcohol and Drug Abuse</b>	<b>\$147,798</b>	<b>\$158,463</b>	<b>\$154,007</b>	<b>-\$4,456</b>	<b>-2.8%</b>
<b>Other Budget Areas</b>	<b>\$359,905</b>	<b>\$387,635</b>	<b>\$394,071</b>	<b>\$6,437</b>	<b>1.7%</b>
DHMH Administration	47,046	50,634	51,794	1,159	2.3%
Public Health Administration	58,221	62,458	67,903	5,445	8.7%
Office of Health Care Quality	17,206	17,470	18,309	839	4.8%
Health Occupations Boards	26,981	32,006	31,988	-18	-0.1%
Chronic Disease Hospitals	45,661	46,555	48,204	1,649	3.5%
Health Regulatory Commissions	164,789	178,511	175,873	-2,638	-1.5%
<b>Total Funding</b>	<b>\$9,637,191</b>	<b>\$9,976,948</b>	<b>\$10,420,444</b>	<b>\$443,496</b>	<b>4.4%</b>

CRF: Cigarette Restitution Fund

DHMH: Department of Health and Mental Hygiene

Note: Numbers may not sum due to rounding. Includes fiscal 2013 deficiencies and fiscal 2014 back of the bill reduction. Excludes funding in the Department of Budget and Management for that share of the fiscal 2014 cost-of-living adjustment and merit increase attributable to the Department of Health and Mental Hygiene.

Source: Department of Legislative Services; State Budget



*M00 – DHMH – Fiscal 2014 Budget Overview*

**Department of Health and Mental Hygiene  
Budget Overview: General Funds Only  
Fiscal 2012-2014  
(\$ in Thousands)**

	<u>Actual 2012</u>	<u>Working 2013</u>	<u>Allowance 2014</u>	<u>\$ Change 2013-14</u>	<u>% Change 2013-14</u>
<b>Medical Programs/Medicaid</b>	<b>\$2,491,470</b>	<b>\$2,367,910</b>	<b>\$2,374,455</b>	<b>\$6,545</b>	<b>0.3%</b>
Provider Reimbursements	2,402,277	2,278,824	2,277,594	-1,231	-0.1%
Maryland Children’s Health Program	60,609	62,041	70,642	8,601	13.9%
Other	28,584	27,045	26,219	-825	-3.1%
<b>Mental Hygiene</b>	<b>\$705,173</b>	<b>\$675,453</b>	<b>\$701,835</b>	<b>\$26,382</b>	<b>3.9%</b>
Program Direction	6,007	6,332	6,040	-292	-4.6%
Community Services	441,556	422,612	435,996	13,383	3.2%
Facilities	257,610	246,509	259,800	13,291	5.4%
<b>Developmental Disabilities</b>	<b>\$484,394</b>	<b>\$506,716</b>	<b>\$530,053</b>	<b>\$23,337</b>	<b>4.6%</b>
Program Direction	3,588	4,402	5,006	604	13.7%
Community Services	441,803	463,773	485,002	21,228	4.6%
Facilities	39,003	38,540	40,045	1,505	3.9%
<b>Health Systems and Infrastructure</b>					
<b>Administration</b>	<b>\$39,375</b>	<b>\$38,711</b>	<b>\$41,525</b>	<b>\$2,814</b>	<b>7.3%</b>
Targeted Local Health	38,273	37,283	40,049	2,765	7.4%
Other	1,102	1,427	1,476	49	3.5%
<b>Prevention and Health Promotion</b>					
<b>Administration</b>	<b>\$38,832</b>	<b>\$52,460</b>	<b>\$53,139</b>	<b>\$679</b>	<b>1.3%</b>
Women, Infants, and Children	65	65	65	0	0.0%
CRF Tobacco and Cancer	1,123	778	788	11	1.4%
Maryland AIDS Drug Assistance Program	11	0	0	0	0.0%
Other	37,633	51,617	52,286	669	1.3%
<b>Alcohol and Drug Abuse</b>	<b>\$82,359</b>	<b>\$87,654</b>	<b>\$88,086</b>	<b>\$432</b>	<b>0.5%</b>
<b>Other Budget Areas</b>	<b>\$107,572</b>	<b>\$114,589</b>	<b>\$127,158</b>	<b>\$12,569</b>	<b>11.0%</b>
DHMH Administration	22,214	27,484	27,193	-291	-1.1%
Public Health Administration	34,131	34,750	45,724	10,974	31.6%
Office of Health Care Quality	10,160	10,382	10,874	492	4.7%
Health Occupations Boards	320	386	383	-3	-0.8%
Chronic Disease Hospitals	40,747	41,587	42,983	1,396	3.4%
Health Regulatory Commissions	0	0	0	0	0.0%
<b>Total Funding</b>	<b>\$3,949,174</b>	<b>\$3,843,492</b>	<b>\$3,916,251</b>	<b>\$72,758</b>	<b>1.9%</b>

CRF: Cigarette Restitution Fund

DHMH: Department of Health and Mental Hygiene

Note: Note: Numbers may not sum due to rounding. Includes fiscal 2013 deficiencies and fiscal 2014 back of the bill reduction. Excludes funding in the Department of Budget and Management for that share of the fiscal 2014 cost-of-living adjustment and merit increase attributable to the Department of Health and Mental Hygiene.

Source: Department of Legislative Services; State Budget

*M00 – DHMH – Fiscal 2014 Budget Overview*

**Proposed Budget Changes  
Department of Health and Mental Hygiene  
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2013 Working Appropriation	\$3,843,492	\$1,401,281	\$4,626,322	\$105,853	\$9,976,948
2014 Governor’s Allowance	\$3,916,251	\$1,254,521	\$5,152,675	\$96,997	\$10,420,444
Amount Change	72,758	-146,760	526,353	-8,856	443,496
Percent Change	1.9%	-10.5%	11.4%	-8.4%	4.4%

**Where It Goes:**

**Personnel**

**\$16,839**

Retirement contribution.....	9,121
Employee and retiree health insurance.....	5,309
Workers’ compensation.....	1,304
New positions (14.5 FTEs).....	704
Transferred positions (6.0 FTEs).....	381
Miscellaneous adjustments.....	309
Regular earnings.....	155
Other fringe benefit adjustments .....	65
Abolished positions (2.0 FTEs).....	-133
Turnover expectancy .....	-376

