M00M
Developmental Disabilities Administration
Department of Health and Mental Hygiene

Operating Budget Data

($ in Thousands)

	FY 11 Actual	FY 12 Working	FY 13 Allowance	FY 12-13 Change	% Change Prior Year
General Fund	$483,104	$498,167	$501,831	$3,663	0.7%
Adjusted General Fund	**$483,104**	**$498,167**	**$501,831**	**$3,663**	**0.7%**
Special Fund	683	4,857	4,276	-580	-12.0%
Adjusted Special Fund	**$683**	**$4,857**	**$4,276**	**-$580**	**-12.0%**
Federal Fund	304,940	342,679	369,624	26,945	7.9%
Adjusted Federal Fund	**$304,940**	**$342,679**	**$369,624**	**$26,945**	**7.9%**
Reimbursable Fund	19	373	565	192	51.4%
Adjusted Reimbursable Fund	**$19**	**$373**	**$565**	**$192**	**51.4%**
Adjusted Grand Total	**$788,746**	**$846,076**	**$876,296**	**$30,220**	**3.6%**

- The Governor's fiscal 2013 allowance for the Developmental Disabilities Administration (DDA) increases by $30.2 million, or 3.6%, over the fiscal 2012 working appropriation.

- Federal fund support increases by $26.9 million, or 7.9%, and accounts for the majority of the increase in the fiscal 2013 allowance due to a departmental policy which requires all individuals seeking community-based services to apply for Medicaid. This results in lower general fund expenditures and higher federal fund expenditures in fiscal 2013.

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

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Personnel Data

	FY 11 Actual	FY 12 Working	FY 13 Allowance	FY 12-13 Change
Regular Positions	667.50	659.50	657.50	-2.00
Contractual FTEs	30.54	30.63	27.63	-3.00
Total Personnel	**698.04**	**690.13**	**685.13**	**-5.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	31.69	4.82%
Positions and Percentage Vacant as of 12/31/11	71.00	10.77%

- The fiscal 2013 allowance includes 2.0 fewer regular positions. Both positions are currently vacant. Full-time equivalent contractual employees decrease by 3.0.

- The agency currently has 71.0 vacant positions. Vacancies are most pronounced in the Holly Center (21.5), the Secure Evaluation and Therapeutic Treatment (SETT) units (16.5), the Program Direction Division (13.0), and the Potomac Center (10.5).

Analysis in Brief

Major Trends

Community-based Services Continue to Be the Preferred Model of Service Delivery in DDA: One of the performance goals of DDA is to serve individuals in the community rather than in institutions. In fiscal 2011, 22,328 individuals were served in the Community Service program within DDA. The agency expects that number to increase to over 23,000 by fiscal 2012. In contrast, there were only 150 individuals served at the State Residential Centers in fiscal 2011.

SETT Units for Court-committed Individuals Reached Capacity in Fiscal 2011: DDA operates two facilities for court-committed individuals for short- and long-term treatment, called SETT units. Individuals are identified through the court system, and DDA is charged with providing appropriate treatment services. In fiscal 2011, DDA reached capacity in both units.

Federal Financial Participation: One of the performance goals for the agency is to increase matching federal funds claimed by the agency for individuals receiving services through the Home and Community Based Services waiver. In fiscal 2011, the federal financial participation actually declined by 1% from the previous year's base.

Issues

Waiting List for Developmental Disabilities Administration Clients: In the 2011 session, the legislature allocated $15.0 million from a tax increase on alcoholic beverages to reduce the number of developmentally disabled individuals waiting for services from DDA. Since July 1, 2011, 173 people have moved off the Crisis Resolution category and into services utilizing this funding. Furthermore, DDA has approved 278 services of short duration for 81 people in the Crisis Prevention category.

Fiscal 2011 Budget Closeout: During the fiscal 2011 closeout, the Department of Health and Mental Hygiene became aware that DDA was inappropriately charging fiscal 2011 expenditures to fiscal 2010 in order to avoid reverting general funds. When the agency appropriately reassigned expenditures to fiscal 2011, a $38.3 million surplus was created. Of this amount, the agency reverted $25.7 million in prior year spending. Instead of reverting the remaining $12.6 million in general funds, the agency decreased federal fund expenditures by $12.6 million and increased general fund spending by the equivalent amount, allowing DDA to carry forward an estimated $12.6 million in unspent federal funds in fiscal 2012, in accordance with budget bill language.

Oversight of Developmental Disabilities Providers: The Department of Legislative Services (DLS) has various concerns regarding current oversight mechanisms regarding the developmental disability provider community. First, the Community Services Reimbursement Rate Commission was inactive for over two years. Second, the Mortality and Quality Review Committee has failed to submit annual reports to the General Assembly, as required by statute, since calendar 2009. Finally, recent findings by the Office of Legislative Audits indicate that the department has failed to inspect any of the

15 resource coordination agencies responsible for developing appropriate individualized plans for developmentally disabled individuals.

Recommended Actions

		Funds	Positions
1.	Add language requiring a report on the department's progress in improving financial oversight within the Developmental Disabilities Administration.		
2.	Delete 2.5 long-term vacancies at the Secure Evaluation and Therapeutic Treatment units (1.5 positions) and the Potomac Center (1.0 position).	$ 147,648	2.5
	Total Reductions	**$ 147,648**	**2.5**

Updates

Henryton Center Campus: The Henryton Center, an institutional facility for developmentally disabled individuals, has been closed since 1985, and efforts to dispose of the property have been ongoing since the closure. The site presents numerous issues that prevent a successful disposition of the property, one being that the site is not served by public water and sewer and is essentially within Patapsco Valley State Park, making the site inappropriate for intensive development. The fiscal 2013 capital budget includes $3.5 million to clean up the property.

SETT Center: The fiscal 2011 capital budget included $1.15 million to begin designing the new SETT facility to house individuals with developmental disabilities who have been found by the courts to be incompetent to stand trial, not criminally responsible, or who are court-ordered for pretrial evaluation. The fiscal 2013 capital budget includes $2.2 million for Phase II design of this project.

Wage Initiative: In October 2011, DLS noted that DDA had not taken timely action to recover unspent funding appropriated under the Wage Initiative. In December 2011, DDA provided an update on the actions that the agency had taken in order to recover these outstanding funds.

