

M00A01
Administration
Department of Health and Mental Hygiene

Operating Budget Data

(\$ in Thousands)

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$26,261	\$27,197	\$33,379	\$6,182	22.7%
Adjusted General Fund	\$26,261	\$27,197	\$33,379	\$6,182	22.7%
Special Fund	394	410	412	2	0.5%
Adjusted Special Fund	\$394	\$410	\$412	\$2	0.5%
Federal Fund	17,194	16,813	15,982	-831	-4.9%
Adjusted Federal Fund	\$17,194	\$16,813	\$15,982	-\$831	-4.9%
Reimbursable Fund	6,999	7,623	7,576	-46	-0.6%
Adjusted Reimbursable Fund	\$6,999	\$7,623	\$7,576	-\$46	-0.6%
Adjusted Grand Total	\$50,848	\$52,042	\$57,349	\$5,306	10.2%

- There is one fiscal 2012 deficiency appropriation in the Department of Health and Mental Hygiene (DHMH) Administration budget, \$384,785 to begin planning for a Women, Infants, and Children Electronic Benefits Transfer system.
- The \$5.3 million increase in the fiscal 2013 allowance compared to the fiscal 2012 working appropriation is driven by assigned charges for such things as the State Personnel System, the Department of Information Technology, and a Retirement Administrative fee.

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

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Personnel Data

	<u>FY 11 Actual</u>	<u>FY 12 Working</u>	<u>FY 13 Allowance</u>	<u>FY 12-13 Change</u>
Regular Positions	430.50	433.50	433.50	0.00
Contractual FTEs	<u>8.84</u>	<u>9.23</u>	<u>13.33</u>	<u>4.10</u>
Total Personnel	439.34	442.73	446.83	4.10

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	22.93	5.29%
Positions and Percentage Vacant as of 12/31/11	37.60	8.67%

- Regular employment in the DHMH Administration budget is flat, although 6 positions were transferred out to the Maryland Health Benefit Exchange while 6 new positions are created in the Office of the Inspector General to limit fraud and abuse in behavioral health payments.
- Contractual employment increases, again additional resources in the Office of the Inspector General to conduct a review of Medicaid and Maryland Children’s Health Program eligibility as part of the periodic Payment Error Rate Measurement process.

Analysis in Brief

Major Trends

Repeat Audit Findings: At a time when there is increased scrutiny on audits undertaken of State agencies, and particularly the response of agencies to audit findings, data for DHMH suggests the agency is working well to address findings made in audits performed by the Office of Legislative Audits.

Issues in the Managing for Results Data Make Interpretation Difficult: Issues with Managing for Results data concerning the appropriateness of the physical environment at DHMH’s facilities and processing of birth certificates skew concerns that might be raised by those measures.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete 1 long-term vacant position.	\$ 53,538	1.0
2. Add language deleting a regular position and associated funding.		
Total Reductions	\$ 53,538	1.0

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Administration
Department of Health and Mental Hygiene

Operating Budget Analysis

Program Description

The Department of Health and Mental Hygiene (DHMH) Administration budget analysis includes the following offices within the department:

- Office of the Secretary (Executive Direction and Operations);
- Deputy Secretary for Public Health Services; and
- Deputy Secretary for Behavioral Health and Disabilities.

The **Office of the Secretary** establishes policies regarding health services and supervises the administration of the health laws of the State and its subdivisions. The Office of the Secretary also includes the general support functions for the whole department, providing 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).

The **Deputy Secretary for Public Health Services** is responsible for policy formulation and program implementation affecting the health of Maryland's citizens through the actions and interventions of various public health administration and offices within the department.

The **Deputy Secretary for Behavioral Health and Disabilities** oversees and coordinates the work of three administrations:

- Alcohol and Drug Abuse Administration;
- Mental Hygiene Administration (MHA); and
- Developmental Disabilities Administration.

The primary goals of the various secretariats that comprise the analysis are of two broad categories:

- ***Goals of the Administrations under the Oversight of Those Secretariats:*** For example, the Deputy Secretary for Public Health Services has a variety of public health goals related to programs in the administrations under that position.

- **Goals That Relate to Specific Functions within the Various Secretariats:** For example, the Deputy Secretary for Behavioral Health and Disabilities has goals related to grievance resolutions at State institutions; Operations has goals related to services provided to the department as a whole such as the timely award of contracts.

Performance Analysis: Managing for Results

For the purpose of this analysis, performance analysis review is limited to measures of specific administrative activities of the units included in the DHMH Administration analysis rather than larger system measures. Those measures will be reviewed in the relevant analyses. As a result, the available Managing for Results (MFR) measures are administrative in nature and, for the most part, as shown in **Exhibit 1**, vary little from year to year.

Exhibit 1
Selected Program Measurement Data
DHMH – Administration
Fiscal 2007-2011

	<u>Actual</u> <u>FY 2007</u>	<u>Actual</u> <u>FY 2008</u>	<u>Actual</u> <u>FY 2009</u>	<u>Actual</u> <u>FY 2010</u>	<u>Actual</u> <u>FY 2011</u>
Repeat OLA audit comments (%)	41	32	14	28	12
Condition of facility infrastructure systems (% in good/excellent condition):					
MFR	87	87	91	94	88
<i>Actual</i>	87	87	87	88	89
Retention rate within 20 key classifications (%)	89	89	87	88	88
State retention rate Grades 1-26 (%)	89	89	90	91	89
Birth certificates filed with the Division of Vital Records within 72 hours of birth (%)	95	94	66	77	67
Death certificates filed with the Division of Vital Records within 72 hours of death (%)	66	66	66	63	61

DHMH: Department of Health and Mental Hygiene
MFR: Managing for Results
OLA: Office of Legislative Audits

Note: 35% is standard for audits repeat findings. Birth certificate measurement changes in 2010. See text for additional details.

Source: Department of Health and Mental Hygiene

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However, a number of issues are raised from the exhibit:

- A concern of the Joint Audit Committee has been the extent to which audit findings repeat from one audit to the next. One DHMH objective, repeat Office of Legislative Audits' (OLA) audit comments, speaks to this issue. Specifically, the measure illustrates how many audit comments for DHMH units with audit reports in that fiscal year are repeated from the previous audit of the same unit. While the measure is imperfect, since it does not take into consideration the severity of different audit comments, it does point to some measure of effort to improve fiscal compliance. OLA traditionally considers 35% or more repeat findings to be of potential concern.

After exceeding the 35% threshold in fiscal 2007, the number of repeat findings has been below that mark in the past four years. Indeed, the fiscal 2011 mark of 12% represents the best standard for as long as the Department of Legislative Services (DLS) has been presenting this data in this analysis.

