

M001
Chronic Disease Services
 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	\$39,646	\$40,908	\$41,714	\$805	2.0%
Adjusted General Fund	\$39,646	\$40,908	\$41,714	\$805	2.0%
Special Fund	4,640	5,133	4,148	-985	-19.2%
Adjusted Special Fund	\$4,640	\$5,133	\$4,148	-\$985	-19.2%
Reimbursable Fund	674	653	667	14	2.1%
Adjusted Reimbursable Fund	\$674	\$653	\$667	\$14	2.1%
Adjusted Grand Total	\$44,961	\$46,695	\$46,529	-\$166	-0.4%

- General funds increase \$805,261, or 2.0%, in the Governor's allowance as special funds decline \$985,060, or 19.2%, from lower revenues related to kidney dialysis revenues at Deer's Head Hospital Center (DHHC).
- Reimbursable funds from the Potomac Center for food services increase 2.1%, or \$13,743.

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	530.05	528.05	522.05	-6.00
Contractual FTEs	<u>25.12</u>	<u>16.94</u>	<u>13.97</u>	<u>-2.97</u>
Total Personnel	555.17	544.99	536.02	-8.97

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	30.64	5.87%
Positions and Percentage Vacant as of 12/31/11	44.50	8.43%

- The agency loses 6.0 regular positions in the allowance, 3.0 from the Western Maryland Hospital Center (WMHC) and 3.0 from DHHC. Contractual positions are reduced by 2.97 in the allowance.
- The chronic disease hospitals have a vacancy rate of 8.4%, or 44.5 regular positions, well in excess of the number required to meet turnover.

Analysis in Brief

Major Trends

Fall Rates at DHHC: Hospitals tend to set internal benchmarks for patient fall rates based on past performance and patient population, as there are no industry benchmarks. DHHC’s internal benchmark is 8 falls per 1,000 patient care days. Due to three residents with significant cognitive issues, the hospital exceeded its internal benchmark in fiscal 2010 and 2011. A year ago, DHHC reported that a Fall Committee would be formed to educate patients, residents, and staff regarding safety procedures. **The agency should comment on the efforts to reduce fall rates at DHHC.**

Average Number of Patients at WMHC: Although the number of admissions to WMHC’s chronic hospital has grown significantly over the past several years, the average number of patients staying at the hospital has stayed relatively flat. This is due to an effort to reduce the number of days a patient needs before he or she can go home or be moved to a facility with a lower level of care. **The agency should comment on the effort to reduce the average length of stay at WMHC.**

Recommended Actions

1. Concur with Governor’s allowance.

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Chronic Disease Services
Department of Health and Mental Hygiene

Operating Budget Analysis

Program Description

The State's two chronic disease hospital centers, Western Maryland Hospital Center (WMHC) and Deer's Head Center (DHHC), provide specialized services for those in need of complex medical management, comprehensive rehabilitation, long-term care, or dialysis. Specifically, both centers provide:

- chronic care and treatment to patients requiring acute rehabilitation, at a level greater than that available at a nursing home, for management of complex medical issues such as respiratory, coma, traumatic brain injury, spinal cord injury, wound management, dementia, cancer care, and quarantined tuberculosis;
- long-term nursing home care for patients no longer in need of hospital-level care but unable to function in traditional nursing homes; and
- inpatient and outpatient renal dialysis services.