Developmental Disabilities Administration

Department of Health and Mental Hygiene

Operating Budget Analysis

Program Description

A developmental disability is a condition attributable to a mental or physical impairment that results in substantial functional limitations in major life activities and which is likely to continue indefinitely. Examples include autism, blindness, cerebral palsy, deafness, epilepsy, mental retardation, and multiple sclerosis. The Developmental Disabilities Administration (DDA) provides direct services to these individuals in two State Residential Centers (SRC) and through funding of a coordinated service delivery system that supports the integration of these individuals into the community. Because the majority of the individuals served are Medicaid-eligible, the State receives federal matching funds for services provided to Medicaid enrolled individuals. Goals of the administration include:

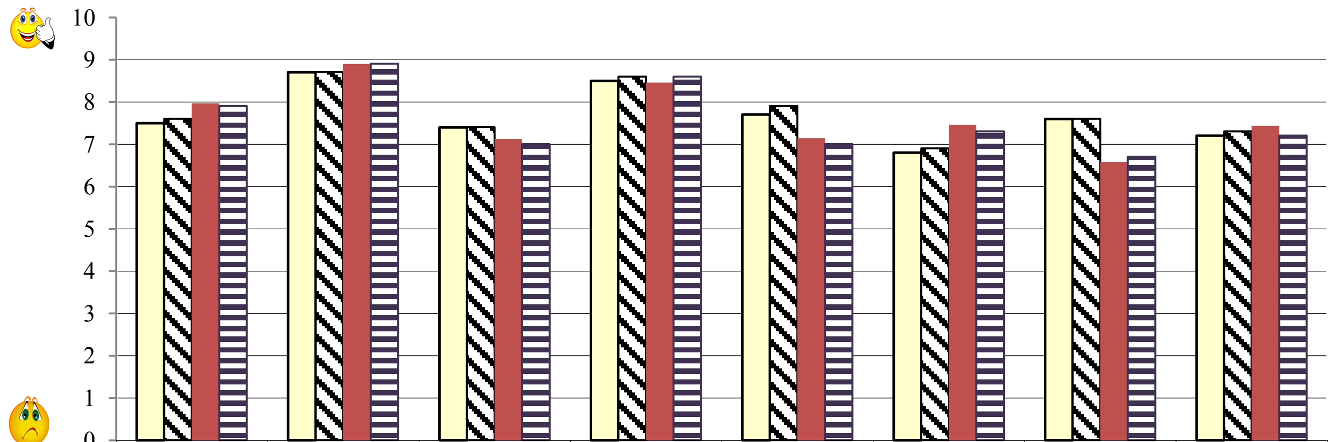
- empowerment of the developmentally disabled and their families;
- integration of individuals with developmental disabilities into community life;
- provision of quality support services that maximize individual growth and development; and
- establishment of a responsible, flexible service system that maximizes available resources.

Performance Analysis: Managing for Results

The goal of the DDA Community Services program is to empower individuals with developmental disabilities to foster personal growth, independence, and productivity by accessing quality supports and services through the DDA system. Functional improvement and quality of life measures are crucial in determining whether or not DDA, through its community service providers, is achieving the stated goal.

The Ask Me! Survey is an annual survey administered by the Arc of Maryland that uses self-advocates to collect information from individuals receiving DDA-funded support services from all Maryland community providers. The Ask Me! Survey results presented in **Exhibit 1** indicate the satisfaction level of DDA service recipients in eight personal domain areas. Each individual is shown a set of three faces and asked to identify a face that best describes how they feel about a question: a face with a smile indicates a favorable response; a face with no smile or no frown indicates a neutral response or “not sure,” depending on the question; and a face with a frown indicates an unfavorable response. The replies are converted into a scale of 0 to 10 with 0 indicating unfavorable responses on all items, 5 indicating all neutral or equal number of favorable and unfavorable responses, and 10 indicating favorable responses on all items within a domain area.

Exhibit 1
Ask Me! Survey
Fiscal 2008-2011



	Personal Development	Physical Well-being	Material Well-being	Emotional Well-being	Interpersonal Relations	Rights	Social Inclusion	Self-determination
2008	7.5	8.7	7.4	8.5	7.7	6.8	7.6	7.2
2009	7.6	8.7	7.4	8.6	7.9	6.9	7.6	7.3
2010	8.0	8.9	7.1	8.5	7.1	7.5	6.6	7.4
2011	7.9	8.9	7	8.6	7	7.3	6.7	7.2

Source: Department of Health and Mental Hygiene

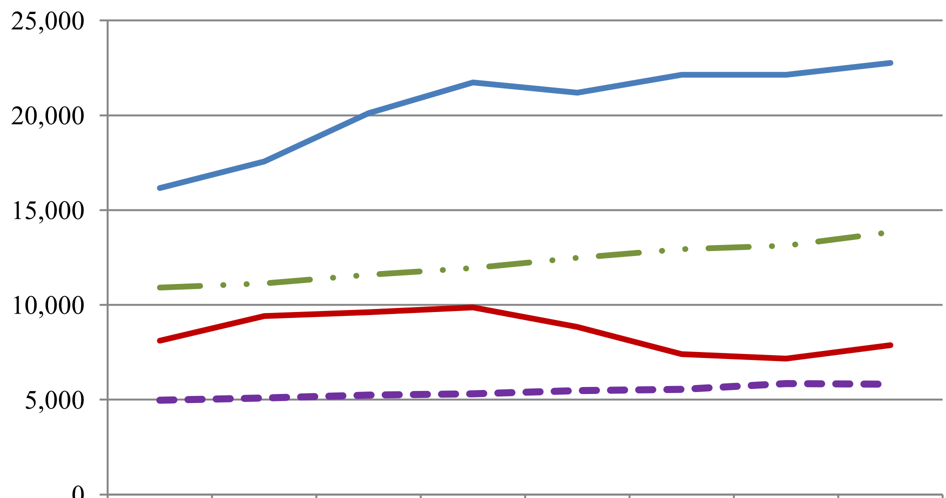
Stated in the Managing for Results (MFR) objectives, DDA's goal associated with individuals receiving community services is to increase by 5% each year the average score on the domain of personal development and to maintain or improve the average scores of the other seven domains. Exhibit 1 shows that the average score for the domain of personal development decreased slightly from 8.0 in fiscal 2010 to 7.9 in fiscal 2011.

A special audit on MFR Performance Measures was issued in February 2011 for measures used in the fiscal 2011 budget request. Of the 12 measures reported by the Department of Health and Mental Hygiene (DHMH), 4 measures were certified and 3 were certified with qualification. There were 5 measures that were considered to have factors preventing certification, including measures reported in the "Ask Me!" Survey. More specifically, the Office of Legislative Audits (OLA) found that there was a lack of independence over the gathering and processing of survey data, specifically that the contractor responsible for administering the survey was affiliated with several community providers, and DDA failed to review the survey methodology and data by the contractor. In response to the audit findings, DDA solicited a new contract with clearly defined deliverables, provider qualifications, staff training responsibilities, and interrater reliability to ensure data is accurate and complete.

Community-based Services Continue to Be the Preferred Model of Service Delivery in DDA

Another performance goal for DDA is to serve individuals in the community rather than in institutions. In fiscal 2011, 22,132 individuals were served in the Community Service (CS) Program within DDA. The agency expects that number to increase to over 23,000 by fiscal 2012. The CS Program offers a variety of services to individuals for residential, day, and support services. Examples of residential services include community residential services and individual family care. Examples of day services that provide activities during the normal working hours include day habilitation services, supported employment, and summer programs. Examples of support services include individual and family support, resource coordination, Community Supported Living Arrangements, and New Direction, a waiver program that allows individuals to self direct their services. **Exhibit 2** shows the number of individuals receiving each of the major services. For purposes of this chart, resource coordination is shown separately from the support services category as all individuals in the system receive resource coordination.