The latest audit for the Office of the Secretary, issued August 2011, is found in **Appendix 2**. Three of the 10 findings in this audit were repeat findings.

- The percentage of birth certificates filed with the Division of Vital Records within 72 hours of birth was 67% in fiscal 2011, which compares poorly to the reported fiscal 2007 and 2008 data when filings took place within 72 hours at a much higher rate. This appears especially odd given the State's recent investment in an Electronic Vital Records System (EVRS) to replace the manual paper-based system. Initially, the implementation of the birth module (the first phase of the EVRS) did not go well, but it would be expected that at this point the system would be showing improvement in the filing of birth certificates.

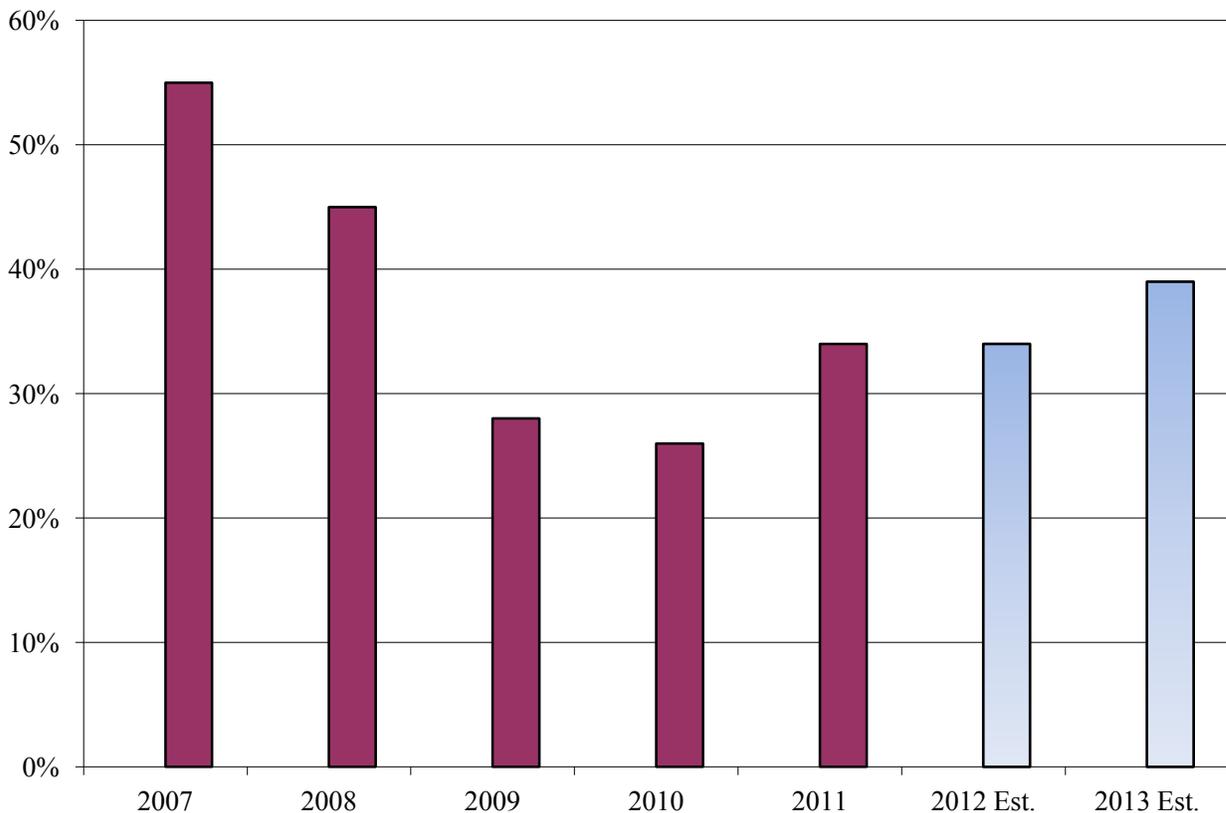
Upon further investigation, it appears that the issue is primarily the data that is presented in MFR. Specifically, under the manual system, when hospitals were required to mail information (either on disk or copies of certificates) to Vital Records staff, adjustments were made to the 72-hour measure to reflect mailing time and the fact that the division is closed on weekends and holidays. In other words, "within 72 hours" could mean within a week but adjusted accordingly. Beginning in calendar 2010, with the electronic transfer of data, 72 hours does in fact mean 72 hours without adjustments for mailing or weekends and holidays. Thus, the 94% figure for fiscal 2008, if calculated under the new methodology, was actually only 23%.

Death records, which remain a paper process given the decision not to immediately move ahead with the next phase of the EVRS (see **Appendix 3** for additional details), continue to reflect a 72-hour period that includes an allowance for time when the division is closed.

- DHMH’s objectives in terms of the appropriateness of the physical environment at its facilities as well as facility infrastructure systems are also difficult to judge, again because of data issues with the MFR measures. Specifically, the measures for fiscal 2009 through 2011 were incorrect. Rather than showing some apparent deterioration there is, in fact, slight improvement.

Another measure, residential and program buildings meeting licensing requirements, current building standards, and patient/client needs, does show relative improvement. As shown in **Exhibit 2**, in fiscal 2009, based on new standards for patient safety goals for psychiatric hospitals established in 2008 by the Joint Commission, there was a significant downgrading of the percentage of buildings in compliance with requirements, standards, and needs.

Exhibit 2
Residential and Program Buildings Meeting
Licensing Requirements, Building Standards, and Patient Needs
Fiscal 2007-2013



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

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Capital and operating funding was provided in fiscal 2010 to make the necessary improvements. These improvements result in a projected increase in this particular measure. According to the department, of the 11 identified improvement projects:

- 8 are now complete;
- of the 3 others:
 - The contract for hardware improvements at Spring Grove Hospital Center which were scheduled to be completed in summer 2011 had to be re-bid after a dispute with the contractor over pricing. A new award is anticipated in summer 2012.
 - Improvements at the Regional Institute for Children and Adolescents – Baltimore to the ceiling in the gym are complete with work on the remainder to begin in February 2012.
 - Bathroom modifications at Spring Grove Hospital Center had been proceeding in-house but have not been completed and were delayed pending the resolution of the dispute over hardware.

Again, it is important to note that even with the completion of these projects, and accounting for recent facility closures, the department's **goal** for the percentage of residential and program buildings meeting licensing requirements, current building standards, and patient/client needs is still remarkably low and will remain so until significant capital projects are completed including replacing Spring Grove Hospital Center, the renovation of the north wing at Clifton T. Perkins Hospital Center, and the construction of the new Secure Evaluation and Therapeutic Treatment (SETT) Center at Jessup as well as significant improvements made to buildings at the Holly Center, Potomac Center, and Western Maryland Hospital Center. The fiscal 2013 *Capital Improvement Plan* defers construction funding for the SETT unit until fiscal 2015, includes funding for the Clifton T. Perkins north wing renovation but only in 2016, and has no funding for other projects.

