

M00A01
Administration
Maryland Department of Health

Operating Budget Data

(\$ in Thousands)

	FY 17 <u>Actual</u>	FY 18 <u>Working</u>	FY 19 <u>Allowance</u>	FY 18-19 <u>Change</u>	% Change <u>Prior Year</u>
General Fund	\$26,098	\$18,232	\$19,804	\$1,572	8.6%
Adjustments	0	3,268	98	-3,170	
Adjusted General Fund	\$26,098	\$21,501	\$19,902	-\$1,599	-7.4%
Special Fund	250	1,409	735	-675	-47.9%
Adjustments	0	0	0	0	
Adjusted Special Fund	\$250	\$1,409	\$735	-\$675	-47.9%
Federal Fund	15,160	16,097	16,141	44	0.3%
Adjustments	0	-40	96	136	
Adjusted Federal Fund	\$15,160	\$16,057	\$16,238	\$180	1.1%
Reimbursable Fund	9,411	10,075	9,740	-335	-3.3%
Adjustments	0	0	23	23	
Adjusted Reimbursable Fund	\$9,411	\$10,075	\$9,763	-\$312	-3.1%
Adjusted Grand Total	\$50,921	\$49,042	\$46,637	-\$2,405	-4.9%

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- There are two deficiencies for the Maryland Department of Health (MDH) Administration budget. The first deficiency, for \$1.9 million in general funds, provides funds to cover a declining share of indirect cost recovery revenue. The second deficiency, for \$1.7 million, provides funds for facility maintenance projects across the entire department.
- The fiscal 2019 MDH Administration allowance decreases by \$2.4 million net of all deficiencies as well as across-the-board fiscal 2018 and 2019 actions. Major changes include an increase of \$1.9 million for additional departmentwide facility maintenance projects, offset

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

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by large decreases to back out the indirect cost recovery deficiency (\$1.9 million), for major information technology projects (\$1.0 million), and contractual employee health insurance costs at local health departments (\$0.6 million)

Personnel Data

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>
Regular Positions	331.00	325.00	325.00	0.00
Contractual FTEs	<u>5.62</u>	<u>8.31</u>	<u>9.45</u>	<u>1.14</u>
Total Personnel	336.62	333.31	334.45	1.14

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	21.78	6.70%
Positions and Percentage Vacant as of 12/31/17	28.00	8.62%

- While there are no changes in positions between the fiscal 2018 working appropriation and the fiscal 2019 allowance, the MDH Administration budget did lose 6.0 positions from fiscal 2017.
- Budgeted turnover is 6.7%, which is slightly lower than the currently budgeted 7.0% turnover rate. At this lower rate, the department would have to maintain an average of 21.8 vacant positions throughout the year. Currently, there are 28.0 vacant positions, or 8.6%.

Analysis in Brief

Major Trends

Repeat Audit Findings Remain High: The percentage of repeat audit findings across the department remained high at 26% in fiscal 2017, comparable to the rate of 27% in fiscal 2016.

Critical Workforce Retention Remains Low: The retention rate for workers within 20 key employment categories remained at a low of 81% in fiscal 2017, maintaining the lowest mark since fiscal 2002. This included a vacancy rate among skilled direct care workers of 30%.

Issues

Direct Care Workforce Retention Issues Continue to Worsen: During the 2017 interim, the department submitted two reports requested in the *Joint Chairmen's Report* concerning workforce retention issues and programs. The first requested information on loan repayment assistance programs, including recommendations for increasing the use of these programs. However, the department failed to indicate in the report which recommendations it planned to implement, and the timeline for implementation. **The department should comment on which recommendations it plans to implement, and by when each of the recommendations will be fully implemented.** The second report was about a previous workgroup's recommendation that employees at the State facilities be reclassified to forensic-level salaries in order to improve the recruitment and retention of these employees. However, beyond indicating that the department disagreed with the specific recommendation to designate all facilities as forensic, the report was silent as to how to otherwise improve the recruitment and retention of these workers. **The Department of Legislative Services recommends language requesting a report containing information on the appropriate salary and compensation levels necessary to better recruit and retain these employees.**

Operating Budget Recommended Actions

1. Add budget bill language requesting a report on the resolution of repeat audit findings.
2. Add budget bill language requesting a report on improving the recruitment and retention of direct care employees.