Exhibit 2
Community Services
Fiscal 2005-2012



	2005	2006	2007	2008	2009	2010	2011	2012 Est.
Residential Services	4,973	5,095	5,249	5,315	5,474	5,550	5,849	5,817
Day Services	10,913	11,139	11,592	11,935	12,476	12,934	13,123	13,836
Support Services	8,120	9,403	9,614	9,860	8,844	7,405	7,171	7,870
Resource Coordination	16,166	17,566	20,108	21,728	21,192	22,132	22,132	22,756

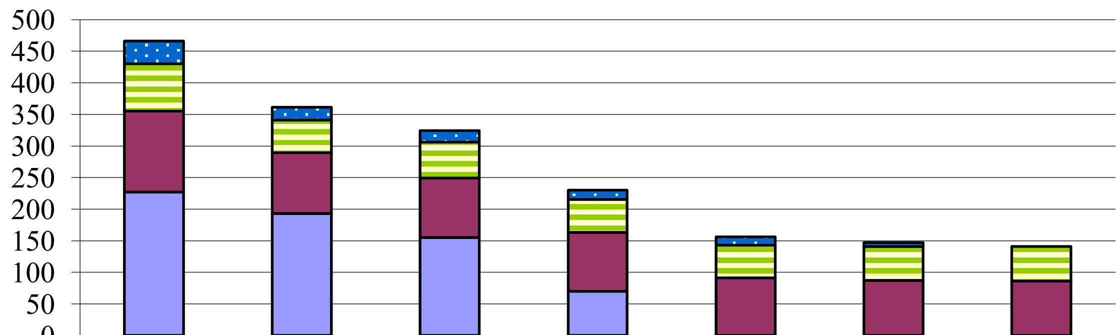
Source: Department of Health and Mental Hygiene

As Exhibit 2 shows, DDA provided residential services to 5,849 individuals, day services to 13,123, and support services to 7,171 in fiscal 2011. Individuals receiving services through DDA may receive more than one of the three basic services. Not captured in Exhibit 2 are behavioral support services provided to individuals to prevent re-institutionalization. The number of support services shown in the chart decrease between 2008 and 2010, due to cost containment actions limiting general-funded support services.

State Residential Centers

DDA's mission is to serve individuals in the least restrictive setting. In most cases, this means serving individuals in the community instead of institutional settings. As a result, the number of individuals served in the SRCs is far fewer than the number of individuals served in the community. The average daily population (ADP) has been steadily declining since fiscal 2005, as shown in **Exhibit 3.** In fact, there has been a 68% decrease in the ADP between fiscal 2002 and 2011. The decline is seen at all of the State's facilities; however, the closure of the Rosewood Center in fiscal 2009 and the Brandenburg Center in fiscal 2011 account for a majority of the decline between fiscal 2009 and 2012.

Exhibit 3
Average Daily Population of State Residential Centers
Fiscal 2002-2012



	2002	2007	2008	2009	2010	2011	2012 Est.
Brandenburg	36	20	18	15	13	6	0
Potomac	75	52	57	52	52	54	55
Holly Center	128	96	94	93	91	87	86
Rosewood	227	193	155	70	0	0	0

Source: Department of Health and Mental Hygiene

SETT Units for Court-committed Individuals Are Expected to Reach Capacity in Fiscal 2011

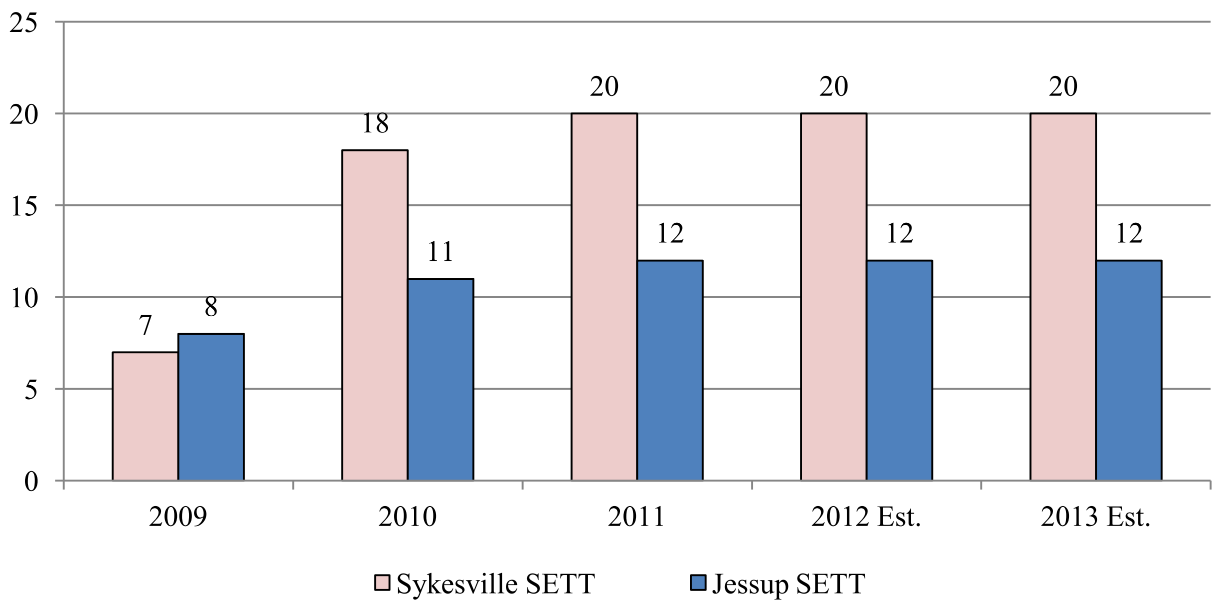
Beginning in fiscal 2009, DDA began to serve court-ordered individuals in specialized centers, called Secure Evaluation and Therapeutic Treatment (SETT) units, instead of in the existing SRCs. There are two SETT units operated by DDA – one for evaluation and short-term treatment and one for treatment on a long-term basis.

The therapeutic evaluation component is a secure unit on the grounds of the Clifton T. Perkins Hospital, named Jessup SETT unit. The unit was operational in July 2008 and houses a maximum of 12 individuals for 21 to 90 days. During the evaluation phase, DDA completes competency and behavioral evaluations and develops comprehensive service plans for individuals.

The therapeutic long-term treatment facility, Sykesville SETT unit, is a secure unit on the grounds of Springfield Hospital. The unit was operational in December 2008 and has capacity for 20 individuals who have been identified through the Jessup evaluation unit.

