M00M
Developmental Disabilities Administration
Department of Health and Mental Hygiene

Operating Budget Data

($ in Thousands)

	FY 15 Actual	FY 16 Working	FY 17 Allowance	FY 16-17 Change	% Change Prior Year
General Fund	$565,876	$602,913	$635,767	$32,854	5.4%
Deficiencies and Reductions	0	0	-153	-153	
Adjusted General Fund	**$565,876**	**$602,913**	**$635,614**	**$32,701**	**5.4%**
Special Fund	4,917	6,503	6,230	-273	-4.2%
Adjusted Special Fund	**$4,917**	**$6,503**	**$6,230**	**-$273**	**-4.2%**
Federal Fund	407,536	478,524	509,434	30,910	6.5%
Deficiencies and Reductions	0	0	-17	-17	
Adjusted Federal Fund	**$407,536**	**$478,524**	**$509,417**	**$30,893**	**6.5%**
Reimbursable Fund	30	33	30	-3	-9.1%
Adjusted Reimbursable Fund	**$30**	**$33**	**$30**	**-$3**	**-9.1%**
Adjusted Grand Total	**$978,359**	**$1,087,971**	**$1,151,289**	**$63,318**	**5.8%**

- After adjusting for a back of the bill reduction in health insurance, the fiscal 2017 allowance for the Developmental Disabilities Administration (DDA) increases by $63 million (5.8%) over the fiscal 2016 working appropriation. The increase is primarily due to a fiscal 2017 expansion of services, annualization of the fiscal 2016 expansion of services, and a 3.5% provider rate increase.

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

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Personnel Data

	FY 15 Actual	FY 16 Working	FY 17 Allowance	FY 16-17 Change
Regular Positions	632.50	626.50	616.50	-10.00
Contractual FTEs	23.84	25.25	27.94	2.69
Total Personnel	**656.34**	**651.75**	**644.44**	**-7.31**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions		34.59	5.61%
Positions and Percentage Vacant as of 12/31/15		58.00	9.26%

- The fiscal 2017 allowance includes 10.0 fewer regular full-time equivalents (FTE) due to a reduction in the number of employees at the Holly Center as the average daily population (ADP) declines. An additional 2.69 contractual FTEs are included in the allowance.

- The agency currently has 58.0 vacant positions and a vacancy rate of 9.26%. After accounting for the abolition of 10 vacant positions proposed in the allowance, the vacancy rate would be 7.8%, still more vacancies than needed to meet turnover.

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 2015, 25,315 individuals were served in the Community Services Program within DDA. The agency expects that number to increase to 28,205 by fiscal 2017, although numbers have been revised downward from the prior year. Meanwhile, the State Residential Centers' ADP continued to decline.

Population in Secure Evaluation and Therapeutic Treatment Units for Court-committed Individuals Remains Below Capacity: Both Secure Evaluation and Therapeutic Treatment Units (at Jessup and Sykesville) reached full capacity in fiscal 2011. After declining in both fiscal 2012 and 2013, the ADP at both locations increased slightly in both fiscal 2014 and 2015 but remains below capacity at both locations.

Waiver Enrollment Increases: In fiscal 2013, the agency reported for the first time in its annual budget the percentage of individuals receiving services through the Home and Community-based Services Waiver. Waiver enrollment continued to increase in fiscal 2015 to 88%, from 86% in the prior fiscal year.

Issues

Rate Setting and Payment System Reform: When the inadequacy of financial oversight at DDA was first reported, the agency became focused primarily on stabilizing, rather than overhauling, operations. Major structural changes for the agency – including rate setting and payment system reform, financial system changes, and reorganization of operations – are now underway. Legislation in the 2014 session required the department to conduct an independent rate-setting study as a prerequisite to the development and implementation of a new payment system. DDA is currently working with a selected contractor to conduct this study. The implementation of rates will be coordinated with the transition to the Long Term Services and Supports Tracking System (LTSS) platform from the Provider Customer Service Information System 2. The rate-setting study and the transition to the LTSS platform will facilitate the move to a new payment system.

Federal Audit Disallowances: The agency has had two recent federal audit disallowances, one for claiming room and board when it should not have and a second for the federal claiming of add-on services for certain individuals. The former, for $20.6 million has been repaid. DDA has disagreed with the finding for the second disallowance of $34.0 million.

Rosewood Center Operating Costs: The Rosewood Center was the largest State-operated facility for individuals with developmental disabilities until the center's closure in June 2009. Closure came after repeated findings by the Office of Health Care Quality concerning safety issues related to the buildings and grounds of the facility, which threatened to violate the conditions for Medicaid funding. A

2008 *Joint Chairmen's Report* (JCR) evaluated alternative uses of the property. Ultimately, Stevenson University was to acquire a portion of the property. However, the environmental concerns with the grounds of the facility have stalled further discussions. Meanwhile, the fiscal 2017 allowance includes $1.4 million in operating costs for the closed facility.

Supports Intensity Scale Funding: The fiscal 2015 budget included funds to hire a consultant for DDA to pursue the use of the Supports Intensity Scale (SIS). The SIS is a nationally recognized and person-centered assessment tool developed by the American Association on Intellectual and Developmental Disabilities that measures the supports needed to meet an individual's needs. New DDA leadership decided not to pursue SIS to determine the cost of service, based on mixed results from other states, and to only use the SIS as an assessment tool in the person-centered planning process.

Delayed Regional Office Reorganization: In addition to hiring a number of key staff, DDA has implemented a new organizational structure in its headquarters that is designed to increase focus on program leadership, provider relations, and quality. With that realignment recently completed, the agency has now turned its attention to standardizing operations at its four regional offices (each of which currently has a different organizational structure). The regional offices will mirror headquarters for more consistency across State policy and procedures. The agency intended to have the organizational plan for the regional offices approved by the beginning of fiscal 2016. However, in November 2015, DDA advised the Department of Legislative Services that this may occur in the next six months.

Recommended Actions

		Funds
1.	Reduce funding for the Supports Intensity Scale and Individual Indicator Rating Scale.	$ 500,000
2.	Adopt narrative requesting a report on placements into community services.	
	Total Reductions	**$ 500,000**

Updates

Emergency and Crisis Resolution Placements Report: The 2015 JCR requested a report on the definition of "emergency" used by DDA to determine funding for emergency placements and the methods used by DDA to determine who is selected to receive funding for crisis resolution placements.

Changes to Community Pathways Waiver and Requirements for Meeting Community Settings Rule: States must apply to the federal Centers for Medicare and Medicaid Services through a Home and Community-based Service waiver application to obtain permission to operate a waiver program. Maryland submitted a transition plan on March 12, 2015, as to how the State will adhere to the new rule. DDA is currently conducting public meetings to provide information about the Community Settings Rule and conducting site assessments to determine which settings need to be transitioned.

M00M
Developmental Disabilities Administration
Department of Health and Mental Hygiene

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, intellectual disability, and multiple sclerosis. The Developmental Disabilities Administration (DDA) provides direct services to developmentally disabled individuals in two State Residential Centers (SRC), two Secure Evaluation and Therapeutic Treatment (SETT) units, 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.

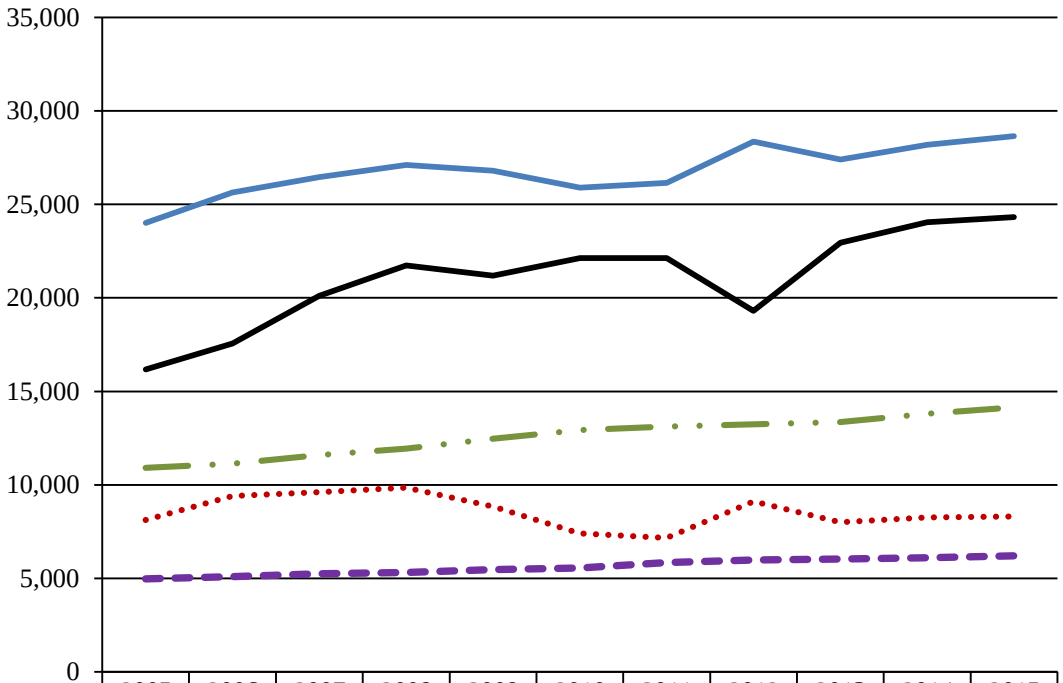
Performance Analysis: Managing for Results

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 2015, 25,315 unique individuals were served in the Community Services Program within DDA. The agency expects that number to increase to over 28,205 by fiscal 2017. 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. 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, targeted case management (TCM), community supported living arrangements, and self-directed services. **Exhibit 1** shows the number of individuals receiving each of the major services. For purposes of this exhibit, TCM (formerly known as resource coordination) is shown separately from the support services category, as TCM is available to all individuals in the system.