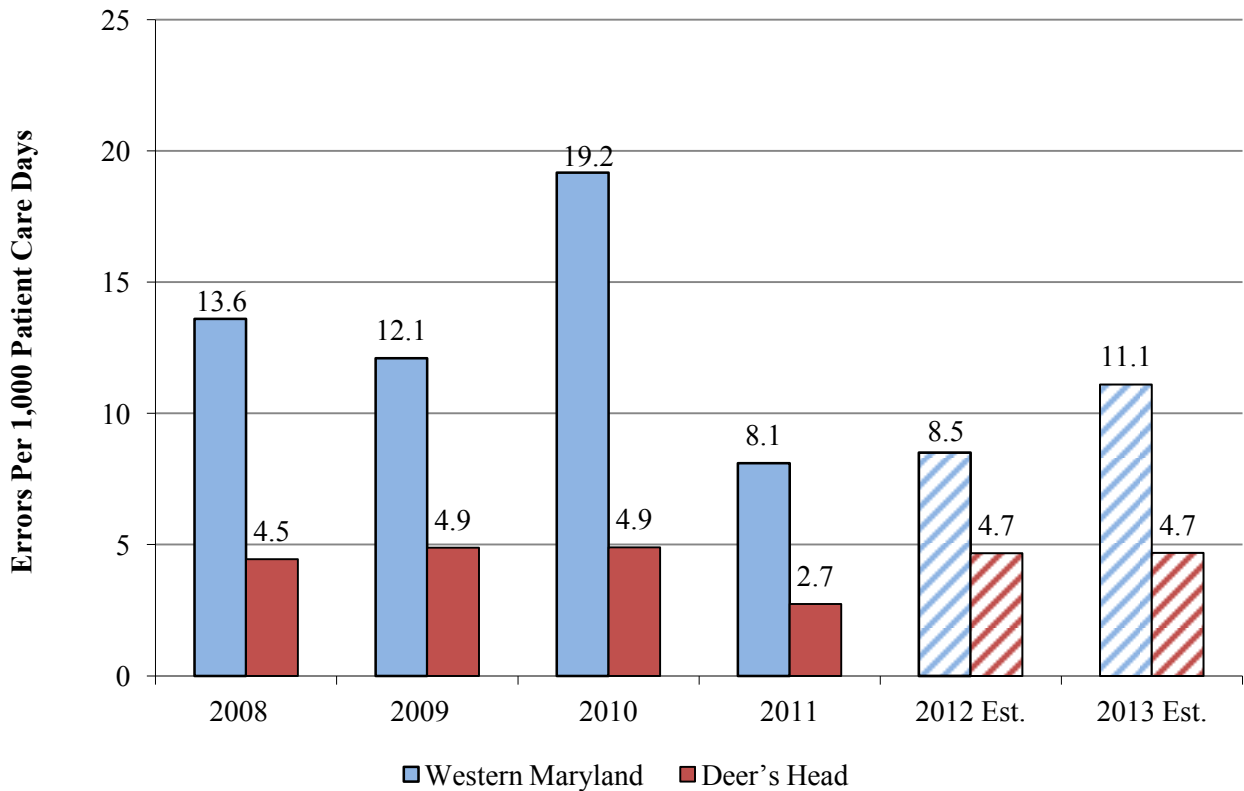
Performance Analysis: Managing for Results

The first goal reported for the two hospitals is to operate with a "Culture of Safety," minimizing accidents, injuries, and medical errors and creating a safe environment for patients, residents, and staff. This allows for more effective treatments, recovery, and work.

A medical error is defined by the National Coordinating Council for Medication Error Reporting and Prevention as any preventable event that may cause or lead to inappropriate medication use or patient harm while the medication is in the control of the health care professional, patient, or customer. The agency points out that most errors occur and are caught before the patient ever receives the medication. There are currently no commonly accepted industry benchmarks for medication errors due to the different patient mixes and services offered at different hospitals.

Exhibit 1 shows medication errors per 1,000 patient care days (PCDs) at WMHC and DHHC. An error rate is defined as the percent of errors that occurred out of each dose ordered, which includes medication type, dosage amount, and timing. The number of errors per 1,000 PCDs for WMHC fell from 19.2 to 8.1 between fiscal 2010 and 2011. At DHHC, the number of errors per 1,000 patient care days declined from 4.9 to 2.7.

Exhibit 1
Medication Error Rate
Fiscal 2008-2013 Est.