**Major Programmatic Changes (Excluding Medicaid)**

**\$118,177**

**Mental Hygiene Administration**

**\$61,747**

**Fee-for-Service**

ACA Medicaid Expansion .....	28,258
Statutory rate adjustment (2.54%) for non-rate regulated providers (Chapters 497 and 498 of 2010).....	13,018
Specialty physician rate increase.....	8,007
Enrollment/Utilization.....	6,735

**Grants and Contracts**

Various predominantly federal grants .....	4,529
Grants and contracts rate adjustment (2.54%).....	1,200

*M00 – DHMH – Fiscal 2014 Budget Overview*

**Where It Goes:**

<b>Developmental Disabilities Administration</b>	<b>\$57,993</b>	
Additional funding for annualization and expansion .....		28,548
Statutory rate adjustment for community providers, 2.46% (Chapters 497 and 498 of 2010)...		21,340
Move to targeted case management for resource coordination .....		6,881
Financial consultant contract.....		1,224
<b>Public Health Administration</b>	<b>\$3,454</b>	
Operating lease payment to MEDCO for the new public health laboratory facility .....		6,198
Additional laboratory equipment, supplies, drugs, and chemicals .....		1,653
Other costs for the new facility including contractual services, fuel, and utilities .....		1,385
Funding for public health emergency preparedness and the National Bioterrorism Hospital Preparedness Program.....		-5,782
<b>Health Systems and Infrastructure Administration</b>	<b>\$1,998</b>	
Statutory adjustment to the Core funding formula .....		1,998
<b>Prevention and Health Promotion Administration</b>	<b>\$667</b>	
CRF Statewide Academic Health Centers Program.....		7,200
Women, Infant, and Children .....		5,222
CRF Tobacco Program: Statewide Public Health; Local Public Health; Surveillance and Evaluation; and Maryland Quitline .....		4,297
HIV primary and specialty medical care .....		1,899
HIV prevention activities targeted at substance abusers .....		1,229
ACA – Prevention and Public Health Fund .....		-500
HIV counseling and testing services .....		-1,378
ACA – Maternal, Infant and Early Childhood Homevisiting Program.....		-1,632
MADAP and MADAP-Plus Programs.....		-15,670
<b>Alcohol and Drug Abuse Administration</b>	<b>-\$5,009</b>	
Expansion of Recovery Support Services .....		5,100
Lower transfer to the Primary Adult Care (PAC) Program.....		-3,739
Treatment grants .....		-6,370
<b>Regulatory Commissions</b>	<b>-\$2,673</b>	
MHCC: Interstate Health Information Exchange (federal funds) .....		-1,300
MCHRC: One-time DDA Infrastructure Grants .....		-1,373
<b>Medicaid/Medical Care Programs Administration</b>	<b>\$307,811</b>	
<b>Medicaid</b>	<b>\$358,879</b>	
ACA expansion .....		348,682
Community First Choice (CFC) .....		84,370

**M00 – DHMH – Fiscal 2014 Budget Overview**

**Where It Goes:**

Health Information Technology (IT) incentive payments (federal funds) .....	54,768
Medicaid Management Information Systems costs including early takeover .....	26,028
Chronic Health Home.....	22,300
Medicare part A&B reimbursement .....	17,010
Enrollment/Utilization excluding ACA expansion .....	16,233
Money Follows the Person.....	12,965
Balancing Incentive Payment Program expenditures.....	11,329
Transportation grants.....	8,036
Pharmacy rebates.....	7,149
Older Adults Waiver case management services .....	6,869
Federally Qualified Health Center supplemental payments.....	5,329
Autism waiver (100 additional slots) .....	4,608
Employed Individuals with Disabilities .....	1,660
Graduate medical education payments.....	1,471
Medicaid reimbursement to DDA .....	-1,069
Nursing Home cost settlements.....	-2,550
Waiver enrollment and other contracts .....	-3,129
Third-party recoveries .....	-5,947
School-based services .....	-7,333
Maryland Health Insurance Program transfer .....	-10,000
Managed care organization supplemental payments (built into calendar 2013 rates).....	-11,996
Carryover differential (accounting cost center).....	-27,948
Living at Home Waiver (includes service shift from waiver program to CFC).....	-36,524
Miscellaneous adjustments to account for costs not attributed to a particular coverage group .	-48,878
Service shift from base Medicaid enrollment to CFC.....	-53,780
PAC.....	-60,775

**Medicaid Rate Changes** **\$19,893**

**Cost Savings** **-\$103,893**

Quicker long-term care determinations .....	-996
Reduce rate for durable medical equipment .....	-1,000
Limit observation room stays to 48 hours .....	-2,000
Verifying Medicaid eligibility .....	-2,053
Converting Medicaid to Medicare .....	-13,843
Medically needy savings per ACA.....	-84,000

**Maryland Children’s Health Program** **\$22,410**

Enrollment and utilization .....	\$22,410
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*M00 – DHMH – Fiscal 2014 Budget Overview*

**Where it Goes:**

<b>Other Medicaid Expenditures</b>	<b>\$10,523</b>	
Major IT projects .....		11,420
Contractual Employment .....		834
Kidney Disease Program.....		-1,731
<b>Other</b>	<b>\$669</b>	
<b>Total</b>		<b>\$443,496</b>

- ACA: Affordable Care Act
- CRF: Cigarette Restitution Fund
- DDA: Developmental Disabilities Administration
- FTE: full-time equivalent
- MADAP: Maryland AIDS Drug Assistance Program
- MEDCO: Maryland Economic and Development Corporation
- MCHRC: Maryland Community Health Resources Commission
- MHCC: Maryland Health Care Commission

Note: Includes fiscal 2013 deficiencies and fiscal 2014 back-of-the-bill reduction. Excludes funding in the Department of Budget and Management for that share of the fiscal 2014 cost-of-living adjustment and merit increase attributable to the Department of Health and Mental Hygiene.