Exhibit 1
Individuals Receiving Community Services
Fiscal 2005-2015



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Residential Services	4,973	5,095	5,249	5,315	5,474	5,550	5,849	5,990	6,040	6,107	6,209
Day Services	10,913	11,139	11,592	11,935	12,476	12,934	13,123	13,246	13,353	13,810	14,138
Support Services	8,120	9,403	9,614	9,860	8,844	7,405	7,171	9,115	8,011	8,259	8,306
Total Services (excl. TCM)	24,006	25,637	26,455	27,110	26,794	25,889	26,143	28,351	27,404	28,176	28,653
TCM	16,166	17,566	20,108	21,728	21,192	22,132	22,132	19,298	22,954	24,052	24,314

TCM: Targeted Case Management

Note: Duplicated count as individuals can be counted in multiple categories.

Source: Department of Health and Mental Hygiene

As Exhibit 1 shows, DDA provided residential services to 6,209 individuals, day services to 14,138 individuals, and support services to 8,306 individuals in fiscal 2015. (It should be noted that individuals receiving services through DDA may receive more than one type of service.) As shown in the exhibit, the number of support services decreased between fiscal 2008 and 2010 due to cost containment actions limiting support for 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 (supported by one-time funding from the increase in the alcohol tax), before falling again fiscal 2013.

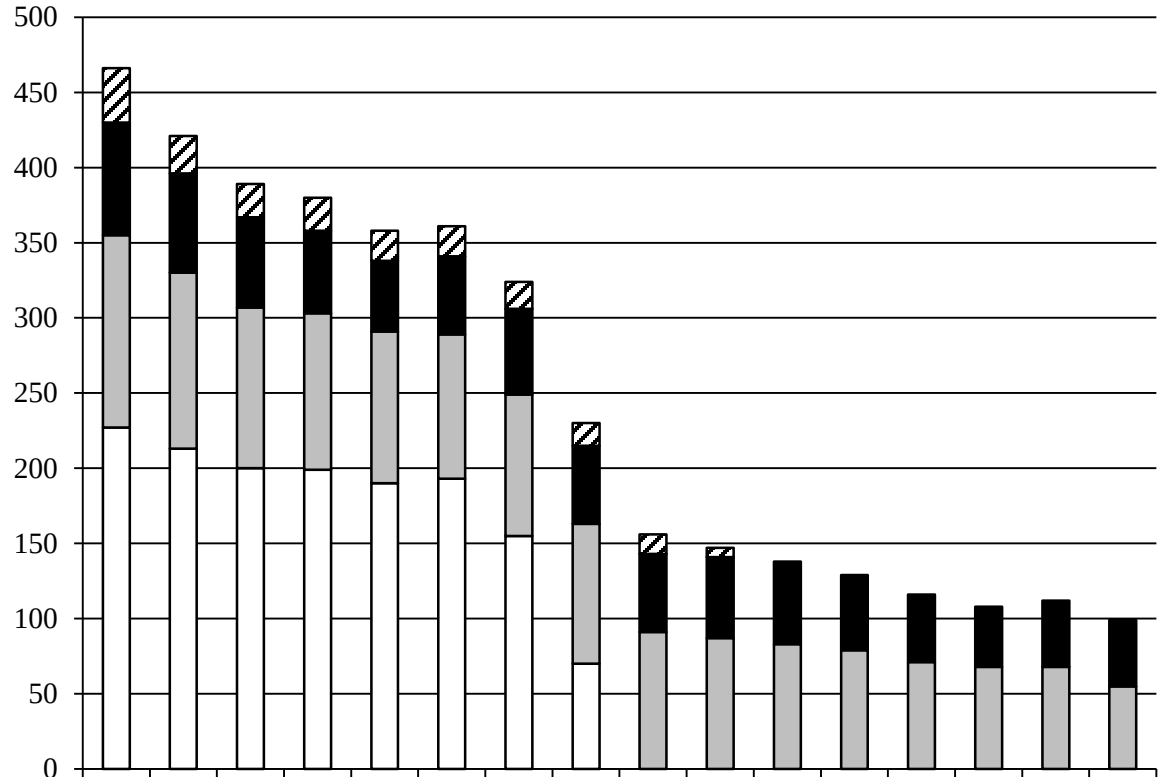
The number of individuals receiving TCM also returned to historic levels in fiscal 2013. In fiscal 2010, the Board of Public Works (BPW) reduced funding for TCM (then called resource coordination) by 15% on an ongoing basis. Subsequently, DDA modified its contracts to limit these services to individuals served in facilities, those receiving community-based services, and those in the highest category of the waiting list. DDA advises that this change continued to be felt in fiscal 2012, when the number of individuals receiving these services declined by 13% over the previous year. From fiscal 2012 to 2015, however, the number of individuals receiving TCM increased.

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 2002.

As shown in **Exhibit 3**, as ADP continues to decline, the average annual cost per client in residential services continues to increase. This is particularly true for the Potomac Center. The average annual cost per client for the Potomac Center increased from $170,000 in 2009 to $318,000 in 2015. Staff have been relocated from the centers to other parts of the agency to coincide with the decrease in ADP in order to lower costs. However, individuals continuing to live in the center may also require higher levels of care and, therefore, greater resources, increasing the average cost.

Exhibit 2
Average Daily Population of State Residential Centers
Fiscal 2002-2017 Est.

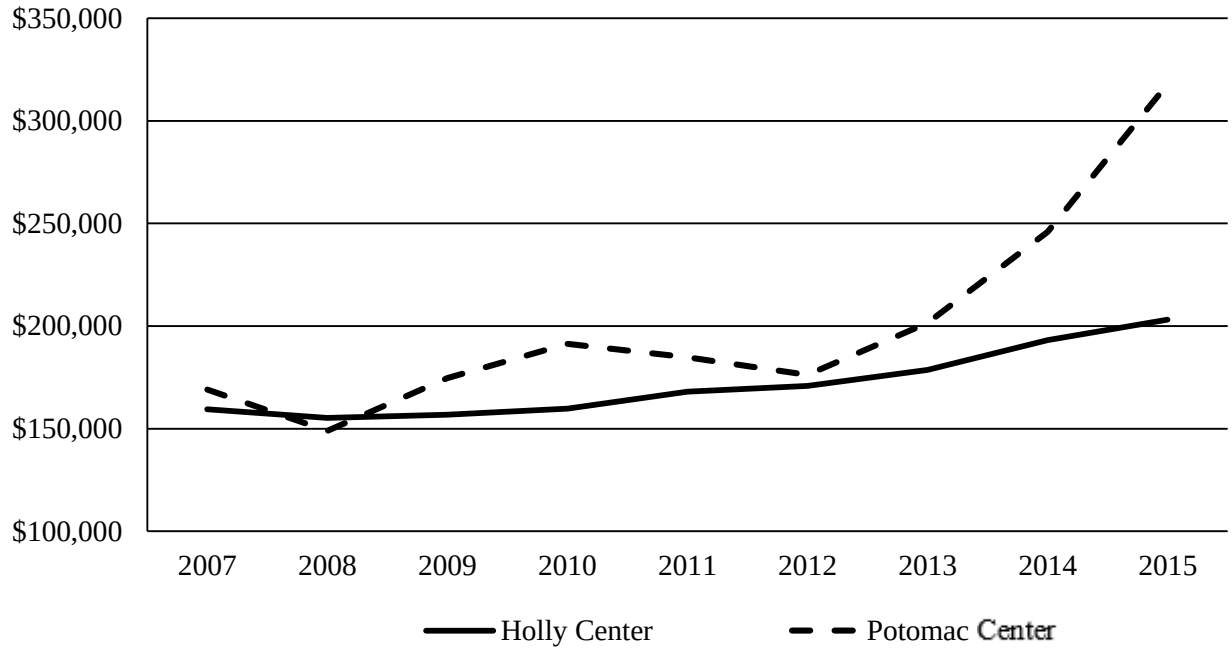


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Est.	2017 Est.
Brandenburg	36	25	22	22	20	20	18	15	13	6	0	0	0	0	0	0
Potomac	75	66	60	55	47	52	57	52	52	54	55	50	45	40	44	44
Holly Center	128	117	107	104	101	96	94	93	91	87	83	79	71	68	68	55
Rosewood	227	213	200	199	190	193	155	70	0	0	0	0	0	0	0	0

Note: Does not include individuals in Secure Evaluation and Therapeutic Treatment units. See Exhibit 4.