Source: Governor's Budget Books, Fiscal 2013

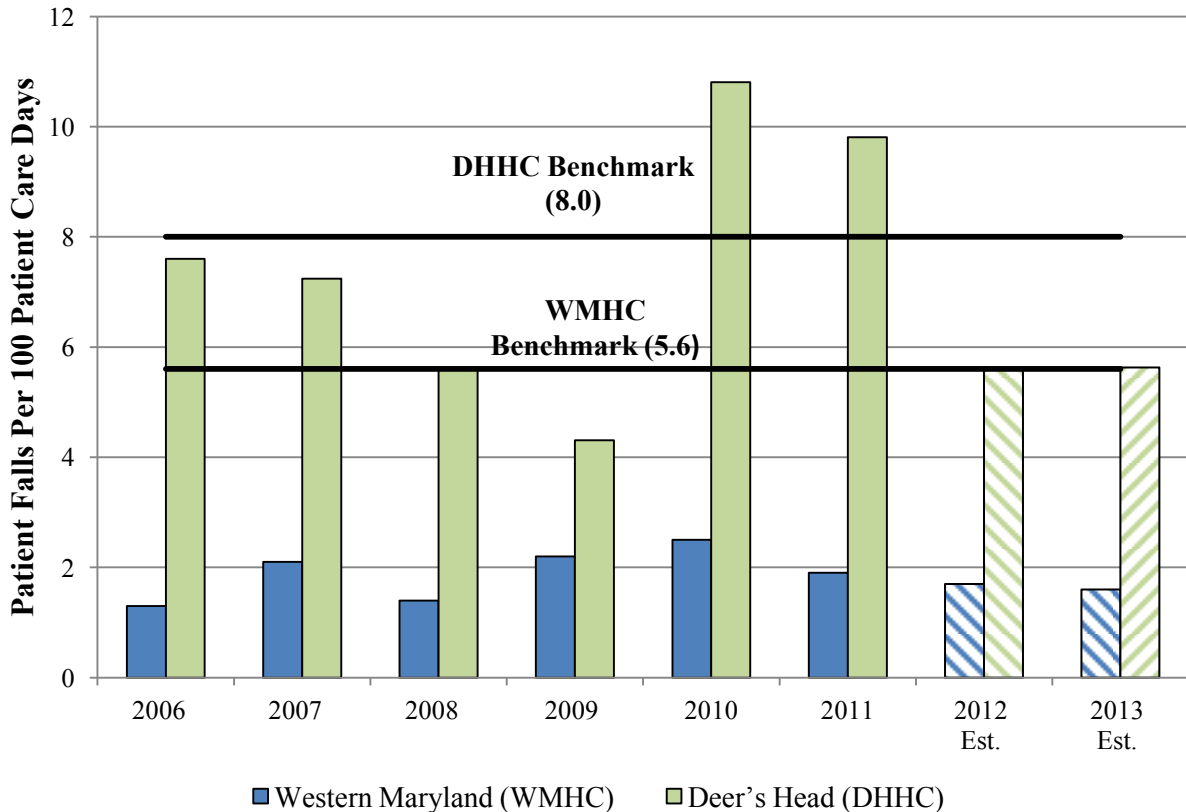
Both hospitals are transitioning to a new measure for medication errors, which they feel is more accurate given the different patient mixes. It is the number of errors compared to the opportunities for error. This rate is not yet available for DHHC, but the 8.1 errors per 1,000 PCDs at WMHC represented an error-per-opportunity rate of 0.03%.

Medication errors are reported by those with first-hand knowledge of the incident and are reviewed monthly by both hospitals for trends in order to create better and safer policies and procedures. They are also reviewed annually by the Office of Health Care Quality for compliance with healthcare regulations. Both hospitals also provide staff training to help reduce error rates.

Another safety measure tracked by the agency is patient falls, defined as an occurrence when a patient hits the floor, from any height, for any reason. Patients are assessed upon admittance for their risk of falling, and proper precautions are taken when necessary. Like medical errors, there are no industry benchmarks set due to the differences between hospitals and the patients served.

Hospitals typically set internal benchmarks based on their own trends and expectations. Rates between 11.0 and 24.9 falls per 1,000 PCDs serve as guides for the industry, however. As shown in **Exhibit 2**, both hospitals’ internal benchmarks are below that range, as well as their actual fall rates.

Exhibit 2
Patient Fall Rate Per 1,000 Patient Care Days
Fiscal 2006-2013 Est.

