

M00A01.03
Office of Health Care Quality
Department of Health and Mental Hygiene

Operating Budget Data

(\$ in Thousands)

	FY 02	FY 03	FY 04	FY 03 - 04	FY 03 - 04
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
General Funds	\$9,087	\$10,462	\$9,957	-\$505	-4.8%
FY 2003 Cost Containment	0	-720	0	720	
Contingent & Back of Bill Reductions	0	-11	-56	-45	
Adjusted General Funds	\$9,087	\$9,731	\$9,901	\$170	1.7%
Special Funds	139	336	350	14	4.3%
Federal Funds	4,007	4,244	3,974	-270	-6.4%
Contingent & Back of Bill Reductions	0	-4	-18	-13	
Adjusted Federal Funds	\$4,007	\$4,240	\$3,956	-\$284	-6.7%
Reimbursable Funds	69	67	68	1	1.5%
Adjusted Grand Total	\$13,303	\$14,374	\$14,275	-\$99	-0.7%

- Fiscal 2003 cost containment actions total \$0.7 million.
- The allowance provides a \$52,000 increase for network and computer equipment.

Personnel Data

	FY 02	FY 03	FY 04	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	228.80	202.80	188.80	-14.00
Contractual FTEs	3.46	14.40	14.40	0.00
Total Personnel	232.26	217.20	203.20	-14.00

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	7.55	4.00%
Positions Vacant as of 12/31/02	24.40	12.03%

- The fiscal 2004 allowance deletes 14 regular positions.

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

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Analysis in Brief

Major Trends

The Office of Health Care Quality (OHCQ) Fails to Complete Survey Work: The workload for OHCQ has increased significantly over the past few fiscal years, and some survey work is not being completed.

Issues

Staffing: OHCQ has had 40 PINs deleted from its labor force since fiscal 2002.

Managing for Results (MFR) Measures and the Regulatory Process: The MFR data for OHCQ primarily focuses on process functions.

Recommended Actions

	<u>Funds</u>
1. Reduce travel expenses.	\$ 25,658
Total Reductions	\$ 25,658

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Operating Budget Analysis

Program Description

The role of the Office of Health Care Quality (OHCQ), formerly known as Licensing and Certification, is to regulate certain health care facilities. Twelve types of facilities are regulated: nursing homes, hospitals, ambulatory surgical centers, endoscopy centers, birthing centers, home health agencies, health maintenance organizations, hospice care, physical therapy centers, developmental disability homes and facilities, mental health facilities, and substance abuse treatment facilities. Facilities and services are reviewed on a regular basis for compliance with the Code of Maryland Regulations as well as for compliance with federal regulations in those facilities participating in Medicare and Medicaid.

OHCQ's goals are to survey health care facilities and investigate complaints.

Performance Analysis: Managing for Results (MFR)

Surveying Facilities

Much of OHCQ's work is surveying various health care facilities to determine if the facilities comply with regulations. As OHCQ's workload has increased and its staff has decreased, the office is having difficulty getting all its survey work completed. **Exhibit 1** shows some selected measures.

Exhibit 1

**OHCQ Survey Completion Rates
Fiscal 2001 through 2004**

<u>Program</u>	<u>FY 01</u>	<u>FY 02</u>	<u>Estimated FY 03</u>	<u>Estimated FY 04</u>
Federal Programs				
Medical Daycare ²	78%	36%	5%	5%
Major Medical Equipment ³	0%	0%	0%	0%
Independent Laboratories ²	56%	100%	100%	100%
Nursing Homes	100%	83%	100%	100%
State Programs				
Developmental Disability Licensure ¹	37%	19%	20%	19%
Assisted Living ^{1,4}	18%	13%	7%	7%
Alcohol and Drug Abuse Licensing Unit ²	52%	100%	100%	100%
Nursing Homes	50%	95%	100%	100%

¹ Indicates that the law requires every facility to be surveyed every year

² Indicates an every other year requirement

³ Indicates periodic requirement

⁴ Includes licensed and unlicensed facilities.

Source: Department of Health and Mental Hygiene

Exhibit 1 only shows a few of the many programs OHCQ surveys, but it gives an indication that the office is having some difficulty meeting its statutory requirements.

Complaints

In addition to the difficulty OHCQ is having in completing its survey work, it is also not fully completing its complaint investigation work. **Exhibit 2** presents complaint investigation completion rates for selected OHCQ programs.

The trends in Exhibit 2 are mixed, but in order to maintain a constant completion rate over time, more resources are required since the number of facilities (and complaints) in most every category is increasing. For example, investigating 81% of the assisted living complaints in fiscal 2001 meant doing 162 investigations while investigating 62% of complaints in fiscal 2003 means doing 294 investigations.

Both the survey and the complaint resolution issues are primarily related to staffing shortages. OHCQ should be prepared to comment on any other factors preventing the timely completion of surveys and resolution of complaints.