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Operating Budget Analysis

Program Description

The Maryland Department of Health (MDH) Administration budget analysis focuses on the Office of the Secretary, which is divided into the Executive Direction and Operations functions. These offices establish policies regarding health services and supervise the administration of the health laws of the State and its subdivisions, while also providing for the main operations components of the entire department, including administrative, financial, information technology (IT), and general services (such as central warehouse management, inventory control, fleet management, space management, and management of engineering/construction projects). Other components of the Office of the Secretary include the Office of Minority Health and Health Disparities as well as special and federal fund major IT spending for the entire department excluding Medicaid.

Performance Analysis: Managing for Results

1. Repeat Audit Findings Remain High

The MDH Administration Managing for Results measures are administrative in nature. Two selected measures are included in **Exhibit 1**. One measure that has been consistently tracked over the last few years is the number of repeat audit findings in audits conducted by the Office of Legislative Audits. In recent years, there have been some extensive fluctuations in the percentage of previous audit findings that are repeated in the most recent fiscal compliance audit. After a steady decline to 11% in fiscal 2013, the percentage of repeat audit findings increased once again, with fiscal 2016 and 2017 at 27% and 26%, respectively. Further, this percentage is not expected to decline in the near future. However, it should be noted that the number of repeat audit findings in fiscal 2017 only totaled 5 out of a possible 19.

Exhibit 1
Maryland Department of Health – Administration
Selected Program Measurement Data
Fiscal 2013-2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Repeat OLA Audit Comments (Percent)	11	30	18	27	26
Retention rate within 20 key classifications (Percent)	86	88	84	81	81

OLA: Office of Legislative Audits

Note: 35% is standard for audits repeat findings.

Source: Maryland Department of Health

2. Critical Workforce Retention Remains Low

Another measure that is consistently tracked is the department’s ability to attract and retain a skilled workforce, which is measured by the employment rate within 20 key classifications (see **Exhibit 2**). These 20 classifications are taken from over 750 classification levels used by MDH and are considered by the department to be a representative sample of those classifications key to fulfilling the mission of the department. The employment rate is calculated by dividing the number of filled positions versus total positions on a monthly basis and then averaging for the year. This particular measure had essentially been flat since fiscal 2010, at 88%. However, the retention rate declined to the lowest rate since fiscal 2002 in fiscal 2016 and remained at that 81% level in fiscal 2017.

Exhibit 2
MDH MFR Filled Position Goal – 20 Key Classification Levels

Sanitarian IV/Environmental Sanitarian II	Direct Care Assistant II
Coordinator Special Programs Health Services/Developmental Disabilities	Community Health Nurse II
Medical Care Program Specialist II	Health Facility Surveyor Nurse I
Agency Procurement Specialist II	Registered Nurse
Office Secretary III	Computer Network Specialist II
Public Health Lab Scientist General and Lead	Fiscal Accounts Clerk II
Social Worker II, Health Services	Accountant II
Program Administrator II, Health Services	Physician Clinical Specialist
Alcohol and Drug Counselors	Physician Program Manager
Epidemiologist III	Health Policy Analyst, Advanced

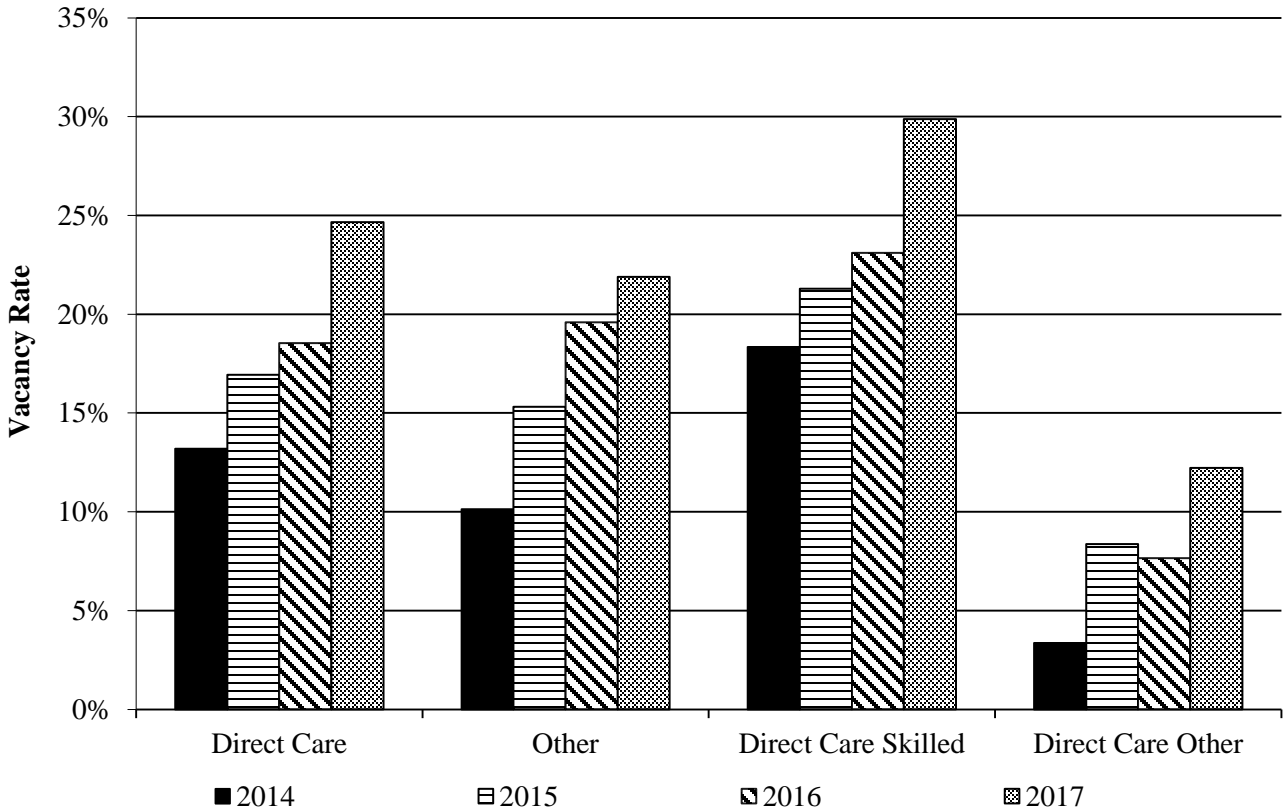
MDH: Maryland Department of Health
MFR: Managing for Results