Source: Department of Health and Mental Hygiene

Exhibit 3
Annual Cost Per Average Daily Client for Residential Services
Fiscal 2007-2015



Source: Department of Health and Mental Hygiene

The closure of one or both of these facilities could generate operating savings that could be reinvested in community services (consistent with the agency's mission to serve individuals in community-based settings rather than in institutions) as well as offer potential for site redevelopment. However, many other factors including access to, and availability of, community-based services, and the impact to residents and staff must also be considered. It should be noted that more than 10 states and the District of Columbia no longer maintain any large institutions for people with developmental disabilities. **The agency should comment on the increased cost per client at the Potomac Center and brief the committees on the community's ability to provide the necessary supports in order to phase out one or both of the facilities.**

2. Population in Secure Evaluation and Therapeutic Treatment Units for Court-committed Individuals Remains Below Capacity

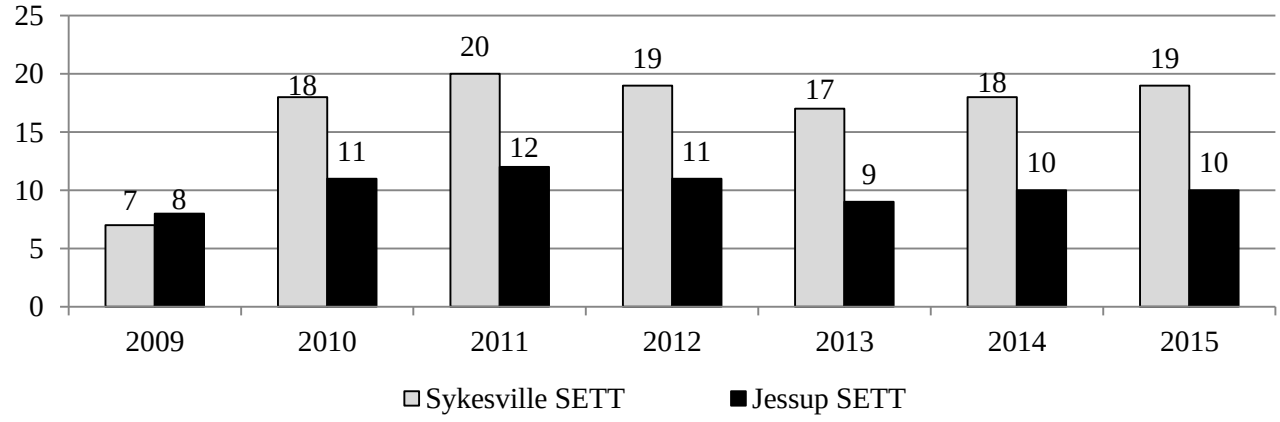
Since fiscal 2009, DDA has served court-ordered individuals in specialized centers – called SETT units – instead of in SRCs. Two SETT units are operated by DDA: one for evaluation and short-term treatment and one for treatment on a longer-term basis.

The evaluation and short-term treatment unit is a secure facility 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 also a secure facility 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 4 shows the ADP of each unit. As the exhibit demonstrates, both SETT units were at full capacity in fiscal 2011. After slightly declining at both locations in fiscal 2012 and 2013, ADP increased at both locations in fiscal 2014. The ADP at Sykesville increased again in fiscal 2015, while Jessup ADP remained static. The agency advises that this is a result of increased efforts to serve a greater number of individuals in the community.

Exhibit 4
Average Daily Population of SETT Units
Fiscal 2009-2015



SETT: Secure Evaluation and Therapeutic Treatment

Source: Department of Health and Mental Hygiene

Due to safety and capacity concerns, DDA received capital funding in fiscal 2011 to begin planning and design of a new, consolidated SETT unit to replace both existing units, and had 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, 54 beds. The construction was to originally begin in fiscal 2014 and be completed in fiscal 2015. This project has been delayed multiple times, most recently to conduct a building feasibility study to identify whether or not the project should include renovation and new construction or solely new construction. The fiscal 2017 *Capital Improvement Program* de-authorizes all prior authorizations for design of SETT units and repurposes the funds for use beginning fiscal 2018. **The agency should comment on the status of the building feasibility study and the timeline for the design phase of the new SETT.**

3. Waiver Enrollment Increases

Another performance goal for DDA is to increase the percentage of individuals receiving services through the Home and Community-based Services Waiver. **Exhibit 5** shows the percentage of individuals enrolled in the waiver. As shown, waiver enrollment increased 2.14% from fiscal 2014 to 2015. The Department of Health and Mental Hygiene (DHMH) advises that 92.0% of DDA clients are likely Medicaid eligible.

Exhibit 5
Individuals Enrolled in DDA's Home and Community-based Services Waiver
Fiscal 2013-2016 Est.

	2013	2014	2015	2016 Est.
Percent of Individuals in Waiver	84.35%	85.85%	87.69%	88.14%
Percent Increase Over Previous Year	n/a*	1.78%	2.14%	0.51%

DDA: Developmental Disabilities Administration

*The agency did not report waiver enrollment prior to its latest budget submission.

Source: Department of Health and Mental Hygiene

The agency's latest Managing for Results submission is the second in which the agency has provided this data. The agency's newly established goal with respect to waiver enrollment is to increase the percentage of individuals enrolled in the waiver by 0.3% in each of the next two fiscal years.

Fiscal 2016 Actions

Cost Containment

In fiscal 2016, the Administration proposed a rate decrease for community providers from 3.5% to 3.0%, resulting in savings of $2.6 million in general funds (and $4.7 million in total funds). In addition, the Administration implemented a general 0.6% across-the-board reduction for DHMH totaling $27.2 million. The DDA's proportion of this allocation totaled $4.9 million including:

- $3.9 million in the Community Services Program due to greater federal fund attainment from the increased proportion of individuals in the waiver program and an additional $100,000 in Program Direction due to greater federal fund attainment from waiting list case management;

- $100,000 for the closure of the therapy pool and $404,000 for the elimination of 6 positions at the Holly Center; and

- $244,000 for overtime reductions at the SETT units, $40,000 for a reduction in the pharmacy contract due to underutilization, and $100,000 for decreased hospitalization costs by enabling fiscal agents to bill Medicare for hospitalization greater than 24 hours.

Proposed Budget

As shown in **Exhibit 6**, after adjusting for a back of the bill reduction in health insurance, the fiscal 2017 allowance for DDA is $63.3 million (5.8%) over the fiscal 2016 working appropriation, primarily due to a fiscal 2017 expansion of services, a 3.5% provider rate increase, and annualization of the fiscal 2016 expansion of services. General fund support increases by $32.7 million (5.4%), while federal support increases by $30.9 million ($6.5%).

Exhibit 6
Proposed Budget
DHMH – Developmental Disabilities Administration
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2015 Actual	$565,876	$4,917	$407,536	$30	$978,359
Fiscal 2016 Working Appropriation	602,913	6,503	478,524	33	1,087,971
Fiscal 2017 Allowance	635,614	6,230	509,417	30	1,151,289
Fiscal 2016-2017 Amount Change	$32,701	-$273	$30,893	-$3	$63,318
Fiscal 2016-2017 Percent Change	5.4%	-4.2%	6.5%	-9.1%	5.8%

Where It Goes:

Personnel Expenses	
Employee and retiree health insurance	$1,015
Overtime	734
Retirement contributions	725
Turnover adjustments	705
Shift differential and miscellaneous adjustments	-116
Regular earnings	-123
Workers' compensation premium assessment	-383
Abolished positions (10 full-time equivalents)	-558
Other fringe benefit adjustments	14
Community Services	
Fiscal 2017 provider rate increase (3.5%)	36,196
Fiscal 2017 expansion and annualization of fiscal 2016 expansion	16,130
Fiscal 2017 expansion of transitioning youth	8,888
Family Support Services and Resource Coordination (Targeted Case Management)	-3,950
Utilization Review Services	
Utilization review	2,893
Health Risk Screening Tool	957
Rate-setting study	178
Supports Intensity Scale	-667
Program Direction	
Financial restructuring contract	529
Security and renewal software and server replacement (regional offices)	375
Consumer satisfaction survey	168
Other Operational	
Reduction in utility and maintenance (residential facilities)	-206
Other	-184
Total	**$63,318**

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

Personnel Expenses

Personnel expenses increase the fiscal 2017 budget by $2 million. The increase in overtime, $734,000, is primarily due to increased usage by the Potomac Center for the patient care and transitions program. This and other increases are partially offset by decreases including $558,000 for 10 abolished vacant full-time equivalent (FTE) positions at the Holly Center due to a decrease in ADP.

Community Services

Transitioning Youth Program

The fiscal 2017 allowance includes $8.9 million for the expansion of the Transitioning Youth Program, which 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 2017, DDA expects to serve 602 additional individuals (449 FTEs) through the program.

The 2015 *Joint Chairmen's Report* (JCR) requested a report on the number of transitioning youth exiting the educational system but who remain without DDA-funded services and DDA's plan to ensure that transitioning youth services are provided in a timely manner for individuals who exit the education system in 2015. As of this writing, the agency has yet to submit this report. **The agency should comment on its timeline for submitting this report to the committees.**

Fiscal 2017 Expansion and Annualization of Fiscal 2016 Expansion

As shown in Exhibit 6, the fiscal 2017 budget includes an additional $16.1 million for the expansion of services in fiscal 2017 and the annualization of the fiscal 2016 service expansion. Individuals come into services at different times during the fiscal year. When an individual is placed in community services for the first time in any fiscal year, annualized costs of servicing that individual in the subsequent fiscal year are included as part of the base budget.