- One measure of the department's ability to attract and retain a skilled workforce is the employment rate within 20 key classifications (see **Exhibit 3**). These 20 classifications are taken from over 750 classification levels used by DHMH 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 averaged for the year. This particular measure had fallen slightly in recent years but improved from 87 to 88% between fiscal 2009 and 2010 and stayed there in fiscal 2011.

Exhibit 3
DHMH MFR Retention 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

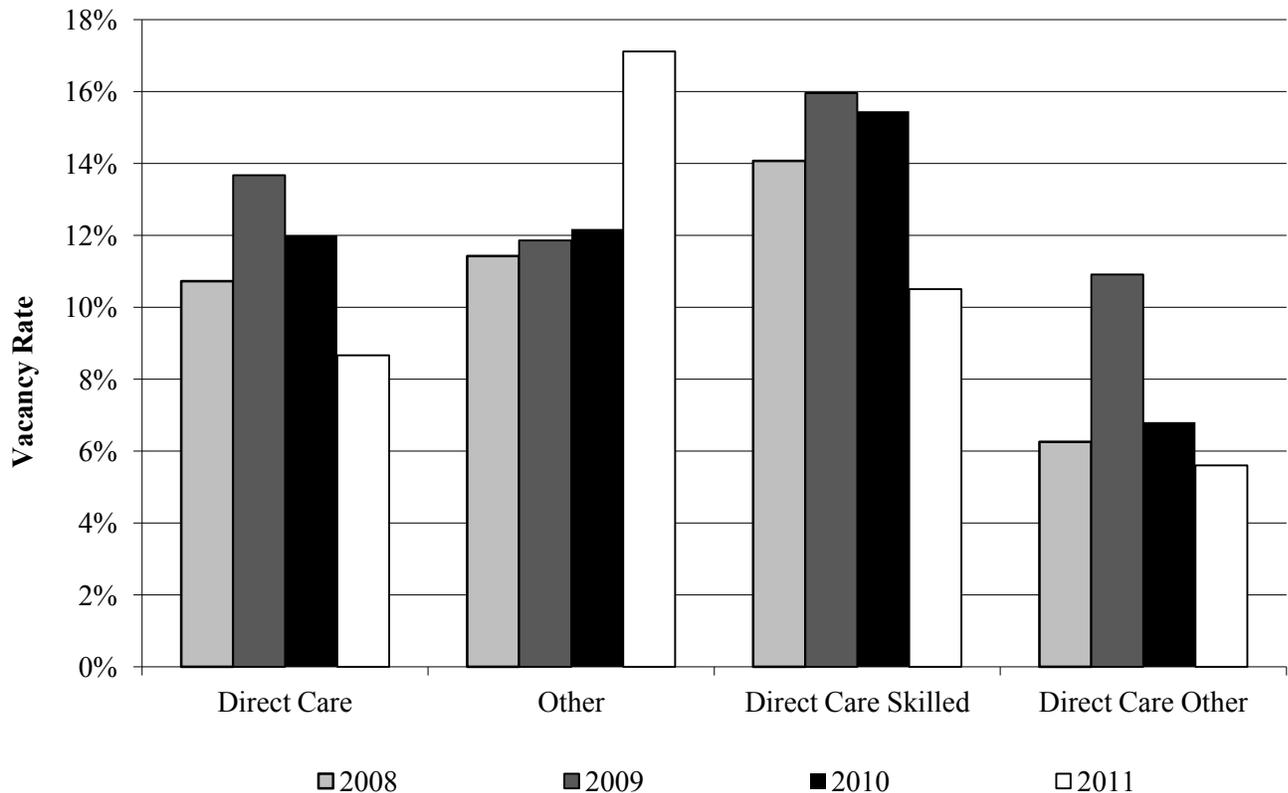
DHMH: Department of Health and Mental Hygiene
MFR: Managing for Results

Source: Department of Health and Mental Hygiene

Exhibit 4 presents more detailed information from the same data and shows that in fiscal 2011 the department had more vacancies in nondirect care categories than in the direct care categories. The number of positions in both categories is lower than in fiscal 2010 because of ongoing downsizing in facilities, as well as initiatives like the Voluntary Separation Program. This difference in vacancy levels between the two categories also may reflect the State’s hiring freeze policies which tend to disproportionately impact nondirect care positions.

The striking 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) remains.

**Exhibit 4
DHMH – 20 Key Classification Levels Vacancy Rates
Fiscal 2008-2011**



DHMH: Department of Health and Mental Hygiene

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

Fiscal 2012 Actions

Proposed Deficiency

There is one fiscal 2012 deficiency in the DHMH Administration budget, \$384,785 in federal funds, for the planning of a Women, Infants, and Children (WIC) Electronic Benefits Transfer system. The system is intended to replace the current system of issuing paper checks to WIC recipients. Additional information on the system is provided in Appendix 3. It should be noted that at the time of writing DLS had been unable to reconcile the funding provided for the project in the budget and that shown in the Appendix which reflects costs as estimated in the Information Technology Project Request.

Fiscal 2013 Budget Increases Due to Increase in Assigned Charges

As shown in **Exhibit 5**, the DHMH Administration fiscal 2013 allowance is just over \$5.3 million over the fiscal 2012 working appropriation. However, as discussed more below, this can be attributed to a significant increase in assigned charges rather than a dramatic increase in the scope of the DHMH Administration activities.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2012 Working Appropriation	\$27,197	\$410	\$16,813	\$7,623	\$52,042
2013 Allowance	<u>33,379</u>	<u>412</u>	<u>15,982</u>	<u>7,576</u>	<u>57,349</u>
Amount Change	\$6,182	\$2	-\$831	-\$46	\$5,306
Percent Change	22.7%	0.5%	-4.9%	-0.6%	10.2%

Where It Goes:

Personnel Expenses	\$179
Retirement contributions	\$463
New positions in the Office of the Inspector General (6 FTEs).....	377
Employee and retiree health insurance.....	337
Workers’ compensation assessment.....	36
Other fringe benefit adjustments	-2
Regular salaries	-22
Reclassifications.....	-72
Turnover adjustment	-88
Removal of fiscal 2012 one-time \$750 bonus.....	-314
Transferred positions (moved to Maryland Health Benefits Exchange, 6 FTEs)	-536
Information Technology and Communications	\$4,156
State personnel system allocation (assigned charge)	4,178
WIC Electronic Benefits Transfer Major IT Development Project	250
Electronic Vital Records System maintenance	209
Electronic Laboratory reporting from Maryland’s public and private laboratories (federal funds)	100