Source: Maryland Department of Health

Exhibit 3 presents more detailed information from the same data and shows:

- The vacancy rate among the direct care categories has grown, from 13% to 25%, between fiscal 2014 and 2017. However, there has been a significant increase in the number of direct care positions over the same timeframe, from 1,221 to 1,557, due to the reclassification of other vacant positions to direct care positions.
- The vacancy rate among the nondirect care categories has been lower, but has also exhibited a similar trend, with a low of 10% in fiscal 2014 but a high of 22% in fiscal 2017.
- The difference in terms of vacancy rates within the direct care category between skilled direct care workers (for example, nurses and physicians) and other direct care workers (in this instance, direct care assistants) continues to be a concern. The vacancy rate among skilled direct care workers is 30% in fiscal 2017, compared to 12% for other direct care workers. The disparity grew slightly between fiscal 2014 and 2017, but the large increases in the vacancy rates for both categories (up from 18% and 3% for both skilled and other direct care workers, respectively) illustrate the persistent hiring issues that the department has yet to address.

**Exhibit 3
MDH – 20 Key Classification Levels Vacancy Data
Fiscal 2014-2017**



MDH: Maryland Department of Health

Source: Maryland Department of Health

Fiscal 2018 Actions

Proposed Deficiency

There are two proposed general fund deficiencies for the MDH Administration budget. The first is \$1,924,819 to provide funds to replace a declining share of indirect cost recoveries. The second deficiency is \$1,719,300 to provide funds for facility maintenance across the department. This allotment is in addition to general funds added to the allowance. An exhibit containing detail on the projects to be funded with these funds is provided below.

Cost Containment

On September 6, 2017, the Board of Public Works reduced general funds across various departments. For MDH Administration, there were three specific reductions:

- \$119,031 to reflect higher federal fund match for five information technology positions;
- \$26,900 in funding for training services in the Office of Human Resources; and
- \$91,647 in savings by transitioning an Office of Information Technology employee under contract to a newly vacant position and eliminating the contract.

In addition to those actions, there is a 25% departmentwide reduction for travel expenses, totaling \$216,261, of which \$40,149 is reflected in this analysis. There was also a departmentwide reduction of \$5,000,000 in general funds due to the negotiation of contract renewals in excess of \$10,000,000. However, since it is unknown which contracts are going to generate these savings, the entire reduction is contained within the MDH Administration budget, both for fiscal 2018 as well as the fiscal 2019 allowance. At this time, MDH has not identified which contracts are going to contribute to these savings and whether it is even possible to achieve these savings on a year-by-year basis. **The department should comment on the likelihood of actually achieving these savings, and if they do not, where will the additional general funds come from.**

Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency's share of this reduction is \$376,008 in general funds, and \$39,678 in federal funds.

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2019 allowance for MDH Administration decreases by \$2.4 million from the fiscal 2018 working appropriation net of both the proposed fiscal 2018 deficiencies as well as the fiscal 2018 and 2019 across-the-board actions.