Expansion funds will be spent to fund the following estimated placements:

- ***Emergency Placements:*** 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 161.0 additional individuals (75.9 FTEs) in emergency situations in fiscal 2017.

- ***Crisis Services:*** Crisis services are provided for individuals in the crisis resolution category of the waiting list. The budget estimates that DDA will provide residential and day services to 113.0 individuals (83.0 FTEs) on the waiting list.

- ***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 2017, DDA expects to serve 17.0 court-referred individuals (9.0 FTEs) in community settings.

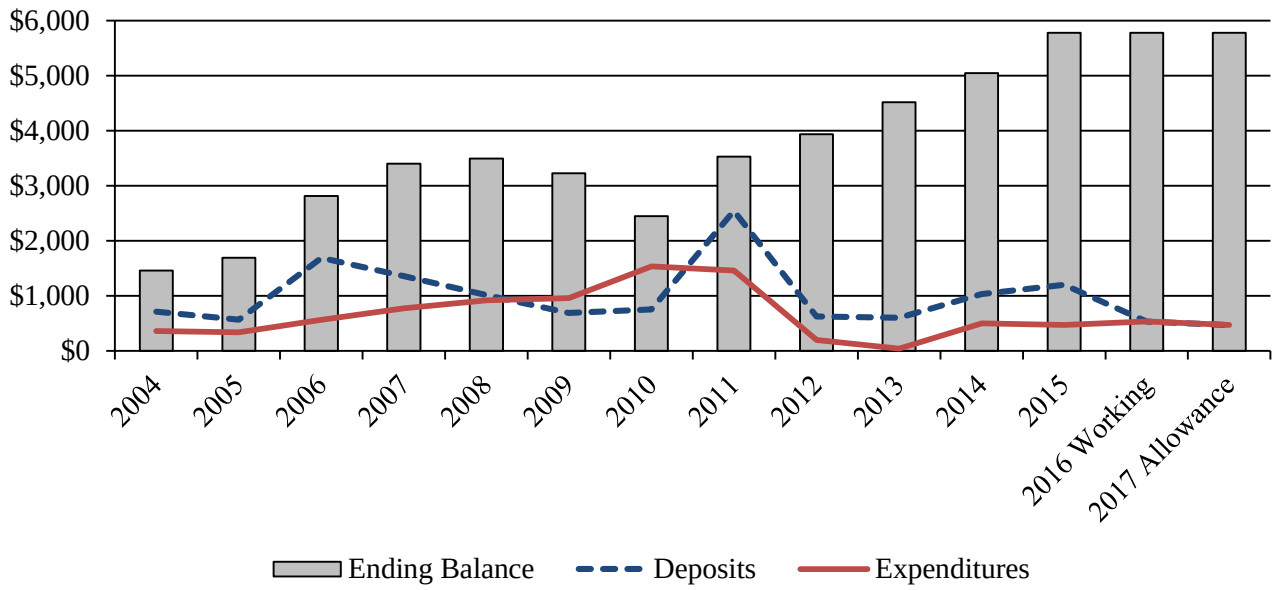
- ***Waiting List Equity Fund Placements:*** The Waiting List Equity Fund (WLEF) is supported through a State income tax check-off, investment earnings from the sale of properties owned by DDA, and savings associated with the movement of an individual from institutional care to

community care. The allowance includes $466,330 in special funds from the WLEF expansion of residential services for 24.0 individuals (12.0 FTEs) on the waiting by the end of fiscal 2017.

The WLEF was established to ensure that funding associated with serving individuals in an SRC follows them to the community when they are transitioned to a community-based care setting and that any funds remaining be used to provide community-based services to individuals on the waiting list. According to statute, WLEF funds may not be used to supplant funds for emergency placements or Transitioning Youth. The WLEF funds only the first year of placement after which those individuals become part of the base.

Exhibit 7 shows the ending fund balance of the WLEF, the deposits made to the fund, and the expenditure or placement costs incurred by the fund between fiscal 2004 and the estimate for fiscal 2017. Deposits include the balance of funds available due to a discharge from an SRC as well as interest earned by the Community Service Trust Fund and the WLEF. The Community Services Trust Fund holds the proceeds from the sale or long-term lease of a DDA facility after it has closed. The interest earned on those funds is then transferred to the WLEF annually.

Exhibit 7
Waiting List Equity Fund Balance
Fiscal 2004-2017 Allowance
($ in Thousands)



Source: Department of Health and Mental Hygiene

After reaching $3.5 million in fiscal 2008, the fund balance of WLEF declined in fiscal 2009 and 2010 due in large part to expenditures exceeding deposits to the fund. Since 2011, the reverse has been true, with expenditures below deposits, and the balance has grown. **The agency should comment on how it intends to spend down the balance of the fund and whether there may be a better use of the fund.**

Rate Increases for Community Service Providers

Chapter 262 of 2014 mandated a 3.5% provider rate increase in fiscal 2016 through 2019. As discussed previously, a contingent reduction and subsequent back of the bill language reduced the fiscal 2016 rate increase to 3.0%. The fiscal 2017 allowance includes $36.2 million for the 3.5% provider rate increase.

It should be noted that Chapter 648 of 2014, along with requiring DDA to conduct an independent study to set provider rates for community-based services, also established certain requirements with respect to wages paid by providers to direct support employees. Specifically, DHMH must report to the General Assembly by December 15, 2015, summarizing the range of total funding (based on wage surveys required to be submitted by providers) spent by providers on direct support employee wages and benefits, as a percentage of total operating expenses for fiscal 2014. Beginning in fiscal 2015 (and before the earlier of either the implementation of a new DDA payment system or the end of fiscal 2019), the percentage of a community provider's total reported operating expenses that is spent on direct support wages and benefits for a fiscal year may not be less than the percentage that was spent in fiscal 2014. If DHMH determines that this requirement is not met (and does not find mitigating circumstances or accept a plan of correction), the department must recoup funds from a community provider that have not been expended as required. As of this writing, DHMH has not submitted this report. **The agency should comment on the status of the report.**

Resource Coordination (TCM)

Resource coordination is a service under Medicaid for persons with developmental disabilities receiving residential, day, supported employment, and Community Support Living Arrangement services funded under the Medicaid Waiver. Other individuals within the State system receive resource coordination as needed.

On December 28, 2015, DDA promulgated regulations to update payment rates for TCM services, altering the process for service authorization, and limiting waiting list coordination services and transition coordination services to individuals who meet DDA's definition of an individual with a developmental disability. Individuals who do not meet the criteria for determination of a developmental disability, but instead are eligible only for individual support services, will have waiting list coordination and transition coordination services discontinued. Due to the discontinuation of services to non-DDA-eligible individuals, the fiscal 2017 budget for resource coordination falls by $1.75 million. However, the Joint Committee on Administrative, Executive, and Legislative Review requested a delay in the regulation to identify whether the regulation conforms to legislative intent. **The agency should comment on the impact of the proposed regulation on support-only eligible individuals.**

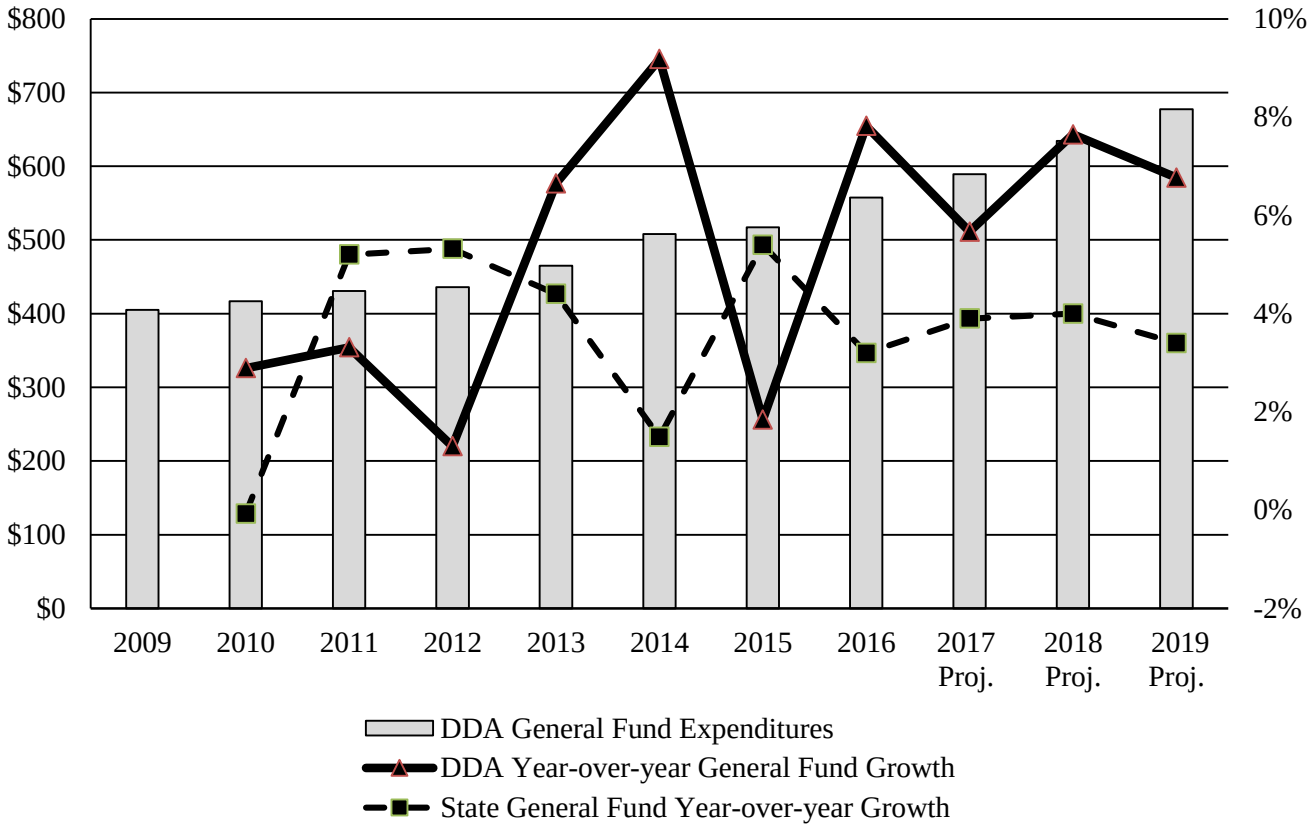
Family Support Services and Individual Support Services

