M00M
Developmental Disabilities Administration
Department of Health and Mental Hygiene

Operating Budget Data

($ in Thousands)

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change	% Change Prior Year
General Fund	$513,936	$529,948	$574,994	$45,046	8.5%
Contingent & Back of Bill Reductions	0	-1,831	-483	1,348	
Adjusted General Fund	**$513,936**	**$528,117**	**$574,511**	**$46,394**	**8.8%**
Special Fund	12,110	4,246	3,720	-526	-12.4%
Adjusted Special Fund	**$12,110**	**$4,246**	**$3,720**	**-$526**	**-12.4%**
Federal Fund	378,938	415,752	418,576	2,824	0.7%
Contingent & Back of Bill Reductions	0	0	-61	-61	
Adjusted Federal Fund	**$378,938**	**$415,752**	**$418,515**	**$2,763**	**0.7%**
Reimbursable Fund	27	25	27	2	5.9%
Adjusted Reimbursable Fund	**$27**	**$25**	**$27**	**$2**	**5.9%**
Adjusted Grand Total	**$905,012**	**$948,141**	**$996,773**	**$48,632**	**5.1%**

- The Governor's fiscal 2015 allowance for the Developmental Disabilities Administration (DDA) increases by $48.6 million (5.1%) over the fiscal 2014 working appropriation, primarily due to the statutory rate adjustment for community providers and additional funding for annualization and expansion. However, after accounting for deficiency appropriations, the budget actually increases by only $18.3 million (1.9%).

- There are three proposed deficiencies for fiscal 2014: to provide funds for the anticipated shortfall in community services ($30.1 million); to provide funds for consultant services to support financial and programmatic management ($1.2 million); and to reduce the fiscal 2014 appropriation to revert funds restricted in community services ($950,000).

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

For further information contact: Jennifer A. Ellick Phone: (410) 946-5530

Personnel Data

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change
Regular Positions	655.50	648.50	643.50	-5.00
Contractual FTEs	20.15	28.34	27.61	-0.73
Total Personnel	**675.65**	**676.84**	**671.11**	**-5.73**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	38.22	5.94%
Positions and Percentage Vacant as of 12/31/13	64.50	9.95%

- The fiscal 2015 allowance includes 5.0 fewer regular full-time equivalents (FTEs) due to the abolition of 5.0 long-term vacancies as well as 0.73 fewer contractual FTEs.

- The agency currently has 64.5 vacant positions. Although the agency's vacancy rate remains high, it is significantly lower than the previous year's rate of 12.05%.

Analysis in Brief

Major Trends

Community-based Services Continue to Be the Agency's Preferred Model of Service Delivery: DDA aims to serve individuals in the community rather than in institutions. In fiscal 2013, 24,445 individuals were served in the Community Services Program within DDA. The agency expects that number to increase to over 26,000 by fiscal 2015. Meanwhile, the State Residential Centers' average daily population declined 74% between fiscal 2002 and 2013.

Population in Secure Evaluation and Therapeutic Treatment Units for Court-committed Individuals Declines for Second Consecutive Year: Both Secure Evaluation and Therapeutic Treatment (SETT) Units (at Jessup and Sykesville) reached full capacity in fiscal 2011. However, the average daily population at both locations declined slightly in both fiscal 2012 and 2013. The agency advises that this is a result of increased efforts to serve a greater number of individuals in the community.

Federal Financial Participation: The agency's current Managing for Results (MFR) submission does not appropriately gauge growth in federal financial participation. Accordingly, committee narrative in the 2013 *Joint Chairmen's Report* (JCR) required DDA to report, in its annual MFR submission, the percentage of individuals within the Community Services Program who are being served through a waiver. However, DDA has failed to comply with this requirement.

Issues

Federal Audit Highlights Lack of Internal Controls: In an audit report released in September 2013, the Office of Inspector General at the U.S. Department of Health and Human Services documented an overclaiming of funds by DDA, resulting in a recommendation that the State refund $20.6 million to the federal government. While the agency has made efforts to address this finding, underlying weaknesses in DDA's payment system remain unaddressed.

Report on Financial System Changes: Language in the fiscal 2014 budget bill withheld funds pending the receipt of a report summarizing the requirements analysis for DDA's major information technology project for the financial restructuring of the agency's existing system. However, recommendations regarding draft specifications to solicit the modification or replacement of the agency's existing financial platform have not yet been submitted.

Community Services Reimbursement Rate Commission Annual Report: This update summarizes the annual report of the Community Services Reimbursement Rate Commission, which is concerned with issues regarding community services for individuals with developmental or psychiatric disabilities.

Reports on New Placements within the Community Services Program: Committee narrative in the 2013 JCR required DDA to submit monthly reports for the first two quarters of the fiscal year, and quarterly thereafter, summarizing new placements into services through various funding categories within the Community Services Program. However, the agency has, to date, submitted just one report, addressing placements made in only the first two months of fiscal 2014.

Community Pathways and New Directions Medicaid Waiver Renewal: States are required to apply to the federal Centers for Medicare and Medicaid Services (CMS) for permission to operate a waiver program. The department submitted a waiver renewal application to CMS in March 2013 with two major changes: (1) the merging of two current waivers, Community Pathways and New Directions, into one waiver program; and (2) the removal of resource coordination as a waiver service.

Recommended Actions

1. Add language requiring a report on the percentage of individuals within the Community Services Program who are being served through the Home and Community Based Services Waiver.

2. Add budget bill language requiring a report on each repeat audit finding along with a determination that each repeat finding was corrected.

3. Adopt committee narrative to require updates on the number of new placements within the Community Services Program.

Updates

Report on Contribution to Care: Language in the 2014 budget bill withheld funds pending the receipt of a report on the process to be implemented by DDA to address instances in which contribution to care is not paid to providers by individuals receiving services (or by their representatives). DDA advises that, in such cases, the agency will reimburse providers (using State-only funds) through a manual, paper-based invoicing process.

Agency Reorganization: DDA has acknowledged that an internal reorganization is necessary to improve accountability within the Community Services Program. The agency advises that it intends to have recommendations for reorganization by spring 2014.

Supports Intensity Scale: For nearly three decades, DDA has used the Individual Indicator Rating Scale (IIRS) to assess the level of needs of individuals receiving DDA-funded services. However, questions have been raised regarding the adequacy of IIRS to assess people’s level of need and related funding levels. Accordingly, the agency has endeavored to test and implement a new tool, the Supports Intensity Scale.

Mortality and Quality Review Committee Annual Report: This update summarizes the annual report of the Mortality and Quality Review Committee, which is concerned with the death of any person who, at the time of death, resided in or received services from any DDA program or facility.

Operating Budget Analysis

Program Description

A developmental disability is a condition attributable to a mental or physical impairment that results in substantial functional limitations in major life activities and is likely to continue indefinitely. Examples include autism, blindness, cerebral palsy, deafness, epilepsy, mental retardation, and multiple sclerosis. The Developmental Disabilities Administration (DDA) provides direct services to developmentally disabled individuals in two State Residential Centers (SRC) and through funding of a coordinated service delivery system that supports the integration of these individuals into the community. The State receives federal matching funds for services provided to the Maryland Medical Assistance Program (Medicaid) enrolled individuals (who make up the vast majority of individuals served by the agency).

Goals of the administration include:

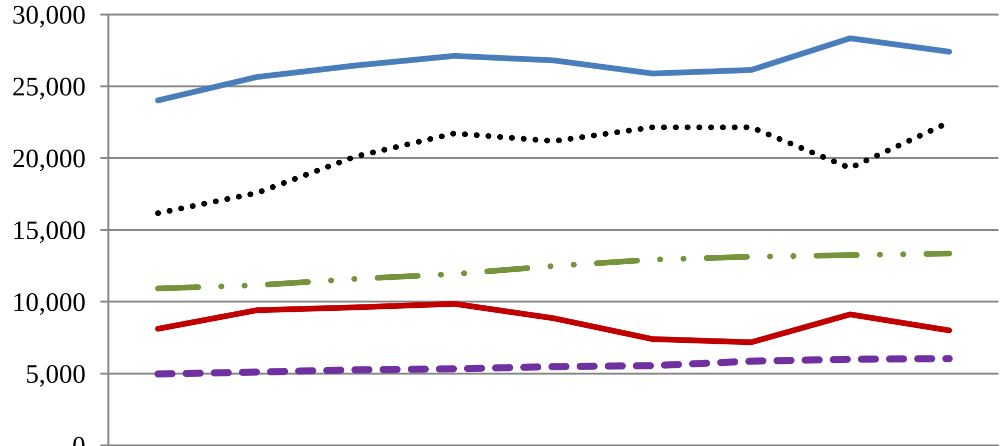
- empowerment of developmentally disabled individuals and their families;
- integration of developmentally disabled individuals into community life;
- provision of quality support services that maximize individual growth and development; and
- establishment of a responsible, flexible service system that maximizes available resources.

