
Department of Human Resources Fiscal 2013 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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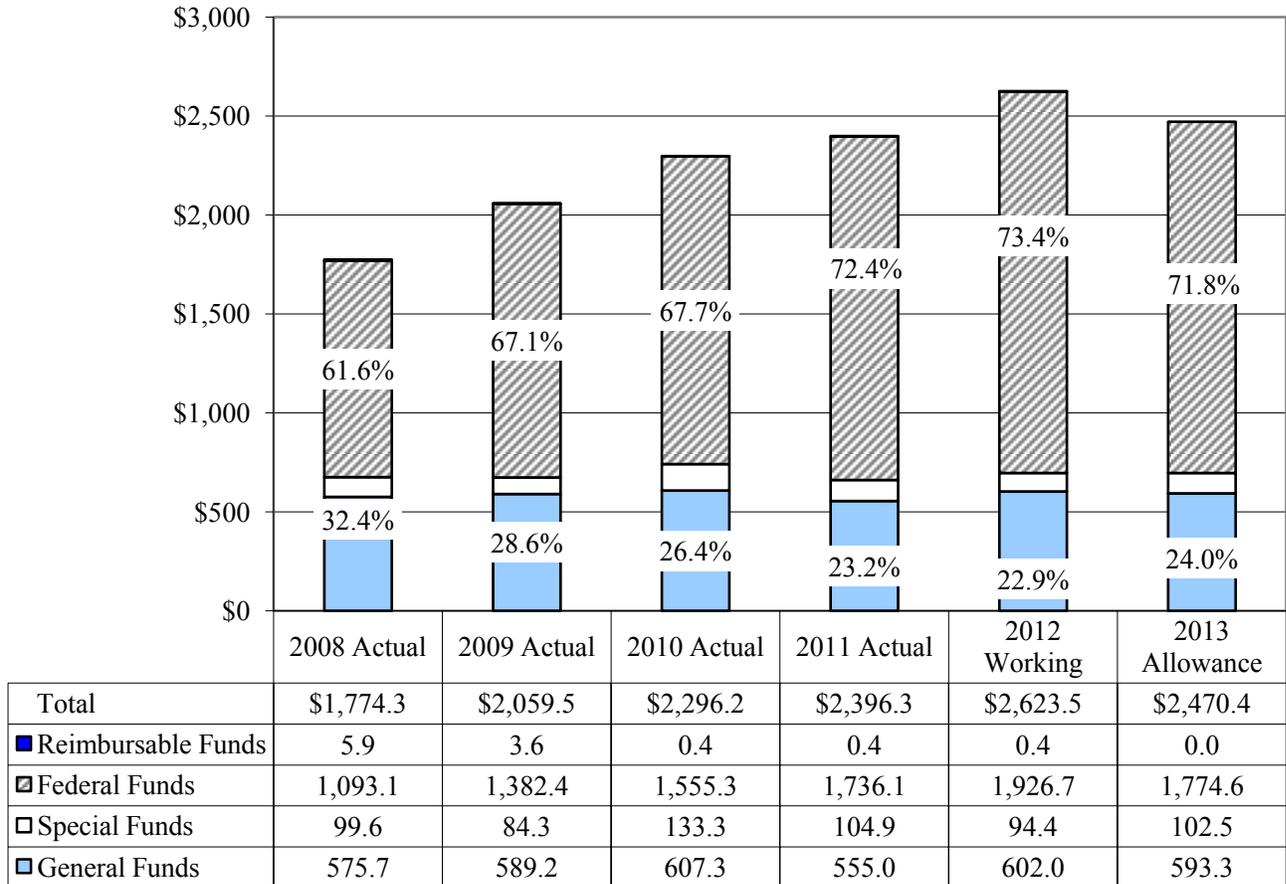
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Analysis of the FY 2013 Maryland Executive Budget, 2012

N00 – Department of Human Resources – Fiscal 2013 Budget Overview

Department of Human Resources – Funding by Source
Fiscal 2008-2013
(\$ in Millions)



Note: Numbers may not sum due to rounding.

Source: Maryland State Budget

N00 – Department of Human Resources – Fiscal 2013 Budget Overview

The fiscal 2013 budget for the Department of Human Resources (DHR) decreases 5.8% compared to the fiscal 2012 working appropriation including deficiencies. General funds, which decrease by \$8.7 million (-1.4%), comprise 24.0% of the total budget, up slightly as a percent of the total budget from the fiscal 2012 working appropriation level of 22.9%.