Exhibit 4 shows the ADP of each unit. As the chart shows, since fiscal 2011, the Jessup and Sykesville SETT units have remained at full capacity.

Exhibit 4
Average Daily Population of SETT Units
Fiscal 2009-2013



SETT: Secure Evaluation and Therapeutic Treatment

Source: Department of Health and Mental Hygiene

The Sykesville SETT is DDA's long-term care facility for the treatment of court-committed individuals, which can house and treat 20 individuals at a time. DDA indicates that there is no room to expand at the current facility. DDA received funds in the fiscal 2011 capital budget to begin planning and design of a new SETT unit to replace both Jessup and Sykesville, and the fiscal 2013 capital budget includes $2.2 million for Phase II of the design process. Although the Sykesville SETT is sufficient as a short-term interim solution, the proposed long-term care facility will not be built and operational until fiscal 2016. A more in-depth discussion of fiscal 2013 capital funding for the SETT unit is included in the Updates portion of this analysis.

Federal Financial Participation

As shown in **Exhibit 5,** one of the performance goals for DDA is to increase matching federal funds claimed by the agency for individuals receiving services through the Home and Community Based Services waiver. In fiscal 2011, federal financial participation actually declined by 1% from the previous year's base. Ultimately, the cancellation of special funds resulted in lower federal financial participation in fiscal 2011. The 7.9% increase in federal financial participation in fiscal 2013 is based on the assumption that the agency will require all individuals seeking community-based services to apply for Medicaid, resulting in higher federal fund attainment.

Exhibit 5
Matching Federal Financial Participation for Individuals Enrolled in DDA's Home- and Community-based Services Waiver
Fiscal 2010-2013
($ in Millions)

	2010	2011	Estimate 2012	Estimate 2013
Matching Federal Funds from Waiver	$308	$305	$343	$370
Percentage Increase Over Previous Year Base	3.80%	-1.00%	12.50%	7.90%

DDA: Developmental Disabilities Administration

Source: Department of Health and Mental Hygiene

Fiscal 2012 Actions

It is important to note that the fiscal 2012 working appropriation does not reflect federal matching funds earned by the agency through the $15.0 million supplementary appropriation for the Waiting List Initiative. The agency estimates this figure to be $8.3 million in federal funds.

Secondly, the 2012 working appropriation does not account for the estimated $13.0 million in federal funds that the agency carried forward into fiscal 2012 during the 2011 budget closeout as the department is still attempting to verify whether this figure is accurate. A more in-depth discussion of the 2011 closeout is included in the Issues section of this analysis.

Other Changes

Section 47 of the fiscal 2012 budget bill required the Governor to abolish 450 positions by January 1, 2012. DDA's share of the reduction was 8 positions. The annualized salary savings due to the abolition of these positions is expected to be $382,091 in general funds.

Proposed Budget

The fiscal 2013 budget for DDA, as shown in **Exhibit 6**, totals $876.3 million. This is $30.2 million greater than the fiscal 2012 working appropriation. The majority of the increase is in federal fund support, which increases by $26.9 million, or 7.9%. General funds increase by $3.7 million, or 0.7%, and special funds decrease by $580,000, or 12.0%. As discussed below, it is difficult to compare the fiscal 2013 budget for the CS program to the current year's working appropriation because spending is growing by more than $30.9 million.

Exhibit 6
Proposed Budget
DHMH – Developmental Disabilities Administration
($ in Thousands)

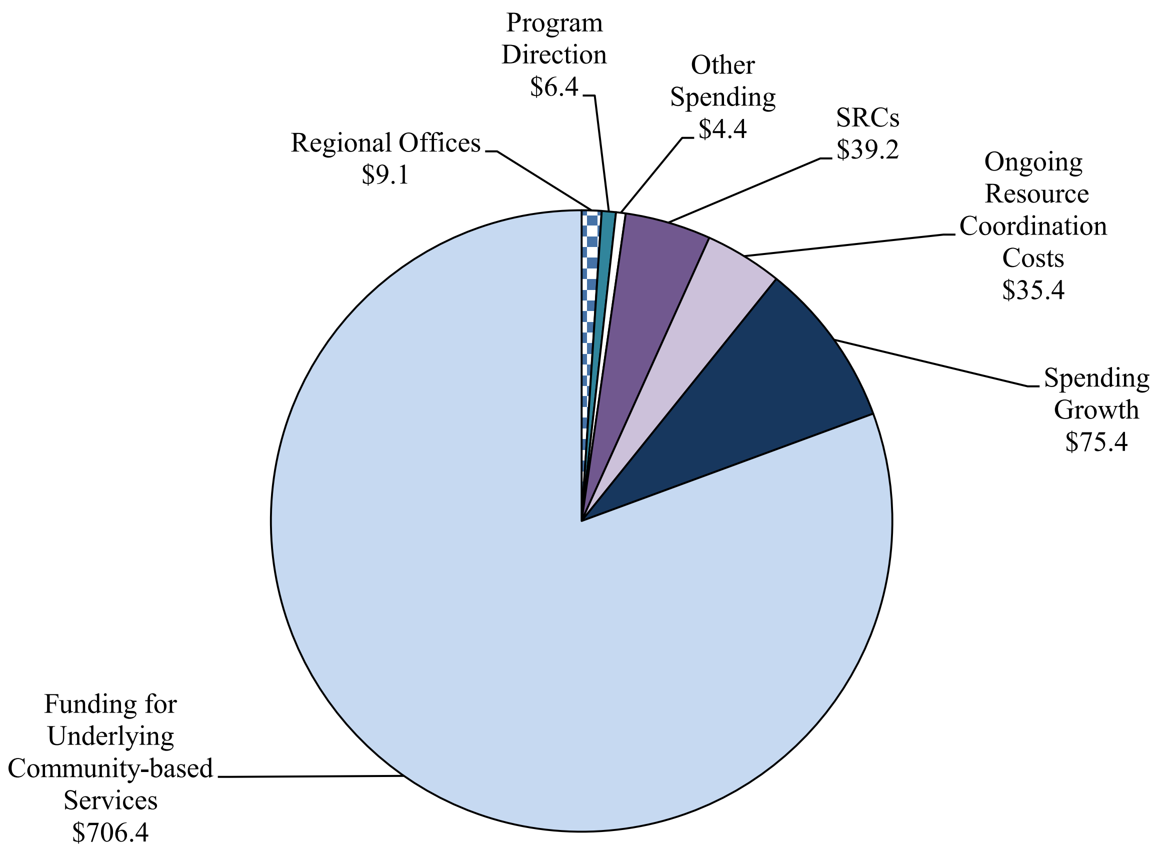
How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2012 Working Appropriation	$498,167	$4,857	$342,679	$373	$846,076
2013 Allowance	501,831	4,276	369,624	565	876,296
Amount Change	$3,663	-$580	$26,945	$192	$30,220
Percent Change	0.7%	-12.0%	7.9%	51.4%	3.6%
Contingent Reduction	$0	$0	$0	$0	$0
Adjusted Change	$3,663	-$580	$26,945	$192	$30,220
Adjusted Percent Change	0.7%	-12.0%	7.9%	51.4%	3.6%