Performance Analysis: Managing for Results

1. Community-based Services Continue to Be the Agency's Preferred Model of Service Delivery

One of DDA's performance goals is to serve individuals in the community rather than in institutions. In fiscal 2013, 24,445 individuals were served in the Community Services Program within DDA. The agency expects that number to increase to over 26,000 by fiscal 2015. The Community Services Program offers a variety of services to individuals, including residential, day, and support services. Examples of residential services include community residential services and individual family care, while examples of day services (which provide activities during normal working hours) include day habilitation services, supported employment, and summer programs. Finally, examples of support services include individual and family support, resource coordination, Community Supported Living Arrangements, and New Directions (a waiver program that allows individuals to self-direct their services). **Exhibit 1** shows the number of individuals receiving each of the major services. For purposes of this chart, resource coordination is shown separately from the support services category, as resources coordination is available to all individuals in the system.

Exhibit 1
Community Services
Fiscal 2005-2013



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Residential Services	4,973	5,095	5,249	5,315	5,474	5,550	5,849	5,990	6,040
Day Services	10,913	11,139	11,592	11,935	12,476	12,934	13,123	13,246	13,353
Support Services	8,120	9,403	9,614	9,860	8,844	7,405	7,171	9,115	8,011
Total Services	24,006	25,637	26,455	27,110	26,794	25,889	26,143	28,351	27,404
Resource Coordination	16,166	17,566	20,108	21,728	21,192	22,132	22,132	19,298	22,506

Source: Department of Health and Mental Hygiene

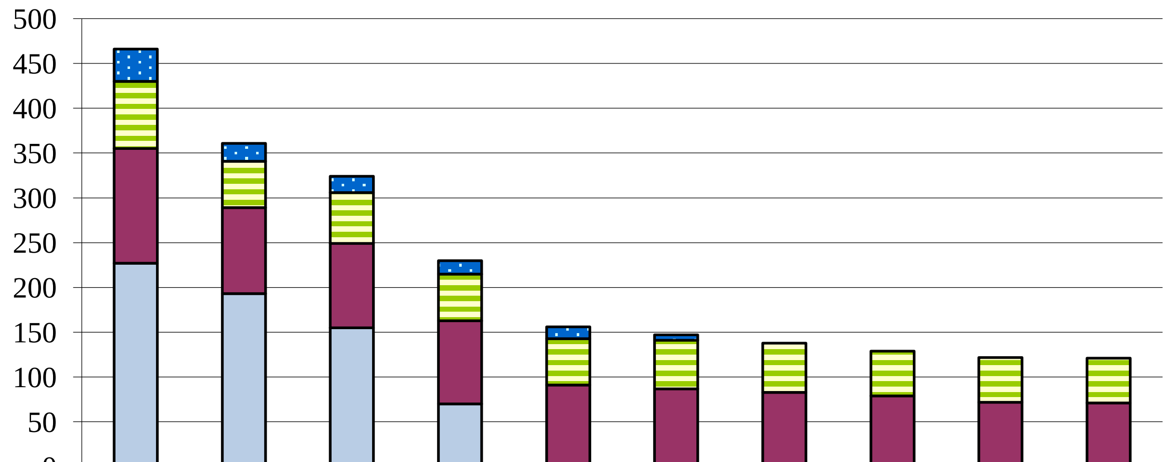
As Exhibit 1 shows, DDA provided residential services to 6,040 individuals, day services to 13,353 individuals, and support services to 8,011 individuals in fiscal 2013. (It should be noted that individuals receiving services through DDA may receive more than one of the three basic services.) As shown in the chart, the number of support services decreased between fiscal 2008 and 2010 due to cost containment actions limiting general-funded support services. However, the number of individuals receiving support services increased sharply in fiscal 2012 due to the inclusion of individuals receiving services of short duration (as supported by one-time funding from the increase in the alcohol tax). In fiscal 2013, the number of individuals receiving support services returned to historic levels.

The number of individuals receiving resource coordination services also returned to historic levels in fiscal 2013. In fiscal 2010, the Board of Public Works reduced funding for resource coordination by 15% on an ongoing basis. Subsequently, DDA modified its resource coordination contracts to limit resource coordination services to individuals served in facilities, those receiving community-based services, and those in the highest category of the waiting list. DDA advises this change continued to be felt in fiscal 2012, when the number of individuals receiving resource coordination services declined by 13% over the previous year.

State Residential Centers

Part of DDA's mission is to serve individuals in the least restrictive setting possible. In most cases, this means serving individuals in the community instead of in institutional settings. As a result, the number of individuals served in SRCs is far fewer than the number of individuals served in the community. As shown in **Exhibit 2**, the average daily population (ADP) has steadily declined since fiscal 2005. In fact, ADP declined 74% between fiscal 2002 and 2013. This decrease is seen across all SRCs; however, the closure of the Rosewood Center in fiscal 2009 and the Brandenburg Center in fiscal 2011 account for a majority of the decrease.

Exhibit 2
Average Daily Population of State Residential Centers
Fiscal 2002-2015 Est.



	2002	2007	2008	2009	2010	2011	2012	2013	2014 Est.	2015 Est.
Brandenburg	36	20	18	15	13	6	0	0	0	0
Potomac	75	52	57	52	52	54	55	50	50	50
Holly Center	128	96	94	93	91	87	83	79	72	71
Rosewood	227	193	155	70	0	0	0	0	0	0

Source: Department of Health and Mental Hygiene

2. Population in Secure Evaluation and Therapeutic Treatment Units for Court-committed Individuals Declines for Second Consecutive Year

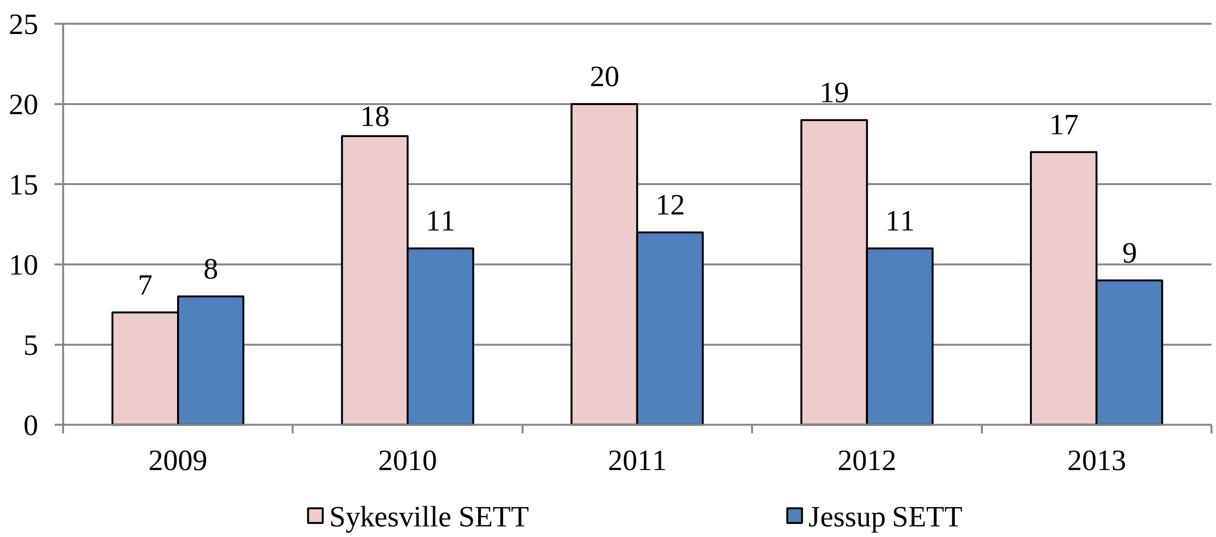
Since fiscal 2009, DDA has served court-ordered individuals in specialized centers – called Secure Evaluation and Therapeutic Treatment (SETT) units – instead of in SRCs. Two SETT units are operated by DDA: one for evaluation and short-term treatment and one for treatment on a longer-term basis.