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*M00 – DHMH – Fiscal 2014 Budget Overview*

**Department of Health and Mental Hygiene  
Regular Employees  
Fiscal 2012-2014**

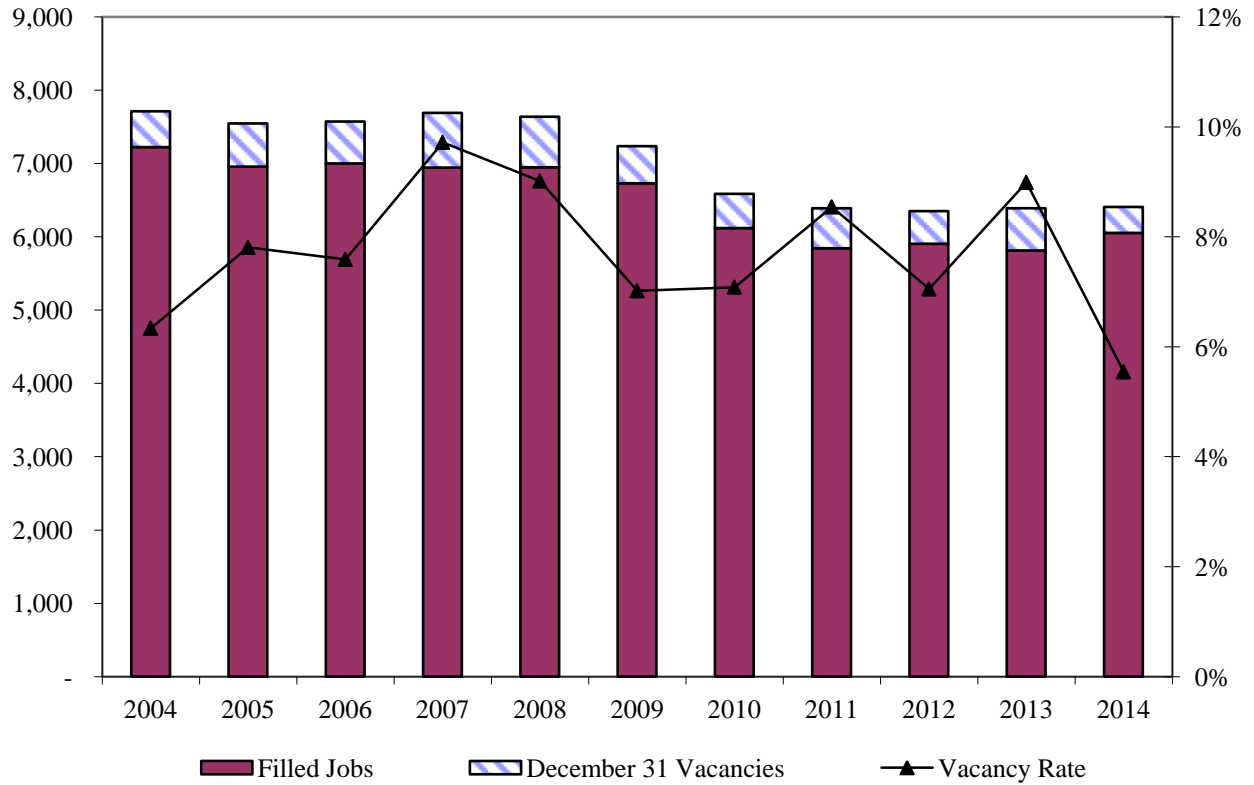
	<u>Actual 2012</u>	<u>Working 2013</u>	<u>Allowance 2014</u>	<u>Change 2013-14</u>	<u>% Change 2013-14</u>
<b>DHMH Administration</b>	<b>372.0</b>	<b>371.0</b>	<b>371.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Office of Health Care Quality</b>	<b>180.7</b>	<b>185.7</b>	<b>185.7</b>	<b>0.0</b>	<b>0.0%</b>
<b>Health Occupations Boards</b>	<b>250.7</b>	<b>257.2</b>	<b>265.7</b>	<b>8.5</b>	<b>3.3%</b>
<b>Public Health Administration</b>	<b>389.9</b>	<b>395.9</b>	<b>395.9</b>	<b>0.0</b>	<b>0.0%</b>
<b>Health Systems and Infrastructure Administration</b>	<b>9.0</b>	<b>10.0</b>	<b>10.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Prevention and Health Promotion Administration</b>	<b>366.3</b>	<b>364.8</b>	<b>362.8</b>	<b>-2.0</b>	<b>-0.5%</b>
<b>Chronic Hospitals</b>	<b>528.1</b>	<b>522.1</b>	<b>522.1</b>	<b>0.0</b>	<b>0.0%</b>
<b>Alcohol and Drug Abuse Administration</b>	<b>68.5</b>	<b>65.5</b>	<b>65.5</b>	<b>0.0</b>	<b>0.0%</b>
<b>Mental Hygiene Administration</b>	<b>2,825.0</b>	<b>2,855.0</b>	<b>2,855.0</b>	<b>0.0</b>	<b>0.0%</b>
Administration	81.5	83.5	83.5	0.0	0.0%
Institutions	2,743.5	2,771.5	2,771.5	0.0	0.0%
<b>Developmental Disabilities Administration</b>	<b>659.5</b>	<b>655.5</b>	<b>655.5</b>	<b>0.0</b>	<b>0.0%</b>
Administration	161.0	160.0	160.0	0.0	0.0%
Institutions	498.5	495.5	495.5	0.0	0.0%
<b>Medical Care Programs Administration</b>	<b>602.0</b>	<b>607.0</b>	<b>619.0</b>	<b>12.0</b>	<b>2.0%</b>
<b>Health Regulatory Commissions</b>	<b>98.7</b>	<b>98.7</b>	<b>98.7</b>	<b>0.0</b>	<b>0.0%</b>
<b>Total Regular Positions</b>	<b>6,350.3</b>	<b>6,388.3</b>	<b>6,406.8</b>	<b>18.5</b>	<b>0.3%</b>

DHMH: Department of Mental Health and Hygiene

Source: State Budget

*M00 – DHMH – Fiscal 2014 Budget Overview*

**Department of Health and Mental Hygiene  
Regular Employee Filled Jobs and Vacancy Rates  
Fiscal 2004-2014**



Note: Fiscal 2014 vacancies and vacancy rate reflects budgeted turnover rate.