Where It Goes:	
Personnel Expenses	
Employee retirement	$386
Workers' compensation premium assessment	156
Employee and retiree health insurance	101
Law enforcement pension contributions	15
Miscellaneous adjustments	7
Other fringe benefit adjustments	-7
Social Security contributions	-46
Turnover adjustments	-67
2 abolished positions	-98
Regular salaries	-303
Removal of fiscal 2012 one-time $750 bonus	-484
Community Services	
Additional funding for community-based services (see text)	14,348
Statutory rate adjustment for community providers, 1.03% (Chapters 497 and 498 of 2010)	8,099
Additional rate adjustment (0.97%)	7,628
Resource coordination funding for local health departments	4,423
Resource coordination for nongovernment entities	-3,530
State Residential Centers	
Utilities at Rosewood	-399
Other changes	-9
Total	**$30,220**

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

Exhibit 7 provides a broad overview of how the DDA budget will be spent. Funding for underlying community-based services accounts for the majority of DDA funding at $706.4 million, or 80.6%, of the agency's budget. Funding for the SRCs ($39.2 million), ongoing resource coordination ($35.4 million), the regional offices ($9.1 million), program direction ($6.4 million), and other spending ($4.4 million) account for $95.4 million of DDA's budget. The remaining $75.4 million includes additional funding for spending growth.

Exhibit 7
Fiscal 2013 Budget
($ in Millions)



SRCs: State Residential Centers

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

Exhibit 8 shows the amounts and source of funding for new spending initiatives. Spending growth is attributable to four areas:

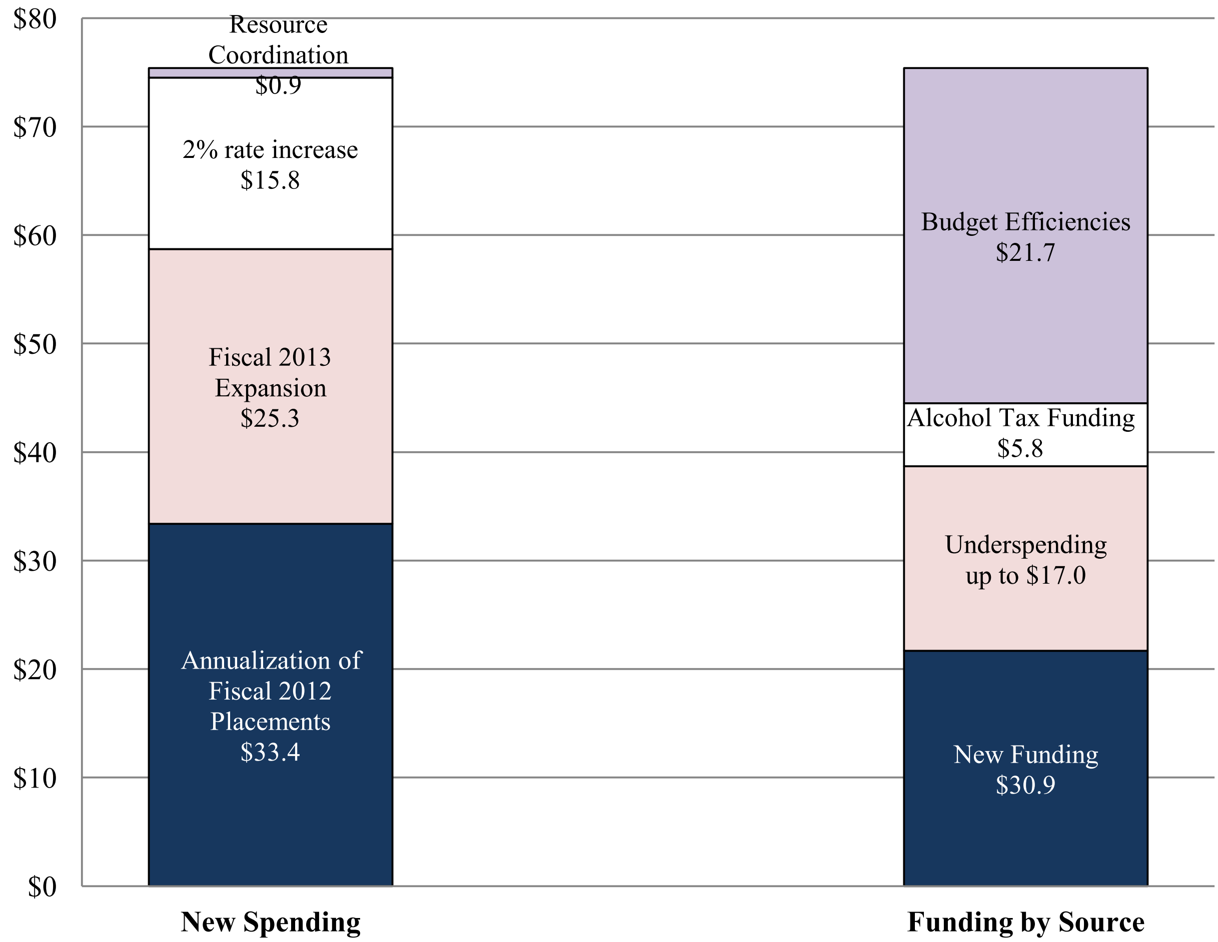
- the annualization of fiscal 2012 placements ($33.4 million);
- fiscal 2013 expansion costs ($25.3 million);
- a 2.0% rate increase for providers ($15.7 million); and
- increased funding for resource coordination ($0.9 million).

The sum of these four initiatives totals $75.4 million. This spending is supported in four ways:

- new funding for the CS program, as shown in Exhibit 6 ($30.9 million);
- budget efficiencies which resulted from improved financial oversight, including more accurate budget projections for the CS program ($21.7 million);
- underspending in prior fiscal years, which inflates the current year's base (up to $17.0 million); and
- funding for one-time services under the alcohol tax was not removed from the agency's budget in fiscal 2013 ($5.8 million).

While the department has improved financial oversight within the agency, it is important to note that the underlying weaknesses in the DDA accounting system remain. Therefore, DLS cannot reasonably determine whether the agency's fiscal 2012 and 2013 appropriation are appropriate given the substantial level of underspending that occurred in prior fiscal years. A more in depth discussion of the agency's underspending is included in the Issues section of this document.

Exhibit 8
Fiscal 2013 Spending Growth
($ in Millions)



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

Personnel Expenditures

Overall, personnel expenses for DDA decrease by $0.3 million over the fiscal 2013 appropriation. Increases include contributions to the employees' retirement system ($386,000), workers' compensation ($156,000), and employee and retiree health insurance ($101,000). Expenditures also increase for law enforcement pension contributions ($15,000) and other fringe benefits ($7,000).