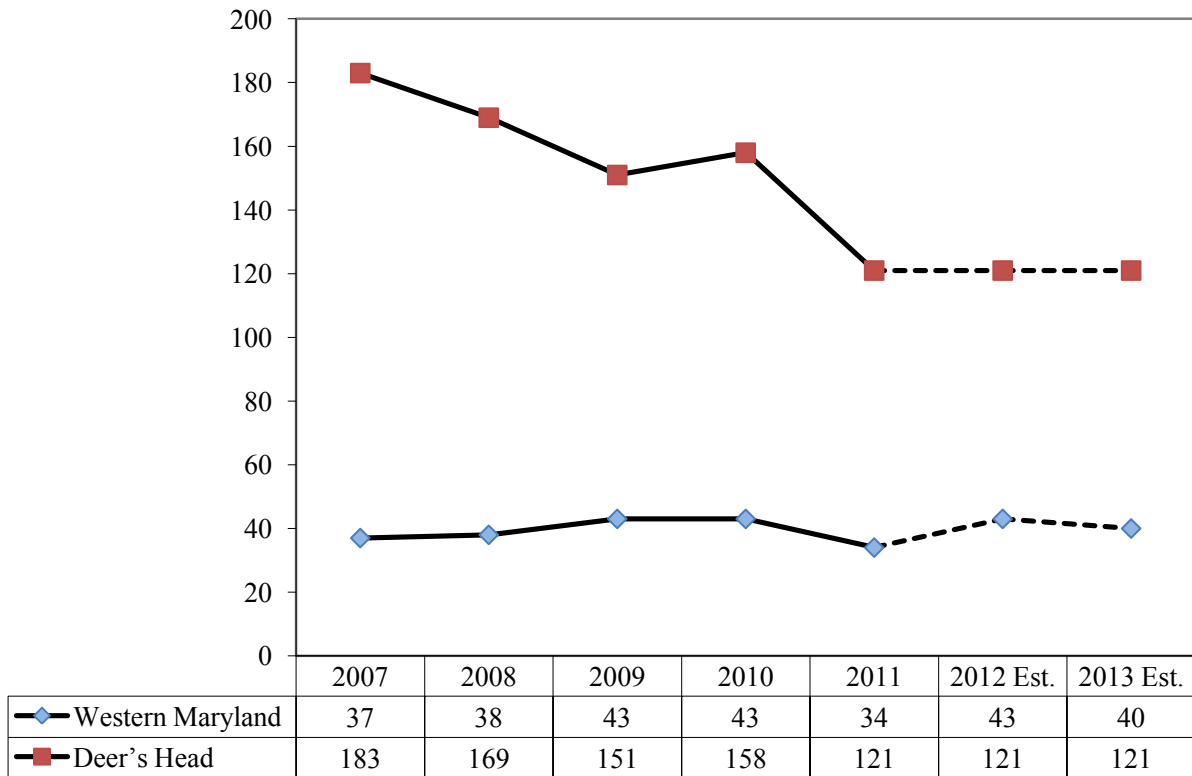


Source: Governor’s Budget Books, Fiscal 2009-2013

DHHC exceeded its internal benchmark of 8 falls per 1,000 PCDs in fiscal 2010 and 2011. The agency reported that a quarter of these falls were from three residents who have significant cognitive issues that make it much more likely for them to fall. DHHC also has a greater percentage of ambulatory patients than WMHC, which is why of the two, it typically has the higher fall rates. A year ago, DHHC reported that it would create a Fall Committee to educate patients, residents, and staff regarding safety procedures. **The agency should comment on the efforts to reduce fall rates at DHHC.**

In addition to having a safe environment, both hospitals strive to provide quality care to patients. Renal dialysis is offered at WMHC and DHHC, and **Exhibit 3** shows the number of patients treated at both hospitals between fiscal 2007 and 2013. DHHC continues to serve a greater number of patients than WMHC, but its numbers have fallen steadily throughout the period. The agency reports that when DHHC first opened, it was the only place for renal dialysis on the Eastern Shore. Since then, a number of new facilities have opened and expanded. DHHC expects the numbers to stabilize in fiscal 2012 as no new facilities or expansions in the region are planned.