The evaluation and short-term treatment unit is securely located on the grounds of the Clifton T. Perkins Hospital in Jessup. This unit houses a maximum of 12 individuals for 21 to 90 days. During the evaluation phase, DDA completes competency and behavioral evaluations and develops individual, comprehensive service plans.

The longer-term therapeutic treatment facility is securely located on the grounds of Springfield Hospital in Sykesville. This unit has capacity for 20 individuals who have been appropriately identified through evaluation at the Jessup unit.

Exhibit 3 shows the ADP of each unit. As the chart demonstrates, both SETT units were at full capacity in fiscal 2011. However, the ADP at both locations declined slightly in both fiscal 2012 and 2013. The agency advises that this is a result of increased efforts to serve a greater number of individuals in the community.

Exhibit 3
Average Daily Population of SETT Units
Fiscal 2009-2013



SETT: Secure Evaluation and Therapeutic Treatment

Source: Department of Health and Mental Hygiene

DDA previously received capital funding to begin planning and design of a new, consolidated SETT unit to replace both existing units. DDA has advised that the renovation and consolidation of the Sykesville Unit would provide sufficient residential and program space to effectively provide secure evaluation and therapeutic treatment. A more in-depth discussion of capital funding for the SETT unit will be included in the Department of Health and Mental Hygiene (DHMH) Capital Overview.

3. Federal Financial Participation

Another performance goal for DDA is to increase the amount of federal matching funds claimed by the agency for individuals receiving services through the Home and Community-based Services Waiver. **Exhibit 4** shows how the agency's Managing for Results (MFR) submission gauges federal financial participation growth.

Exhibit 4
Matching Federal Financial Participation for Individuals Enrolled in DDA's Home and Community-based Services Waiver
Fiscal 2010-2015 Est.
($ in Millions)

	2010	2011	2012	2013	Est. 2014	Est. 2015
Matching Federal Funds from Waiver	$308	$305	$360	$379	$416	$419
Percentage Increase Over Previous Year Base	3.8%	-1.0%	18.2%	5.2%	9.7%	0.7%

DDA: Developmental Disabilities Administration

Source: Department of Health and Mental Hygiene

As noted previously by the Department of Legislative Services (DLS), the current MFR submission by the agency does not appropriately measure federal financial participation growth. Federal funds in the Community Services Program will generally increase to the extent that additional general funds are expended on ongoing community-based services. By comparison, measuring waiver enrollment within the Community Services Program would better illustrate the agency's ability to maximize federal fund attainment. Accordingly, the committees adopted narrative in the 2013 *Joint Chairmen's Report* (JCR) to require DDA to report, in its annual MFR submission, the percentage of individuals within the Community Services Program who are being served through a waiver. However, DDA acknowledges that, due to an oversight, the agency failed to comply with this requirement. **Therefore, DLS again recommends that the committees adopt narrative**

requiring DDA to report, in its annual MFR submission, the percentage of individuals within the Community Services Program who are being served through a waiver.

Fiscal 2014 Actions

Proposed Deficiencies

For fiscal 2014, there are proposed deficiencies to provide funds for the anticipated shortfall in community services ($30.1 million) and to provide funds for consultant services to support financial and programmatic management ($1.2 million). In addition, there is a proposed deficiency to reduce the fiscal 2014 appropriation to revert funds restricted in community services ($950,000). In fiscal 2012, DDA changed its reimbursement policies with regard to absence days in residential, day, and supported employment services. Accordingly, Section 32 of the Budget Reconciliation and Financing Act of 2011 included a hold harmless pool for fiscal 2012 to ensure that, if any provider lost money based on the reimbursement change, funding would be available to hold the provider harmless. The 2013 JCR reinstated the hold harmless policy in fiscal 2014 based on the reimbursement change that occurred in fiscal 2012. For fiscal 2014, DDA had estimated that 15 providers would be impacted by the changes to the absence day policy, at a cost of $950,000. The General Assembly restricted funds for that purpose. DDA has since advised that, based on the decrease in the number of providers eligible for hold harmless payments, such payments can now be phased out. **The agency should further advise the committees as to why, notwithstanding legislative intent, funding is no longer needed to hold providers harmless.**

Cost Containment

There are three across-the-board withdrawn appropriations that offset the increase in deficiency appropriations. These include reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology (IT) system, and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget Management (DBM) – Personnel, the Department of Information Technology (DoIT), and the State Retirement Agency (SRA), respectively. The agency's share of these reductions totals $881,000 in general funds.

Proposed Budget

The fiscal 2015 budget for DDA, as shown in **Exhibit 5**, totals $997.0 million. This represents an increase of $48.6 million (5.1%) over the fiscal 2014 working appropriation, primarily due to the statutory rate adjustment for community providers and additional funding for annualization and expansion. However, after accounting for deficiency appropriations, the budget actually increases by only $18.3 million (1.9%).

Exhibit 5
Proposed Budget
DHMH – Developmental Disabilities Administration
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2014 Working Appropriation	$528,117	$4,246	$415,752	$25	$948,141
2015 Allowance	574,511	3,720	418,515	27	996,773
Amount Change	$46,394	-$526	$2,763	$2	$48,632
Percent Change	8.8%	-12.4%	0.7%	5.9%	5.1%

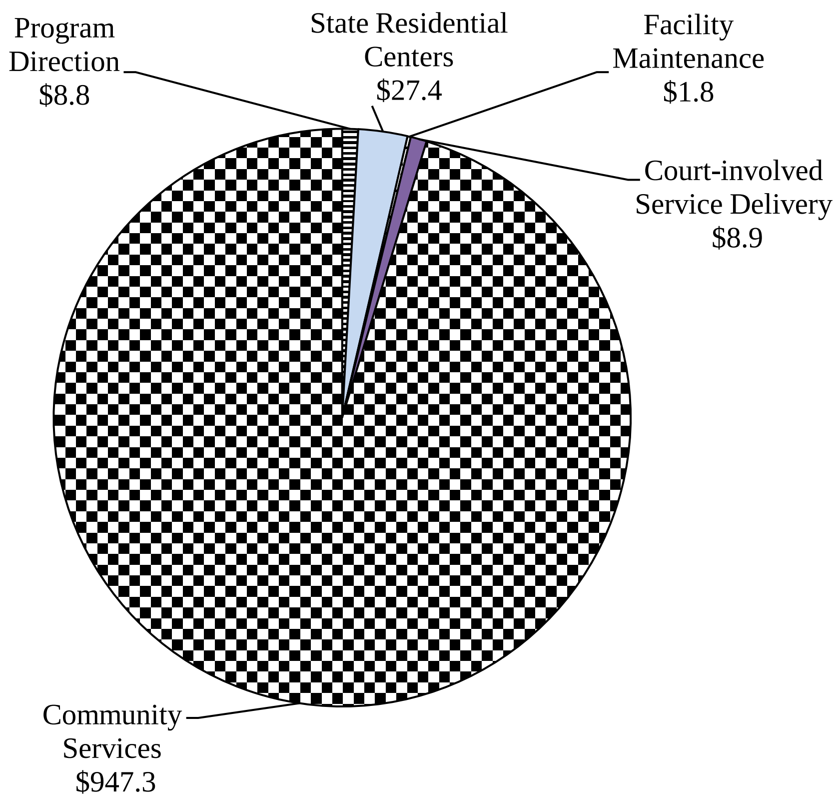
Where It Goes:	
Personnel Expenses	
Annualized salary increase for fiscal 2014 cost-of-living adjustment and increments	$1,139
Increments and other compensation	443
Employee retirement	358
Employee and retiree health insurance	-31
Turnover adjustments	-99
Employee reclassification	-183
Abolished positions	-342
Other Changes	
Fiscal 2015 expansion	22,121
Annualization of fiscal 2014 expansion	18,738
Statutory rate increase for community providers	18,321
Other additional funding for contractual community-based services	2,517
Other adjustments	-277
Funding for supported employment services	-14,073
Total	**$48,632**

Notes: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

Budget Overview

Exhibit 6 provides a broad overview of how the DDA budget will be spent. Funding for community-based services accounts for the vast majority of DDA funding at $947.3 million, or 95%, of the agency's budget. Funding for the SRCs ($27.4 million), court-involved service delivery ($9.0 million), program direction ($8.8 million), and facility maintenance ($1.8 million) account for the remaining 5% of DDA's budget.