Special funds increase by a net \$8.1 million and increase as a percent of the budget, from 3.6% in fiscal 2012, to 4.2% in the allowance. Increases in some special funds totaling \$9.3 million are partially offset by decreases totaling \$1.2 million. Increases occur in the Child Support Reinvestment Fund (\$3.1 million), Strategic Energy Investment Fund (\$2.8 million), Child Support Offset (\$2.3 million), Local Government Payments (\$623,284), and Foster Care Education (\$500,000). Decreases occur in the Universal Services Benefit Program (\$1.2 million), Adoption Registry Fees (\$57,072), Cooperative Reimbursement Monitoring Fees (\$26,584), and Interim Assistance Reimbursement (\$65).

Federal funds decrease by a net \$152.1 million between fiscal 2012 and 2013 and decrease slightly as a percent of total funding from 73.4% in fiscal 2012 to 71.8% in fiscal 2013. Decreases in 6 federal programs total \$164.5 million which are only slightly offset by increases totaling \$12.3 million in 13 other federal programs. A reduction of \$150.3 million in the Supplemental Nutritional Assistance Program (SNAP) accounts for the majority of the decrease with other large decreases occurring in Foster Care Title IV-E (\$6.3 million), Refugee and Entrant Assistance – Targeted Assistance (\$6.0 million), and Child Support Enforcement (\$1.1 million). Programs with increases of at least \$1.0 million comprise Refugee and Entrant Assistance – State Administered Program (\$5.5 million), Healthy Marriage Promotion and Responsible Fatherhood Grants (\$1.5 million), Social Services Block Grant (\$1.4 million), and Child Care Mandatory and Matching Funds (\$1.0 million.)

N00 – Department of Human Resources – Fiscal 2013 Budget Overview

**Department of Human Resources
Budget Overview: All Funds
Fiscal 2011-2013
(\$ in Thousands)**

	2011 Actual	2012 Working	2013 Allowance	2012-13 % Change
Family Investment	\$1,419,917	\$1,611,080	\$1,458,118	-9.5%
TCA Payments	151,138	153,033	149,038	-2.6%
TDAP	44,661	44,168	44,168	0.0%
SNAP	993,349	1,183,743	1,033,480	-12.7%
Other Public Assistance	21,159	16,372	16,337	-0.2%
Work Opportunities	32,822	35,010	34,774	-0.7%
Administration	176,788	178,754	180,320	0.9%
Office of Home Energy Programs	\$145,267	\$143,214	\$145,577	1.7%
Child Welfare	\$558,718	\$604,071	\$598,087	-1.0%
Foster Care/Adoption	299,364	324,066	316,359	-2.4%
Programs/Administration	259,354	280,004	281,728	0.6%
Child Support Enforcement	\$90,784	\$85,525	\$88,525	3.5%
Administration	\$181,631	\$179,647	\$180,121	0.3%
Office of the Secretary	47,027	41,847	39,542	-5.5%
Operations	28,012	25,946	31,034	19.6%
Information Management	66,821	69,755	68,444	-1.9%
Local Department Operations	39,770	42,099	41,101	-2.4%
Total Program Funding	\$2,396,317	\$2,623,536	\$2,470,427	-5.8%
General Funds	\$554,970	\$602,008	\$593,311	-1.4%
Special Funds	104,857	94,431	102,529	8.6%
Federal Funds	1,736,115	1,926,722	1,774,586	-7.9%
Reimbursable Funds	375	375	0	-100.0%
Total Funds	\$2,396,317	\$2,623,536	\$2,470,427	-5.8%

TCA: Temporary Cash Assistance
 TDAP: Temporary Disability Assistance Program
 SNAP: Supplemental Nutrition Assistance Program

Note: Fiscal 2012 includes deficiencies. Numbers may not sum to total due to rounding.

Source: Maryland State Budget

N00 – Department of Human Resources – Fiscal 2013 Budget Overview

**Department of Human Resources
Budget Overview: General Funds
Fiscal 2011-2013
(\$ in Thousands)**

	<u>2011 Actual</u>	<u>2012 Working</u>	<u>2013 Allowance</u>	<u>2012-13 % Change</u>
Family Investment	\$105,398	\$144,825	\$138,259	-4.5%
TCA Payments	236	45,017	38,951	-13.5%
TDAP	36,992	36,165	36,165	0.0%
SNAP	0	0	0	0.0%
Other Public Assistance	9,919	6,610	6,610	0.0%
Work Opportunities	0	0	0	0/0%
Administration	58,251	57,033	56,533	-0.9%
Office of Home Energy Programs	\$0	\$9	\$0	0.0%
Child Welfare	\$334,239	\$348,251	\$344,060	-1.2%
Foster Care/Adoption	212,301	237,743	235,721	-0.9%
Programs/Administration	121,938	110,508	108,339	-2.0%
Child Support Enforcement	\$17,653	\$17,318	\$17,721	2.3%
Administration	\$97,681	\$91,605	\$93,272	1.8%
Office of the Secretary	28,442	26,743	25,074	-6.2%
Operations	16,168	12,939	17,217	33.1%
Information Management	30,424	30,115	29,668	-1.5%
Local Department Operations	22,647	21,808	21,313	-2.3%
Total	\$554,970	\$602,008	\$593,311	-1.4%