Exhibit 2

**OHCQ Complaint Investigation Completion Rates
Fiscal 2001 through 2004**

<u>Program</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>Estimated FY 04</u>
Nursing Homes				
% of complaints investigated	98%	74%	72%	72%
Developmental Disability				
% of complaints investigated	88%	95%	90%	86%
% of deaths investigated	31%	30%	50%	66%
Assisted Living				
% of complaints investigated	81%	81%	62%	57%

Source: Department of Health and Mental Hygiene

Fiscal 2003 Actions

Impact of Cost Containment

OHCQ took \$735,000 worth of cost containment actions in fiscal 2003. OHCQ saved \$720,000 by keeping 14 positions vacant. Fiscal 2003 cost containment also reflects the reversion of appropriations to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2003. This is \$15,000 for OHCQ.

Governor’s Proposed Budget

Exhibit 3 details the fiscal 2004 allowance. The allowance is \$99,000 less than the fiscal 2003 working appropriation.

Exhibit 3

**Governor’s Proposed Budget
Office of Health Care Quality
(\$ in Thousands)**

	<u>FY 02 Actual</u>	<u>FY 03 Approp.</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 Change</u>	<u>FY 03 - 04 % Change</u>
General Funds	\$9,087	\$10,462	\$9,957	-\$505	-4.8%
FY 2003 Cost Containment	0	-720	0	720	
Contingent & Back of Bill Reductions	0	-11	-56	-45	
Adjusted General Funds	\$9,087	\$9,731	\$9,901	\$170	1.7%
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Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$329
Savings from 14 abolished positions offset by fiscal 2003 cost containment actions which required keeping positions vacant	17
Deletion of funds used to hire nurses above step	-126
Turnover adjustments	-119
Deletion of one-time bonuses	-93
Deletion of deferred compensation.....	-65
Other fringe benefit adjustments	-7

Other Changes

Increase in lease payments for network equipment and replacement of desktop and notebook computers	52
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Where It Goes:

Increase in federal funds available for contractual employees.....	15
Grants of civil penalty money to advocacy groups to conduct studies related to the nursing home industry	14
Property and tort insurance	5
Increased number of State employees being referred to the State medical director	4
Decrease in travel for surveyors due to less surveyors	-25
Decrease in various training programs.....	-22
Purchase of new office equipment.....	-20
Purchase of vehicles	-16
Reduction in vehicle maintenance costs	-15
Other changes	-27
Total	-\$99

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

Personnel

In fiscal 2003 OHCQ took one-time cost containment measures by increasing its turnover by \$720,000. The fiscal 2004 allowance deletes these vacant positions for a reduction of \$703,000, resulting in a net increase of \$17,000 in fiscal 2004. **Exhibit 4** presents the details of the abolished positions.

OHCQ should discuss how these deletions will affect its ability to perform its mission.

The most significant nonpersonnel change is an increase of \$52,000 for the lease of new computer equipment. Slightly more than a third (\$18,000) is for lease payments to upgrade network switch equipment. The remaining \$34,000 is to replace four year-old desktop and laptop computers in order to maintain compatibility within the Medicaid and Medicare systems.

Exhibit 4

Abolished Positions in the Office of Health Care Quality

<u>Program</u>	<u>Position</u>	<u>Base Salary</u>	<u>Fund Split</u>
Executive Direction	Program Administrator	\$48,405	GF – 100%
	Administrator IV	45,329	GF – 100%
Ambulatory Care	Nurse Surveyor	42,453	GF – 40% FF – 60%
Nursing Homes/Adult Day Care	Nurse Surveyor	42,453	GF – 40% FF – 60%
	Nurse Surveyor	42,453	GF – 100%
Developmental Disabilities	Nurse Surveyor	39,766	GF – 100%
	Nurse Surveyor	39,766	GF – 100%
	Special Programs Coordinator	32,715	GF – 100%
	Special Programs Coordinator	32,715	GF – 100%
	Office Processing Clerk	20,894	GF – 100%
Assisted Living	Nurse Surveyor	39,766	GF – 100%
	Nurse Surveyor	39,766	GF – 100%
	Special Programs Coordinator	32,715	GF – 100%
	Special Programs Coordinator	32,715	GF – 100%
Total		\$531,911	

Source: The Department of Health and Mental Hygiene

Issues

1. Staffing

OHCQ regulates over a dozen types of facilities, with over 9,600 individual sites, ranging from small in-home assisted living arrangements to large internationally known hospitals. These 8,000 sites are nearly twice the number of sites that were regulated in 1996; however, since fiscal 2002, OHCQ has had 40 PINs deleted from its workforce, an 18% reduction. This includes some positions that were created for fiscal 2002 and then were never filled due to the hiring freeze. The fiscal 2003 and 2004 staffing compliments for fiscal 2002 through 2004 are presented in **Exhibit 5**.