These increases are offset by decreases in Social Security contributions ($46,000); increased turnover adjustments ($67,000); salary expenses due to the annualized savings from the previously abolished positions ($303,000); and the removal of funds associated with the fiscal 2012 one-time bonus ($484,000). The elimination of 2 positions also reduces the budget by $98,000. One position supports program operations and provides oversight for the DDA Central Office, the four regional offices, and the four State residential centers. The second abolished position is an office supervisor position within the SETT unit. Both of these positions are currently vacant.

Community Services

Providing community-based services to individuals rather than in a facility setting continues to be the model of service delivery that DDA pursues. As the largest arm of the agency, the CS Program experiences significant budgetary growth in fiscal 2013. Expenses related to community-based services for DDA clients increase by $30.9 million, including funding for a rate adjustment for community service providers, funding to expand services, and additional funding for resource coordination.

Rate Adjustment for Community Service Providers

Chapters 497 and 498 of 2010 mandated a rate adjustment for community providers in DDA and the Mental Hygiene Administration (MHA) equivalent to the increase in the Executive Branch for certain cost centers. The fiscal 2013 allowance includes $8.1 million for this rate adjustment in DDA's budget. This represents a 1.03% rate increase. In addition to the statutory rate adjustment, an additional $7.6 million is included for the provider rate increase (0.97% rate increase). Taken together, the Governor's allowance includes $15.7 million for DDA providers equal to a 2.0% rate increase on all contractual services. It should be noted that mental health community providers were only provided the mandated rate adjustment, 0.88%, for those providers.

Fiscal 2013 Expansion

Funding for the expansion of services has always been reported as new spending when comparing the allowance to the prior year working appropriation; however, since the agency was underspending in prior fiscal years, DDA's base budget includes funding for the expansion of services. As shown in Exhibit 6, the budget includes an additional $14.4 million for the expansion of services in fiscal 2013. However, total expenditures associated with fiscal 2013 expansion of services is $25.3 million, as shown in Exhibit 8. Funds for expansion will be spent on the following initiatives:

- **$10.3 Million for Transitioning Youth Program:** The Transitioning Youth (TY) Program identifies individuals graduating from the public school system, nonpublic school placements, and the foster care system who are eligible for DDA services such as supported employment and other day services. The program is intended to ease the transition of individuals into the DDA system. In fiscal 2013, DDA expects to serve 608 additional individuals through this program at a cost of $10.3 million. The fiscal 2013 budget does not include any funds for residential services for TY students unless a student's individual circumstances arise to an emergency level.

- **$9.3 Million for Crisis Services:** The fiscal 2013 budget includes a new category of funding to support individuals with disabilities at the highest risk of crisis in Maryland. The DDA budget estimates that it will provide residential, day, and resource coordination to approximately 162 additional people (81 full-time equivalents (FTE)) in crisis situations in fiscal 2013.

- **$2.9 Million for Costs Associated with Emergency Services:** Emergency services are provided when an individual becomes homeless, their caregiver passes away, or any other situation arises that threatens the life and safety of the individual. The DDA budget estimates that it will provide residential, day, and support services to approximately 50 additional people (25 FTEs) in emergency situations in fiscal 2013.

- **$1.4 Million for the Waiting List Equity Fund Placements:** The Waiting List Equity Fund (WLEF) is supported through investment earnings from the sale of properties owned by DDA as well as savings associated with the movement of an individual from institutional care to community care. The funds dedicated to the expansion of services for individuals on the waiting list account for an increase of $1.4 million and are estimated to serve 40 individuals (20 FTEs) with residential care and support services by the end of fiscal 2013.

- **$1.4 Million for Court Involved Placements:** DDA is charged with serving individuals identified through the court system in either a community placement or at one of the SETT units. In fiscal 2013, DDA expects to serve 25 individuals (12.5 FTEs) referred by the courts and placed in a community setting at a cost of $1.4 million.

Resource Coordination

DDA provides resource coordination services to all individuals participating in a DDA Medicaid Waiver program, individuals receiving State funded services, and those on the waiting list. All waiver participants are Medicaid eligible, while the other two groups include both people who are Medicaid eligible and non-Medicaid eligible. DDA funds resource coordination services through 15 entities, including 13 local health departments (LHD). The fiscal 2013 budget includes $36.3 million for resource coordination. This is $0.9 million greater than the fiscal 2012 working appropriation. An additional $4.4 million is included in the fiscal 2013 budget to enhance resource coordination at LHDs. The department advises that additional LHD funding will improve existing resource coordination services. This increase is offset by a $3.5 million decrease in resource coordination funding to 2 nongovernment resource coordination entities and aligns spending with actual costs for these services in fiscal 2011. A more in-depth discussion of resource coordination funding is included in the Issues section of this document.

Annualization Costs Associated with Placements in Fiscal 2012

Annualization costs result from the expansion of services in the previous fiscal year and account for $33.4 million of DDA's spending in fiscal 2013. When an individual is placed in the community services for the first time in fiscal 2012, the costs are included as part of the base of services for fiscal 2013. Annualization costs in the fiscal 2013 budget account for 50 individuals served through emergency placements (25.0 FTEs) , 40 individuals served through WLEF placements (20.0 FTEs), 25 individuals identified by the court system to be served by DDA (12.5 FTEs), and 246 individuals placed with the alcohol tax revenues. Funding for the annualization of services has always been reported as new spending when comparing the allowance to the prior year working appropriation; however, since the agency was underspending in prior fiscal years, DDA's base budget includes funding for the annualization of fiscal 2012 placements.

State Residential Centers

Operating expenses for the SRCs decrease by $0.4 million in the fiscal 2013 allowance, primarily due to decreased utility expenses at the Rosewood Center ($399,000). The remaining decreases include $9,000 for other operating expenses.

Increased Federal Financial Participation

As noted in the MFR section of this analysis, the fiscal 2013 allowance assumes a higher federal financial participation rate due to an initiative which will require all individuals seeking community-based services to apply for Medicaid. It is important to note that this practice is currently mandated by regulations. The *Code of Maryland Regulations* (COMAR) indicates that prior to the initiation of DDA-funded services, an individual must complete an application for Medical Assistance or other alternative funding. Furthermore, except in an emergency situation, or a case approved by the director of DDA because of extenuating circumstances, DDA may not fund services for individuals with State-only dollars unless the individual has been denied Medical Assistance and related alternative funding. DHMH advises that 92% of DDA clients are Medicaid eligible; however only 82% of clients enrolled in community services are served on a waiver. **The department should advise the committees why it has failed to comply with current regulations related to the funding of services.**

Exhibit 9 demonstrates the net change in funding as a result of the agency's Medicaid enrollment initiative. When individuals currently receiving services funded entirely by the State transition to the Medicaid waiver, general fund costs to serve these individuals will decrease due to the availability of federal matching funds. The agency has advised that the first $5 million in savings from this initiative will go to the State, and after that, DDA and the State will share any additional savings equally. Ultimately, this results in a $10.5 million decrease in general funds, offset by a $10.5 million increase in federal funds. Therefore, the fiscal 2013 budget increases by $27.0 million in federal funds and $3.9 million in general funds, over the fiscal 2012 working appropriation.