TCA: Temporary Cash Assistance
 TDAP: Temporary Disability Assistance Program
 SNAP: Supplemental Nutrition Assistance Program

Note: Fiscal 2012 includes deficiencies. Numbers may not sum to total due to rounding.

Source: Maryland State Budget; Department of Human Resources

N00 – Department of Human Resources – Fiscal 2013 Budget Overview

**Department of Human Resources
Budget Overview: Fiscal 2012 Deficiencies**

<u>Unit</u>	<u>Amount</u>		<u>Use</u>
Assistance Payments	\$37,877,011 GF -25,765,438 FF		Provide additional funding to support increased Temporary Cash Assistance caseload (\$12,111,575 GF) and provide general funds in lieu of TANF funds which are oversubscribed in the fiscal 2012 budget (-\$25,765,438 FF; \$25,765,438 GF).
Work Opportunities	-\$4,000,000 FF		Withdraws TANF funds which are oversubscribed in the fiscal 2012 budget.

GF: general funds

SF: special funds

TANF: Temporary Assistance for Needy Families

Source: Maryland State Budget

N00 – Department of Human Resources – Fiscal 2013 Budget Overview

**Department of Human Resources
Major Changes in the Fiscal 2013 Allowance
(\$ in Millions)**

	Total
Departmentwide	
Health/retiree health	\$5.5
Retirement	3.6
Workers' compensation premium assessment	1.2
Decreased turnover	1.1
New positions – Baltimore Child Support Enforcement Legal Unit	1.0
Decreased reclassifications	-0.6
Abolished positions (17) and transfers (1)	-0.9
Remove one-time \$750 employee bonuses	-4.9
Annualization of voluntary separation program, abolished positions and Section 47 position reductions	-5.1
Other personnel	-0.2
Administration	
Statewide personnel system allocation	3.1
DoIT/OAG cost allocations	1.7
MD Emergency Food Program	1.0
Remove information technology project	-1.4
Legal services – new contract	-2.5
Social Services	
Rate increase for institutional care vendors	1.9
Rent increases	0.7
Reduction in flex funding	-2.5
Shift in foster care caseloads to lower cost placements	-7.2
Child Support Enforcement	
Cooperative reimbursement agreements	2.1
Family Investment	
Call center, employment verification services, and disabled examination contracts	2.5
TCA average monthly caseload decrease from 73,222 to 71,243	-4.0
Work Opportunities decrease in job training and placement programs funded with TANF	-4.0
SNAP benefits	-150.3
Office of Home Energy Programs	
Energy Assistance benefits	2.4
Other Adjustments	2.9
Total	-\$153.1

N00 – Department of Human Resources – Fiscal 2013 Budget Overview

DoIT: Department of Information Technology
OAG: Office of the Attorney General
TCA: Temporary Cash Assistance
TANF: Temporary Assistance for Needy Families
SNAP: Supplemental Nutrition Assistance Program

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

Source: Maryland State Budget; Department of Human Resources

- The Temporary Cash Assistance (TCA) benefit rate remains unchanged from fiscal 2012 to 2013. The combined SNAP/TCA benefit level is projected to meet the 61% of the Minimum Living Level as required by law.
- The allowance includes a 1% rate increase for institutional foster care vendors. This complies with a provision in the Budget Reconciliation and Financing Act of 2012 limiting provider rate increases to 1%.

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**Department of Human Resources
Caseload Estimates Assumed in the Budget
Fiscal 2010-2013**

<u>Program</u>	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Estimated</u>	<u>2013 Estimated</u>	<u>2012-13 % Change</u>
Cash Assistance					
TCA	67,422	72,211	73,222 *	71,243	-2.7%
TDAP	19,080	20,461	19,895	19,895	0.0%
Child Welfare					
Foster Care	7,163	6,860	7,260	7,070	-2.6%
Subsidized Adoptions	7,930	7,800	8,030	8,030	0.0%
Child Support Enforcement					
TCA Collections	\$21,373,036	\$21,706,996	\$21,924,066	\$22,143,306	1.0%
Non-TCA Collections	\$489,931,159	\$497,537,009	\$502,512,379	\$507,537,503	1.0%

*Based on budget including the fiscal 2012 deficiency appropriation of \$12.1 million. The legislative appropriation was based on an average monthly caseload of 65,005.

TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program

Source: Maryland State Budget; Department of Human Resources

- The fiscal 2012 deficiency appropriation adding \$12.1 million increases funding for TCA sufficient to cover an average monthly caseload of 73,222. This funding level is still likely to be insufficient given that at the half way point in the fiscal year, the average monthly caseload is 74,021.
- DHR projects the combined foster care and adoption caseloads to decline slightly between fiscal 2012 and 2013, with the foster care caseload declining 2.6% and the adoption caseload remaining steady.
- Child support enforcement collections, both TCA and non-TCA, are projected to grow by 1% between fiscal 2012 and 2013.

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**Department of Human Resources
Employment: Full-time Equivalent Regular Positions
Fiscal 2011-2013**

	<u>2011 Actual</u>	<u>2012 Legislative</u>	<u>2012 Working</u>	<u>2012 Change</u>	<u>2013 Allowance</u>	<u>2012-13 Change</u>
Social Services	2,945.61	2,915.61	2,905.61	-10.00	2,899.61	-6.00
Family Investment	2,066.42	2,046.42	2,039.42	-7.00	2,038.42	-1.00
Administration	935.00	901.00	896.00	-5.00	889.00	-7.00
Child Support Enforcement	716.00	691.00	690.00	-1.00	698.20	8.20
Office of Home Energy Programs	13.87	13.87	13.87	0.00	13.87	0.00
Total Positions	6,676.90	6,567.90	6,544.90	-23.00	6,539.10	-5.80

Source: Maryland State Budget

- The number of regular positions decreases by 23.0 in fiscal 2012, representing abolitions made as part of the 450.0 position reduction required by Section 47 of the fiscal 2012 budget bill.
- The fiscal 2013 allowance includes a net of 5.8 fewer positions than the fiscal 2012 working appropriation. This comprises 12.2 new positions to provide legal services in Baltimore City for the local Child Support Enforcement office offset by the transfer of 1.0 position to the Governor’s Office for Children and the abolition of 17.0 positions as a cost containment measure. Legal services for the Child Support Enforcement office in Baltimore City have previously been provided by Baltimore City under a local option that allowed the city to receive the federal matching funds.

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**Department of Human Resources
Regular Positions: Filled as of January 1
Fiscal 2010-2012**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Change 2011-12</u>	<u>% Change 2011-12</u>
Administration	898.0	860.0	823.2	-36.8	-4.3%
Social Services	2,836.9	2,799.9	2,737.0	-62.9	-2.2%
Child Support Enforcement	690.5	681.0	644.0	-37.0	-5.4%
Family Investment	1,863.3	1,925.3	1,886.3	-39.0	-2.0%
Total	6,288.7	6,266.2	6,091.0	-175.3	-2.8%

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

Source: Department of Budget and Management

- DHR had 460.0 positions vacant (net of positions being abolished) on January 1, 2012, which equates to a vacancy rate of 7.0%. The budgeted turnover rate in the fiscal 2013 allowance is 6.85%. DHR will need to maintain 444.66 positions vacant for all of fiscal 2013 in order to meet turnover, which means it can fill an additional 15.3 positions and still meet the turnover rate.
- Overall, the number of filled positions has decreased across the department by 175.3 between fiscal 2011 and 2012 representing a 2.8% decreased in filled positions. Social Services shows the largest decrease in the number of filled positions (-62.9 positions) while Child Support Enforcement experienced the largest percentage decrease in filled positions (-5.4%).

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**Department of Human Resources
Employment: Contractual Positions
Fiscal 2010-2012**

	<u>2011 Actual</u>	<u>2012 Working</u>	<u>2013 Allowance</u>	<u>2012-13 Change</u>
Social Services	6.16	1.00	1.00	0.00
Family Investment	49.26	68.00	68.00	0.00
Administration	40.89	2.90	2.90	0.00
Child Support Enforcement	6.08	1.00	1.00	0.00
Total Positions	102.39	72.90	72.90	0.00

Source: Maryland State Budget

- The number of contractual positions in the fiscal 2013 allowance is the same as the fiscal 2012 working appropriation.
- Most of the contractual positions are located in the Work Opportunities program of Family Investment and are utilized in job training activities.

Issues

1. Temporary Assistance for Needy Families Spending Realigned with Grant Income but Shortfall Not Completely Addressed

Maryland receives a base Temporary Assistance for Needy Families (TANF) block grant each year of \$229.1 million. In recent years, Maryland also received additional TANF dollars authorized through the American Recovery and Reinvestment Act of 2009 (ARRA) and was able to access TANF contingency funds available to states experiencing high rates of increase in the SNAP caseload. This additional funding was made available to help address the increased TCA caseload resulting from the recession and the slow economic recovery.