Source: Department of Legislative Services; Department of Health and Mental Hygiene

*M00 – DHMH – Fiscal 2014 Budget Overview*

**Department of Health and Mental Hygiene  
Regular Employees – Vacancy Rates  
December 31, 2012**

	<u>FTE Vacancies</u>	<u>FTE Positions</u>	<u>Vacancy Rate</u>
DHMH Administration	37.8	371.0	10.2%
Office of Health Care Quality	14.4	185.7	7.8%
Health Occupations Boards	22.5	257.2	8.7%
Public Health Administration	28.5	395.9	7.2%
Health Systems and Infrastructure Administration	2	10.0	20.0%
Prevention and Health Promotion Administration	36.2	364.8	9.9%
Chronic Hospitals	57.25	522.1	11.0%
Alcohol and Drug Abuse Administration	10.5	65.5	16.0%
Mental Hygiene Administration	208.4	2,855.0	7.3%
Developmental Disabilities Administration	79	655.5	12.1%
Medical Care Programs Administration	65.8	607.0	10.8%
Health Regulatory Commissions	12	98.7	12.2%
<b>Total Regular Positions</b>	<b>574.3</b>	<b>6,388.3</b>	<b>9.0%</b>

DHMH: Department of Health and Mental Hygiene  
FTE: full-time equivalent

Source: State Budget; Department of Budget and Management



*M00 – DHMH – Fiscal 2014 Budget Overview*

**Department of Health and Mental Hygiene  
Contractual Employees  
Fiscal 2012-2014**

	<u>Actual 2012</u>	<u>Working 2013</u>	<u>Allowance 2014</u>	<u>Change 2013-14</u>	<u>% Change 2013-14</u>
<b>DHMH Administration</b>	<b>3.82</b>	<b>10.17</b>	<b>11.08</b>	<b>0.91</b>	<b>8.9%</b>
<b>Office of Health Care Quality</b>	<b>6.55</b>	<b>10.91</b>	<b>12.30</b>	<b>1.39</b>	<b>12.7%</b>
<b>Health Occupations Boards</b>	<b>11.72</b>	<b>19.40</b>	<b>12.60</b>	<b>-6.80</b>	<b>-35.1%</b>
<b>Public Health Administration</b>	<b>12.36</b>	<b>13.73</b>	<b>13.23</b>	<b>-0.50</b>	<b>-3.6%</b>
<b>Health Systems and Infrastructure Administration</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0%</b>
<b>Prevention and Health Promotion Administration</b>	<b>4.01</b>	<b>8.78</b>	<b>8.93</b>	<b>0.15</b>	<b>1.7%</b>
<b>Chronic Hospitals</b>	<b>27.25</b>	<b>15.88</b>	<b>15.99</b>	<b>0.11</b>	<b>0.7%</b>
<b>Alcohol and Drug Abuse Administration</b>	<b>6.64</b>	<b>6.77</b>	<b>7.08</b>	<b>0.31</b>	<b>4.6%</b>
<b>Mental Hygiene Administration</b>	<b>216.30</b>	<b>188.04</b>	<b>185.56</b>	<b>-2.48</b>	<b>-1.3%</b>
Administration	1.60	3.00	3.00	0.00	0.0%
Institutions	214.70	185.04	182.56	-2.48	-1.3%
<b>Developmental Disabilities Administration</b>	<b>26.33</b>	<b>27.94</b>	<b>17.12</b>	<b>-10.82</b>	<b>-38.7%</b>
Administration	7.54	5.00	5.00	0.00	0.0%
Institutions	18.79	22.94	12.12	-10.82	-47.2%
<b>Medical Care Programs Administration</b>	<b>40.67</b>	<b>101.68</b>	<b>101.45</b>	<b>-0.23</b>	<b>-0.2%</b>
<b>Health Regulatory Commissions</b>	<b>0.00</b>	<b>0.35</b>	<b>0.00</b>	<b>-0.35</b>	<b>-100.0%</b>
<b>Total Contractual Positions</b>	<b>355.6</b>	<b>403.65</b>	<b>385.34</b>	<b>-18.31</b>	<b>-4.5%</b>

DHMH: Department of Health and Mental Hygiene

Source: State Budget

*M00 – DHMH – Fiscal 2014 Budget Overview*

**Department of Health and Mental Hygiene  
Budget Overview: Selected Caseload Measures  
Fiscal 2010-2014**

	<u>Actual 2010</u>	<u>Actual 2011</u>	<u>Actual 2012</u>	<u>Working 2013</u>	<u>Allowance 2014</u>	<u>Change 2013-14</u>	<u>% Change 2013-14</u>
<b>Medical Programs/Medicaid</b>							
Medicaid Enrollees	621,514	690,738	724,782	733,171	736,882	3,711	0.5%
Maryland Children’s Healthcare Program	97,998	98,013	103,011	111,379	115,912	4,533	4.1%
Medicaid Expansion to Parents Affordable Care Act Medicaid Expansion	55,250	72,433	86,268	101,848	116,378	14,530	14.3%
Primary Adult Care <sup>1</sup>	40,397	51,483	61,233	73,377	82,566	108,676	n/a
						9,189	12.5%
<b>Developmental Disabilities Administration<sup>2</sup></b>							
Residential Services	5,550	5,849	5,990	6,100	6,415	315	5.2%
Day Services	12,934	13,123	13,246	14,736	14,808	72	0.5%
Support Services	7,405	7,171	9,115	8,352	8,698	346	4.1%
Total Services	25,889	26,143	28,351	29,188	29,921	733	2.5%
Resource Coordination	22,132	22,132	19,298	22,506	24,660	2,154	9.6%
Number of Individuals Served	18,180	22,328	23,359	24,244	25,094	850	3.5%
Average Daily Census at Institutions <sup>3</sup>	186	173	168	172	162	-10	-5.8%
<b>Mental Hygiene Administration</b>							
Average Daily Population at State-Run Psychiatric Hospitals:							
Hospitals Excluding RICAs and Assisted Living							
	957	931	946	962	962	0	0.0%
RICAs							
	78	67	67	68	68	0	0.0%
Assisted Living							
	133	141	130	60	60	0	0.0%
<b>Total</b>	<b>1,168</b>	<b>1,139</b>	<b>1,143</b>	<b>1,090</b>	<b>1,090</b>	<b>0</b>	<b>0.0%</b>
Number Receiving Community Mental Health Services:							
Medicaid Eligible	108,896	132,600	144,712	149,100	162,600	13,500	9.1%
Medicaid Ineligible	13,150	20,353	14,412	14,400	14,400	0	0.0%
<b>Total</b>	<b>122,046</b>	<b>152,953</b>	<b>159,124</b>	<b>163,500</b>	<b>177,000</b>	<b>13,500</b>	<b>8.3%</b>
<b>Alcohol and Drug Abuse Administration</b>							
Clients Served in Various Settings:							
	63,165	66,876	67,032	71,724	69,069	-2,655	-3.7%

RICA: Regional Institutions for Children and Adolescents

<sup>1</sup> Effective January 1, 2014, the Primary Adult Care program will end and recipients will become eligible for full Medicaid benefits under the Medicaid expansion option provided in the federal Affordable Care Act.