Exhibit 9
Net Change from Medicaid Enrollment Initiative
($ in Millions)

	General Funds	Federal Funds	Total Funds
Additional Funding for Expansion	$10.5	$3.8	$14.3
Statutory Rate Adjustment	4.6	3.5	8.1
Additional Rate Adjustment	4.3	3.3	7.6
Resource Coordination for LHDs	0.7	3.7	4.4
Resource Coordination for Nongovernment Entities	-5.7	2.2	-3.5
Require Application for Medicaid Waiver	-10.5	10.5	0
Total	**$3.9**	**$27.0**	**$30.9**

LHDs: local health departments

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

Developmental Disabilities Trust Fund

The Governor's proposed allowance includes a provision in the Budget Reconciliation and Financing Act (BRFA) of 2012 that would create a Developmental Disabilities Trust Fund. This would be a special, nonlapsing fund that would consist of any unspent general funds appropriated in the CS Program within DDA; money appropriated in the State budget to the fund; and any other money from any other source accepted for the benefit of the fund. The creation of the trust fund will be discussed in more detail in the Issues section of this document.

Issues

1. Waiting List for Developmental Disabilities Administration Clients

The DDA waiting list is comprised of adults and children with developmental disabilities who are waiting for funding from DDA to obtain community-based services within the next three years. Prior to placement on the waiting list, an individual must be determined eligible for DDA funding based on definitions found in Maryland State law. Once individuals are determined eligible for DDA funding, they are placed on a waiting list which is broken down into three priority categories – Crisis Resolution, Crisis Prevention, and Current Request – based on the individuals' need. Individuals in the Crisis Resolution category are in need of immediate ongoing assistance, while those in the Crisis Prevention category are in need of one-time funding and are considered at risk. Individuals within the Current Request category include those who are not at risk.

Alcohol Tax

Due to concern surrounding the growing number of individuals on the waiting list within DDA, Chapter 571 of 2011 increased the State sales and use tax rate imposed on alcoholic beverages from 6 to 9% and required a supplementary appropriation of $15.0 million for DDA in fiscal 2012 to fund the Waiting List Initiative. These funds must be used to assist individuals in the Crisis Prevention and Crisis Resolution categories of the waiting list. DHMH advises the $15.0 million appropriation is also partially matched by federal funds ($8.3 million) for a total of $23.3 million. As stated previously, federal matching funds are not reflected in the fiscal 2012 working appropriation.

Initially, the agency advised that it would use the supplemental appropriation to initiate services for all individuals in the Crisis Resolution category, and that between 580 and 1,096 individuals would receive services of short duration with the remaining funding. However, the agency was able to carry forward approximately $13 million in federal funds into fiscal 2012; therefore, it projects it will be able to support everyone on the Crisis Prevention list this year. The agency advises that services of short duration will be capped at $10,000 per individual, and the funding can pay for supports or services as a one-time payment. Examples of one-time payments include payment of outstanding utility or medical bills; the purchase of specialized/adaptive equipment; assistive technology not covered by insurance; and housing or vehicle adaptations. Respite services, behavioral support services, or intervention services to support an individual or family to prevent future crisis or the reoccurrence of the crisis are also considered one-time payments. DDA has created a services of short duration user guide to assist individuals and their families in accessing one-time funding available through the alcohol tax.

It is important to note that the waiting list is constantly changing as the service needs of individuals and family circumstances change and new people apply for funding. Therefore, once an individual receives services short of duration, it is not guaranteed that an individual will not enter into the Crisis Resolution category in the future.

Fiscal 2012 Placements and Current Waiting List

As shown in **Exhibit 10,** since July 1, 2011, 173 people have moved off the Crisis Resolution category and into services, utilizing funding available through the alcohol tax at a cost of $6.8 million in general funds. Furthermore, DDA has approved 278 services of short duration for 81 people in the Crisis Prevention category, at a cost of $0.7 million in general funds.

Exhibit 10
Individuals Receiving Services through the Alcohol Tax
July 1, 2011 through February 8, 2012

	Crisis Resolution	Crisis Prevention	Total
Placements	173	278	451
General Fund Costs ($ in Millions)	$6.8	$0.7	$7.5

Source: Department of Health and Mental Hygiene

Exhibit 11 shows that there are currently 6,927 individuals on the waiting list as of February 8, 2012. A total of 72 individuals remain in the Crisis Resolution category, and 1,225 individuals are in the Crisis Prevention category. The remaining 72 individuals in the Crisis Resolution category have been assigned a resource coordinator, and the agency is working on getting them into services.

Exhibit 11
Waiting List as of February 8, 2012

	Crisis Resolution	Crisis Prevention	Current Request	Total
Waiting List	72	1,225	5,630	6,927

Source: Department of Health and Mental Hygiene

At the time of this writing, the State is in the third quarter of fiscal 2012; however, only half of the $15 million supplemental appropriation for the waiting list initiative has been expended by the agency. **Therefore, the agency should update the committees on the progress of spending the $15 million supplemental appropriation, including whether it is on track to spend all of the funding awarded through the alcohol tax by the close of the current fiscal year.**

2. Fiscal 2011 Budget Closeout

Throughout fiscal 2011, fiscal projections that were furnished by DDA fiscal staff and submitted to DHMH Administration indicated that the agency's expenditures were in line with its revenues. However, during the fiscal 2011 closeout process, DHMH learned that there was a $38.3 million surplus because DDA was inappropriately charging expenditures to the prior fiscal year to avoid reverting funds to the State's general fund. When DHMH became aware that DDA was inappropriately charging fiscal 2011 expenditures to fiscal 2010, the agency appropriately reassigned expenditures to fiscal 2011, creating the aforementioned $38.3 million surplus. Of this amount, the agency reverted $25.7 million in prior year spending. Instead of reverting the remaining $12.6 million in general funds, the agency decreased federal fund expenditures by $12.6 million and increased general fund spending by the equivalent amount, allowing DDA to carry forward an estimated $12.6 million in unspent federal funds into fiscal 2012.[1] It is important to note that at closeout DHMH was still in the process of verifying whether the $12.6 million surplus attributable to fiscal 2011 was accurate. After reviewing actual federal fund expenditures for fiscal 2011, DHMH reported in November 2011 that the actual amount of the surplus carried forward into fiscal 2012 was $8.8 million. However, DHMH currently advises that this figure is closer to $13.0 million. Furthermore, $0.8 million in special funds was cancelled in fiscal 2011 as DDA failed to utilize monies available under the WLEF. An additional $2.4 million in prior year grants was also cancelled.