Exhibit 5

OHCQ Staffing by Program

<u>Program</u>	<u>Total</u>			<u>Managers</u>			<u>Surveyors</u>			<u>Support</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Administration	23	19	17	6	5	3	11	11	11	6	3	3
Tech. Assistant	5	5	5	1	1	1	4	4	4	0	0	0
Nursing Homes	75	59	57	11	8	8	60	48	46	4	3	3
Group Homes (DD)	44	42	37	4	3	3	35	35	33	5	4	1
Asst. Living	37	37	33	1	1	1	30	30	28	6	6	4
Ambulatory	12	11	10	2	1	1	8	8	7	2	2	2
Alcohol/Mental												
Health	12.8	11.8	11.8	2	1	1	10.8	10.8	10.8	0	0	0
Laboratory	13	11	11	3	3	3	6	5	5	4	3	3
Hospital	7	7	7	1	1	1	4	4	4	2	2	2
Total	228.8	202.8	188.8	31	24	22	168.8	155.8	148.8	29	23	18

Source: Department of Health and Mental Hygiene

OHCQ should comment on how these reductions will affect its ability to perform its mission and what actions it has taken to minimize any negative affects the PIN reductions have caused.

2. MFR Measures and . . .

The office states that its “ultimate goal” is to “assure that the citizens of Maryland are receiving the best possible care in a safe and sanitary environment.” However, the majority of the measures OHCQ provides in its MFR report concern surveys and complaint investigations. Some of these measures tend to be process oriented and do not fully reflect on OHCQ’s accomplishments in improving health care in the State. **Exhibit 6** is typical list of categories measured in OHCQ’s MFR report.

Exhibit 6

Examples of Managing for Results Measures

<u>Independent Laboratories</u>	<u>Ambulatory Care Programs</u>	<u>Comprehensive Outpatient Rehab. Facilities</u>	<u>Developmental Disability License</u>
Initial surveys	Initial surveys	Initial surveys	# of agencies surveyed
Full surveys	Full surveys	Full surveys	# of sites visited
Follow-up surveys	Follow-up surveys	Follow-up surveys	Follow-up surveys
Validation surveys	Complaint investigations	Complaint surveys	
Complaint surveys			

Source: Department of Health and Mental Hygiene

The data associated with the measures included in Exhibit 6 are informative, but they only provide a proxy assessment on how OHCQ is improving the quality of health care in Maryland.

. . . The Regulatory Process

Tied to the MFR issue is the regulatory process. The measure of OHCQ's success and, consequently the expectations on OHCQ, is based on surveys and complaint investigations. However, the connection between surveys and health care quality, while real, is often indirect.

To some extent this is a two-pronged issue: resource allocation and the regulatory approach. For example, OHCQ has been required to survey Maryland's five birthing centers since 1995. In some years resources were sufficient to allow OHCQ to survey them all, and in some years none were surveyed. Regardless, there has never been a complaint about a birthing center. Another example is major medical equipment, which has not had a survey conducted in seven years but has not received a single complaint either.

The nature of some medical activities as well as individual management approaches allow some types of facilities to be more compliant with regulations, safer, and generally better operated. With declining resources and growing responsibilities, OHCQ may want to evaluate its regulatory approach and determine if some alterations may be useful or even necessary.

OHCQ should recommend changes to the legislature that will create a more results-oriented regulatory approach and maximize resource use. The legislature may wish to consider legislation that gives OHCQ more flexibility in managing its regulatory workload and the survey schedule.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce the in-state travel allowance to 10% over the fiscal 2002 actual expenditure. With less staff than in fiscal 2002, travel expenditures should be comparable and adjusted for normal increases to the 2002 level.	\$ 25,658	GF
Total General Fund Reductions	\$ 25,658	

Current and Prior Year Budgets

Current and Prior Year Budgets Office of Health Care Quality (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$9,425	\$0	\$4,239	\$69	\$13,733
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-338	139	0	0	-199
Reversions and Cancellations	0	0	-232	0	-232
Actual Expenditures	\$9,087	\$ 139	\$4,007	\$ 69	\$13,303
Fiscal 2003					
Legislative Appropriation	\$10,462	\$139	\$4,244	\$67	\$14,912
Budget Amendments	0	197	-4	0	193
Contingent and Back of the Bill Reductions	-11	0	0	0	-11
Cost Containment	-720	0	0	0	-720
Working Appropriation	\$9,731	\$ 336	\$4,240	\$ 67	\$14,374