<sup>2</sup> Residential services include community residential services and individual family care. Day services include activities during normal working hours such as day habilitation services, supported employment, and summer programs. Support services include individual and family support, Community Supported Living Arrangements, and New Direction, a waiver

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program that allows individuals to self direct their services. Resource coordination is shown separately from the support services category as all individuals in the system receive resource coordination.

<sup>3</sup> Institutional data includes secure evaluation and therapeutic treatment units

Source: Department of Legislative Services; Department of Health and Mental Hygiene

## ***Issues***

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### **1. Cigarette Restitution Fund Issues**

The Cigarette Restitution Fund (CRF) was established by Chapter 173 of 1999 and is supported by payments made under the Master Settlement Agreement (MSA). Through the MSA, the settling manufacturers will pay the litigating parties – 46 states (4 states, Florida, Minnesota, Mississippi, and Texas had previously settled litigation), five territories, and the District of Columbia – approximately \$206 billion over a period of years, as well as conform to a number of restrictions on marketing to youth and the general public.

#### **Background**

The distribution of MSA funds among the states is determined by formula, with Maryland receiving 2.26% of MSA monies, which are adjusted for inflation, volume, and prior settlements. In addition, the State will collect 3.3% of monies from the Strategic Contribution Fund, distributed according to each state's contribution toward resolution of the state lawsuits against the major tobacco manufacturers.

The use of the CRF is restricted by statute in a variety of ways. For example:

- at least 50.0% of the funds must be appropriated to fund the Tobacco Use Prevention and Cessation Program, the Cancer Prevention, Education, Screening, and Treatment Program, eight health-related priorities including tobacco control and cessation, cancer prevention, treatment and research, and substance abuse treatment and prevention, and tobacco production alternatives;
- mandated appropriations to the Tobacco Use Prevention and Cessation Program and the Cancer Prevention, Education, Screening, and Treatment Program;
- at least 30.0% of the funds must be appropriated to Medicaid;
- at least 0.15% of the fund is dedicated to enforcement of Title 16, Subtitle 5 of the Business Regulation Article (Escrow Requirements for Nonparticipating Tobacco Product Manufacturers) by the Office of the Attorney General (OAG); and
- the Governor is required to appropriate at least the lesser of \$100 million or 90.0% of the estimated funds available in the annual budget.

These guidelines were primarily part of Chapters 172 and 173 of 1999 which originally created the CRF, although the Medicaid requirements were added later.

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Legal actions by manufacturers participating in the MSA continue to influence the amount of tobacco settlement revenues available to the states. These manufacturers contend that manufacturers not participating in the agreement have increased market share by exploiting legal loopholes to reduce their escrow payments to the states, giving those manufacturers a competitive advantage in the pricing of their products.

The MSA authorizes participating manufacturers that lose a certain share of the market to withhold three times the amount of their losses. This withholding is known as a nonparticipating manufacturer (NPM) adjustment. The agreement allows participating manufacturers to pursue this adjustment on an annual basis. In April 2005, the participating manufacturers gave notice to state Attorneys General that they were pursuing an NPM adjustment with respect to a loss of market share in sales year 2003. A similar adjustment was sought for subsequent sales years and is assumed again in the fiscal 2014 allowance.

OAG notes that arbitration on sales year 2003 began during calendar 2010 and is still ongoing. Individual hearings are underway, and Maryland had its case heard in October. However, no decisions will be issued until all state hearings are completed, likely in June 2013. The potential fiscal impact for the State could depend not only on the outcome of its case, but also those of other states.

### **Fiscal 2012-2014 CRF Programmatic Support**

**Exhibit 1** provides CRF revenue and expenditure detail for fiscal 2012 to 2014. Since the presentation of this material during fiscal 2013 budget deliberations, the following changes can be noted:

- The fiscal 2012 fund balance ended \$6.3 million higher than projected due to a combination of slight revenue increases and a lower NPM withhold adjustment.
- The larger fiscal 2012 fund balance combined with the same upward revision in revenues and a lower anticipated NPM adjustment allowed more funding to be directed toward Medicaid in fiscal 2013 than originally planned. That change was included in Chapter 1 of the First Special Session of 2012, the Budget Reconciliation and Financing Act of 2012.

For fiscal 2014, as shown in Exhibit 1, total CRF available funding falls by \$4.6 million, primarily due to a lower opening fund balance. CRF support for Medicaid is reduced to \$71.2 million from \$85.7 million. There is also a slight reduction in funding for the tobacco transition program reflecting the ending of the payments associated with the tobacco farmers' buy-out program.