**Exhibit 4
Proposed Budget
MDH – Administration
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2017 Actual	\$26,098	\$250	\$15,160	\$9,411	\$50,921
Fiscal 2018 Working Appropriation	\$21,501	\$1,409	\$16,057	\$10,075	\$49,042
Fiscal 2019 Allowance	<u>\$19,902</u>	<u>\$735</u>	<u>\$16,238</u>	<u>\$9,763</u>	<u>\$46,637</u>
Fiscal 2018-2019 Amount Change	-\$1,599	-\$675	\$180	-\$312	-\$2,405
Fiscal 2018-2019 Percent Change	-7.4%	-47.9%	1.1%	-3.1%	-4.9%

Where It Goes:

Personnel Expenses

Health insurance payroll holiday	\$416
General salary increase	217
Turnover adjustments.....	158
Workers’ compensation premium assessment	26
Social Security contributions	-70
Retirement contributions.....	-169
Salary adjustments	-704
Indirect cost recovery deficiency	-1,925
Other fringe benefit adjustments.....	-2

Other Changes

Facility maintenance funding.....	1,935
Office of Administrative Hearings allocation.....	-35
Department of Information Technology allocation.....	-61
Statewide personnel system	-528
Local health department contractual health insurance	-601
Major IT funding.....	-1,026
Other	-58

Total **-\$2,428**

IT: information technology
MDH: Maryland Department of Health

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

Personnel

The fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management's (DBM) statewide program and will be distributed to agencies during the fiscal year. This agency's share of the general salary increase is \$97,799 in general funds, \$96,357 in federal funds, and \$22,544 in reimbursable funds. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

Additional changes in personnel expenditures beyond the across-the-board adjustments reduce the allowance by approximately \$762,000. The largest change is in regular salary adjustments, totaling approximately \$704,000, due to positions returning to base as well as the removal of positions during fiscal 2018. Further, there is a large decline in general personnel expenditures due to the fact that the deficiency for indirect cost recoveries adds the appropriate general funds for the working appropriation but does not back out the appropriate amount of federal funds. Thus, the current working appropriation is inflated for total personnel costs.

Other Changes

The largest change in the operating budget for MDH Administration is an increase of \$1,935,000 for facility maintenance projects across the department. These funds, totaling \$3,654,300 in the fiscal 2019 allowance, are going to fund the various projects presented in **Exhibit 5**. For the most part, these are projects aimed at making various anti-ligature and safety improvements at facilities across the department. It should be noted that in the 2009 capital budget, the department was given \$4,000,000 for very similar types of projects. These funds, however, were partially de-authorized in 2015 and 2016, bringing the total down to \$3,615,066, due to the fact that the department indicated that they were done with these anti-ligature projects.

Exhibit 5
Maryland Department of Health – Facility Maintenance Projects
Fiscal 2018-2019

<u>Item Name</u>	<u>2018</u>	<u>2019</u>
Feasibility Study: Clifton T. Perkins Hospital	\$100,000	
Feasibility Study: Master Plan	200,000	
Anti-ligature: Spring Grove Hospital Center	919,300	\$919,300
Anti-ligature: John L. Gildner RICA		300,000
Anti-ligature: Springfield Hospital Center		275,000
Anti-ligature: Baltimore RICA		350,000
Anti-ligature: Thomas B. Finan Center	100,000	
Anti-ligature: Clifton T. Perkins Hospital		700,000
Anti-ligature: Eastern Shore Hospital Center		300,000
OCME – Autopsy Suite B		110,000
OCME – Roof/Sheathing Assessment	100,000	500,000
Springfield: SETT Security	300,000	200,000
Total	\$1,719,300	\$3,654,300

OCME: Office of the Chief Medical Examiner
RICA: Regional Institute for Children and Adolescents
SETT: Secure Evaluation and Therapeutic Treatment

Source: Maryland Department of Health

Other major changes include two large decreases. The first is roughly \$1 million in major IT funding, reflecting lower expected costs for the Health Occupational Boards Licensing and Regulatory Management System Project. This project will be further discussed in the Health Occupational Boards and Commissions Budget Analysis. There is also a reduction of \$601,000 to cover the costs of contractual employee health insurance premiums at the various local health departments due to a lower projected funding requirement for this line item.

Issues

1. Direct Care Workforce Retention Issues Continue to Worsen

As previously discussed in the performance metrics section, MDH has an ever increasing workforce retention issue. This has been a long recurring theme across the department, and particularly striking at the many direct care facilities that the department operates. In response to these concerns, the budget committees requested two reports on strategies to improve the recruitment and retention of high vacancy, high importance positions.