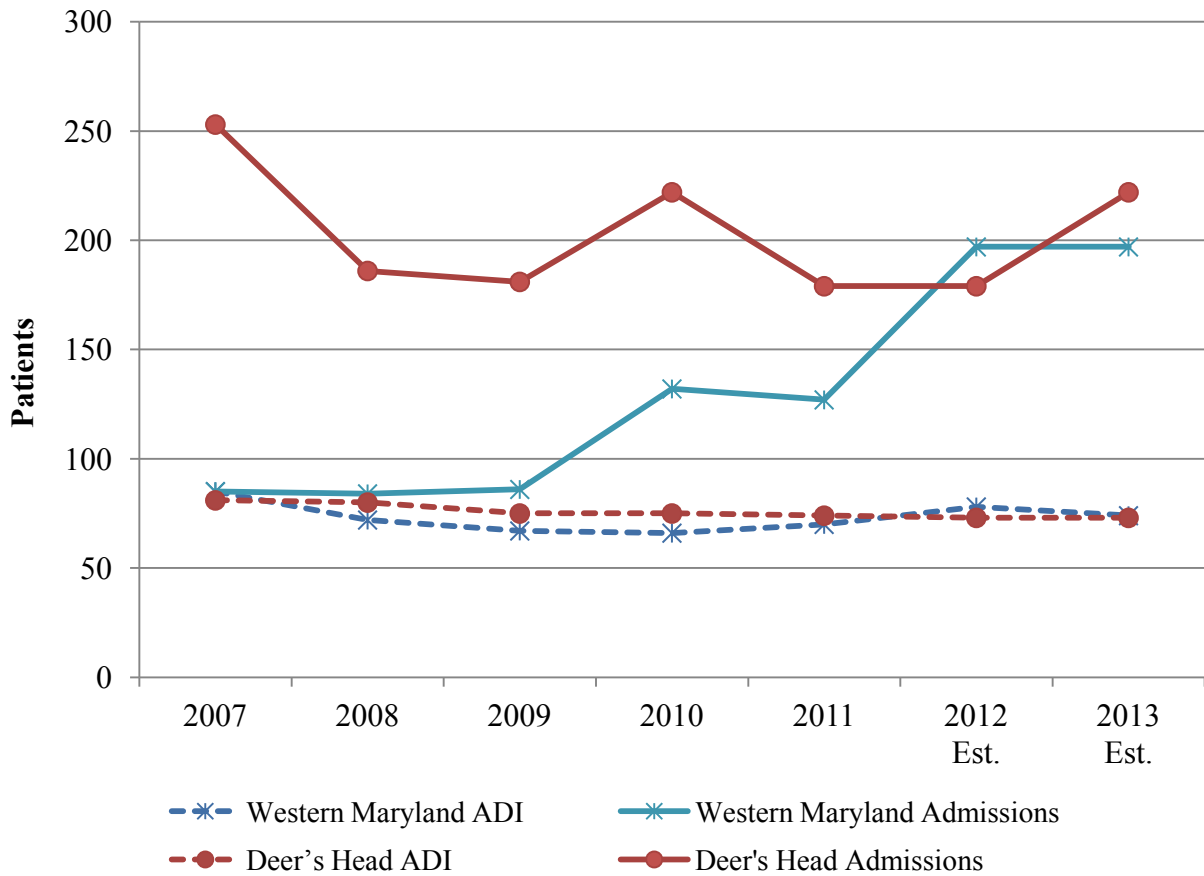
Exhibit 3
Renal Dialysis Patients
Fiscal 2007-2013 Est.



Source: Governor's Budget Books, Fiscal 2009-2013

Exhibit 4 shows data on WMHC and DHHC's average daily inpatients and admissions. In the case of WMHC, admissions are growing while the average daily population stays the same, indicating that the average length of stay has declined. In fiscal 2009, the average length of stay for a chronic patient was 149 days. By fiscal 2011, that had fallen to 57 days. **The agency should comment on the effort to reduce the average length of stay at WMHC.**

Exhibit 4
Average Daily Inpatients and Number of Admissions
Fiscal 2007-2013 Est.



ADI: average daily inpatients

Source: Governor's Budget Books, Fiscal 2010-2013

Fiscal 2012 Actions

Section 47 of the fiscal 2012 budget bill required the Governor to abolish 450 positions as of January 1, 2012. This agency's share of the reduction was 2 positions. The annualized salary savings due to the abolition of these positions is expected to be \$53,279 in general funds.