However, funding is increased for tobacco cessation and prevention activities, cancer programs (specifically the Statewide Academic Health Centers), and the nonpublic textbook program. Increased CRF support for the tobacco cessation and prevention program and Statewide Academic Health Centers results in those programs being funded at the mandated level established by the

**Exhibit 1**  
**Cigarette Restitution Fund Budget**  
**Fiscal 2012-2014**  
**(\$ in Millions)**

	<u>2012 Actual</u>	<u>2013 Working</u>	<u>2014 Allowance</u>
Beginning Fund Balance	\$3.3	\$6.4	\$3.1
Settlement Payments	133.6	131.6	130.3
NPM and other shortfalls in payments <sup>1</sup>	-17.5	-17.5	-17.5
Awards from disputed account	0.0	0.0	0.0
Other Adjustments <sup>2</sup>	35.0	35.0	35.0
<b>Subtotal</b>	<b>\$154.4</b>	<b>\$155.6</b>	<b>\$151.0</b>
Prior Year Recoveries	\$0.9	\$1.0	\$1.0
<b>Total Available Revenue</b>	<b>\$155.4</b>	<b>\$156.6</b>	<b>\$152.0</b>
<b>Health</b>			
Tobacco	\$3.5	\$3.7	\$7.7
Cancer	14.4	17.8	25.0
Substance Abuse	21.0	21.0	21.0
Medicaid <sup>3</sup>	84.0	85.7	71.2
Breast and Cervical Cancer	15.2	14.7	14.7
<b>Subtotal</b>	<b>\$138.1</b>	<b>\$142.8</b>	<b>\$139.6</b>
<b>Other</b>			
Aid to Nonpublic School	\$4.5	\$4.5	\$5.6
Crop Conversion	5.5	5.1	4.6
Attorney General	0.8	0.9	1.0
<b>Subtotal</b>	<b>\$10.9</b>	<b>\$10.6</b>	<b>\$11.2</b>
<b>Total Expenses</b>	<b>\$149.0</b>	<b>\$153.4</b>	<b>\$150.8</b>
<b>Ending Fund Balance</b>	<b>\$6.4</b>	<b>\$3.1</b>	<b>\$1.2</b>

NPM: nonparticipating manufacturer

<sup>1</sup>The NPM adjustment represents the bulk of this total adjustment.

<sup>2</sup>Other adjustments include the strategic contribution payments and the National Arbitration Panel Award.

<sup>3</sup>Fiscal 2013 Medicaid funding includes proposed deficiency of \$21.3 million to reflect fiscal 2013 budget and Budget Reconciliation and Financing Act of 2012 actions.

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services; Department of Budget and Management

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Budget Reconciliation and Financing Act of 2010. As shown in **Exhibit 2**, funding for these two programs is still below the originally mandated funding levels.

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**Exhibit 2**  
**Cigarette Restitution Fund Support for Tobacco and Cancer Programs**  
**(\$ in Millions)**

	<u>Original Level</u>	<u>2013 Working Appropriation</u>	<u>2014 Allowance</u>	<u>Change from Original Level</u>
Tobacco Use Prevention and Cessation*	\$21.0	\$6.0	\$10.2	-51.4%
Statewide Academic Health Centers				
Cancer Research Grants	\$10.4	\$5.8	\$13.0	
Tobacco-related Disease Research Grants	2.0	0.0	0.0	
Statewide Network Grants	3.0	0.0	0.0	
Total Statewide Academic Health Centers	\$15.4	\$5.8	13.0	-15.6%

\*Tobacco Use Prevention and Cessation includes all fund types

Source: Department of Legislative Services; Department of Budget and Management

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## **2. Federal Health Care Reform, the 2013 Legislative Session, and Congress**

With deliberations on the fiscal 2014 budget that include partial year costs and savings associated with the federal Patient Protection and Affordable Care Act (ACA) of 2010 and decisions that need to be made concerning the Maryland Health Benefit Exchange (MHBE), which is scheduled to begin enrollment on October 1, 2013, the 2013 session will be an important one in the area of health care.

Although much more detail will be provided on individual budget actions in other budget analyses, the Proposed Budget Change chart provided in this overview analysis points to important budget impacts that derive from the ACA. These include the expansion of the Medicaid program to all persons under 138% of the federal poverty level (FPL)<sup>1</sup>; the provision of full Medicaid benefits at

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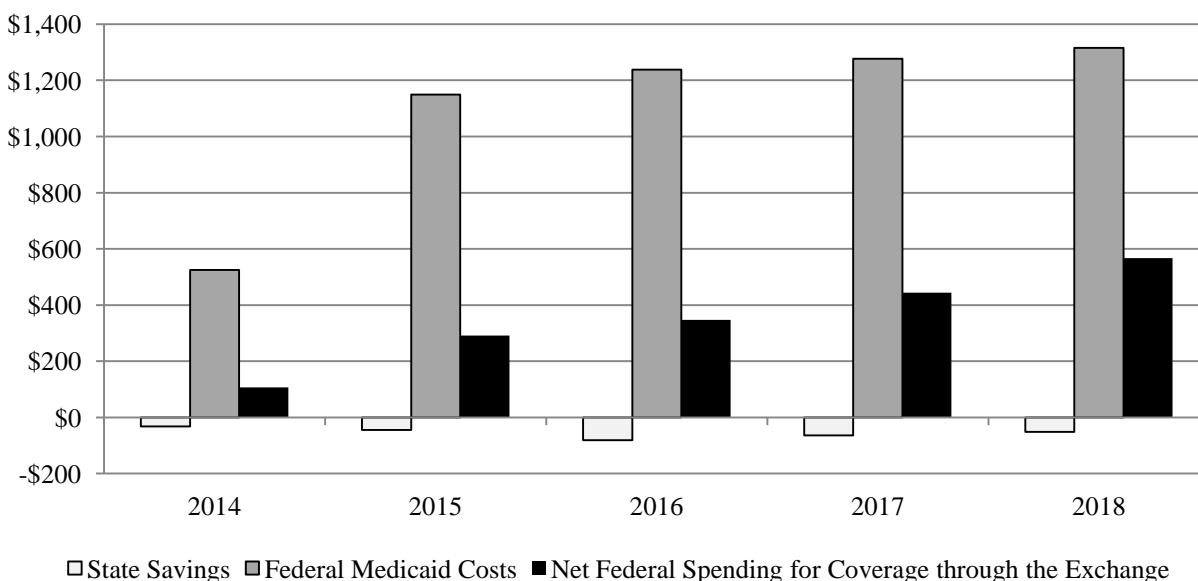
<sup>1</sup> The language of the Patient Protection and Affordable Care Act (ACA) specifies that childless adults are Medicaid-eligible with modified adjusted gross income at or below 133% of federal poverty level (FPL). That definition of adjusted gross income is based on the Internal Revenue Code but is subsequently modified by the ACA to add an additional 5% deduction from the FPL, effectively changing the threshold to 138% of FPL.