Exhibit 6
Fiscal 2015 Budget
($ in Millions)

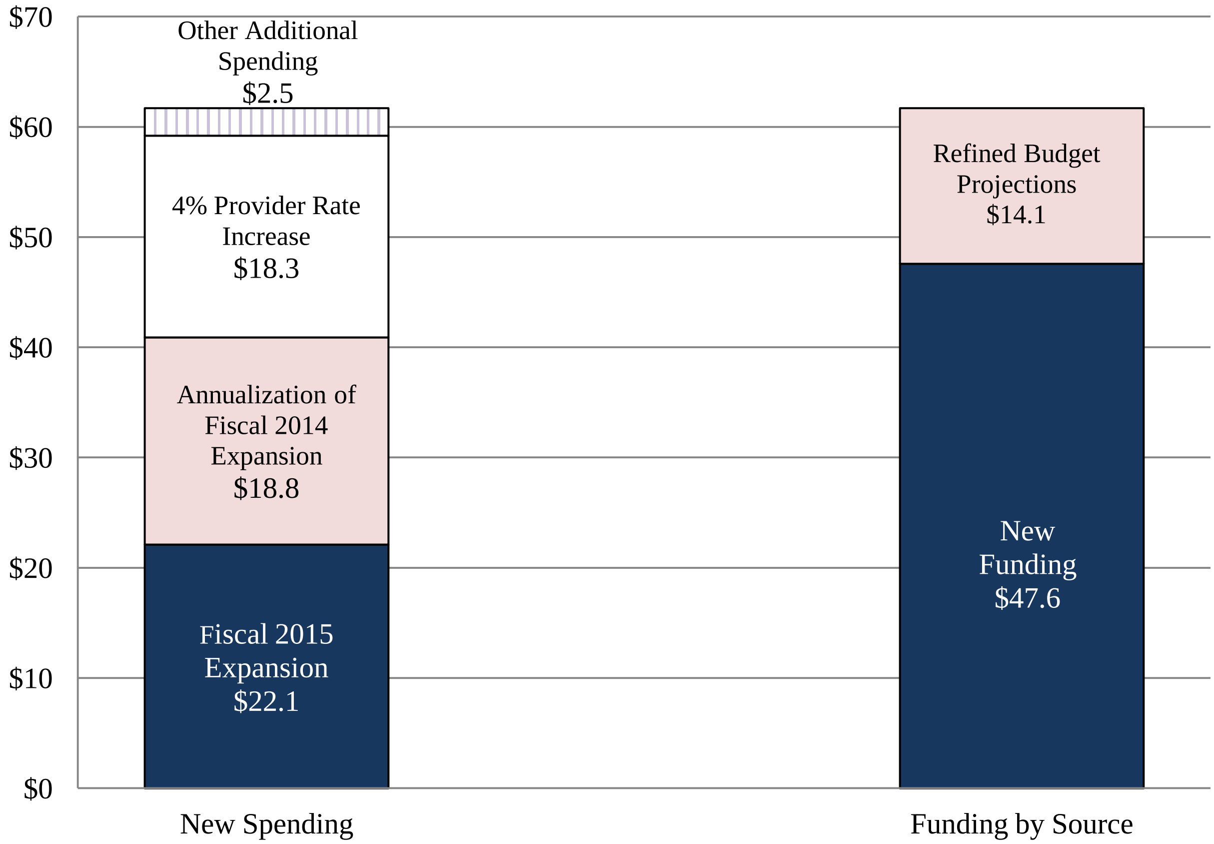


Source: Department of Health and Mental Hygiene

Exhibit 7 shows the amounts and source of funding for new spending initiatives within the Community Services Program. Spending growth is attributable to the following:

- fiscal 2015 expansion costs ($22.1 million);
- annualization of the fiscal 2014 expansion (18.8 million);
- a 4% mid-year rate increase for community providers ($18.3 million); and
- other additional funding for contractual community-based services ($2.5 million).

Exhibit 7
Fiscal 2015 Spending Growth
($ in Millions)



Source: Department of Health and Mental Hygiene

These increases are offset by a $14.1 million decrease in funding for supported employment services. The agency advises that, based on refined budget projections performed by the agency's independent consultant, the amount of funding in the 2015 budget for these services ($82.6 million) more accurately reflects projected utilization of these services.

Cost Containment

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA. The agency's share of these reductions totals $544,000 (all funds).

Personnel Expenditures

Overall, personnel expenses for DDA increase by $1.3 million over the fiscal 2014 appropriation. Increments and other compensation increase by $443,000, while employee retirement contributions increase by $358,000. These increases are offset by decreases in employee and retiree health insurance ($31,000), turnover adjustments ($99,000), and employee reclassification ($183,000). Regular salaries also decrease by $342,000 due to the annualized savings from abolished positions.

Community Services

Serving individuals in the community rather than in institutionalized settings continues to be the model of service delivery pursued by DDA. Accordingly, the Community Services Program (the largest arm of the agency) has experienced significant budgetary growth in recent years and continues to grow in fiscal 2015. Specifically, expenses related to contractual community-based services for DDA clients increase by $47.6 million. Increased expenditures include expansion of services in fiscal 2015, annualization of the fiscal 2014 expansion, a rate adjustment for community service providers and other additional funding for contractual community-based services. These expenditures are offset by a decrease in funding for supported employment services (based on a services utilization review conducted on behalf of the agency by an independent consultant). Accounting for deficiency appropriations in the Community Services Program, however, funding for community-based services actually increases by only $18.4 million.

Fiscal 2015 Expansion

As shown in Exhibit 5, the budget includes an additional $22.1 million for the expansion of services in fiscal 2015. Funds for the expansion will be spent as follows:

- ***$12.2 Million for Requests for Service Change:*** Individuals enrolled in one of DDA's Medicaid waiver programs can at any time request an increase or decrease in services.[1] The fiscal 2015 budget includes $12.2 million in funding for requests for service change. In fiscal 2015, DDA expects to serve 683 additional individuals in this capacity.

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[1] Individuals enrolled in the Medicaid waiver program are entitled to a review of their current services and needs at least once annually. Should circumstances change during the course of the year, individuals may also submit a request for service change to the DDA regional office. The agency reviews such requests, along with any supporting documentation, in order to make its determinations. If a request is denied, a letter explains the individual's right to appeal and an explanation of the appeal process. Individuals receiving services through general funds only are offered the same review process but are not guaranteed any additional services should they be deemed warranted. For these individuals, any additional service or service change is subject to the availability of funds in DDA's Community Services Program.

- ***$5.1 Million for Transitioning Youth Program:*** The Transitioning Youth Program identifies individuals graduating from the public school system, nonpublic school placements, and the foster care system, who are eligible for DDA services such as supported employment. The program is intended to ease the transition of such individuals into the DDA system. In fiscal 2015, DDA expects to serve 596 additional individuals through the program at a cost of $5.1 million.

- ***$2.6 Million for Crisis Services:*** Crisis services support individuals with the highest risk of crisis in Maryland. The budget estimates that DDA will provide residential and day services to approximately 99 additional individuals (45.65 full-time equivalents (FTE)) in crisis situations in fiscal 2015.

- ***$1.0 Million for Costs Associated with Emergency Services:*** Emergency services are provided when an individual becomes homeless, the caregiver of an individual dies, or any other situation arises that threatens the life and safety of the individual. The budget estimates that DDA will provide residential and day services to approximately 60 additional individuals (25.94 FTEs) in emergency situations in fiscal 2015.

- ***$777,000 for Court Involved Placements:*** DDA is charged with serving individuals identified through the court system in either a community placement or at one of the SETT units. In fiscal 2015, DDA expects to serve 30 court-referred individuals (110.75 FTEs) in the community setting at a cost of $777,000.