Loan Repayment Assistance

In order to attract highly skilled, difficult to recruit positions to fulfill the core responsibilities of the department, MDH, along with the Department of Human Services (DHS), offer eight different loan repayment assistance and scholarship programs for State employees. These programs are available to individuals who fill high vacancy position classifications within either department, and they are funded by the State, the federal government, or a collaboration between the two entities. In response to concerns that the programs were being underutilized, the budget committees requested a report on the development and feasibility of increasing the use of such programs. The report was to outline which high vacancy position classifications would be eligible for the program, what resources are currently available to assist in filling those vacancies, and make recommendations regarding ways to increase the use of these programs, or create new ones. The report, to be written by MDH, DHS, and the Maryland Higher Education Commission, was to be submitted by November 1, 2017. The report was submitted on December 12, 2017.

The report contained four distinct parts: (1) a summary of loan repayment assistance and scholarship programs available to MDH and DHS employees; (2) a definition of the term “high vacancy position classification”; (3) a summary of the high vacancy position data for MDH and DHS; and (4) recommendations for increasing the use of these programs. The recommendations included:

- the addition of a session on loan repayment assistance and scholarship programs during the initial orientation meeting for new State employees;
- the development of an informational campaign to ensure current and potential employees are aware of loan repayment assistance and scholarship programs;
- partnering with DBM and the Department of Labor, Licensing, and Regulation to add links on various employee and jobs web pages containing a summary of all loan repayment assistance and scholarship programs; and
- including acknowledgement of access to loan repayment assistance and scholarship programs information in the application process for a Maryland State job.

There were no recommendations for any additional programs. Further, no timetable was included in the report for implementation by the department. **The department should comment on which recommendations it plans to implement, and by when each of the recommendations will be fully implemented.**

Salaries and Reclassification

In addition to loan repayment and scholarship programs, the budget committees also requested a report on the reclassification of employees at institutions with forensic patients. Based on testimony provided at various budget hearings regarding the increasing acuity of patients at the State's psychiatric facilities, as well as a recommendation from the Forensic Services Workgroup from August 2016, the report was to contain an update on the implementation of the recommendation that employees at all State psychiatric facilities receive reclassifications so that the salaries would be more in alignment with those employees at the Clifton T. Perkins Hospital Center (Perkins), which is the State's only designated forensic facility. The report was initially due on October 1, 2017, but based on an extension request the date was changed to December 1, 2017. The report was finally submitted on December 12, 2017.

However, the final report contained no information about the reclassification of employees at the psychiatric institutions, other than to mention that the department no longer concurs with the recommendation. What is most concerning is the fact that in their extension request letter the department indicated that it needed the additional time in order to finish gathering the data necessary for the reclassification study. While the extension was granted with this necessity in mind, the report contained no such study.

Further, while the report indicates that the main reasons for not reclassifying employees to the same personnel classifications as those employees at Perkins are due to the different acuity levels of the patients at Perkins, as well as the fact that similar salary levels at all of the institutions would create retention and recruitment issues at Perkins itself, the report is completely silent on the issue of whether or not any of the employees are appropriately compensated for their current positions. Also, while the report notes that the higher pay available at Perkins is a major recruiting tool for that institution, as of December 31, 2018, Perkins had more vacant positions and a higher vacancy rate than either Springfield Hospital Center or Spring Grove Hospital Center.

Budget testimony presented by the department last year indicated that part of the problem with recruiting and retaining direct care staff, and in particular registered nurses, is that the State's salary structure for these positions is not competitive with the rest of the marketplace for these individuals, and that the high vacancy rate, especially for the direct care positions, is a critical problem facing the department as a whole. However, based upon the response to the *Joint Chairmen's Report* request, it is unclear if the department continues to feel this way, even though vacancy rates among these positions continue to climb within the department. Furthermore, while the department offers retention bonuses for registered nurse positions as a strategy to improve recruitment and retention for these positions, it appears that this strategy has yet to significantly improve the turnover rate for this classification. Without addressing the vacancy rate, the department's facilities in particular will continue to be

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understaffed, potentially presenting a danger to both the workforce as well as the vulnerable populations within these facilities. **The Department of Legislative Services recommends language requesting a report containing information on the appropriate salary and compensation levels necessary to better recruit and retain these employees.**

Operating Budget Recommended Actions

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

, provided that since the Maryland Department of Health (MDH) – Office of the Secretary has had four or more repeat findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), \$100,000 of this agency’s administrative appropriation may not be expended unless:

- (1) MDH has taken corrective action with respect to all repeat audit finds on or before November 1, 2018; 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 2019.