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no cost to the State for childless adults currently in the Primary Adult Care Program, which offers only a limited benefit package; and the anticipated transfer of other Medicaid eligibility groups and other individuals who receive assistance through the Maryland AIDS Drug Assistance Program, for example, into the new Medicaid expansion category or into products purchased through the MHBE with the assistance of federal tax credits and other support.

As noted in the past, while the State has opted to take responsibility for most of the implementation of the ACA, most of the funding for implementation planning and subsequent service delivery is currently scheduled to be underwritten by the federal government. As shown in **Exhibit 3**, beginning in fiscal 2014, the State is expected to realize modest budget savings. Medicaid expansion and the provision of health insurance through MHBE are anticipated to result in significant additional federal spending, spending which grows over the five-year period.

**Exhibit 3**  
**Anticipated State and Federal Expenditures under the ACA**  
**Fiscal 2014-2018**  
**(\$ in Millions)**



ACA: Patient Protection and Affordable Care Act

Note: For the purposes of this exhibit, fiscal 2014 through 2018 costs and savings were as estimated by the Department of Legislative Services prior to the introduction of the fiscal 2014 budget and do not reflect the fiscal 2014 allowance as introduced by the Governor. Based on the Governor’s actions, general fund savings will be higher. The estimate for net federal spending for coverage provided through the exchange is the value of tax credits to subsidize health insurance premiums minus the costs of assessments to Maryland employers who for example choose not to provide insurance coverage required under the ACA.

Source: Department of Legislative Services; University of Maryland Baltimore County Hilltop Institute



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At the time of writing, there remains considerable uncertainty surrounding the impact of federal debt and budget discussions on health spending. The sequestration process as originally envisaged would not impact Medicaid or anticipated spending through MHBE; rather it would likely reduce various federal block grant expenditures that flow through the State budget. However, if discussions broaden, the State's reliance on federal funding to achieve the expansion in health care coverage anticipated in upcoming years could become a significant issue.

In addition to budget deliberations, significant legislative activity concerning ACA implementation can be anticipated in the 2013 session including:

- Expanding Medicaid eligibility to 138% of FPL. The 2012 Supreme Court decision on the constitutionality of the ACA ruled that the Medicaid expansion portion of the law is an option and funding for the existing Medicaid program in any state cannot be withheld if that state chooses not to expand eligibility. While expansion does not require a statutory change to State law, past expansions in Maryland have been statutorily enacted.
- Financing MHBE operations beyond 2015 (this will be discussed in additional detail in the MHBE budget analysis).
- Addressing the future of existing State health insurance subsidy programs such as the Maryland Health Insurance Plan and the Small Employer Health Benefit Premium Subsidy Program.
- Continuing to align the State insurance statute with ACA requirements.

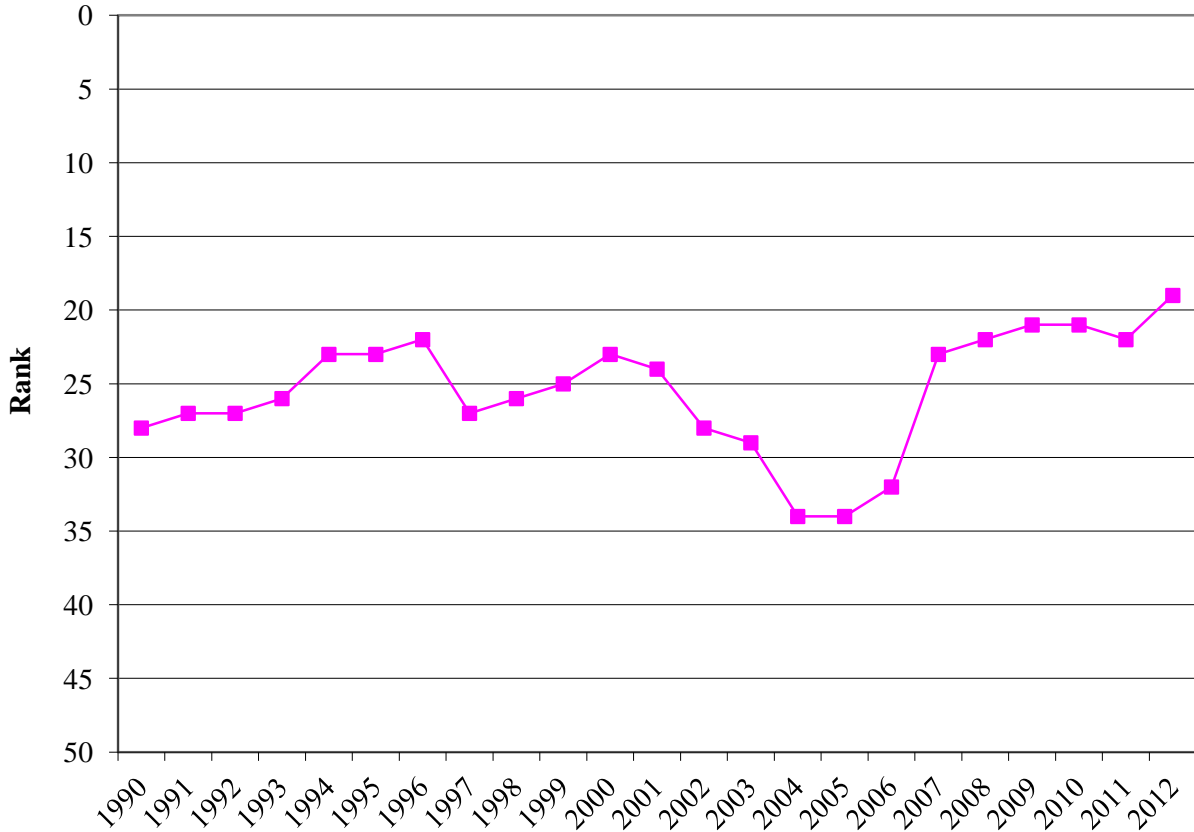
### **3. Measuring Progress in Health: *America's Health Rankings, 2012***

One of the more comprehensive and longstanding nationwide health rankings is developed by the United Health Foundation (a nonprofit, private foundation established by UnitedHealth Group), the American Public Health Association (an organization representing public health professionals), and Partnership for Prevention (a national nonprofit organization dedicated to health improvement). Since 1990, in a publication entitled *America's Health: State Health Rankings*, individual state rankings have been produced using data that represents a broad range of issues affecting a population's health, that is available at a state level, and that is current. Data and the ranking methodology are regularly reviewed by a large panel of public health experts and can change from year to year.