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Where It Goes:

Capital lease payments for network printers	41
Annapolis Data Center (assigned charge)	40
EMaryland Marketplace assigned charge (eliminated due to changed financing model for the marketplace function)	-101
Communications (including DBM assigned charges).....	-214
Public Health Information Network mainframe and other data equipment costs (federal funds)	-347
Miscellaneous	\$979
Retirement administrative fee (assigned charge)	1,116
DoIT services allocation fee (assigned charge).....	590
Contractual payroll.....	190
Administrative hearings (assigned charge)	144
Rent and security expenses at Patterson Avenue building	128
OAG administrative fee (assigned charge)	92
Insurance coverage (assigned charge).....	71
Maryland Public Health Infrastructure Program staff support from MIPAR.....	64
Savings from reorganization of printing function based on actual experience	-192
Health exchange planning grant (nonpersonnel funding)	-1,224
Other.....	-8
Total	\$5,306

DBM: Department of Budget and Management
 DoIT: Department of Information Technology
 FTE: full-time equivalent
 IT: Information Technology
 MIPAR: Maryland Institute for Policy Analysis and Research
 OAG: Office of the Attorney General
 WIC: Women, Infants, and Children

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

Personnel

Personnel costs remain heavily influenced by growth in retirement (\$463,000) and health insurance (\$337,000) expenses, although there is some relief afforded by the removal of the one-time fiscal 2012 \$750 bonus from the fiscal 2013 allowance (\$314,000). A scheduled 2% cost-of-living allowance, effective January 1, 2013, is not included in the agency budget but rather is found in the Department of Budget and Management (DBM).

Although the net regular personnel complement available in DHMH Administration remains unchanged at 433.5 full-time equivalent positions, this reflects the transfer of 6 positions from the

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DHMH Administration budget to the recently established Maryland Health Benefit Exchange (a savings in this budget of \$536,000) offset by the creation of 6 new positions in the Office of the Inspector General (OIG) (a cost of \$377,000). These positions are all designated to increase behavioral health fraud and abuse investigations. It is anticipated that these will result in decreased costs primarily in the MHA's Community Services budget. The fiscal 2013 budget for MHA was reduced \$5.36 million (\$2.68 million each of general and federal funds) to reflect anticipated savings. That reduction, given the 25% turnover rate for these new positions as well as the time usually taken to investigate and recover fraudulent billing, appears optimistic.

Contractual employment does increase, all in OIG and primarily in order to undertake a review of Medicaid and Maryland Children's Health Program eligibility as part of the periodic Payment Error Rate Measurement process

It should also be noted that two back-of-the-budget-bill sections impact the DHMH Administration budget. Specifically, Section 19 proposes to provide resources to the Department of Information Technology (DoIT) to manage web design services and contracts. The objective is to consolidate contracts and personnel so that DoIT manages basic systems while agencies manage their specialized content. Approximately \$900,000 and 11 regular positions are authorized to be transferred from State agencies budgets into DoIT's budget. With respect to DHMH Administration, the section authorizes the Governor to transfer 1 regular position and \$83,652 in general funds into DoIT. This initiative is discussed in the DoIT budget.

Likewise, Section 20 proposes to provide some staff and funding for a Statewide Geographic Information Office in the DoIT. In August 2011, the Board of Public Works approved a Statewide Geographic Information Systems (GIS) contract that is managed by DoIT. The new contract provided GIS services to the entire State for the cost of the contracts from individual State agencies, thereby expanding usage without increasing costs. The new office plans to consolidate storage and access to mapping data and to develop standard mapping products and applications. To staff the new office, the section authorizes the transfer of 5 regular positions and \$1.2 million from State agencies into DoIT. With respect to DHMH Administration, the section authorizes the Governor to transfer 1 regular position into DoIT. There is also a just over \$466,000 in total funds transfer to DoIT, but those funds will come from other parts of the department. This initiative is also discussed in the DoIT budget.

Information Technology and Communications

Costs associated with Information Technology and Communications increase by almost \$4.2 million. Virtually all of this is due to an increase in the assigned charge associated with the development of the new State Personnel System. Other increases are seen, for example, for funding of the new WIC electronic benefits transfer system (\$250,000) as well as maintenance costs for the EVRS (\$209,000). There is no new development cost associated with the EVRS as the State at this time is not moving forward with the planning of the next scheduled module, deaths. These smaller increases are offset by other similar reductions in such things as the assigned charges associated with EMaryland Marketplace (\$101,000) for which a different funding methodology has been adopted, communications expenses (\$214,000), and the Public Health Information Network (\$347,000).

Miscellaneous

Other miscellaneous costs increase by \$978,000. Most of the increases are in assigned charges, including a retirement administration fee, Department of Information Technology services allocation fee (primarily to cover the costs of Cloud technology and the implementation of Google mail), and the Office of the Attorney General (OAG) administrative fee which are newly budgeted in fiscal 2013. Funding for the establishment of the Maryland Health Benefit Exchange (\$1,224,000 as currently shown in fiscal 2012) is removed from the DHMH Administration budget in fiscal 2013 and moved to the budget of that entity.

An Alternative View of the Budget

Exhibit 6 shows an alternative view of growth for the DHMH Administration and offers a summation of the fiscal 2012 budget proposal. As noted above, the growth in the budget is derived from a significant increase in assigned charges over which the department generally has little control. These assigned charges increase by just over \$5.9 million from fiscal 2012 to 2013, (96.2%). Personnel expenditure growth is relatively small, only \$179,000 (0.5%) in fiscal 2013 compared to fiscal 2012. The area of spending which the department does tend to have more control over, categorized as core nonpersonnel funding in Exhibit 6, declines by just over \$1.0 million from fiscal 2012 to 2013, (8.7%). Ultimately, most of this decline relates to the shift in Maryland Health Benefit Exchange funding from the DHMH Administration in fiscal 2012 to its own budget code in fiscal 2013.