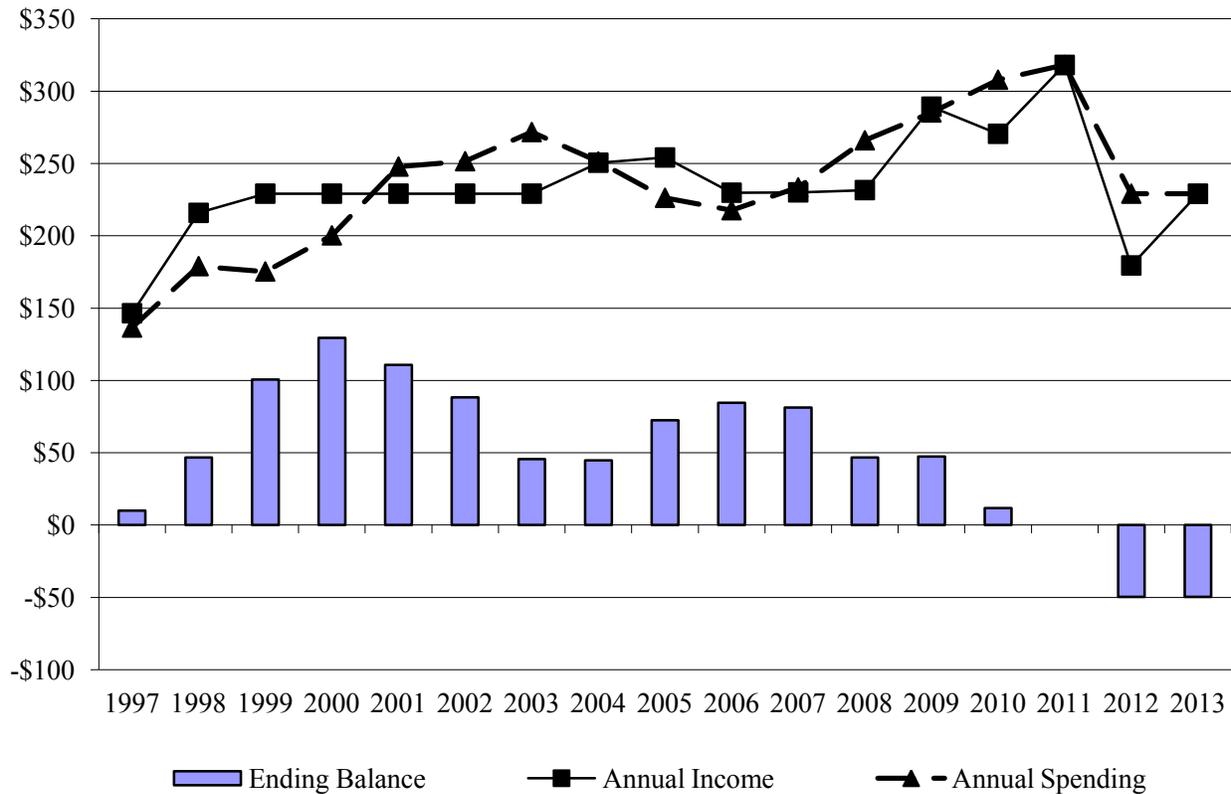
Even though TCA caseloads remain elevated, funding above the base TANF grant has mostly disappeared. Fiscal 2011 was the final year in which ARRA TANF funding was available, and Congress greatly reduced the amount of TANF contingency funding available to states in the federal fiscal 2011 and 2012 budgets. The outlook for increased contingency funding in the foreseeable future is poor given the budgetary climate at the national level.

From the inception of the TANF program in 1997 until fiscal 2011, Maryland maintained a TANF balance. The balance grew in years when spending was less than the TANF funds received. The relationship between TANF income, spending, and the resulting balance is readily evident in **Exhibit 1**. As the graph illustrates, TANF income exceeded the annual spending from the inception of TANF in fiscal 1997 until 2001. As a result, the balance increased each year until it reached \$129.4 million at the end of fiscal 2000.

TANF spending exceeded income in 8 of the last 11 years and resulted in the elimination of the accumulated balance in fiscal 2011. In fiscal 2011, Maryland received less TANF contingency funding that had been anticipated when the budget was constructed. This decrease in TANF income, combined with elevated TCA caseload levels, resulted in TANF spending which exceeded available funding by \$49.6 million. This shortfall was covered by using a portion of the fiscal 2012 TANF grant.