The purpose of family support services is to provide adequate resources within the community so that families with a child with a disability may keep that child at home and avoid disruption to the family unit. This program includes support services that a person with a disability and their families require for normal community living that would not be available under already existing programs. Examples of family support services include help with activities of daily living, medical equipment purchases and rental, respite services, removal of architectural barriers, family training, and transportation. DDA proposed eliminating $4.4 million for these services in the fiscal 2016 budget. However, Section 48 of the fiscal 2016 budget bill identified $2.2 million to continue partial support for the services. The fiscal 2017 allowance eliminates the $2.2 million in funding for family support services. The agency advises that a review of its existing contracts for these services revealed that they did not align with the agency's current service delivery model.

General Fund Support for DDA Community Services Outpaced State General Fund Growth

Exhibit 8 shows general fund growth in the Community Services Program compared with general fund growth statewide. After far exceeding the rate of statewide general fund growth in fiscal 2013 and 2014, the agency's general fund growth rate fell below that of the State General Fund in fiscal 2015. General fund growth in the program again outpaces statewide growth beginning in fiscal 2016 and is projected to continue to do so through fiscal 2019 due to statutorily mandated 3.5% annual provider rate increases as well as anticipated service expansions.

Exhibit 8
General Fund Growth in Community Services Compared with the State
Fiscal 2009-2019 Projected
($ in Millions)



DDA: Developmental Disabilities Administration

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

Utilization Review Services

In fiscal 2016, DDA transitioned from the paper version of the Health Risk Screening Tool (HRST), a screening tool for health risks associated with disabilities (*e.g.*, developmental disabilities, physical disabilities), to the web-based version. This tool assesses the medical needs of an individual, and moving to a web-based version will provide DDA with the ability to track and analyze data, which was not possible with the paper version. The agency notes that the web-based HRST version will improve the determination of clinical support and services. In fiscal 2017, the budget included $957,000 for the HRST assessment. The fiscal 2017 allowance falls by $667,000 for Supports Intensity Scale (SIS) assessments and the Individual Indicator Rating Scale (IIRS). Both will be used simultaneously until SIS is fully implemented. This includes annual IIRS assessments, emergency IIRS assessments, routine SIS assessments, and emergency SIS assessments.

An additional $2.9 million is included in the fiscal 2017 allowance for medical and utilization review services. Utilization review services include determining a level of need for all individuals who are newly entering services funded by the DDA fee payment system, which includes residential, day, and supported employment services. DDA will now contract with a Quality Improvement Organization to conduct utilization reviews. This includes conducting utilization review audits of DDA-funded services to ensure that funded services are provided and to evaluate consumer satisfaction with services. If the services are not provided as funded, as documented in the individual plan or as documented in the Service Funding Plan, the State can recover funds. Utilization review services include routine performance audits, on-demand performance audits, and review of request for service change and add-on services. It should be noted that no funding was appropriated in either fiscal 2015 or 2016 for utilization review audits. The agency notes that a vendor was hired, but the contract was terminated three months later by mutual agreement, and a solicitation was issued in fall 2014 but was canceled in March 2015. Therefore, no utilization review audits have been performed since fiscal 2013. **The agency should comment on how it ensured that funded services were actually provided when no utilization review audits have been performed since fiscal 2013.**

Rate-setting Study

Chapter 648 of 2014 requires DDA to conduct "an independent cost-driven, rate-setting study to set provider rates for community-based services that includes a rate analysis and an impact study that considers the actual cost of providing community-based services." DDA contracted with a vendor through a competitive procurement process in fiscal 2016 and work is expected to continue through fiscal 2018. Tasks in the base year include (1) performing rate-setting analysis of all DDA-funded services; (2) developing a schedule of uniform fixed rates by service type; (3) providing guidance on reimbursement strategies to incentivize outcomes; (4) analyzing unmet needs in proposed rate if higher than current rate; (5) justifying recommendations on proposed rates based on geographic regions; and (6) providing DDA with a rate maintenance process. Work in the latter part of fiscal 2017 through 2018 will include developing and supporting an implementation plan; updating service rates as necessary based on cost changes, funding availability, and any new data; conducting an analysis to determine working capital requirements; and developing updates for rate publications in regulations. In fiscal 2017, the funding for the rate-setting study increases by $177,500.

Program Direction

Expenses for Program Direction, the administrative arm of the agency, increase by $1.1 million due to an increase in the financial restructuring contract of $529,000, security and renewal software and server replacement at the regional offices ($375,000), and an increase in the cost of the national core indicators consumer satisfaction survey ($168,000). The National Core Indicators Survey is a new tool implemented by DDA in fiscal 2013 to determine the satisfaction level of DDA service recipients.

Issues

1. Rate Setting and Payment System Reform

Current Payment System Weaknesses

The Department of Legislative Services (DLS) has long cited inherent weaknesses in DDA's current payment system, which 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. Efforts to improve DDA's payment system are multi-pronged.

Transition to Long Term Supports and Services Tracking System Financial Platform

In January 2013, 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. The firm was also required to advise how the new system will address the major underlying inefficiencies in DDA's current system and to identify any barriers to adopting a new financial management system.

Ultimately, the Provider Consumer Information System 2 (PCIS 2) currently used by DDA was found to have significant weaknesses with regard to data, reporting, and system functionality. Weighing the relative benefits and disadvantages of modifying or replacing PCIS 2, A&M ultimately recommended replacing the system with DHMH's Long Term Supports and Services Tracking System (LTSS), an integrated care management tracking system currently used by multiple waiver programs and Community First Choice. A&M highlighted the desirability of utilizing a departmentwide system to support all of DHMH's waiver programs and streamline interactions between programs. A&M further advised that implementing LTSS is a less expensive option than either enhancing PCIS 2 or developing a new DDA system.

Furthermore, of the options examined by A&M, LTSS is expected to offer the greatest ability to support A&M's key recommendation regarding billing and payment process options; namely, the direct submission of Medicaid claims by providers to the Maryland Medicaid Management Information System (MMIS) for payment processing. Currently, invoicing and payment activity is separate from

DDA generation of Medicaid claims. A&M advised that the leveraging of existing DHMH investments in LTSS and MMIS – in coordination with reengineered processes – will improve fiscal controls, increase transparency, and reduce DDA's liability for uncollected federal funds.

Dual-operating Environment

A&M identified a number of system dependencies and timeline considerations impacting the adoption of a new financial management system. Chief among these was the completion of a rate-setting study, as described previously. Because the rate-setting study is not required to be complete until September 30, 2017, A&M advised that a dual-operating environment will likely be required for a period of time, as nonpayment functionality is migrated to LTSS in advance of the study's completion. A&M reported that, with LTSS as the selected option, a plan to support the implementation of the system will be developed. The transition from PCIS 2 to LTSS is staggered and began January 2015. According to the agency, related processes were grouped into seven chapters: eligibility and placement; individual plan (IP) and budgeting; quality assurance; provider billing and payment; individuals in institutions; coordination of community services; and appeals.

Rate-setting Process

DDA is currently working with a selected contractor to conduct an independent cost-driven rate-setting study, developing a strategy for assessing the needs of individuals receiving services, developing a sound fiscal billing and payment system, and obtaining input from stakeholders including individuals receiving services and providers. The contractor began the rate-setting process in September 2015 and is currently in the third step of an eight step process:

- gathering the service information – September 2015 through March 2016;
- identifying the cost categories to use – September 2015 through March 2016;
- gathering all financial information and accounting data – November 2015 through March 2016;
- coding and analyzing all financial data – December 2015 through April 2016;
- studying direct care/support hourly wage – December 2015 through April 2016;
- analyzing demographic/acuity/scale differences – January through August 2016;
- compiling the value of the support hour ("brick method") – March through August 2016; and
- performing budget impact analyses – May 2016 through December 2016.

DDA held a town hall meeting with providers that included a presentation by the contractor of the process and will continue to hold additional meetings and webinars with stakeholders. The contractor will use the "Brick Method" to calculate rates, which is an architecture for standard rates for social and clinical services funded by the government sector. It begins by identifying cost categories from historical spending and then creates a value of an hour of direct support time that includes each component, added to the wage of the direct support individual (the "Brick"). It then sets rates based on the number of support hours needed by the person who will use the service.