There were also 6 positions deleted as a result of the Governor's executive order creating the Voluntary Separation Program. Participants in the program accepted a one-time payment in

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exchange for vacating their positions and promising to not apply for work with any State agency for a given length of time. After separating from the agency, the positions were then deleted. For Chronic Disease Services, this accounts for 6 regular positions from DHHC, and these are reflected in the Governor’s allowance with annualized savings of over \$200,000.

Proposed Budget

Exhibit 5 shows the changes between the fiscal 2012 working appropriation and the Governor’s fiscal 2013 allowance. General and reimbursable funds increase at 2.0 and 2.1%, respectively, as special funds decline by 19.2%. The budget declines by \$166,056 overall, or 0.4%. For both hospitals, the budget reflects the increase in total patients served at WMHC and the lower number of dialysis treatments at DHHC.

Exhibit 5
Proposed Budget
DHMH – Chronic Disease Services
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
2012 Working Appropriation	\$40,908	\$5,133	\$653	\$46,695
2013 Allowance	<u>41,714</u>	<u>4,148</u>	<u>667</u>	<u>46,529</u>
Amount Change	\$805	-\$985	\$14	-\$166
Percent Change	2.0%	-19.2%	2.1%	-0.4%
Contingent Reductions	\$0	\$0	\$0	\$0
Adjusted Change	\$805	-\$985	\$14	-\$166
Adjusted Percent Change	2.0%	-19.2%	2.1%	-0.4%

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Where It Goes:

Personnel Expenses

Employee retirement.....	\$533
Other salary adjustments.....	112
Workers’ compensation premium assessment.....	195
Employee and retiree health insurance.....	193
Turnover adjustments.....	29
Other fringe benefit adjustments.....	7
Abolished/transferred positions.....	-211
One-time fiscal 2012 \$750 bonus.....	-391

Western Maryland Hospital Center

Aligning per-patient costs with fiscal 2011 actual.....	296
Nursing home provider fees.....	50
Contractual employee expenses.....	-24
Laboratory costs.....	-28
Ambulance services costs.....	-33
Physician services.....	-33
Lower equipment rental and repair expenses.....	-37
Food expenses.....	-41
Outpatient costs.....	-91

Deer’s Head Hospital Center

Nursing home provider fees.....	66
Lower clinical and pharmacy costs.....	-15
Lower building maintenance expenses.....	-23
Food expenses.....	-36
Contractual employee expenses.....	-69
Utilities expenses.....	-89
Kidney dialysis medicine and treatment.....	-527

Other 2

Total **-\$166**

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

Personnel

Although the overall budget is declining, personnel expenses increase by \$476,435. This is led by an increase in employee retirement costs, which grow \$533,209 in the allowance. Employee salaries and other payments increase \$111,696 after accounting for the one-time \$750 employee bonus in fiscal 2012 and 6 positions that are deleted in fiscal 2013. The largest decline is the funding related to the \$750 employee bonus that does not continue in fiscal 2013, \$390,641.

Western Maryland Hospital Center

The major change within the WMHC budget is an increase in per-patient medicine and treatment costs, which grow \$295,607 in the Governor's allowance. The fiscal 2013 budget based spending in those areas on fiscal 2010 and 2011 actual, which had grown over prior years. In addition, the hospital has been serving patients in need of a higher level of care in recent years, which also inflates costs. The largest decline is from costs associated with outpatient care. Other declines at WMHC include equipment repair and rentals, laboratory costs, and ambulance services.

Deer's Head Hospital Center

The falling number of kidney dialysis patients at DHHC drives the largest change in its budget, a decline of \$526,509. The hospital also outsourced its laundry services, and utilities expenses are expected to fall \$89,369 as a result. The allowance deletes 2.97 contractual employees from DHHC's budget, including 1 dialysis technician position, reducing its budget by an additional \$69,383. The only increase is from nursing home provider fees, which increase \$65,979 when the per-patient rate from fiscal 2012 is aligned with the expected number of patients in fiscal 2013.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets DHMH – Chronic Disease Services (\$ 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	\$38,853	\$5,139	\$0	\$630	\$44,621
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	793	193	0	45	1,031
Reversions and Cancellations	0	-691	0	0	-691
Actual Expenditures	\$39,646	\$4,640	\$0	\$674	\$44,961
Fiscal 2012					
Legislative Appropriation	\$40,366	\$5,131	\$0	\$653	\$46,149
Budget Amendments	543	3	0	0	545
Working Appropriation	\$40,908	\$5,133	\$0	\$653	\$46,695