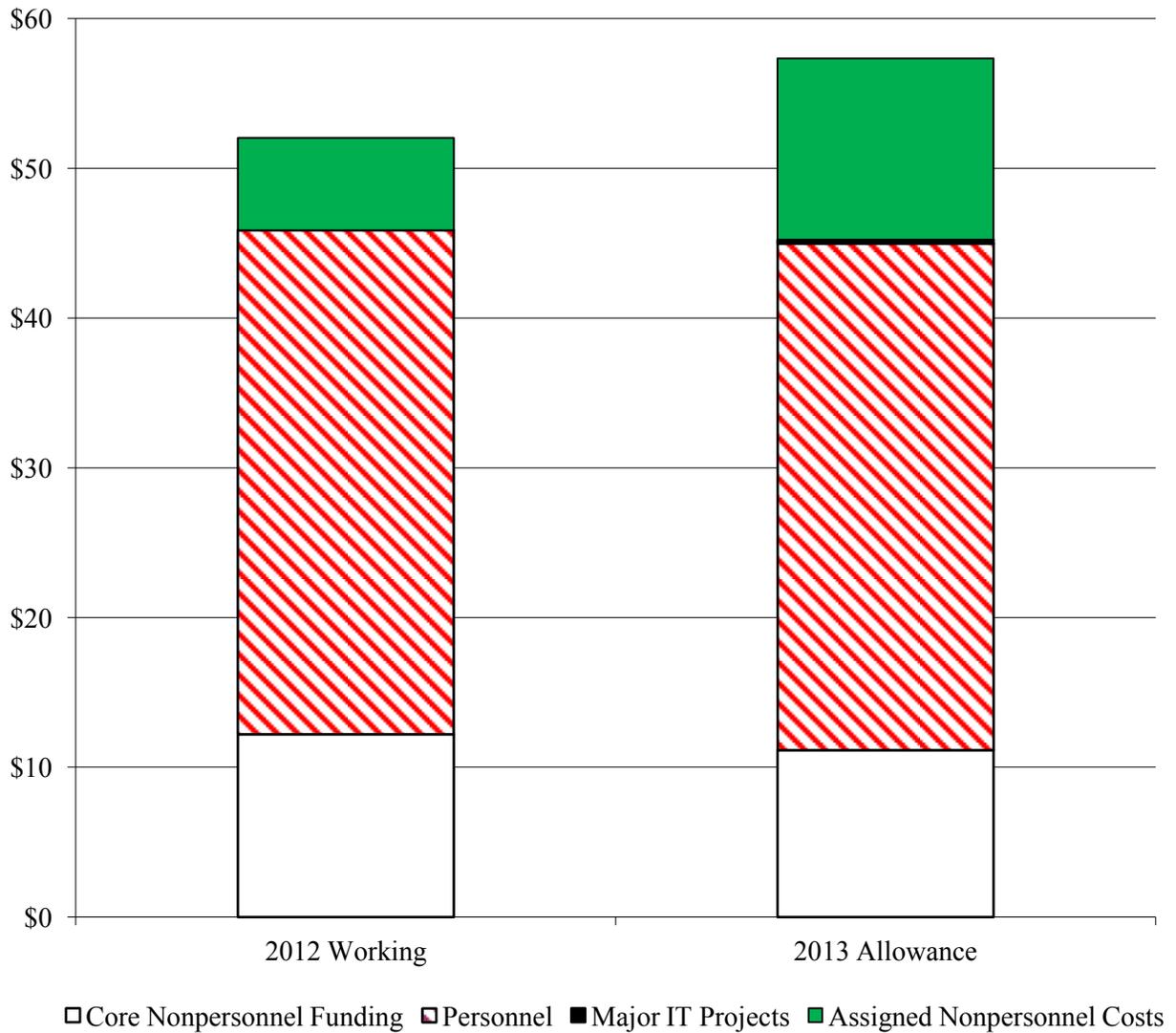
Budget Reconciliation and Financing Act of 2012 Actions

One Budget Reconciliation and Financing Act (BRFA) of 2012 provision that relates to the DHMH Administration budget is an increase in death certificate and other fees that the Administration projects will generate \$738,540 (see **Exhibit 7**).

Fees for vital records are set in statute [Annotated Code of Maryland, Health – General §4-217(c)] and, prior to an increase in the birth certificate fees in the BRFA of 2011, had not changed since 2003 when they were increased also during the budget reconciliation process. Fees are deposited to the general fund. As noted in Exhibit 7, the largest increase is derived from a doubling from \$12 to \$24 of the fee for the **first death certificate that is issued** (subsequent copies will remain at the current fee level). **Exhibit 8** illustrates the fee charged by DHMH for a death certificate relative to other states as reported in 2010.

During the budget reconciliation process in the 2011 session, DLS recommended doubling both birth and death certificate fees. However, at that time, the legislature declined to increase death certificate fees echoing concerns from the department about the expense involved given the multiple death certificates that often have to be issued associated with a single death. The proposed fee ameliorates those concerns by limiting the increase only to the first death certificate that is issued.

Exhibit 6
DHMH Administration – An Alternate View of the Budget
(\$ in Millions)



DHMH: Department of Health and Mental Hygiene
IT: information technology

Source: Department of Legislative Services

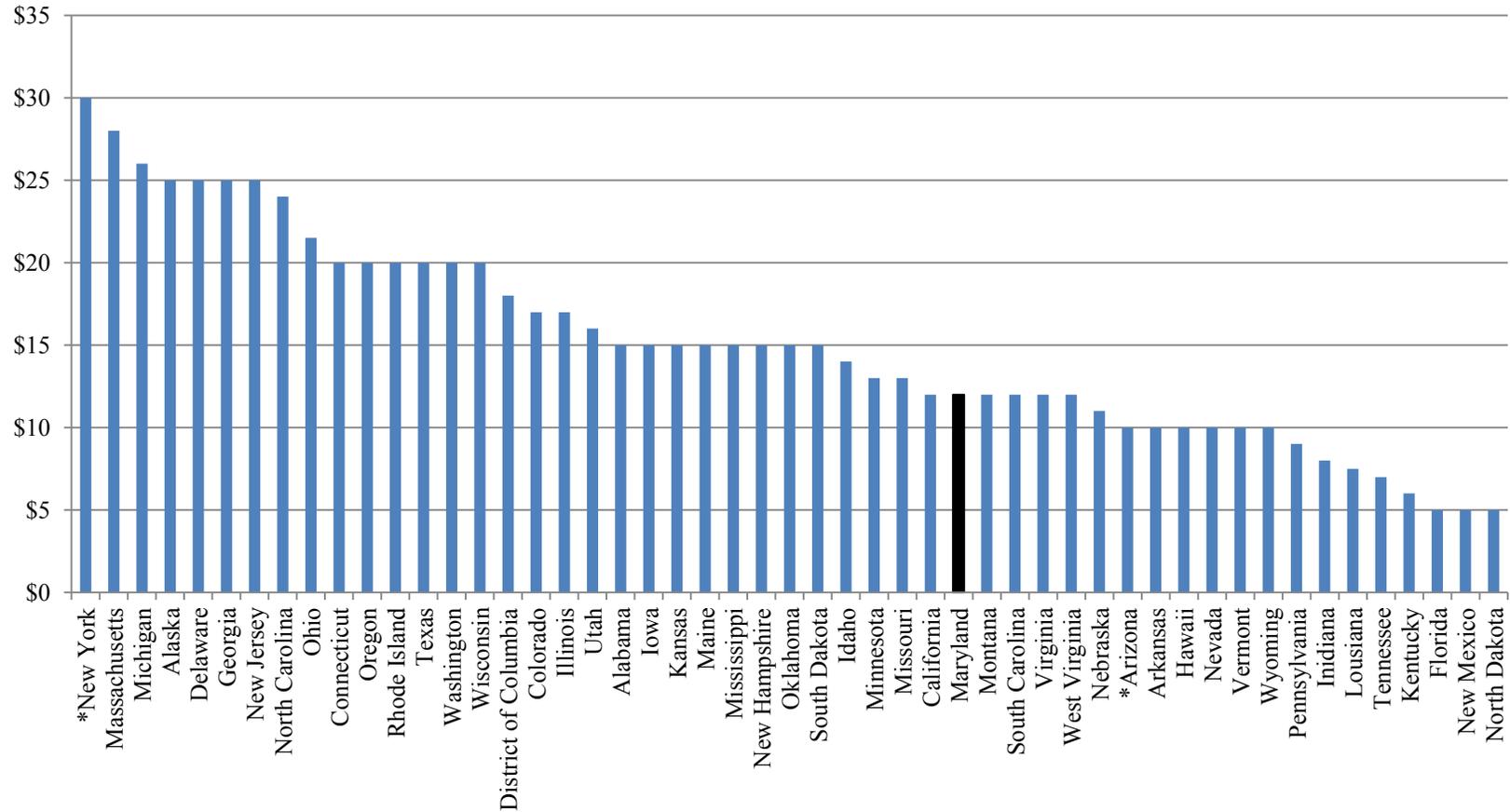
Exhibit 7
DHMH Administration – BRFA 2012 Fees