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

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

Further provided that \$250,000 of this appropriation made for the purpose of administration may not be expended until the Maryland Department of Health (MDH) submits a report to the budget committees detailing how MDH plans to improve the recruitment and retention of direct care employees at the department’s residential institutions. The report should include (1) an analysis of the appropriate compensation required to improve the recruitment and retention of direct care staff; and (2) the budgetary impact of closing the salary gap required to appropriately compensate the direct care staff. This report shall be submitted by November 1, 2018, 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.

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Explanation: The vacancy rates of direct care staff, including nurses, physicians, and direct care aides, continues to climb across MDH, and evidence presented at previous hearings has suggested that one of the main reasons for the high vacancy rate is a lack of appropriate compensation for these positions. The committees request that the department submit a report detailing what salaries the department would have to provide in order to lower the vacancy rates amongst these employees, including the impact upon the budget of reclassifying the salaries of these employees to the appropriate rates.

Information Request	Author	Due Date
Direct care recruitment and retention study	MDH	November 1, 2018

Appendix 1
Current and Prior Year Budgets
Maryland Department of Health – Administration

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2017					
Legislative Appropriation	\$24,605	\$274	\$16,474	\$8,060	\$49,413
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	1,494	0	39	2,039	3,571
Reversions and Cancellations	0	-23	-1,352	-687	-2,063
Actual Expenditures	\$26,098	\$250	\$15,160	\$9,411	\$50,921
Fiscal 2018					
Legislative Appropriation	\$23,510	\$1,409	\$16,097	\$9,724	\$50,740
Cost Containment	-5,278	0	0	0	-5,278
Budget Amendments	0	0	0	351	351
Working Appropriation	\$18,232	\$1,409	\$16,097	\$10,075	\$45,814

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

Actual spending in fiscal 2017 for the Maryland Department of Health Administration was \$1,507,878 above the legislative appropriation.

General fund spending increased by \$1,493,324 from the legislative appropriation in fiscal 2017. Large increases included \$902,316, mainly to backfill for lower than anticipated federal fund revenue, as well as \$372,876 to fund salary increments. Additional budget amendments added \$154,431 for increased salary expenses as well as \$64,152 to realign general funds as a result of Section 20 of the budget bill. These increases were only offset by reversions totaling \$451.

Special fund spending decreased by \$23,155 from the legislative appropriation due to lower than expected expenditures for the Board of Physicians major information technology project.

Federal fund spending decreased by \$1,313,442 from the legislative appropriation, mainly due to cancellations totaling \$1,351,997. These cancellations were mainly due to lower than anticipated federal fund revenue as a result of higher than expected vacancies, as well as reduced Medicaid administrative hearing expenses. This decrease was offset by a \$38,555 increase for salary increments.

Reimbursable fund spending increased by \$1,351,151 from the legislative appropriation. Major increases came from the Department of Information Technology's Major Information Technology Fund, including \$1,405,200 for the Maryland public health system to participate in the MD FiRST interoperable portable radio project, as well as \$500,000 for the statewide electronic health record project. An additional \$133,373 was also added to support the purchase of hardware and software to enhance and expand the functions of the Automated Data Reporting System. These increases were offset by cancellations totaling \$687,422, mainly due to slower than anticipated spending for various information technology projects. Most of this spending is expected to carry over into fiscal 2018.

Fiscal 2018

To date, the working appropriation for MDH Administration is \$4,926,852 below the legislative appropriation. As noted earlier in this analysis, general funds decline by \$5,277,727 due to cost containment actions taken by the Board of Public Works. These reductions, however, are offset by an increase of \$350,875 in reimbursable funds for the electronic health records major information technology project.

**Appendix 2
Audit Findings**

Audit Period for Last Audit:	February 72, 2013 – January 10, 2016
Issue Date:	August 2017
Number of Findings:	17
Number of Repeat Findings:	6
% of Repeat Findings:	35.3%
Rating: (if applicable)	Unsatisfactory