The fiscal 2013 budget as introduced includes fiscal 2012 deficiency appropriations withdrawing nearly \$52.0 million of TANF funds and replacing them with general funds. This aligns TANF spending in fiscal 2012 with the \$229.1 million level of the annual TANF grant and limits TANF spending to the DHR budget. With the deficiency appropriations, spending for non-DHR TANF-eligible purposes is now supported with general funds.

Exhibit 1
TANF Balance, Income, and Spending
Fiscal 1997-2013
(\$ in Millions)



TANF: Temporary Assistance for Needy Families

Source: Department of Human Resources; Department of Legislative Services

The deficiencies only partially address the \$49.6 million shortfall incurred in fiscal 2011, and the balance at the end of fiscal 2012 is projected to be -\$34.4 million. This amount of the 2013 TANF grant will be needed to cover fiscal 2012 spending. **Exhibit 2** shows the beginning and ending TANF balances for fiscal 2011 through 2013. With annual spending in fiscal 2012 and 2013 aligned with the annual base grant amount, the shortfall will not grow larger. However, until additional funding is provided or TCA levels return to pre-recession levels, a portion of each year’s TANF grant will need to be used to cover prior year spending and the negative balance will just move from year to year. DHR anticipates a final fiscal 2012 contingency fund allocation of \$3.8 million in mid-February 2012, which will reduce the negative balance to \$30.6 million.

Exhibit 2
Availability of TANF Funding
Fiscal 2011-2013
(\$ in Millions)

	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Working</u>	<u>2013</u> <u>Allowance</u>
Beginning Balance	\$11.709	\$0.000	-\$34.362
TANF Grant	\$229.098	\$229.098	\$229.098
TANF Grant Inter-year transfers	49.636	-49.636	
Contingency TANF	11.455	15.273	
ARRA TANF	16.227		
Total Income	\$306.416	\$194.736	\$229.098
Available Funding (Balance + Income)	\$318.125	\$194.736	\$179.463
DHR Appropriation	-\$295.925	-\$229.098	-\$229.000
Local Management Boards	-7.324	0.000	0.000
MSDE: Healthy Families/Home Visiting	-4.590	0.000	0.000
MSDE: Child Care Subsidy Program	-10.286	0.000	0.000
Total Expenditures	-\$318.125	-\$229.098	-\$229.000
Ending Balance	\$0.000	-\$34.362	-\$34.264

ARRA: American Recovery and Reinvestment Act of 2009
DHR: Department of Human Resources
MSDE: Maryland State Department of Education
TANF: Temporary Assistance for Needy Families

Note: Fiscal 2012 reflects deficiency appropriations which replaced nearly \$52 million of budgeted TANF with general funds, including all TANF spending outside of DHR. Numbers may not sum to total due to rounding.

Source: Department of Human Resources; Maryland State Budget

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Exhibit 3 shows the changes in TANF spending in the DHR budget. The amount of TANF spending and the distribution within DHR remains relatively unchanged between the fiscal 2012 working appropriation (including deficiencies) and the 2013 allowance.

Exhibit 3
Changes in TANF Spending in DHR's Budget
Fiscal 2011-2013 Allowance
(\$ in Millions)

<u>Activity</u>	<u>2011 Actual</u>	<u>2012 Working*</u>	<u>2013 Allowance</u>	<u>2012 - 13 Change</u>
Cash assistance	\$151.5	\$109.3	\$108.4	-\$0.9
Work opportunities	32.8	35.0	34.8	-0.2
Family Investment Services	39.3	37.1	38.2	1.1
Foster care maintenance payments	6.9	6.9	6.9	0.0
Child and Adult Social Services	47.8	28.9	28.4	-0.5
General Administration	17.6	11.9	12.4	0.5
Total DHR Expenditures	\$295.9	\$229.1	\$229.0	-\$0.1
Other Agencies	\$22.2	\$0.0	\$0.0	\$0.0
Grand Total	\$318.1	\$229.1	\$229.0	-\$0.1

DHR: Department of Human Resources
TANF: Temporary Assistance for Needy Families

*Reflects deficiency appropriations which reduced nearly \$52 million of budgeted TANF and replaced it with general funds.

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

Source: Maryland State Budget; Department of Human Resources

DHR should brief the committees on how the remaining negative TANF balance is to be addressed.

2. Comfortable Cushion Exists in TANF Maintenance of Effort

In return for its annual TANF block grant of \$229.1 million, the State must spend \$177.7 million of its own money to meet federal maintenance of effort (MOE) requirements. In addition, TANF contingency fund allotments require \$2 in MOE for every \$1 received. Spending that helps needy children stay in their own homes or in relatives' homes and programs that promote job preparation, work, or marriage count toward MOE. **Exhibit 4** provides a summary of MOE funding in the fiscal 2011 budget and estimates for fiscal 2012 and 2013.