- ***$460,000 for the Waiting List Equity Fund Placements:*** The Waiting List Equity Fund is supported through investment earnings from the sale of properties owned by DDA, as well as through savings associated with the movement of an individual from institutional care to community care. The funds dedicated to the expansion of services for individuals on the waiting list account for $460,000 and are estimated to provide 37 additional individuals (16.51 FTEs) with residential services by the end of fiscal 2015. It should be noted that the agency failed to utilize $900,290 in Waiting List Equity Funds (its entire fiscal 2013 appropriation of those funds) in fiscal 2013 due to an accounting error, which the agency advises has since been resolved. The agency has further advised that it intends to carry forward unused Waiting List Equity Funds to serve individuals on the waiting list in future years. **The agency should brief the committees on its failure to utilize Waiting List Equity Funds to serve individuals on the waiting list as well the agency's efforts to ensure that its Waiting List Equity Fund appropriation is not canceled in fiscal 2014.**

Rate Adjustment for Community Service Providers

Chapters 497 and 498 of 2010 mandated a rate adjustment for both mental health providers and community providers in DDA equivalent to the increase in the Executive Branch for certain cost centers. The fiscal 2015 allowance includes $18.3 million for this rate adjustment in DDA's budget. This represents a 4.0% rate increase effective mid-year (January 1, 2015).

It should be noted that language recommended by DLS in the budget analysis for the Behavioral Health Administration (BHA) and related to mid-year increases would apply to rate increases for all agencies within DHMH, including DDA. The language does not reduce the funding included in the budget for proposed rate increases but, rather, requires the funding to be used to support whatever rate increases are supportable for the full fiscal year. Thus, funding in the budget to support a provider rate increase of 4%, effective January 1, 2015, would instead be used to fund a rate increase of 2% effective July 1, 2014.

Annualization Costs Associated with Placements in Fiscal 2014

Annualization costs result from the expansion of services in the previous fiscal year and account for $18.8 million of DDA's spending in fiscal 2015. When an individual is placed in the community services for the first time in fiscal 2014, the costs are included as part of the base of services for fiscal 2015. Funding for the annualization of services has always been reported as new spending when comparing the allowance to the prior year working appropriation; however, because the agency underspent in prior fiscal years, DDA's base budget includes funding for the annualization of fiscal 2014 placements.

Issues

1. Federal Audit Highlights Lack of Internal Controls

In an audit report released in September 2013, the Office of the Inspector General (OIG) at the U.S. Department of Health and Human Services documented an overclaiming of funds by DDA, resulting in a recommendation that the State refund $20.6 million to the federal government.

Unallowable Costs for Room and Board Claimed under Waiver Program

The Community Pathways waiver program provides home- and community-based services (including residential habilitation services) to developmentally disabled individuals in group homes, alternative living units, or individual family care homes. Although providers may collect up to $375 per month from beneficiaries to cover room and board costs, such costs are not covered under the waiver by Medicaid.

In response to allegations that DDA claimed unallowable costs for residential habilitation services under the waiver, OIG conducted a review and found that DDA had erroneously claimed at least $20.6 million in unallowable costs. OIG accordingly recommended that DDA refund $20.6 million to the federal government. In addition, OIG recommended that DDA claim only actual expenditures for allowable costs.

Department's Efforts to Address Findings

DHMH concurred with OIG's recommendations and advises that it has taken appropriate steps to address the report's findings, which DHMH has attributed to inadequate controls between the Maryland Medicaid Information System (MMIS) and DDA's Provider Consumer Information System II (PCIS II). Specifically, DHMH advises that it has completed edits in the MMIS and the PCIS II to reduce claims for federal reimbursement. In addition, DHMH advises that DDA will issue additional guidance to providers and that DHMH will actively monitor and review the effectiveness of these additional changes and guidance in order to ensure the ongoing appropriateness of claims submitted for federal reimbursement.

Agency's Inability to Accurately Budget Persists

In addition to the $20.6 million owed by DDA to the federal government (and as noted previously in this document), DDA has reported a general fund deficiency of $29.2 million for the Community Services Program (representing a $5.4 million shortfall for fiscal 2013 and a $23.8 million shortfall for fiscal 2014). DHMH has identified a number of reasons for these deficits, including federal fund attainment that fell short of expectations; the agency's inability to achieve anticipated fraud savings; and the agency's inability to achieve savings attributable to contribution to care.

DDA's overspending (and, in recent prior fiscal years, *under*spending) of its budget results from its inability to accurately forecast and monitor expenditures. According to DHMH, DDA has pursued an enhanced budget projection methodology that the agency is continuing to refine. DHMH has also executed a contract with a national firm specializing in turnaround and interim management services in order to address operational challenges facing DDA. Furthermore, DHMH advises that DDA will develop a new approach to rate setting. Despite these and other efforts, however, DDA's budgeting issues are likely to remain unresolved until weaknesses in the current provider payment system are addressed.

Compliance and Accountability Issues Continue

The Office of Legislative Audits (OLA) recently determined, in an October 2013 report, that DDA's accountability and compliance level was unsatisfactory. Included among OLA's 13 findings were that DDA failed to take certain actions to maximize the recovery of federal funds, including ensuring that providers submitted required claims information, processing requests for federal reimbursement in a timely manner, and investigating certain claims that were rejected by eligibility edits. Other audit findings related to operations, compliance, and service delivery.

With regard to federal fund attainment, DHMH advises that it has strengthened collaboration between DDA and Medicaid and has instituted processes to (1) ensure that all eligible claims are submitted; (2) reduce the number of rejected federal claims; and (3) resolve rejected claims so that they can be resubmitted. DHMH further advises that DDA will pursue a strategy focused on improving waiver utilization. According to DHMH, this strategy will include a review of State-only services provided to individuals under the waiver and will also focus on keeping individuals on the waiver and eligible for federal reimbursement. DHMH further advises that DDA will alter its existing invoicing processes to ensure that all eligible claims are submitted in a timely manner.

With regard to other difficulties faced by DDA, DHMH reports that it has taken a number of corrective actions, including improving its reconciliation process; streamlining its service funding plan approval process; clarifying eligibility determination letters; standardizing approval criteria for emergency requests for service changes; and filling key internal vacancies. In addition, DHMH advises that DDA will, within the next 12 months, further improve its request for service change process, clarify its policy on discharges, and develop recommendations to create a new organizational structure.

Underlying Weaknesses in DDA's Payment System Remain Unaddressed

It has been over two years since the inadequacy of financial oversight at DDA was first reported. However, the agency's budgeting issues remain unresolved. A contributing factor remains the inherent weaknesses in DDA's provider payment system.

DDA's current payment system, adopted in 1987 and codified in 1994, is prospective in nature; that is, the system estimates the costs that a provider will incur in the coming fiscal year to serve its clients. DDA pays these costs to providers upfront (before the services are actually provided). Providers then submit documentation of their expenses and, at the end of the year, providers and DDA use audited cost reports to reconcile actual costs with the prospective payments. If actual costs were less than the prospective payments, a provider must reimburse DDA; conversely, if actual costs were greater than the prospective payments, DDA must reimburse the provider.

The prospective nature of DDA's provider payment process makes budget forecasting more difficult. Because payments are issued one quarter in advance, payments may differ from actual expenses. Inevitably, DDA will have overpaid or underpaid providers at the close of each year. It is not surprising that since the current system was adopted, DDA has encountered significant budgeting difficulties – resulting in significant surpluses (and, correspondingly, the reversion and/or cancellation of funds), as well as significant deficits.

To date, DHMH's efforts to address DDA's numerous difficulties have focused mainly on stabilizing operations. However, the underlying weakness of DDA's provider payment system must be addressed if DDA's budgeting issues are to be properly resolved.

The agency should brief the committees on its efforts to address OLA and federal audit findings, as well as the agency's efforts to improve its payment system. In addition, DLS recommends that the committees add budget bill language requiring a report on each repeat audit finding along with a determination that each repeat finding was corrected.

2. Report on Financial System Changes

Language in the fiscal 2014 budget bill withheld funds pending the receipt of a report summarizing the requirements analysis for DDA's major IT project for the financial restructuring of the agency's existing system. Alvarez and Marsal (A&M), an independent consulting firm, was tasked by the agency to recommend draft specifications to solicit the modification or replacement of the agency's existing financial platform.