- Finding 1:** The Maryland Department of Health (MDH) did not provide adequate guidance and oversight regarding 304 interagency agreements valued at \$329.5 million that MDH administrations entered into with units of State universities. As a result, assurance was lacking that the services provided under these agreements were appropriate and represented the best value. In addition, certain administrative fees included in the agreements appeared excessive.
- Finding 2:** MDH did not establish procedures to help ensure that agencies responsible for administering interagency agreements verified that the appropriate services were provided by the universities at the agreed-upon costs.
- Finding 3:** MDH did not always comply with State procurement requirements regarding the award of sole source and emergency contracts.
- Finding 4:** MDH did not have a formal monitoring procedure to ensure that it consistently complied with publication requirements for service and information technology contract awards.
- Finding 5:** MDH did not always comply with State procurement regulations with respect to bidding requirements and retention of critical procurement documentation. Additionally, MDH also awarded a contract for an amount substantially higher than could be supported by the related bid.
- Finding 6:** **Supervisory oversight of federal fund reimbursement requests was not always effective.**
- Finding 7:** **The Office of the Inspector General (OIG) had not audited certain providers for more than five years and did not always conduct private provider audits in a comprehensive manner.**
- Finding 8:** OIG did not have a formal process for oversight and monitoring to ensure corrective actions were taken by both local health departments and private providers.
- Finding 9:** Sensitive personally identifiable information within a database and data file was stored without adequate safeguards.

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- Finding 10:** Network access to critical MDH internal network devices was not properly restricted, intrusion detection prevention system coverage was not complete or adequate, and certain wireless connections were not configured securely.
- Finding 11:** Malware protection for MDH computers was not sufficient to provide the Office of Information Technology with adequate assurance that these computers were properly protected.
- Finding 12:** Information technology contractors had unnecessary network-level access to the MDH network.
- Finding 13:** Controls were not established to ensure collections were properly accounted for, deposited, and secured.
- Finding 14:** MDH did not adequately pursue collection of certain Division of Cost Accounting and Reimbursements delinquent accounts receivable.
- Finding 15:** Overtime earned by certain Secure Evaluation and Therapeutic Treatment Program employees for an extended period appeared questionable and was not investigated.
- Finding 16:** MDH did not comply with certain corporate purchasing card requirements relating to the sharing of cards and certain purchasing activities.
- Finding 17:** MDH physical inventory procedures did not comply with certain Department of General Services requirements.

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

Appendix 3
Major Information Technology Projects
Maryland Department of Health – Administration
Computerized Hospital Record & Information System (CHRIS)

Project Status	Planning.	New/Ongoing Project:	Ongoing.					
Project Description:	Replacement of the current hospital management information system (HMIS) with a new commercial off-the-shelf (COTS) electronic health record (EHR) HMIS for the Maryland Department of Health (MDH) that would not require a significant amount of customization.							
Project Business Goals:	To install an EHR system that will improve operational efficiency, hospital planning, evaluation and accreditation, patient care and safety, data security and reduce admissions costs. Also, the system would enable hospitals and facilities to electronically send and receive protected health information with MDH and support the goal of transitioning to electronic reporting.							
Estimated Total Project Cost:	\$28,550,000	Estimated Planning Project Cost:	n/a.					
Project Start Date:	December 2013.	Projected Completion Date:	June 2022.					
Schedule Status:	The project is in the initiation phase and MDH has received funding for the planning of an EHR system for the 11 hospitals.							
Cost Status:	Fiscal 2019 funding included in the Department of Information Technology (DoIT) budget.							
Scope Status:	n/a.							
Project Management Oversight Status:	DoIT project oversight is now in place.							
Identifiable Risks:	High risks include unknown costs and funding availability beyond fiscal 2019 as well as limited direct interdependencies, achieving user acceptance, and maintaining flexibility for the COTS system to achieve compatibility with MDH requirements.							
Additional Comments:	This project in the past included the Department of Public Safety and Corrections (DPSCS), but after further review DPSCS will pursue their own EHR solution because it was determined their functionality did not align with MDH's functionality.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	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	625.0	4,680.0	15,245.0	4,000.0	4,000.0	0.0	0.0	28,550.0
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$625.0	\$4,680.0	\$15,245.0	\$4,000.0	\$4,000.0	\$0.0	\$0.0	\$28,550.0

**Appendix 3 (Cont.)
Major Information Technology Projects
Maryland Department of Health – Administration
Licensing and Regulatory Management System**