	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Number</u>	<u>Estimated Revenue Increase</u>	<u>Last Time Increased</u>
Death Certificates					
Record search and first copy issued	\$12	\$24	55,500	\$666,000	6/1/2003
Amendments made more than one year after registration	12	24	50	600	6/1/2003
Fetal Death Certificates					
Record search and first copy issued	12	24	100	1,200	6/1/2003
Additional copies issued concurrently	12	24	5	60	6/1/2003
Amendments made more than one year after registration	12	24	5	60	6/1/2003
Certificate of Birth Resulting in Stillbirth	12	24	10	120	6/1/2003
Marriage Certificates	12	24	4,000	48,000	6/1/2003
Processing of:					
Delayed births	0	24	100	2,400	1st increase
Legitimations	12	24	500	6,000	6/1/2003
Domestic adoptions	12	24	850	10,200	6/1/2003
Foreign adoptions	12	24	325	3,900	6/1/2003
Total				\$738,540	

BRFA: Budget and Reconciliation Financing Act

Source: Department of Budget and Management

Exhibit 8 Fees Charged by State Vital Records Offices for a Certified Copy of a Certificate of Death



*Arizona fees vary by county. State office fee schedule is used in this exhibit. New York excludes New York City which sets its own fees.

Source: National Center for Health Statistics, September 2010

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Delete 1 long-term vacant position (016167).	\$ 53,538	GF	1.0
2. Add the following section:			

Section X. AND BE IT FURTHER ENACTED. That \$57,074 in reimbursable funds and one regular position appropriated in the Department of Health and Mental Hygiene, Office of the Secretary Operations (Program M00A01.02) shall be deleted. The Governor shall develop a schedule for allocating this reimbursable fund reduction across the department as appropriate. The reduction under this section shall equal at the least the amounts indicated for the budgetary types listed:

<u>Fund</u>	<u>Amount</u>
<u>General</u>	<u>\$28,137</u>
<u>Federal</u>	<u>\$28,937</u>

Explanation: Delete 1 regular position (077839) and associated funding from the Department of Health and Mental Hygiene’s Office of the Secretary.

Total General Fund Reductions	\$ 53,538		1.0
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Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2011					
Legislative Appropriation	\$25,086	\$410	\$14,352	\$7,056	\$46,904
Deficiency Appropriation	-35	0	2,833	0	2,798
Budget Amendments	1,270	0	654	441	2,365
Reversions and Cancellations	-59	-16	-644	-499	-1,219
Actual Expenditures	\$26,261	\$394	\$17,194	\$6,999	\$50,848
Fiscal 2012					
Legislative Appropriation	\$26,562	\$410	\$16,786	\$7,616	\$51,375
Budget Amendments	635	0	27	6	668
Working Appropriation	\$27,197	\$410	\$16,813	\$7,623	\$52,042

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

Fiscal 2011

The fiscal 2011 legislative appropriation for the DHMH Administration was increased by just over \$3.9 million. This increase was derived as follows:

- Deficiency appropriations added almost \$2.8 million. These were derived from two separate actions:
 - The first added \$1,761,487 in federal funding, primarily to support an H1N1 media campaign (\$1,373,092) as well as a smaller amount (\$388,395) for departmental oversight of the Maryland Health Benefit Exchange associated with the federal Patient Protection and Affordable Care Act. The deficiency also transferred a small amount of general funds (\$35,133) from the DHMH Administration to the Governor’s Office to support a regular position.
 - The second added \$894,181 in federal funding, primarily to upgrade audio/video conferencing capability (\$869,181). The remaining funding (\$25,000) was to implement the Electronic Verification of Vital Events (EVVE) system, which is an electronic system that allows immediate confirmation of the information on a birth certificate presented by an applicant to a government office anywhere in the nation irrespective of the place of issuance.
- Budget amendments added an additional almost \$2.4 million to the legislative appropriation. Specifically:
 - General funds increased by almost \$1.3 million. This increase is derived from a variety of amendments with the most significant an almost \$2.1 million transfer to reflect the realignment of the Office of Minority Health into the Office of the Secretary offset by just over \$800,000 in funds available mainly from lower than expected expenditures on salaries being transferred to other parts of the department during close-out.
 - Federal funds increased by almost \$654,000 due to the realignment of the Office of Minority Health into the Office of the Secretary (\$152,000) and the availability of an Establishment Grant to support the development of a Maryland Health Exchange (\$501,000).
 - Reimbursable funds increased by \$441,000. These are primarily funds received from the Major Information Technology Development Project Fund for the ongoing development of an electronic vital records system (\$432,000).
- Reversions and cancellations reduced the legislative appropriation by just over \$1.2 million. The largest reductions were federal fund cancellations of \$644,000 and reimbursable fund cancellations of \$499,000.