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

Fiscal 2011

Several budget amendments increased the legislative appropriation by \$793,210 in general funds, \$5,138,549 in special funds, and \$629,560 of reimbursable funds. The largest departmentwide realignment was for \$793,210 in general funds to fund turnover (\$348,684), hospital nursing services (\$170,574), patient therapy (\$105,609), and other miscellaneous expenditures. Special funds increased by \$192,592 to cover nursing home provider assessments, which the hospitals are required to pay. Finally, reimbursable funds grew by \$44,749, to cover food costs for the Potomac Center.

At the end of the fiscal year, \$690,806 in special funds was cancelled, which represents revenue budgeted but not realized by the hospitals for kidney dialysis.

Fiscal 2012

Chronic Disease Services received a budget amendment for \$387,816 in general funds and \$2,825 in special funds for the one-time \$750 bonus provided to employees.

**Object/Fund Difference Report
DHMH – Chronic Disease Services**

<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	530.05	528.05	522.05	-6.00	-1.1%
02 Contractual	25.12	16.94	13.97	-2.97	-17.5%
Total Positions	555.17	544.99	536.02	-8.97	-1.6%
Objects					
01 Salaries and Wages	\$ 32,348,906	\$ 33,903,363	\$ 34,370,798	\$ 467,435	1.4%
02 Technical and Spec. Fees	1,374,603	1,027,632	914,255	-113,377	-11.0%
03 Communication	72,008	102,116	86,494	-15,622	-15.3%
04 Travel	3,589	6,117	2,265	-3,852	-63.0%
06 Fuel and Utilities	1,262,294	1,404,499	1,309,977	-94,522	-6.7%
07 Motor Vehicles	48,466	39,433	41,737	2,304	5.8%
08 Contractual Services	3,507,846	3,351,156	3,298,451	-52,705	-1.6%
09 Supplies and Materials	6,032,244	6,729,254	6,380,506	-348,748	-5.2%
10 Equipment – Replacement	151,706	30,000	30,000	0	0%
11 Equipment – Additional	70,328	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	366	5,000	5,000	0	0%
13 Fixed Charges	88,304	95,999	89,030	-6,969	-7.3%
Total Objects	\$ 44,960,660	\$ 46,694,569	\$ 46,528,513	-\$ 166,056	-0.4%
Funds					
01 General Fund	\$ 39,646,017	\$ 40,908,461	\$ 41,713,722	\$ 805,261	2.0%
03 Special Fund	4,640,334	5,133,334	4,148,274	-985,060	-19.2%
09 Reimbursable Fund	674,309	652,774	666,517	13,743	2.1%
Total Funds	\$ 44,960,660	\$ 46,694,569	\$ 46,528,513	-\$ 166,056	-0.4%

Note: The fiscal 2012 appropriation does not include deficiencies.

Fiscal Summary
DHMH – Chronic Disease Services

<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>
03 Western Maryland Center	\$ 23,371,844	\$ 24,096,306	\$ 24,539,410	\$ 443,104	1.8%
04 Deer's Head Center	21,588,816	22,598,263	21,989,103	-609,160	-2.7%
Total Expenditures	\$ 44,960,660	\$ 46,694,569	\$ 46,528,513	-\$ 166,056	-0.4%
General Fund	\$ 39,646,017	\$ 40,908,461	\$ 41,713,722	\$ 805,261	2.0%
Special Fund	4,640,334	5,133,334	4,148,274	-985,060	-19.2%
Total Appropriations	\$ 44,286,351	\$ 46,041,795	\$ 45,861,996	-\$ 179,799	-0.4%
Reimbursable Fund	\$ 674,309	\$ 652,774	\$ 666,517	\$ 13,743	2.1%
Total Funds	\$ 44,960,660	\$ 46,694,569	\$ 46,528,513	-\$ 166,056	-0.4%

Note: The fiscal 2012 appropriation does not include deficiencies.