Exhibit 4
TANF Maintenance of Effort
Fiscal 2011-2013 Allowance
(\$ in Thousands)

	<u>2011</u> <u>Actual</u>	<u>2012</u> <u>Working</u>	<u>2013</u> <u>Allowance</u>	<u>2012-13</u> <u>Change</u>
Traditional Sources of MOE				
Cash Assistance	\$10,172	\$51,979	\$48,913	-\$3,066
Child Care Subsidies	23,301	23,301	23,301	0
Employment Services/Caseworkers Administration	14,111	3,996	12,942	8,946
Kinship Care/Foster Care Payments	3,283	2,339	4,553	2,214
Social Services Administration	0	6,155	0	-6,155
	3	299	3	-296
Subtotal	\$50,870	\$88,069	\$89,712	\$1,643
Other Sources of MOE				
Refundable State Earned Income Tax Credit	\$145,166	\$145,166	\$145,166	\$0
Montgomery County Earned Income Tax Credit	12,573	12,573	12,573	0
Local Government/State Agencies	2,228	2,358	2,228	-130
Electric Universal Service Program	47,848	47,848	47,848	0
Subtotal	\$207,815	\$207,945	\$207,815	-\$130
Total	\$258,685	\$296,014	\$297,527	\$1,513
Required Maintenance of Effort				
Base	\$177,700	\$177,700	\$177,700	\$0
Contingency Fund Add-on	17,122	30,546	0	-30,546
Total Required	\$194,822	\$208,246	\$177,700	-\$30,546
Excess Maintenance of Effort	\$63,863	\$87,768	\$119,827	\$32,059

MOE: maintenance of effort

TANF: Temporary Assistance for Needy Families

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

Source: Department of Human Resources; Department of Legislative Services

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Spending on cash assistance, child care subsidies, employment services, caseworkers, administration related to the Family Investment Program and foster care payments for kinship care have constituted the traditional sources of MOE spending. Spending in these categories is expected to be \$89.7 million in fiscal 2013, which accounts for 30.2% of the estimated total MOE spending. To meet the balance of MOE, DHR has turned in recent years to other spending on eligible families including the refundable earned income tax credits for the State and Montgomery County, local government and State agency spending on eligible populations, and the Electric Universal Service Program. In all, the State plans to claim an estimated \$207.8 million (69.8%) in fiscal 2013 from nontraditional sources.

The estimated spending is more than adequate to meet the base TANF MOE requirements. As shown in the last line of Exhibit 4, a comfortable MOE cushion exists in the event Maryland receives additional contingency funding in fiscal 2012 or 2013.

3. Health Care Reform Impacts How Benefit Eligibility Is to Be Performed

The fiscal 2012 budget contained funding to support major information technology (IT) projects in both the Department of Health and Mental Hygiene (DHMH) and DHR to accommodate the changes to the medical assistance program required under the federal Affordable Care Act (ACA). Project funding in DHMH was \$9.0 million in fiscal 2012 and had a total anticipated cost of approximately \$30.7 million between fiscal 2011 and 2014. This project was expected to result in the establishment of a website for eligibility determination and enrollment in Medicaid and the Maryland Children's Health Program (MCHP). The project in DHR was for \$1.0 million and had a total anticipated cost of \$29.0 million in fiscal 2012 and 2013. This project was expected to support policy, workflow, and system changes required to support ACA; in particular, changes were expected to be made to the Client Automated Resource and Eligibility System (CARES) and Service Access and Information Link (SAIL) to determine and manage eligibility as a result of ACA.

Limited information was available about the specifics of these projects or how these two separate projects were expected to work together to accommodate ACA changes during the 2011 session because the projects were early in the planning stages. Budget bill language in the fiscal 2012 budget restricted funds until several reports were received from DHR and DHMH. Because the parameters have changed and because the Health Benefit Exchange is taking the lead on the eligibility system, the requested reports will not be submitted. Questions remain, however, about how the new eligibility system will interact with existing systems and processes at DHR and DHMH.

Impact on DHR

Although ultimately the concept is for Maryland to once again use a single eligibility determination/case management system for its medical assistance and human services programs, initially, at least, Maryland will have two separate eligibility determination/case management systems. CARES will continue to serve for a period of time as the eligibility determination/case management system for TCA, SNAP, certain Medicaid populations, and other human service programs, but a separate system will exist for the medical assistance/health insurance programs. Currently, workers in DHR

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process both types of eligibility determinations and use a single system. This raises the following questions:

- Will DHR continue to conduct eligibility determinations and case management for the medical assistance/health insurance programs following the expansion of the existing programs? Or will DHMH assume these roles?
- If DHR continues to conduct eligibility determinations and case management, how will DHR accommodate the separate computer eligibility systems for these programs?