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

Object/Fund Difference Report
DHMH – Office of Health Care Quality

Object/Fund	FY 02	FY 03	FY 04	FY 03 - FY 04	Percent Change
	Actual	Working Appropriation	Allowance	Amount Change	
Positions					
01 Regular	228.80	202.80	188.80	-14.00	-6.9%
02 Contractual	3.46	14.40	14.40	0	0%
Total Positions	232.26	217.20	203.20	-14.00	-6.4%
Objects					
01 Salaries and Wages	\$ 11,305,752	\$ 12,380,028	\$ 11,654,159	-\$ 725,869	-5.9%
02 Technical & Spec Fees	156,223	535,861	562,712	26,851	5.0%
03 Communication	86,028	103,235	103,783	548	0.5%
04 Travel	347,945	436,094	387,449	-48,645	-11.2%
07 Motor Vehicles	70,420	114,471	74,837	-39,634	-34.6%
08 Contractual Services	693,769	770,182	801,037	30,855	4.0%
09 Supplies & Materials	74,386	88,852	83,766	-5,086	-5.7%
10 Equip - Replacement	55,839	6,900	7,585	685	9.9%
11 Equip - Additional	23,904	33,186	13,670	-19,516	-58.8%
12 Grants, Subsidies, Contr	139,334	335,639	350,000	14,361	4.3%
13 Fixed Charges	349,087	304,575	310,076	5,501	1.8%
Total Objects	\$ 13,302,687	\$ 15,109,023	\$ 14,349,074	-\$ 759,949	-5.0%
Funds					
01 General Fund	\$ 9,087,346	\$ 10,462,029	\$ 9,957,102	-\$ 504,927	-4.8%
03 Special Fund	139,334	335,639	350,000	14,361	4.3%
05 Federal Fund	4,006,793	4,244,058	3,973,672	-270,386	-6.4%
09 Reimbursable Fund	69,214	67,297	68,300	1,003	1.5%
Total Funds	\$ 13,302,687	\$ 15,109,023	\$ 14,349,074	-\$ 759,949	-5.0%

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Fiscal Summary
DHMH – Office of Health Care Quality

<u>Unit/Program</u>	<u>FY 02 Actual</u>	<u>FY 03</u>		<u>FY 03 Working Appropriation</u>	<u>FY 02 - FY 03</u>		<u>FY 04 Allowance</u>	<u>FY 03 - FY 04</u>	
		<u>Legislative Appropriation</u>	<u>Appropriation</u>		<u>% Change</u>	<u>% Change</u>			
0000 Unknown Title	\$ 0	-\$ 32,958	\$ 0	\$ 0	0%	\$ 0	0%	\$ 0	0%
S101 Executive Direction	2,413,719	2,270,131	2,512,978	2,319,808	4.1%	2,319,808	-7.7%	2,319,808	-7.7%
S102 Hospitals, Ambulatory Care & Complaint	679,223	733,276	904,311	874,224	33.1%	874,224	-3.3%	874,224	-3.3%
S103 Long-Term Care	4,628,399	5,420,603	5,194,639	5,097,480	12.2%	5,097,480	-1.9%	5,097,480	-1.9%
S104 Developmental Disabilities Program	2,463,786	2,697,767	2,690,757	2,475,580	9.2%	2,475,580	-8.0%	2,475,580	-8.0%
S105 Developmental Disabilities Adm Lic	1,583,393	2,199,055	2,306,989	2,064,811	45.7%	2,064,811	-10.5%	2,064,811	-10.5%
S106 Laboratory Licensing and Certification	719,553	790,337	714,606	702,252	-0.7%	702,252	-1.7%	702,252	-1.7%
S107 Mental Hygiene & Substance Abuse	814,614	834,173	784,743	814,919	-3.7%	814,919	3.8%	814,919	3.8%
Total Expenditures	\$ 13,302,687	\$ 14,912,384	\$ 15,109,023	\$ 14,349,074	13.6%	\$ 14,349,074	-5.0%	\$ 14,349,074	-5.0%
General Fund	\$ 9,087,346	\$ 10,462,029	\$ 10,462,029	\$ 9,957,102	15.1%	\$ 9,957,102	-4.8%	\$ 9,957,102	-4.8%
Special Fund	139,334	139,000	335,639	350,000	140.9%	350,000	4.3%	350,000	4.3%
Federal Fund	4,006,793	4,244,058	4,244,058	3,973,672	5.9%	3,973,672	-6.4%	3,973,672	-6.4%
Total Appropriations	\$ 13,233,473	\$ 14,845,087	\$ 15,041,726	\$ 14,280,774	13.7%	\$ 14,280,774	-5.1%	\$ 14,280,774	-5.1%
Reimbursable Fund	\$ 69,214	\$ 67,297	\$ 67,297	\$ 68,300	-2.8%	\$ 68,300	1.5%	\$ 68,300	1.5%
Total Funds	\$ 13,302,687	\$ 14,912,384	\$ 15,109,023	\$ 14,349,074	13.6%	\$ 14,349,074	-5.0%	\$ 14,349,074	-5.0%

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.