While the agency submitted a report summarizing the status of the development of A&M's recommendations, the report did not summarize the actual recommendations, as they have not yet been issued by A&M. However, the report does provide some insight as to the direction that the agency is likely to take with regard to its financial system. Given the recent issues with financial oversight in DDA, the potential need for a new financial platform would be relatively easy to justify. Even so, DDA has indicated that costs to develop and maintain a new DDA-focused system would likely exceed the potential benefits of such a system and that, as such, the agency is more likely to enhance rather than replace its current system.

Again, DLS notes that A&M has still not actually issued its recommendations on the future of DDA's financial platform. Depending on the content of those recommendations (expected by the end of February 2014), a subsequent request for proposals may be issued for the modification or replacement of DDA's current system.

3. Community Services Reimbursement Rate Commission Annual Report

The Community Services Reimbursement Rate Commission (CSRRC) is an independent body (operated by DHMH) that is concerned with issues regarding community services for individuals with developmental or psychiatric disabilities, with particular emphasis on rates paid to providers; wages of direct care workers; measurement of quality and outcomes; solvency of providers; and consumer safety.

CSRRC is required to issue a report annually by October 1 to the Governor, the Secretary of DHMH, and the General Assembly that describes its findings regarding these issues. The commission's findings and recommendations must be considered annually in developing budgets of DHMH, DDA, and BHA. However, CSRRC suspended operations in April 2009 and did not resume its activities until October 2011. In September 2012, the commission submitted an annual report after its two-year hiatus. CSRRC released its most recent annual report in November 2013. DLS notes that, as of 2011, CSRRC no longer recommends inflationary adjustments to rates but instead is responsible for developing a weighted average cost structure for use by DDA and BHA in calculating rate updates for their annual budget submissions.

Report Summary

CSRRC found that staffing in the developmental disability sector – though problematic to assess due to a transient workforce – appears, based on vacancy and tenure data, to be adequate. The commission also found that the developmental disability sector (which consists almost exclusively of nonprofits) has fewer companies demonstrating financial vulnerability than does the mental health sector. The commission also made a number of findings regarding incentives and disincentives in the rate system and quality of care.

Throughout the report – and, in particular, with regard to the department's use of the weighted average cost structure developed by CSRRC – the commission characterized DHMH as uncooperative. Minutes from the commission's January 2014 meeting indicate that the commissioners agreed to collectively resign if communication between CSRRC and DHMH does not improve. Furthermore, CSRRC noted in its report that, given the commission's limited mandate and planned changes in structural/payment systems for the provision of developmental disabilities, "the General Assembly may want to reconsider whether CSRRC continues to be relevant or useful."

The agency should comment on its efforts to cooperate and communicate with CSRRC. Moreover, the agency should comment on the commission's relevance/usefulness.

4. Reports on New Placements within the Community Services Program

Committee narrative in the 2013 JCR required DDA to submit monthly reports for the first two quarters of the fiscal year, and quarterly thereafter, summarizing new placements into services through various funding categories within the Community Services Program. However, the agency has, to date, submitted just one report, addressing placements made in only the first two months of fiscal 2014. **The agency should advise the committees on the status of its submission of the required reports.**

5. Community Pathways and New Directions Medicaid Waiver Renewal

States are required to apply to the federal Centers for Medicare and Medicaid Services (CMS) through a Home and Community-based Services Waiver application in order to obtain permission to operate a waiver program. Approved waiver programs are required to be renewed every three to five years. The agency submitted its renewal application to CMS in March 2013. There are two major changes to the waiver: (1) the merging of two current waivers, Community Pathways and New Directions, into one waiver program; and (2) the removal of resource coordination as a waiver service. Other changes align supported employment services with CMS guidance.

DDA advises that the merging of the Community Pathways and New Directions waivers into one waiver program will streamline access to services and improve efficiency for the State, as individuals will be able to more easily move between traditional waiver services and self-directed services. The agency further advises that, historically, the transition of individuals from traditional services to New Directions has been cost-neutral.

According to the agency, removing resource coordination as waiver service and establishing it instead as Targeted Case Management under a State Plan Amendment enables the agency to standardize the scope of services, vendor qualifications, deliverables, and rates associated with resource coordination services. The agency further advises that the transition will allow for an increase in federal matching funds, as it enables DDA to collect federal matching funds for resource coordination services provided to Medicaid enrollees regardless of whether they are on the waiver.

DDA's waiver renewal application, though submitted in March 2013, has not yet been approved. **The agency should comment on the status of its waiver renewal application.**

Recommended Actions

1. Add the following language to the general fund appropriation:

   , provided that $250,000 of this appropriation made for the purpose of Program Direction may not be expended until the Department of Health and Mental Hygiene reports, as part of its Managing for Results performance measures, the percentage of individuals in the Developmental Disabilities Administration's Community Services Program who are being served through the Home and Community-based Services Waiver. The report shall be submitted with the department's annual budget submission, and the committees shall have 45 days to review and comment. Funds restricted pending the receipt of the report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the committees.

   Explanation: The Developmental Disabilities Administration (DDA) currently reports the matching federal funds claimed through the waiver; however, this is an inaccurate way to measure DDA's ability to maximize federal fund attainment. Committee narrative in the 2013 Joint Chairmen's Report required DDA to report, with its annual budget submission, the percentage of individuals within the Community Services Program who are being served through a waiver. However, DDA failed to comply with this requirement.

Information Request	**Author**	**Due Date**
Home and Community-based Services Waiver enrollment	DDA	With the annual budget submission

2. Add the following language to the general fund appropriation:

   Further provided that since the Developmental Disabilities Administration (DDA) has had four or more repeat findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), $250,000 of this agency's administrative appropriation may not be expended unless:

   (1) DDA has taken corrective action with respect to all repeat audit findings on or before November 1, 2014; and

   (2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days to review and comment to allow for funds to be released prior to the end of fiscal 2015.

Explanation: The Joint Audit Committee has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each such agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. OLA shall submit reports to the budget committees on the status of repeat findings.

Information Request	**Author**	Due Date
Status of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds

3. Adopt the following narrative:

Home and Community-based Services and Waiver Enrollment: The committees direct the Department of Health and Mental Hygiene (DHMH) to report on the number of new individuals placed into services from the following categories within the Community Services Program: emergency, Waiting List Equity Fund, court-involved, crisis services, and Transitioning Youth. The number of requests for service change should also be reported and, to the extent possible, the costs associated with changes in services should be identified. The reports should be submitted on a quarterly basis.

Information Request	**Author**	**Due Date**
Reports on new placements within the Community Services Program	DHMH	15 days after the end of each quarter

Updates

1. Report on Contribution to Care

Language in the 2014 budget bill withheld funds pending the receipt of a report on the process to be implemented by DDA to address instances in which the contribution to care is not paid to providers by individuals receiving services (or by their representatives). Although the agency's report on this issue has not yet been formally submitted, DDA has advised that, in such cases, the agency will reimburse providers using State-only funds through a manual, paper-based invoicing process. Providers will be asked, in the invoicing process, to demonstrate that they have taken appropriate actions to collect payments for contribution to care. Such actions include (but are not limited to) delivering to the individual (or the individual's representative payee) invoices detailing the required payments; reporting the individual to the Social Security Administration for lack of payment, if applicable; requesting to become the individual's representative payee; and delivering DDA guidelines to the individual or representative payee. According to the agency, providers will collect contribution to care payments from approximately 25% of DDA's residential population under the revised process.

2. Agency Reorganization

The agency has acknowledged that an internal reorganization is necessary to improve accountability within the Community Services Program. Previously, DDA advised that it would undergo reorganization in fiscal 2014. The agency now advises that it intends to have developed recommendations for reorganization by spring 2014. DDA's executive director position is currently under recruitment; the agency advises that input from the newly recruited executive director will be critical to finalizing its plans for reorganization.

3. Supports Intensity Scale

For nearly three decades, DDA has used the Individual Indicator Rating Scale (IIRS) to assess the level of needs of individuals receiving DDA-funded services. However, questions have been raised regarding the adequacy of IIRS to assess people's level of need and related funding levels. Accordingly, the agency has endeavored to test and implement a new tool, the Supports Intensity Scale (SIS), which the agency advises is more comprehensive and detailed than IIRS.