The contractor is collecting general ledgers of the cost accounts (expressed as a percentage of total costs) for all DDA providers. It will then choose 60 providers with geographic variation, to follow up with an in-depth discussion. There will be a "program support" component to include ambulation and acuity issues. These costs will be compared with an outside system, using the Bureau of Labor Statistics data and accelerated to the year it will be imposed using the Medicaid Consumer Price Index. Transportation will be established as a separate component. The rates will also incorporate absence days by calculating an absence factor to be calculated in the proposed rates.

The agency has advised DLS that the rate-setting study and the payment system reform will be complete at the end of fiscal 2017, and fiscal 2018 will be a transition year as DDA continues to work on regulation changes. The implementation of rates will be coordinated with the transition to the LTSS platform from PCIS 2. However, the agency advises that the contract with A&M ended, and the new one has not yet been approved**. The agency should comment on how this break between contracts will impact the current timeline for financial system restructuring.**

2. Federal Audit Disallowances

The agency has had two recent federal audit disallowances. 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 (HHS) documented an overclaiming of funds by DDA, resulting in a recommendation that the State refund $20.6 million to the federal government. The audit report alleged that DDA claimed unallowable costs for residential habilitation services, such as for room and board, not covered under the waiver by Medicaid. DDA concurred with the OIG recommendations and encumbered funds to pay back the $20.6 million. DHMH attributed the findings to inadequate controls between MMIS and DDA's PCIS 2. DHMH advised that edits were completed in the systems to reduce claims for federal reimbursement and DDA issued additional guidance to providers.

In an audit report released in June 2015, OIG at HHS documented an additional overclaiming of federal funds, resulting in a recommendation that the State refund $34.0 million to the federal government. This $34.0 million represents the federal share of services provided over a three-year period (July 1, 2010, to June 30, 2013) to individuals with developmental disabilities who, because of their high degree of need, were provided additional services beyond residential habilitation services (add-on services). During this same time period, the department claimed $329.0 million ($178.7 million federal share) for all add-on waiver services.

OIG reviewed $34.2 million of the federal share and concluded that virtually every claim that it reviewed was not consistent with waiver criteria. The audit alleges that DDA claimed add-on services for beneficiaries who did not meet the waiver's level-of-need requirement for those services under its Community Pathways waiver program. According to the audit, the waiver allowed add-on services for beneficiaries who met three requirements, including a level of need of 5 on the State agency's Individual Indicator Rating Scale. However, the State agency did not consider the beneficiary's level-of-need score when approving add-on services.

DHMH did not concur with the OIG recommendation or its interpretation that the Community Pathways waiver requires individuals receiving the services to meet three separate requirements. The department has, in the past, interpreted the waiver and operated its program such that an individual who meets any one of the three conditions is eligible for add-on services. The department believes it is entitled to deference for its interpretation of its waiver language. OIG responded that the agency's interpretation of its waiver (that only one of the three requirements be met) would have been unallowable because it would not require evidence that there was a need for add-on services or that additional payment was necessary to cover the cost of those services.

During the audit, the agency significantly amended this provision in its waiver, eliminating the requirement that an individual must have a level of need of 5 on the rating scale. However, OIG noted that the amended waiver was not in effect during the audit period and does require providers to document both medical necessity and financial need to receive add-on payments. After reviewing the State agency's comments, OIG believes a recommendation for a refund is valid. DDA accrued $3.4 million in general funds to repay a portion of the disallowed claims using general funds. (It should be noted that no payments will be made until DHMH receives a disallowance letter from the federal government.) However, the General Accounting Division of the Comptroller of Maryland recorded a decrease to the General Fund in the State's fiscal 2015 *Comprehensive Annual Financial Report* to recognize these disallowances. **The agency should comment on the potential payout and timing of the federal funds claim.**

3. Rosewood Center Operating Costs

Amid repeated findings by the Office of Health Care Quality concerning safety issues related to the buildings and grounds of the facility, Rosewood Center closed in June 2009. A 2008 JCR required the department to submit a report evaluating the possible uses of the property.

The original Rosewood campus included approximately 690 acres of land. Since 1978, the State has disposed of approximately 434 acres, of which roughly one-third is protected by the Maryland Environmental Trust Conservation Easement. The proceeds from all sales of the property are deposited into the Community Services Trust Fund to benefit individuals on DDA's waiting list.

The property at Rosewood contains three parcels. The Maryland Department of Veterans Affairs (MDVA) is interested in Parcel 3 (61 acres) and possibly Parcel 2 (16 acres) for the Garrison Forest Veteran Cemetery. Of the three parcels, Parcel 3 would require major remediation,

with some remediation of Parcel 2, and a little of Parcel 1. All parcels contain deteriorated, asbestos-filled buildings.

DHMH submitted a report in August 2009 in response to the 2008 JCR request that addressed the use of the remaining 178 acres and 37 buildings that make up the Rosewood Center campus. After the announcement of the closure, an interagency committee was formed by the Maryland Department of Planning to review the possible uses of the campus and to set agreed upon principles for the disposition of the property. The State Clearinghouse completed its review of the property in December 2009 and recommended that the State declare the 178 acres and 37 buildings to be surplus to the State and to offer to sell the property to Stevenson University.

BPW approved 117 acres on Parcel 1 to be disposed of to Stevenson University to expand the university with educational offices and open space use. However, the status of the adjacent parcels may hinder the university from acquiring the site. Previously, the State had planned to demolish the asbestos-contaminated buildings, remove and dispose of hazardous debris, and generally restore the site prior to disposition at an estimated cost of $8.1 million. However, no funding is included in the capital budget for remediation. It is unclear whether the property can be disposed of without resolving the demolition and remediation issue.

Exhibit 9 shows the operating expenditures since the closure of the Rosewood Center in 2009, primarily due to maintenance and personnel. The agency will have spent more than $17.0 million over the eight-year period. **The agency should brief the committees on the timeline for disposing of the property to MDVA and what the cost would be to remediate Parcels 2 and 3 for that use.**

Exhibit 9
Rosewood Operating Funds Since Closure
Fiscal 2010-2017
($ in Thousands)

Fiscal Year	General Fund Support
2010	$3,638
2011	2,643
2012	1,992
2013	2,036
2014	1,900
2015	2,212
2016 Appropriation	1,541
2017 Allowance	1,386
Total	**$17,348**

Note: A share of the total costs each year is due to workers' compensation payments ($5.6 million over an eight-year period).

Source: Department of Health and Mental Hygiene

4. Supports Intensity Scale Funding

A task force to study the DDA rate payment system for community providers was formed in 2007. The task force was directed to review the existing rate system for community-based services funded by DDA and determine its strengths and weaknesses, compare the cost of current mandates for service delivery to the level of funding provided by the State, consider best practices from other states, identify changes in the reimbursement system, and develop recommendations to address the problem of the structural underfunding of community services.

Current Payment System

Maryland switched to a Fee Payment System (FPS) in 1998, which was modeled after the previously used Prospective Payment System. The FPS has two rate components that determine a provider's reimbursement: a consumer component based on a 5x5 matrix of health/medical needs and supervision/assistance needs; and a provider component based on administrative, general, capital, and transportation costs.

The provider component is a flat rate per client based on a congregate services model that may present barriers to effectively delivering individualized services. As an example, if a provider is staffing a three-person alternative living unit (ALU) and one person moves out, the provider still has the full expenses for the ALU but one-third less revenue.

The consumer component is a 5x5 matrix, called the IIRS, which assesses an individual's health and supervision needs to determine how much a provider will be reimbursed for services. For nearly three decades, DDA has been using the IIRS to assess the level of need for individuals receiving DDA-funded services. The matrix assessment is based on documentation from multiple sources including medical professionals, education professionals, and families. However, in 1997, a freeze was put on matrix levels indicating that an individual would have the same matrix score for as long as they were in the DDA system, even if their service needs changed. Instead of updating the matrix, add-on rates are used to account for additional support needs. The current system does not taken into account inflation, increased needs, unfunded mandates such as nursing requirements, and increased transportation costs.

Functional Assessment

The task force explored measures of functional status used in other states that might be applicable to Maryland. Examples included the SIS, Inventory for Client and Agency Planning (ICAP), Developmental Disabilities Profile, and Support Needs Assessment Profile. Domains that are common across the functional tools include health and safety, home or daily living skills, social/relationship skills, behavior support needs, and communication. The task force identified the two most popular tools from other states – the SIS and the ICAP – used to assess consumers receiving DDA-funded services.

SIS Pilot Project

One of the final recommendations of the task force was for DDA to assess consumers receiving DDA-funded services on a regular basis using a reliable assessment tool. In fiscal 2010, DDA established a stakeholder group to determine a new tool to assess the needs of DDA clients. The SIS was chosen to replace the IIRS. The SIS is an individual client assessment and planning tool developed by the American Association on Intellectual and Developmental Disabilities. It is presently used by a number of states and Canadian provinces. Some states also use SIS measures as a basis for payment of providers. DDA implemented a pilot project to complete SIS assessments for individuals within the Community Service program. The assessment encompassed people entering DDA funded services for the first time, and the agency completed the assessment June 30, 2013. This pilot was intended to be used to hire a consulting firm to develop a resource allocation algorithm based on the sample assessments. To gauge the usefulness of the SIS, DDA contracted with the Human Service Research Institute to analyze a pilot sample of individuals. Upon determining that the SIS would, in fact, address the gaps in the 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.