Project Status	Planning.	New/Ongoing Project:	New.					
Project Description:	An enterprise licensing and regulatory management solution (LRMS) capable of the management of every aspect of licensing and discipline, including software licenses and support, systems analysis, development, implementation, and support services for the Health Occupational Boards.							
Project Business Goals:	For the Maryland Department of Health (MDH) and the Health Occupational Boards, to procure and implement an electronic LRMS system that will assure quality care through the efficient licensure and effective discipline of health providers.							
Estimated Total Project Cost:	\$3,868,200			Estimated Planning Project Cost:	n/a.			
Project Start Date:	November 2014.			Projected Completion Date:	June 2022.			
Schedule Status:	The project is in the initiation phase. The scope of the planning encompasses the collection of requirements, the assessment of commercial off-the-shelf options, the development of a justification for investment in implementation, and the draft of a preliminary request for proposals. A request for information to determine the availability of LRMS systems in the market was sent out in July 2016.							
Cost Status:	Fiscal 2019 funding include in the MDH budget.							
Scope Status:	n/a.							
Project Management Oversight Status:	Department of Information Technology oversight is in place.							
Identifiable Risks:	High risks include the availability of funding beyond fiscal 2019, as well as working on interdependencies of the system across business partners, contracted vendors, federal databases, and other State agencies.							
Additional Comments:	This project is a continuation of the information technology licensing project initiated by the Board of Physicians in 2015. However, funding from fiscal 2019 forward is coming from the Board of Nursing special fund.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	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	1,999.7	734.5	378.0	378.0	378.0	0.0	0.0	3,868.2
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$1,999.7	\$734.5	\$378.0	\$378.0	\$378.0	\$0.0	\$0.0	\$3,868.2

**Appendix 4
Object/Fund Difference Report
MDH – Administration**

<u>Object/Fund</u>	<u>FY 17 Actual</u>	<u>FY 18 Working Appropriation</u>	<u>FY 19 Allowance</u>	<u>FY 18 - FY 19 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	331.00	325.00	325.00	0.00	0%
02 Contractual	5.62	8.31	9.45	1.14	13.7%
Total Positions	336.62	333.31	334.45	1.14	0.3%
Objects					
01 Salaries and Wages	\$ 30,520,261	\$ 30,434,348	\$ 29,672,727	-\$ 761,621	-2.5%
02 Technical and Spec. Fees	563,010	2,110,554	1,684,645	-425,909	-20.2%
03 Communication	1,412,437	1,470,906	1,456,493	-14,413	-1.0%
04 Travel	140,114	103,852	115,302	11,450	11.0%
06 Fuel and Utilities	189,385	254,270	254,990	720	0.3%
07 Motor Vehicles	104,235	55,701	55,131	-570	-1.0%
08 Contractual Services	12,220,895	7,340,067	5,532,650	-1,807,417	-24.6%
09 Supplies and Materials	505,514	566,880	527,459	-39,421	-7.0%
10 Equipment – Replacement	1,934,408	369,546	365,280	-4,266	-1.2%
11 Equipment – Additional	312,437	315,177	318,312	3,135	1.0%
12 Grants, Subsidies, and Contributions	872,739	707,296	712,375	5,079	0.7%
13 Fixed Charges	2,145,322	2,084,921	2,070,344	-14,577	-0.7%
14 Land and Structures	0	0	3,654,300	3,654,300	N/A
Total Objects	\$ 50,920,757	\$ 45,813,518	\$ 46,420,008	\$ 606,490	1.3%
Funds					
01 General Fund	\$ 26,098,452	\$ 18,232,495	\$ 19,804,266	\$ 1,571,771	8.6%
03 Special Fund	250,493	1,409,463	734,500	-674,963	-47.9%
05 Federal Fund	15,160,416	16,096,969	16,141,271	44,302	0.3%
09 Reimbursable Fund	9,411,396	10,074,591	9,739,971	-334,620	-3.3%
Total Funds	\$ 50,920,757	\$ 45,813,518	\$ 46,420,008	\$ 606,490	1.3%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

**Appendix 5
Fiscal Summary
MDH – Administration**

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
01 Executive Direction	\$ 13,571,404	\$ 14,180,761	\$ 13,804,100	-\$ 376,661	-2.7%
02 Financial Management Administration	35,494,535	29,872,419	31,881,408	2,008,989	6.7%
08 Major IT Projects	1,854,818	1,760,338	734,500	-1,025,838	-58.3%
Total Expenditures	\$ 50,920,757	\$ 45,813,518	\$ 46,420,008	\$ 606,490	1.3%
General Fund	\$ 26,098,452	\$ 18,232,495	\$ 19,804,266	\$ 1,571,771	8.6%
Special Fund	250,493	1,409,463	734,500	-674,963	-47.9%
Federal Fund	15,160,416	16,096,969	16,141,271	44,302	0.3%
Total Appropriations	\$ 41,509,361	\$ 35,738,927	\$ 36,680,037	\$ 941,110	2.6%
Reimbursable Fund	\$ 9,411,396	\$ 10,074,591	\$ 9,739,971	-\$ 334,620	-3.3%
Total Funds	\$ 50,920,757	\$ 45,813,518	\$ 46,420,008	\$ 606,490	1.3%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.