SIS was designed to be part of person-centered planning processes and measures support needs in the areas of home living, community living, lifelong learning, employment, health and safety, social activities, and protection and advocacy. The information regarding these support needs is gathered during an interview with the person and those who know the person well.

To gauge the usefulness of SIS, DDA contracted with the Human Service Research Institute to analyze a pilot sample of individuals. Upon determining that SIS would, in fact, address the gaps in IIRS, DDA authorized the analysis of a larger sample in order to create a resource allocation model. Subsequently, a statewide contractor has conducted approximately 1,226 SIS interviews, satisfying the need for a more reliable, useful sample to create a resource allocation model.

Next steps for the agency include having the results of these SIS reports analyzed, developing a resource allocation model, and creating a plan to transition from IIRS to SIS. DDA advises that it is currently preparing a request for proposal to secure a vendor to perform these tasks in conjunction with a rate-setting study. The agency anticipates having a vendor on board by the start of fiscal 2015.

4. Mortality and Quality Review Committee Annual Report

Within DHMH, the Mortality and Quality Review Committee (MQRC) is concerned with the death of any person who, at the time of death, resided in or was receiving services from any program or facility licensed or operated by DDA or through a waiver. After the Office of Health Care Quality (OHCQ) reviews each death, it reports to the committee, which examines OHCQ's report. The committee also reviews aggregate incident data regarding facilities or programs that are licensed or operated by DDA or are operating through a waiver. The committee makes recommendations to the Deputy Secretary of BHA to prevent avoidable injuries and avoidable deaths (such as choking and/or aspiration) and improve quality of care at developmental disabilities facilities. OHCQ provides aggregate incident data to the committee and identifies trends that may threaten the health, safety, or well-being of any individual. The committee then reviews the data, makes findings and recommendations to the department on system quality assurance needs, and consults with experts as needed.

MQRC is required to annually prepare a public summary report; however, DLS notes that no reports were submitted from calendar 2009 until 2013.

Report Summary

In 2012, MQRC met four times and reviewed a total of 207 deaths (196 DDA cases and 11 Mental Hygiene Administration cases). It is important to note that, of the 207 cases reviewed, some deaths reviewed may have occurred prior to 2012. Of the 196 DDA cases, 50 were investigated onsite or administratively by OHCQ and were recommended for closure by MQRC. At the close of 2012, 205 cases were closed, and 2 cases remained open for further review.

All cases were thoroughly reviewed by OHCQ and validated by MQRC and required no further action. Among DDA clients (as in the general population), heart disease was the leading cause of death in individuals for calendar 2012. Based on this finding, MQRC recommended a greater emphasis on prevention. As in the general population, public education and community awareness campaigns should focus on the benefits of healthy eating, moderate physical activity, and (most importantly) the health benefits of a tobacco-free lifestyle. A second finding was that pneumonia was among the leading causes of death among DDA clients in calendar 2012. Based on this finding, MQRC recommended a strong focus on continuing education for provider agency staff on all aspects of pneumonia and ways to prevent it. The commission further recommended that service providers in both systems promote the benefits of getting an annual influenza shot and pneumonia vaccine. Finally, MQRC found that sepsis continues to be a leading cause of death for DDA clients as compared with the general population. The commission advised that addressing the causes of sepsis and providing corrective/preventative actions should continue to be a high priority for all DDA providers.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
DHMH – Developmental Disabilities Administration
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2013					
Legislative Appropriation	$506,373	$12,876	$369,607	$565	$889,422
Deficiency Appropriation	4,550	0	13,579	0	18,129
Budget Amendments	3,013	218	4,692	4	7,927
Reversions and Cancellations	0	-984	-8,940	-542	-10,466
Actual Expenditures	**$513,936**	**$12,110**	**$378,938**	**$27**	**$905,012**
Fiscal 2014					
Legislative Appropriation	$530,049	$4,246	$415,653	$25	$949,974
Budget Amendments	-101	0	99	0	-2
Working Appropriation	**$529,948**	**$4,246**	**$415,752**	**$25**	**$949,972**

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

The budget for DDA closed at $905.0 million, $15.6 million over the original legislative appropriation.

Deficiency appropriations in the Community Services Program increased the fiscal 2013 budget by $18.1 million ($13.6 million in federal funds and $4.6 million in general funds). DHMH identified a number of reasons for these deficits, including unbudgeted requests for service changes that resulted in higher than projected costs and federal fund attainment that fell short of expectations. A more detailed discussion of the agency's inability to accurately budget can be found in the Issues section of this document.

Budget amendments over the course of fiscal 2013 increased DDA's budget by $7.9 million. The fiscal 2013 budget included centrally budgeted funds for the 2013 cost-of-living adjustment (COLA) for State employees. This resulted in the transfer of funds to DDA ($177,209 in special funds and $32,982 in federal funds). General funds also increased due to the reclassification of forensic behavior specialists in the SETT units ($183,253) and for overtime costs at the Potomac Center ($244,374). These increases were offset by the transfer of funding from the Holly Center and the SETT units into the Medical Care Programs Administration to enhance services provided by a new Division of Behavioral Health Services ($85,066 in general funds). Another amendment increased the agency's special fund appropriation by $40,457 (available due to Maryland AIDS Drug Assistance Program drug rebates) to realign special funds within DHMH.

General funds also increased to realign general funds within DHMH ($2.8 million) and decreased to realign health insurance and telecommunication appropriations within the department ($130,135). In addition, general funds increased to realign State Retirement Administrative Fee and DoIT Services Allocation appropriations within the department ($14,167).

Federal funds also increased to realign federal funds within DHMH ($4.7 million) and to realign State Retirement Administrative Fee and DoIT Services Allocation appropriations within the department ($9,134).

At the end of the year, $8.8 million in federal funds were cancelled primarily due to lower than projected federal fund attainment in the Community Services Program, particularly in residential, day, and supported employment services. In addition, $900,290 in Waiting List Equity Funds were canceled because the agency failed to utilize those funds. Other funds canceled due to lower-than-projected expenditures included $140,774 in federal funds in Program Direction; and $541,814 in reimbursable funds in the Community Services Program; $81,588 in special funds for the Holly Center; and $2,371 in special funds for the Potomac Center.

Fiscal 2014

The fiscal 2014 working appropriation ($950.0 million) represents a net decrease of just $2,019 over the original legislative appropriation. However, it should be noted that the agency has proposed deficiencies totaling $30.4 million in fiscal 2014. Furthermore, the agency may be required to begin repaying the $20.6 million owed by the agency to the federal government as a result of an overclaiming of funds. A more detailed discussion of the agency's projected deficiencies can be found in the Issues section of this document.

The fiscal 2014 budget included centrally budgeted funds for the 2014 COLA and salary increment increases for State employees, which resulted in the transfer of funds to DDA ($607,026 in general funds and $85,415 in federal funds). In addition, general funds increased by $26,953, and federal funds increased by $13,383 to realign the State Retirement Administrative Fee and DoIT Services Allocation appropriations within DHMH.

General funds decreased by $623,434 due to the transfer of positions from the DDA Court Involved Service Delivery System to the newly created BHA. General funds decreased by an additional $111,362 to transfer a position from DDA into the Office of the Secretary.

Appendix 2

Audit Findings

Audit Period for Last Audit:	January 1, 2009 – February 28, 2012
Issue Date:	October 2013
Number of Findings:	13
Number of Repeat Findings:	6
% of Repeat Findings:	46%
Rating: (if applicable)	Unsatisfactory

Finding 1: **DDA did not monitor service coordinators to ensure consumers received services in accordance with individual service plans and that annual federal Medicaid eligibility reassessments were performed.**

Finding 2: DDA's methodology for determining certain federal reimbursement rates did not accurately reflect the costs incurred. Testing of fiscal 2011 and 2012 reimbursement rates for one program noted that DDA's reimbursable costs exceeded reimbursements by $2.4 million.