Fiscal 2012

To date, the fiscal 2012 legislative appropriation for the DHMH Administration has been increased by \$668,000. This change is attributable to additions of \$315,000 (\$288,000 general funds and \$27,000 in federal funds) to support the fiscal 2012 \$750 one-time bonus for State employees, funding originally budgeted in DBM, and \$347,000 in general funds based on internal reorganization and position transfers into the DHMH Administration budget.

Audit Findings

Audit Period for Last Audit:	September 1, 2006 – October 14, 2009
Issue Date:	August 2011
Number of Findings:	10
Number of Repeat Findings:	3
% of Repeat Findings:	30%
Rating: (if applicable)	n/a

Finding 1: DHMH lacked adequate procedures and controls over vital records and related collections, resulting in a lack of assurance that all vital record information recorded on the EVRS was accurate, that certificates were properly issued, and that certificates and related collections were accounted for. The department agreed with the finding and all related recommendations concerning the verification of information entered by hospital staff, regular audits of birth record changes, separating duties relating to issuance of certificates and cash receipts, the accounting for pre-numbered certificates, and reconciliation procedures.

Finding 2: DHMH did not properly monitor Local Health Department (LHD) procedures and controls over the issuance of birth and death certificates, resulting in the failure to identify and correct numerous deficiencies. The department agreed with the finding and associated recommendations to perform periodic reviews of LHD activities with regard to birth and death certificates and follow-up to ensure deficiencies are corrected.

Finding 3: Financial investigations of patients enrolled in State facilities were not always properly and timely conducted and were not subject to independent supervisory review and approval. The department agreed with the finding and related recommendations.

Finding 4: DHMH did not adequately pursue collection of delinquent Division of Cost Accounting and Reimbursements accounts receivables. The department agreed with the finding and the recommendation to appropriately refer delinquent accounts receivable to the Central Collection Unit.

Finding 5: DHMH did not expand testing of pharmacy claims and/or take sufficient corrective action when significant errors were identified during pharmacy audits. The department agreed with the finding and most of the associated recommendations regarding testing and taking additional actions as warranted. Specifically, the department concurred with the finding but indicated that it could only refer cases to the OAG Medicaid Fraud Control Unit if certain criteria developed by the OIG and the

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OAG Medicaid Fraud Control Unit were met. Those criteria had been provided to OLA for its review.

Finding 6: Security reporting and monitoring of the Hospital Management Information System and the EVRS database were not adequate. The department agreed with the finding and related recommendations.

Finding 7: Network access to critical internal network devices was not properly restricted or monitored. The department agreed with the finding and the recommendations to appropriately configure and monitor of network firewalls.

Finding 8: Controls over the EVRS virtual server environment were not adequate. The department agreed with the finding and related recommendations.

Finding 9: DHMH did not maintain signature cards for authorized approvers of critical personnel and payroll transactions and did not monitor its employees who also worked at other state agencies. The department agreed with the finding and related recommendations.

Finding 10: Adequate controls were not established over corporate purchasing cards, and related transactions were not always properly approved and supported. The department agreed with the finding and related recommendations.

Note: Repeat findings are indicated in bold.

Major Information Technology Projects

Department of Health and Mental Hygiene – Administration Electronic Vital Records System (EVRS)

Project Description:	To replace the existing systems used by the Division of Vital Records with an integrated web-enabled vital records system to include the registration of births, deaths, fetal deaths, marriages, and divorces.		
Project Business Goals:	No quantifiable business goals have been identified or quantitative ROI analysis conducted. However, measurable goals could be developed around improvements in customer service, <i>e.g.</i> , time to issue relevant certificates, as well as potential operational efficiencies through less data entry. According to the division, data on processing birth certificates in a timely manner show an improvement over the previous paper-driven manual system.		
Estimated Total Project Cost:	\$3,036,993. Initial price estimate was \$2,800,000 (exclusive of operations and maintenance costs). Final project cost estimate is much lower than the over \$6.0 million price noted last year. However, this reflects the sharply curtailed project scope.	New/Ongoing Project:	Birth module is complete and has transitioned to operations/maintenance. Planning for additional modules is not proceeding at this point.
Project Start Date:	April 2006.	Projected Completion Date:	2011
Schedule Status:	The EVRS was scheduled to be implemented in three phases: births; deaths; and fetal deaths, marriages, and divorces. The birth records component was scheduled to “go live” in January 2009. However, an inability of the system to meet national standards and multiple unsuccessful rounds of systems acceptance testing because of critical defects delayed the project. Additional project management support for the project was required by DoIT. The birth system went live January 2010, and DVR noted improvements in access to birth records, data accuracy, and disaster recovery features. However, the system required upgrades since the “go live” date to repair reported defects. The next module, death records, was supposed to have begun development in fiscal 2010 by the same vendor, but partial funding for the “death” module was cut by BPW in November 2009 before being reflected in fiscal 2011 funding. In its fiscal 2011 year-end report, DoIT noted that planning for future modules was not moving forward. Rather, DVR was debating on whether to do future work in-house. DoIT considers the project closed as a major IT Project, and there is no funding in the fiscal 2013 for planning for any additional modules.		
Cost Status:	Final cost of the birth module ultimately was higher than the initial projected cost for the total project. Costs increased because of the need for additional project management support, IV&V, software maintenance costs and maintenance costs.		
Scope Status:	Ended after the initial birth module.		
Project Management Oversight Status:	Oversight complete.		

Lessons Learned	The EVRS solution chosen by the State involved proprietary software and the subsequent poor track record of the vendor in implementing the birth module, including the slow response time to resolve project issues, significantly undermined the project and resulted in a major narrowing of project scope as well as the need for additional funding. Further, the State has to maintain a relationship with the same vendor for out-year operations and maintenance. The State still has not performed any ROI analysis on the module that was implemented. DLS would note that if the department proceeds with any additional modules using in-house resources, a ROI analysis needs to be performed.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	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	3,036.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	3,036.9
Other Expenditures	0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.0
Total Funding	\$3,036.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3,036.9

BPW: Board of Public Works

DHMH: Department of Health and Mental Hygiene

DLS: Department of Legislative Services

DoIT: Department of Information Technology

DVR: Division of Vital Records

EVRS: Electronic Vital Records System

IT: Information Technology

IV&V: Independent Verification and Validation

ROI: Return on Investment

Major Information Technology Projects

Department of Health and Mental Hygiene – Administration - Women, Infants, and Children Electronic Benefits Transfer System Planning and Implementation