*America's Health* rankings are developed from a variety of so-called determinant factors that include behaviors (e.g., the prevalence of smoking and obesity), community and environmental factors (e.g., air pollution levels and children in poverty), public health policies (e.g., rates of health insurance and immunization coverage), and clinical care (e.g., the level of early prenatal care) as well as a variety of outcomes (e.g., rate of adult diabetes).

As shown in **Exhibit 4**, in the 2012 edition of *America’s Health*, Maryland’s overall ranking improved to 19 from 22 in the prior year.

**Exhibit 4**  
***America’s Health: State Health Rankings***  
**1990-2012**  
**Maryland**



Source: *America’s Health, State Health Rankings*, 2012 Edition

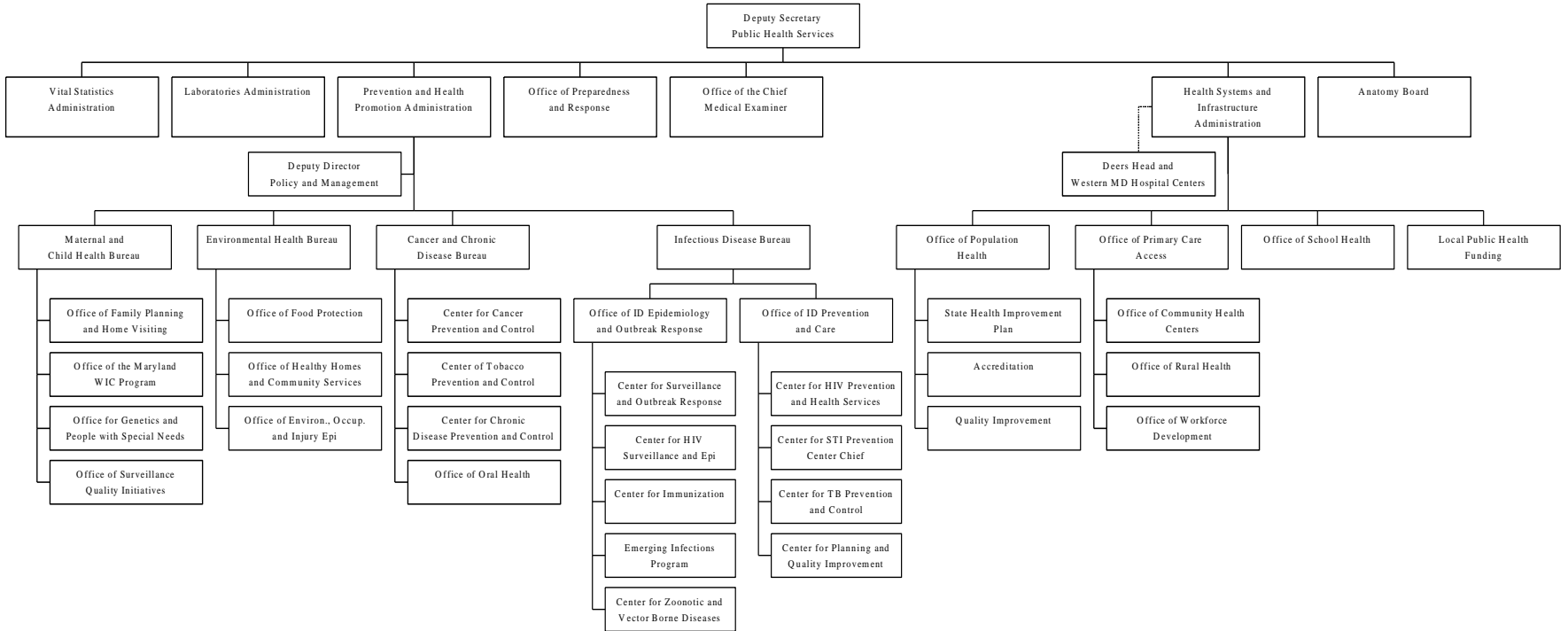
The rankings continue to note particular strengths in terms of the relative low prevalence of smoking, access to primary care, and low child poverty – strengths which have not changed in several years. Similarly, the State continued to face the same challenges in terms of relative levels of air pollution, high violent crime rates, and high infant mortality rates.

#### **4. The Department of Health and Mental Hygiene Reorganization and the Department of Legislative Services Budget Analyses**

During the 2012 interim, the department reorganized its public health structure. The reorganization brought under the aegis of the Deputy Secretary for Public Health Services functions previously in other parts of the department and also re-aligned program responsibilities underneath the Deputy Secretariat. The intent of the reorganization was to facilitate better integration of programming (combining most of what had previously been in two separate administrations (Family Health and Infectious Disease and Environmental Health) into the Prevention and Health Promotion Administration) as well as sharpening the focus on population-based health through the creation of the new Health Systems and Infrastructure Administration. The new public health structure is shown in **Exhibit 5**.

The new structure has also resulted in a change in the Department of Legislative Services budget presentations. As shown in **Exhibit 6**, in addition to paralleling the new organizational structure, DLS has combined a number of previously separate analyses into a new Public Health Administration analysis.

**Exhibit 5**  
**Department of Health and Mental Hygiene: Deputy Secretariat for Public Health Services**



Source: Department of Health and Mental Hygiene

**Exhibit 6**

**Where to Find DHMH Public Health Programs in DLS Fiscal 2014 Analyses**

**Fiscal 2013**

Family Health Administration  
Infectious Disease and Environmental Health  
Administration

Chief Medical Examiner  
Laboratories Administration  
Office of Preparedness and Response

DHMH: Department of Health and Mental Hygiene  
DLS: Department of Legislative Services

Source: Department of Legislative Services

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**Fiscal 2014**

Prevention and Health Promotion Administration

Health Systems and Infrastructure Administration  
(includes the Targeted Local Health formula)

Public Health Administration (also includes Deputy  
Secretary for Public Health Services and Vital  
Statistics Administration that were previously part of  
DHMH Administration analysis)