Findings 3 **DDA did not ensure that certain provider claims for prepaid services were submitted for processing.**

Finding 4: **DDA did not ensure that federal fund reimbursement requests were timely. Federal funds and interest income totaling as much as $5.5 million were not obtained or were lost.**

Finding 5: **DDA did not investigate federal fund reimbursement claims totaling $2.2 million that were rejected due to the DHMH Medicaid system edits. Tests of certain of these claims identified $820,000 that was recoverable had DDA investigated and resubmitted the corrected claims.**

Finding 6: DDA did not ensure the accuracy of provider reported consumers' contribution to care (CTC) amounts and, consequently, may have paid providers more than it was responsible for (since the impact of CTC is to reduce DDA's payments to providers). Specifically, the OLA's comparison of total CTC recorded by providers in DDA's payment system was $4.8 million less than the CTC calculated by DHMH during the consumer's eligibility determination process.

Finding 7: DDA allowed the use of $610,000 derived from an additional tax on alcoholic beverages to purchase 23 vehicles for consumers on its waiting list (despite that its policies did not specifically allow such funds to be used to purchase vehicles).

Finding 8: DDA did not ensure that annual reports required from certain providers were timely submitted and contained all necessary information to perform year-end payment reconciliations to identify any overpayments or underpayments to providers. Program expenditures subject to this process totaled $648 million during fiscal year 2011.

Findings 9: Accounts receivable processes were inadequate to ensure that all funds owed DDA were recovered. Specifically, DDA did not bill certain local jurisdictions at least $1.4 million, representing their portion of day habilitation and vocational services charges, as required by State law.

Findings 10: DDA did not recoup at least $390,000 in overpayments identified through routine audits of provider records.

Finding 11: DDA did not maintain documentation to support certain accounting adjustments.

Finding 12 **DDA had not established proper security access controls over critical Provider Consumer Information System II (PCIS2) data.**

*Bold denotes item repeated in full or part from preceding audit report.

Department of Health and Mental Hygiene – Administration

Financial Restructuring of the Developmental Disabilities Administration (DDA)

Project Status[1]	Planning	**New/Ongoing Project:**	New
Project Description:	Improvement of business and financial processes and development of a new financial platform for DDA. Initial request for proposals is to map existing business/financial processes and financial platform, make recommendations for improvement, and draft requirement specifications to solicit the modification/replacement of the existing financial platform.		
Project Business Goals:	Improvement of DDA business and financial processes.		
Estimated Total Project Cost[1]:	None.	**Estimated Planning Project Cost[1]:**	$2,342,751
Project Start Date:	January 2012.	**Projected Completion Date:**	Recommendations to be delivered February 2014. Project completion date to be determined.
Schedule Status:	January 2013, to Alvarez and Marsal Public Sector Services, LLC.		
Cost Status:	Fiscal 2015 funding included in the Major Information Technology Development Project Fund and the Department of Health and Mental Hygiene (DHMH) Administration budgets.		
Scope Status:	None.		
Project Management Oversight Status:	Department of Information Technology project oversight is now in place. An internal DHMH project manager has been designated.		
Identifiable Risks:	Highest identifiable risks are the need for interoperability with existing State fiscal systems (the Medicaid Management Information System, which is itself being replaced, and the Financial Management Information System, which is the State's accounting system); the potential change in organization culture that will be required within DDA and the DDA-provider community; and the need for ongoing system support.		
Additional Comments:	DDA is highly visible in its role as the major public financier of services to a particularly vulnerable population. Any change in the delivery of that funding must be delicately managed. At the same time, recent financial irregularities in the management of DDA's funding and an apparent difficulty in ensuring that the administration provides needed services while staying within its budget (a budget that has been growing significantly in recent years due to a commitment on the part of both the legislature and the Governor) points to the need to overhaul business and financial processes.		

Fiscal Year Funding ($ in Thousands)	Prior Years	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Balance to Complete	Total
Personnel Services	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Professional and Outside Services	1,717.8	625.0	0.0	0.0	0.0	0.0	0.0	2,342.8
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	**$1,717.8**	**$625.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$2,342.8**

[1] In calendar 2011, a two-step approval process was adopted. Initially, an agency submits a Project Planning Request. After the requirements analysis has been completed and a project has completed all of the planning required through Phase Four of the Systems Development Lifecycle (Requirements Analysis), including a baseline budget and schedule, the agency may submit a Project Implementation Request and begin designing and developing the project when the request is approved. For planning projects, costs are estimated through planning phases. Implementation projects are required to have total development costs.

Object/Fund Difference Report
DHMH – Developmental Disabilities Administration

Object/Fund	FY 13 Actual	FY 14 Working Appropriation	FY 15 Allowance	FY 14 - FY 15 Amount Change	Percent Change
Positions					
01 Regular	655.50	648.50	643.50	-5.00	-0.8%
02 Contractual	20.15	28.34	27.61	-0.73	-2.6%
Total Positions	**675.65**	**676.84**	**671.11**	**-5.73**	**-0.8%**
Objects					
01 Salaries and Wages	$ 42,294,440	$ 44,585,407	$ 45,533,454	$ 948,047	2.1%
02 Technical and Spec. Fees	1,288,686	1,664,729	1,735,173	70,444	4.2%
03 Communication	212,378	210,736	215,446	4,710	2.2%
04 Travel	68,483	62,156	60,372	-1,784	-2.9%
06 Fuel and Utilities	2,011,513	1,879,653	1,863,412	-16,241	-0.9%
07 Motor Vehicles	165,798	182,152	167,845	-14,307	-7.9%
08 Contractual Services	856,265,336	899,011,700	945,300,594	46,288,894	5.1%
09 Supplies and Materials	1,513,684	1,394,956	1,263,149	-131,807	-9.4%
10 Equipment – Replacement	157,326	4,702	4,732	30	0.6%
11 Equipment – Additional	84,250	19,367	11,234	-8,133	-42.0%
12 Grants, Subsidies, and Contributions	402,629	405,000	605,000	200,000	49.4%
13 Fixed Charges	547,247	551,397	557,100	5,703	1.0%
Total Objects	**$ 905,011,770**	**$ 949,971,955**	**$ 997,317,511**	**$ 47,345,556**	**5.0%**
Funds					
01 General Fund	$ 513,936,207	$ 529,948,280	$ 574,994,054	$ 45,045,774	8.5%
03 Special Fund	12,109,754	4,246,160	3,720,300	-525,860	-12.4%
05 Federal Fund	378,938,405	415,752,038	418,576,171	2,824,133	0.7%
09 Reimbursable Fund	27,404	25,477	26,986	1,509	5.9%
Total Funds	**$ 905,011,770**	**$ 949,971,955**	**$ 997,317,511**	**$ 47,345,556**	**5.0%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Appendix 4

Fiscal Summary
DHMH – Developmental Disabilities Administration

Program/Unit	FY 13 Actual	FY 14 Wrk Approp	FY 15 Allowance	Change	FY 14 - FY 15 % Change
01 Program Direction	$ 6,018,048	$ 8,200,533	$ 8,834,936	$ 634,403	7.7%
02 Community Services	859,157,015	901,035,767	947,256,728	46,220,961	5.1%
01 Services and Institutional Operations	17,488,289	18,133,592	18,441,644	308,052	1.7%
01 Court Involved Service Delivery	8,936,949	8,696,627	8,911,127	214,500	2.5%
01 Services and Institutional Operations	11,344,484	11,974,858	12,070,612	95,754	0.8%
01 Services and Institutional Operations	2,066,985	1,930,578	1,802,464	-128,114	-6.6%
Total Expenditures	**$ 905,011,770**	**$ 949,971,955**	**$ 997,317,511**	**$ 47,345,556**	**5.0%**
General Fund	$ 513,936,207	$ 529,948,280	$ 574,994,054	$ 45,045,774	8.5%
Special Fund	12,109,754	4,246,160	3,720,300	-525,860	-12.4%
Federal Fund	378,938,405	415,752,038	418,576,171	2,824,133	0.7%
Total Appropriations	**$ 904,984,366**	**$ 949,946,478**	**$ 997,290,525**	**$ 47,344,047**	**5.0%**
Reimbursable Fund	$ 27,404	$ 25,477	$ 26,986	$ 1,509	5.9%
Total Funds	**$ 905,011,770**	**$ 949,971,955**	**$ 997,317,511**	**$ 47,345,556**	**5.0%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.