Project Status¹	“Planning”	New/Ongoing Project:	New
Project Description:	This project will transition the issuance and redemption of Women, Infants, and Children (WIC) food prescriptions in Maryland from the current paper-based system to an electronic benefits transfer system.		
Project Business Goals:	Implementation of the Electronic Benefits Transfer (EBT) system will eliminate all costs associated with paper food checks, and check reconciliation. Additionally, it will allow the State greater ability to process product rebates in a more efficient manner, and provide a greater ability to monitor the program, and provide a higher level of accountability.		
Estimated Total Project Cost¹:	\$984,785	Estimated Planning Project Cost¹:	\$984,785
Project Start Date:	March 11, 2011	Projected Completion Date:	May 1, 2013
Schedule Status:	The Family Health Administration (FHA) has received federal funding and has hired an EBT project manager. The planning stage has begun and several stakeholders meetings have been conducted. The agency has begun the federally required Feasibility Study and Cost Benefit Analysis. These analyses will include high-level requirements definition, projected schedules and implementation costs. Following the planning phase, the objective is to use the information and insights gained to submit a Project Implementation Request; to issue a competitive RFP to obtain the services of a certified vendor; and then proceed to the development, pilot and implementation of the EBT system.		
Cost Status:	The current cost estimate reflects project planning costs only. Implementation of this project is dependent on USDA approval of the State’s Feasibility, Cost Benefit Analysis and Implementation Advanced Planning Document, and continued federal funding. The Department of Budget and Management has also reviewed and approved of the plausibility of the funding source for the project; however funding included in the fiscal 2013 budget does not match the funding levels in the ITPR.		
Scope Status:	N/A.		
Project Management Oversight Status:	Once the planning activities have been completed and the project charter, concept proposal, and preliminary project schedule have been submitted, DHMH will submit a Project Implementation Request to DoIT.		
Identifiable Risks:	Major risks include the following: Interdependencies – success of the EBT system heavily relies on its communication with the current WIC system. To mitigate this risk, FHA completed a gap analysis identifying where they are, and what work remains to be completed. The current system was designed in anticipation of EBT, so changes are minimal; User Interface – the project must provide an easy-to-access and easy-to-use solution for interface with the EBT system and the State will require a web-based interface to mimic the current interfaces with the current system; Organizational Culture - the new system will represent a significant change from the way the local agencies and clinics perform this segment of their activities, and FHA is involving local agencies and clinic personnel in project planning discussions; Implementation – successful implementation will require close coordination with the current system, the clinics, the retailer community and FHA is involving the current system and clinic personnel in all phases of project planning to assure a seamless transition.		

Additional Comments:	The federal “Healthy, Hunger-Free Kids Act of 2010” mandates that all states implement WIC EBT by calendar year 2020.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	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	634.8	350.0	0.0	0.0	0.0	0.0	0.0	984.8
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$634.8	\$350.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$984.8

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

DHMH: Department of Health and Mental Hygiene
DoIT: Department of Information Technology
EBT: Electronic Benefits Transfer
FHA: Family Health Administration
ITPR: Information and Technology Project Request
RFP: request for proposal
ROI: Return on Investment
USDA: United States Department of Agriculture
WIC: Women, Infants, and Children

**Object/Fund Difference Report
DHMH – Administration**

<u>Object/Fund</u>	<u>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	430.50	433.50	433.50	0.00	0%
02 Contractual	8.84	9.23	13.33	4.10	44.4%
Total Positions	439.34	442.73	446.83	4.10	0.9%
Objects					
01 Salaries and Wages	\$ 32,690,280	\$ 33,652,946	\$ 33,831,854	\$ 178,908	0.5%
02 Technical and Spec. Fees	417,677	420,571	610,891	190,320	45.3%
03 Communication	2,454,887	2,545,170	2,331,314	-213,856	-8.4%
04 Travel	150,746	180,301	167,874	-12,427	-6.9%
06 Fuel and Utilities	170,064	171,127	170,064	-1,063	-0.6%
07 Motor Vehicles	70,796	64,691	72,812	8,121	12.6%
08 Contractual Services	8,669,511	10,798,006	15,836,269	5,038,263	46.7%
09 Supplies and Materials	542,180	275,040	569,319	294,279	107.0%
10 Equipment – Replacement	145,731	435,757	138,468	-297,289	-68.2%
11 Equipment – Additional	1,107,827	278,591	270,231	-8,360	-3.0%
12 Grants, Subsidies, and Contributions	2,326,362	1,148,309	1,132,057	-16,252	-1.4%
13 Fixed Charges	2,101,777	2,071,955	2,217,570	145,615	7.0%
Total Objects	\$ 50,847,838	\$ 52,042,464	\$ 57,348,723	\$ 5,306,259	10.2%
Funds					
01 General Fund	\$ 26,261,259	\$ 27,196,950	\$ 33,378,553	\$ 6,181,603	22.7%
03 Special Fund	393,566	410,000	412,000	2,000	0.5%
05 Federal Fund	17,194,254	16,812,944	15,982,078	-830,866	-4.9%
09 Reimbursable Fund	6,998,759	7,622,570	7,576,092	-46,478	-0.6%
Total Funds	\$ 50,847,838	\$ 52,042,464	\$ 57,348,723	\$ 5,306,259	10.2%

Note: The fiscal 2012 appropriation does not include deficiencies.

**Fiscal Summary
DHMH – Administration**

<u>Program/Unit</u>	<u>FY 11 Actual</u>	<u>FY 12 Wrk Approp</u>	<u>FY 13 Allowance</u>	<u>Change</u>	<u>FY 12 - FY 13 % Change</u>
01 Executive Direction	\$ 13,362,514	\$ 13,368,182	\$ 12,905,036	-\$ 463,146	-3.5%
02 Financial Management Administration	33,537,707	30,487,552	35,651,164	5,163,612	16.9%
08 Major IT Projects	699,024	0	250,000	250,000	0%
01 Executive Direction	1,310,702	6,127,786	6,445,885	318,099	5.2%
01 Dep. Sec. for Behavioral Health and Disabilities	1,937,891	2,058,944	2,096,638	37,694	1.8%
Total Expenditures	\$ 50,847,838	\$ 52,042,464	\$ 57,348,723	\$ 5,306,259	10.2%
General Fund	\$ 26,261,259	\$ 27,196,950	\$ 33,378,553	\$ 6,181,603	22.7%
Special Fund	393,566	410,000	412,000	2,000	0.5%
Federal Fund	17,194,254	16,812,944	15,982,078	-830,866	-4.9%
Total Appropriations	\$ 43,849,079	\$ 44,419,894	\$ 49,772,631	\$ 5,352,737	12.1%
Reimbursable Fund	\$ 6,998,759	\$ 7,622,570	\$ 7,576,092	-\$ 46,478	-0.6%
Total Funds	\$ 50,847,838	\$ 52,042,464	\$ 57,348,723	\$ 5,306,259	10.2%

Note: The fiscal 2012 appropriation does not include deficiencies.