The next steps for the agency were to have the results of these SIS reports analyzed, develop a resource allocation model, and create a plan to transition from the IIRS to the SIS. DDA intended to prepare a Request for Proposals to secure a vendor to perform these tasks in conjunction with a rate-setting study and anticipated having a vendor on board by the start of fiscal 2015. The fiscal 2015 budget included funds to hire a consultant for DDA to pursue the use of the SIS to determine the cost of service. However, new DDA leadership decided not to pursue the SIS to determine the cost of service, based on mixed results from other states, and to only use the SIS as an assessment tool in the person-centered planning process.

Although money was appropriated in fiscal 2014 through 2016 for the SIS, the agency advises that no spending actually occurred for this purpose**.** **Exhibit 10** shows the appropriation and actual expenditures for the SIS and the IIRS. During fiscal 2014 and 2015, the agency underspent appropriations by a total of $1.5 million.

Exhibit 10
Supports Intensity Scale and
Individual Interrater Reliability System Expenditures
Fiscal 2013-2017
($ in Thousands)

Fiscal Year	Appropriation	Expenditures
2013	$1,138,250	$1,138,250
2014	1,438,250	657,995
2015	1,228,900	555,375
2016	3,106,046	-
2017 Allowance	2,213,922	-
Total	**$9,125,368**	**$2,351,620**

Source: Department of Health and Mental Hygiene

The fiscal 2017 allowance includes $2.2 million for a contract with a vendor that will continue to simultaneously use the IIRS until the SIS is fully implemented in fiscal 2018. The implementation of SIS does not require payment system reform, but integrating SIS in a new payment methodology may yield a better alignment of payments with costs and incentivize effective service delivery. **Given the actual IIRS expenditures from fiscal 2013 to 2015, the fiscal 2016 and 2017 appropriation for the IIRS and the SIS appears be overbudgeted. DLS recommends reducing the fiscal 2017 appropriation for the SIS and the IIRS by $500,000.**

5. Delayed Regional Office Reorganization

Beginning July 1, 2013, DHMH planned to reorganize DDA to improve accountability within the Community Service Program. Among other things, it anticipated that the reorganization would increase clinician involvement at the regional level and redefine the responsibilities of DDA's four regional offices.

DDA's regional teams establish individual eligibility and control, access to services, manage available funding, and monitor service provision to ensure quality of services. Moreover, add-ons are negotiated at the regional level with each provider. Add-ons are meant to accommodate temporary needs for unique or more intensive supports but they can be extended. Subsequently, this has resulted in inconsistencies across regions. The department planned to reassess the duties of the regional offices and determine whether certain responsibilities needed to be transferred to Program Direction.

In addition to hiring a number of key staff, DDA has implemented a new organizational structure in its headquarters that is designed to increase focus on program leadership, provider relations, and quality. With that realignment recently completed, the agency has now turned its attention to standardizing operations at its four regional offices (each of which currently has a different organizational structure). The regional offices will mirror headquarters for more consistency across State policy and procedures. The agency intended to have the organizational plan for the regional offices approved by the beginning of fiscal 2016, however in November 2015, DDA advised DLS that this may occur in the next six months. The agency now advises that work continues on the reorganization of the regional offices. Functional areas that align with functions at headquarters have been identified and staffing ratios are being developed. The staffing ratios will enable DDA to identify gaps in both the number of staff and the skill set required. **The agency should comment on its timeline for regional office reorganization.**

Recommended Actions

		Amount Reduction	
1.	Reduce funding for the Supports Intensity Scale and the Individual Indicator Rating Scale to align with most recent actual spending.	$ 287,500 $ 212,500	GF FF

2. Adopt the following narrative:

New Placements Within the Community Services Program: The committees request the Department of Health and Mental Hygiene (DHMH) to report, by each program within community services, on the number of new individuals placed into services from the following funding categories within the Community Services program: emergency, Waiting List Equity Fund, court-involved crisis services, and Transitioning Youth. The number of requests for services change should also be reported, and to the extent possible, the costs associated with changes in services should be identified. The report should be submitted on August 1, 2016, with fiscal 2016 actuals and on January 15, 2017, with year-to-date fiscal 2017 data.

Information Request	Author	Due Date
Reports on new placements within the Community Services Program	DHMH	August 1, 2016, and January 15, 2017

Total Reductions	**$ 500,000**
Total General Fund Reductions	**$ 287,500**
Total Federal Fund Reductions	**$ 212,500**

Updates

1. Emergency and Crisis Resolution Placements Report

The 2015 JCR requested a report on the definition of "emergency" used by DDA to determine funding for emergency placements and the methods used by DDA to determine who is selected to receive funding for crisis resolution placements. A report was submitted by DDA on January 4, 2016.

Under the current process, a coordinator of community services (CCS) or the local Department of Social Services contacts the DDA regional office with a request to initiate services due to an emergency situation with no other immediate resolution being available. The regional office then gathers information on the individual including their waiting list status, priority category, and eligibility determination. DDA assigns a category to an individual based on their priority. The DDA waiting list includes the following priority categories – crisis resolution, crisis prevention, and current need. The highest priority category is crisis resolution. The regional office then sends this information to the regional director to make a decision on whether or not the situation constitutes an emergency.

DDA determines placement eligibility based on an evaluation of criteria in Health-General Article, 7-101(f) and 7-404, Annotated Code of Maryland. An individual's request for emergency placement is determined by the regional director based on the following criteria:

- homelessness or housing that is explicitly time limited, with no viable non-DDA-funded alternative;
- serious risk of physical harm in the current environment:
    - has recently received severe injuries due to the behavior of others in the home or community;
    - has recently been the victim of sexual abuse;
    - has been neglected to the extent that the individual is at serious risk of sustaining injuries which are life threatening or which substantially impair functioning;
    - engages in self-injurious behavior which puts the individual at serious risk of sustaining injuries which are life threatening or which substantially impair functioning; or
    - is at serious risk of sustaining injuries which are life threatening or which substantially impair functioning due to the physical surroundings;
- serious risk of causing physical harm to others in the current environment; or

- living with a caregiver who is unable to provide adequate care due to the caregiver's impaired health, which may place the applicant at risk of serious physical harm.

If the regional director considers the situation an emergency, a DDA Regional Director Recommendation for Emergency Funding (request form) is completed and submitted it to the Deputy Secretary for Developmental Disabilities for denial or approval based on the circumstances described in the request form. In fiscal 2015, services were initiated for 97 people who were approved for emergency placements.

When funds are appropriated to support the placement of people from the waiting list, individuals are contacted based on the highest priority category and the length of time on the waiting list. The fiscal 2016 operating budget for DDA includes $3 million in general funds to facilitate services for people in the crisis resolution category on the waiting list, which consisted of 109 people as of August 8, 2015. Of the 109 people, 16 have initiated services as emergency placements, 7 have been approved as emergency placements but are pending start dates, and 47 have been contacted by CCS to inform them of funding availability (37 of which were in the waiver/placement process as of October 30, 2015).

2. Changes to Community Pathways Waiver and Requirements for Meeting Community Settings Rule

States must apply to the federal Centers for Medicare and Medicaid Services (CMS) through a Home and Community-based Service waiver application to obtain permission to operate a waiver program. The department is making several changes to its waiver program to align services to comply with a new federal Community Settings Rule issued in January 2014 (as well as to implement other recommendations to improve the Community Pathways waiver). The Community Settings Rule states that services provided in facilities, congregate settings, farmsteads, and/or services that have the effect of isolating individuals from the broader community are considered to have institutional qualities and therefore may not be in compliance.

To comply with the Community Settings Rule, individuals being served in these types of settings will need to be transitioned to more integrated community settings. States were required to submit a Statewide Transition Plan to CMS outlining strategies to come into compliance. Maryland submitted its plan on March 12, 2015. States must be in full compliance with the new rules by March 17, 2019.

The agency will be conducting provider surveys and onsite assessments to confirm the type of setting and the number of people served in these settings. The survey and assessment will also be used to determine which settings need to be transitioned and determine the potential fiscal impact of implementing the Community Settings Rule. For example, in Residential Services, group homes located on the same street of a cul de sac or in a farmstead type setting may have the effect of isolating people from the larger community and violate the rule. The CMS Community Rule allows states to establish that certain settings currently in use may continue as long as they will be able to meet the

minimum standards set in the rule. These standards are referred to as tiered standards. The agency advises it has formed a workgroup to develop tiered standards.

The agency is implementing other changes to improve the Community Pathways waiver based on recommendations by the National Association of State Directors of Developmental Disabilities Services. These changes require sequencing, therefore amendments will occur in stages. The department has proposed the first of two (or potentially three) Community Pathways waiver amendments and closed the public comment period January 31, 2016. The first amendment proposes the following changes:

- ***Personal Support:*** Remove the 82-hour service pre-authorization requirement and remove support staff hour requirements and restrictions including pre-authorization requirement for more than 40-hour work week, 8 consecutive hours, time off between shifts, and time spent sleeping. Change personal supports unit of service from an hour to 15 minutes.

- ***Program Capacity:*** Adjust projections for the number of unduplicated participants based on current trends, new reserved capacity, and legislative appropriation to support new participants each year.