Relationship Between DHR and DHMH

DHR and DHMH currently maintain a memorandum of understanding (MOU) under which DHR is responsible for determining eligibility for participation in the Medical Assistance Programs. DHMH provides policy direction that is used by DHR in the eligibility determination. A December 2010 fiscal compliance audit by the Office of Legislative Audits (OLA) noted that the MOU had not been updated since July 1985 when it was developed and indicated that as a result contains provisions that are no longer accurate or relevant. The audit also noted that the MOU did not include provisions for adequate oversight of DHR including monitoring eligibility determinations or ensuring that deficiencies in eligibility determinations were corrected. The audit notes that this finding or similar findings had been included in DHMH Medical Care Program Administration audits dating back to at least 1992. Related findings have also been included in audits of various units of DHR. OLA recommended that the MOU be reviewed and updated. Budget bill language in the fiscal 2012 budget withheld funds in part until this action had been completed. An updated MOU was submitted in December 2011 to the budget committees outlining the responsibilities of each agency as it relates to eligibility determination policy, eligibility determination, training, quality control, corrective action processes, and security and disclosure of data. The updated MOU also specifies timelines for corrective actions to be taken by DHR.

The relationship and issues related to splitting eligibility determination from oversight have been of ongoing concern. In 1989, the Department of Fiscal Services concluded that it may be necessary to locate the policy direction and eligibility determination in one department and provided three options:

- change the agency that is recognized as the single State agency responsible for the program to DHR;
- transfer the eligibility determination to DHMH (through local health departments); or
- transfer the administrative responsibility of Medicaid only eligibility specialists to DHMH, but co-locate in LDSS.

However, the report also explained that there were other actions that could be taken short of this type of reorganization to address the issue and recommended eight such actions. One recommendation

was that a process should be developed for periodic re-evaluation of performance of the function and renegotiation of the agreement. As noted by the recent audit of the Medical Care Programs Administration, no renegotiation of the agreement had occurred since the report, as evidence of a failure to update the MOU until 2011.

Comparison with Other States

In summer and fall 2011, the Department of Legislative Services (DLS) researched how other states administer various public assistance programs including Medicaid; the Children's Health Insurance Program (CHIP); cash assistance; SNAP; energy assistance; weatherization assistance; refugee assistance; child care subsidies; and the Women, Infants, and Children Food Program. From this review, regardless of the specific structure of eligibility determination, multiple agencies are typically involved in the administration of public assistance programs. When examining the broad range of programs, DLS did not find an example of a state that determined eligibility through a single office or department for all programs. When defining the review more narrowly to focus on the key public assistance programs of Medicaid, CHIP, cash assistance, and SNAP, DLS found that some states did offer a unified eligibility determination with the majority of states offering eligibility determination for these programs through a single agency or division within the agency. In addition, DLS determined that although the majority of states have the administration and eligibility determination functions of Medicaid within one agency, Maryland is not the only state that separates these functions. In fact, it appeared that 18 states, including Maryland, separate the administration and eligibility determination functions of the medical assistance program.

Future of Eligibility Determination

According to DHR, after the implementation of the new eligibility system and the expanded Medicaid eligibility under health care reform, the agency will determine eligibility only for those recipients who also receive other human services benefits such as cash assistance or food stamps (now known as SNAP). DHR expects that DHMH will be responsible for eligibility determination for all other Medicaid caseloads, and the Health Benefit Exchange will be responsible for the subsidized health insurance and tax credits.

Until such time as the new eligibility system can be used for all human service programs, DHR expects to use the new system for Medicaid populations that also receive other human service programs. The new system, therefore, will be required to interface with CARES. To that end, the fiscal 2013 allowance contains \$6.25 million in total funds (\$5.25 million general funds in the Major IT Development Project Fund and \$1.0 million of federal funds in DHR Administration) to fund the changes to CARES and SAIL needed, as a result of the ACA. No additional funding beyond fiscal 2013 is currently planned. Little information is available about the types of changes that will occur as a result of this project because it is still in the early phases of development. DHR expects to begin the requirements analysis in January 2013, and implementation is expected in October 2014.

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Questions remain about how the systems will interface and how this process will work from a customer and worker perspective. Further discussions with the various agencies are needed, and a recommendation from DLS may be made at a later time.

DHR should discuss its understanding of how the new system will interact with CARES and how, from its perspective, a customer may experience the process of applying for Medicaid or a subsidy or a tax credit.