- ***Reserved Capacity:*** Update and establish new reserve waiver capacity for waiver participants.

- ***Projected Services Cost:*** Update projected service cost based on adjustments to unduplicated participant count and current service utilization.

- ***Active Treatment:*** Remove requirement for active treatment in order to be eligible for the waiver.

- ***Terminology and Language:*** Update terminology, language, and calculations in various sections.

DDA advises that the introduction of waiver amendment 2 will come in the second half of fiscal 2016.

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 2015					
Legislative Appropriation	$574,302	$3,720	$418,473	$27	$996,522
Deficiency Appropriation	1,104	2,700	818	0	4,623
Cost Containment	-16,204	0	0	0	-16,204
Budget Amendments	7,117	651	2,392	3	10,163
Reversions and Cancellations	-443	-2,154	-14,148	0	-16,745
Actual Expenditures	**$565,876**	**$4,917**	**$407,536**	**$30**	**$978,359**
Fiscal 2016					
Legislative Appropriation	$590,152	$6,503	$462,684	$33	$1,059,371
Budget Amendments	12,761	0	15,839	0	28,600
Working Appropriation	**$602,913**	**$6,503**	**$478,524**	**$33**	**$1,087,971**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

The budget for DDA closed at $978.4 million, $18.2 million below the original legislative appropriation.

Deficiency appropriations increased the agency's budget by $4.6 million – $2.7 million in special funds to recognize funds collected from local governments for day services and $1.9 million ($818,461 in federal funds and $1.1 million in general funds) to cover consultant services needed to implement new financial management and reforms. Statewide cost containments by BPW reduced general funds by $16.2 million, which includes $2.7 million to correct underbudgeted special fund revenues collected from local governments for day services, $2.5 million to reflect actual utilization of support coordination services and ramping up of a fee-for-service model, $1.6 million to reflect changes in resource coordination that resulted in more services being eligible for a federal match and improved federal claiming for behavioral services, $1.0 million to reflect additional individuals reapplying and being deemed eligible for the federal waiver, $250,00 in assumed savings from utilization review, $5.2 million from lowering the fiscal 2015 mid-year provider rate increase from 4% to 2% and eliminating funding for the nonoperation Community Services Reimbursement Rate Commission, $2.7 million for a reversion from a prior year budget, and $253,630 for reductions in salaries and fringe benefits.

Budget amendments over the course of fiscal 2015 added $10.2 million to DDA's budget. The reallocation of fiscal 2015 budgeted funds for the 2015 cost-of-living adjustment (COLA) and salary increment increases for State employees resulted in the transfer of funds to DDA ($293,001 in general funds and $42,325 in federal funds). Budget amendments realigning health insurance costs within DHMH increased general funds by $656,390. In addition, reallocation of the Annual Salary Review increased general and federal funds by $277,507 and $2,256 respectively. Federal funds increased by $2,347,675 to cover increased Medicaid-eligible community service expenditures. General funds increased by $8,634,562 including $7.4 million to cover increased community residential services contract (audit payback), $168,292 to cover waiting list equity funds, and $1.4 million to cover overtime and electricity costs. These increases were offset by a reduction of $322,989 due to a decrease in contractual positions and a decreased cost of a fiscal consulting contract. Special funds increased by $650,946 to cover the increased cost of waiting list equity fund expenditures.

These increases were offset by a reduction in general funds of $42,331 to realign 15 FTEs from the Holly Center to other programs within DDA, $451,722 due to decreased contractual services, $776,650 due to a decrease in anticipated provider services, and $1.4 million due to the allocation of a funding reduction related to the Voluntary Separation Program implemented during fiscal 2015.

At the end of the year, the agency reverted $443,377 in general funds primarily due to the federal administrative claim rate increasing from a budgeted 38% to an actual of 42%, resulting in a surplus of general funds. Of the reverted general funds, $103,595 was a result of the Holly Center overestimating the deficit in third quarter projections and receiving too much general funds to cover that deficit by budget amendment. The agency cancelled $14.2 million in federal funds, primarily ($13.8 million) to cover an audit penalty from HHS. In addition, $2.2 million of DDA's special fund appropriation was canceled due to less than realized projected special fund attainment during the fiscal year.

Fiscal 2016

To date, the fiscal 2016 budget for DDA has increased by $28.6 million ($15.8 million in federal funds and $12.8 million in general funds). A budget amendment increased general funds by $6,146 to transfer the Maryland Environmental Services fee from the Office of the Secretary to DDA facility maintenance. General funds increased by an additional $7.0 million to realign the DHMH fiscal 2016 2% cost containment. General funds also increased $5.2 million for individual and family support services and crisis resolution services reflecting legislative priorities. Federal funds increased $15.8 million due to higher than anticipated Medicaid waiver participation. An additional $598,821 in general funds and $89,794 in federal funds were added to restore the 2 % pay cut.

Appendix 2

Audit Findings

Holly Center

Audit Period for Last Audit:	May 5, 2011 – June 30, 2014
Issue Date:	March 2015
Number of Findings:	2
Number of Repeat Findings:	1
% of Repeat Findings:	50%
Rating: (if applicable)	n/a

Finding 1: The Holly Center paid pharmaceutical invoices without verification of the items received and the costs charged.

Finding 2: **Physical inventories of equipment were not documented by the Holly Center and reconciliations of equipment records were not performed in a timely manner.**

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

Object/Fund Difference Report
DHMH – Developmental Disabilities Administration

Object/Fund	FY 15 Actual	FY 16 Working Appropriation	FY 17 Allowance	FY 16 - FY 17 Amount Change	Percent Change
Positions					
01 Regular	632.50	626.50	616.50	-10.00	-1.6%
02 Contractual	23.84	25.25	27.94	2.69	10.7%
Total Positions	**656.34**	**651.75**	**644.44**	**-7.31**	**-1.1%**
Objects					
01 Salaries and Wages	$ 46,341,542	$ 44,861,037	$ 47,044,042	$ 2,183,005	4.9%
02 Technical and Spec. Fees	1,458,735	1,396,235	1,453,846	57,611	4.1%
03 Communication	223,959	267,220	213,278	-53,942	-20.2%
04 Travel	56,294	59,372	49,485	-9,887	-16.7%
06 Fuel and Utilities	2,216,092	1,868,807	1,524,587	-344,220	-18.4%
07 Motor Vehicles	143,920	197,497	144,257	-53,240	-27.0%
08 Contractual Services	925,106,705	1,036,581,810	1,098,494,148	61,912,338	6.0%
09 Supplies and Materials	1,342,336	1,381,469	1,208,875	-172,594	-12.5%
10 Equipment – Replacement	36,788	45,929	2,848	-43,081	-93.8%
11 Equipment – Additional	38,838	0	14,109	14,109	N/A
12 Grants, Subsidies, and Contributions	730,485	730,000	730,000	0	0%
13 Fixed Charges	662,929	581,981	580,213	-1,768	-0.3%
Total Objects	**$ 978,358,623**	**$ 1,087,971,357**	**$ 1,151,459,688**	**$ 63,488,331**	**5.8%**
Funds					
01 General Fund	$ 565,875,527	$ 602,912,539	$ 635,766,883	$ 32,854,344	5.4%
03 Special Fund	4,917,332	6,502,585	6,229,576	-273,009	-4.2%
05 Federal Fund	407,535,774	478,523,687	509,433,632	30,909,945	6.5%
09 Reimbursable Fund	29,990	32,546	29,597	-2,949	-9.1%
Total Funds	**$ 978,358,623**	**$ 1,087,971,357**	**$ 1,151,459,688**	**$ 63,488,331**	**5.8%**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Fiscal Summary
DHMH – Developmental Disabilities Administration

Program/Unit	FY 15 Actual	FY 16 Wrk Approp	FY 17 Allowance	Change	FY 16 - FY 17 % Change
01 Program Direction	$ 9,339,926	$ 9,147,286	$ 10,197,630	$ 1,050,344	11.5%
02 Community Services	925,298,438	1,038,312,154	1,099,736,038	61,423,884	5.9%
01 Services and Institutional Operations	18,207,906	17,660,750	17,561,407	-99,343	-0.6%
01 Court-involved Service Delivery	8,898,454	8,584,270	8,975,621	391,351	4.6%
01 Services and Institutional Operations	14,372,316	12,694,728	13,578,201	883,473	7.0%
01 Services and Institutional Operations	2,241,583	1,572,169	1,410,791	-161,378	-10.3%
Total Expenditures	**$ 978,358,623**	**$ 1,087,971,357**	**$ 1,151,459,688**	**$ 63,488,331**	**5.8%**
General Fund	$ 565,875,527	$ 602,912,539	$ 635,766,883	$ 32,854,344	5.4%
Special Fund	4,917,332	6,502,585	6,229,576	-273,009	-4.2%
Federal Fund	407,535,774	478,523,687	509,433,632	30,909,945	6.5%
Total Appropriations	**$ 978,328,633**	**$ 1,087,938,811**	**$ 1,151,430,091**	**$ 63,491,280**	**5.8%**
Reimbursable Fund	$ 29,990	$ 32,546	$ 29,597	-$ 2,949	-9.1%
Total Funds	**$ 978,358,623**	**$ 1,087,971,357**	**$ 1,151,459,688**	**$ 63,488,331**	**5.8%**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.