Office of the Inspector General Recommendations

In October 2011, the Office of the Inspector General (OIG) at DHMH issued a report that confirmed the budget reversion and commented on the underlying causes of the agency's underspending. Among other things, the following findings were noted:

- the procedures and processes for development of fiscal year accrued expenditures related to community service provider payments were inadequate;
- the current DDA provider payment system is out of date creating underlying weaknesses in the agency's financial accounting system; and
- no one within DHMH, outside of DDA, has a full understanding of DDA funding, programmatic, regulatory, payment, or financial accounting systems.

[1] In accordance with budget bill language, these funds may only be used to reduce the waiting list. The agency has advised that these funds will be used on one-time services for individuals in the Crisis Prevention category of the waiting list.

Due to the size of DDA's budget, OIG recommended that DHMH consider options for reconfiguring the DDA fiscal support structure, including a new system for generating and monitoring provider service delivery data and payment reconciliations. Furthermore, it was noted that a new fiscal structure should ensure accurate and efficient accounting and could be facilitated by contracting with an administrative service organization similar to that utilized by MHA. In response to these recommendations, the department intends to contract with a consultant to evaluate options to restructure DDA's financial operations. In December 2011, the agency also issued a request for proposal for a forensic auditor to determine how long the agency was underspending. **The Secretary should advise the budget committees on its progress in soliciting a forensic auditor as well as its ability to contract with a private consultant to evaluate options to restructure DDA's financial operations. Furthermore, DLS is recommending that the committees add budget bill language that restricts $1,000,000 of the agency's appropriation until the department submits a report on its progress in improving financial oversight with DDA to ensure that funding appropriated to the agency is spent expeditiously, as the number of individuals on the waiting list continues to be of concern.**

Developmental Disabilities Trust Fund

As stated previously, the Governor has proposed a provision in the BRFA of 2012 that would create a Developmental Disabilities Trust Fund. This would be a special, nonlapsing fund that would consist of any unspent general funds appropriated in the CS Program within the DDA, money appropriated in the State budget to the fund, and any other money from any other source accepted for the benefit of the fund. The Secretary of DHMH would administer the fund in accordance with the State budget. The fund may only be used to provide (1) community-based services to individuals with developmental disabilities; (2) in-service training for direct care staff at developmental disability providers; (3) enhanced services and service coordination for individuals with developmental disabilities; and (4) grants consistent with the purpose of the fund.

The agency advises that the Developmental Disabilities Trust Fund would assure that DDA keeps all its resources and has the opportunity to spend any surplus it has in future years. However, the agency should not be underspending its budget by significant amounts, especially given the growing number of individuals on the waiting list. In order to prevent underspending from occurring in the future, the agency should improve budgetary oversight and closely monitor its spending to ensure that it is on track to utilize all available funds within the given fiscal year. Ultimately, adequate financial oversight would eliminate the need for a trust fund. Therefore, it is unclear why DDA should not be held to the same finance and procurement standards under which other State agencies are required to operate. **Therefore, the Department of Legislative Services (DLS) recommends that the committees strike the provision in the BRFA that creates the Developmental Disabilities Trust Fund.**

3. Oversight of Developmental Disability Providers

While the OIG's findings related to the fiscal 2011 closeout highlight the need for improved financial oversight within DDA, DLS has various concerns regarding current oversight mechanisms regarding the developmental disability provider community. First, the Community Services Reimbursement Rate Commission (CSRRC) was inactive for over two years. Second, the Mortality and Quality Review Committee has failed to submit annual reports to the General Assembly, as required by statute, since calendar 2009. Finally, recent findings by OLA indicate that the Office of Health Care Quality (OHCQ) has failed to inspect any of the 15 resource coordination agencies responsible for developing appropriate individualized plans for developmentally disabled individuals. Furthermore, in fiscal 2011, OHCQ only inspected 27% of licensed developmental disability providers. However, the agency is required to survey 100% of licensed providers.

Community Services Reimbursement Rate Commission

Oversight of developmental disability providers has decreased in recent years due to the suspension of CSRRC. CSRRC is an independent body operated by DHMH that is concerned with issues regarding community services for individuals with developmental disabilities or psychiatric disabilities. Among other things, CSRRC is to assess rates paid to providers, wages of direct care workers, measurement of quality and outcomes, solvency of providers, and consumer safety costs. CSRRC must issue a report annually by October 1 to the Governor, the Secretary of DHMH, and the General Assembly that describes its findings regarding these issues.

The commission's findings and recommendations must be considered annually in developing budgets of DHMH, DDA, and MHA. However, CSRRC suspended operations in April 2009 and advised that the operation of CSRRC would cease until the services of a consultant were procured to support the commission's work. Furthermore, it was advised that DHMH was in the process of soliciting a consultant to support CSRRC's activities as the fiscal 2011 budget included funding for the commission. However, CSRRC did not resume its activities until October 28, 2011. Since the commission was inactive for over two years, there was no data related to the solvency of providers when the department was developing the fiscal 2013 budget. As stated previously, the fiscal 2013 allowance includes an additional $15.7 million for DDA providers, or a 2.0% rate increase. Due to the inactivity of CSRRC, it is unclear whether the $15.7 million rate increase is appropriate. **The Secretary should comment on the progress of CSRRC in meeting its statutory mandates, including whether the commission has made progress in reviewing data related to the solvency of providers.**

Mortality and Quality Review Committee

Within DHMH, the Mortality and Quality Review Committee is concerned with the death of any person who, at the time of death, resided in or was receiving services from any program or facility licensed or operated by DDA, or operating by waiver. After OHCQ reviews each death, it reports to the committee, which examines OHCQ's report. The committee also reviews aggregate incident data regarding facilities or programs that are licensed or operated by DDA or are operating through a waiver. The committee makes recommendations to the deputy secretary of Behavioral Health to prevent avoidable injuries and avoidable deaths – such as choking and/or aspiration – and improve quality of care at developmental disabilities facilities. In the past, OHCQ provided the aggregate incident data to the committee every three months. Through the data provided, OHCQ identified trends that may threaten the health, safety, or well-being of any individual. The committee then reviews the data, makes findings and recommendations to the department on system quality assurance needs, and consults with experts as needed. The committee may issue preliminary findings or recommendations to the Secretary of DHMH, the deputy secretary of Behavioral Health, the director of DDA, the director of MHA, or the director of OHCQ.

In 2009, in response to recommendations made by the committee, DDA developed a staff training curriculum for choking prevention, which was recommended for all staff working with people with developmental disabilities in licensed programs. According to COMAR, this training is required for staff working independently with people who have one of the following support needs:

- an identified swallowing disorder;
- a healthcare practitioner's order for an altered texture diet; and/or
- a behavior plan that addresses eating behaviors, including but not limited to rapid eating, stuffing food, pica, and food stealing.[2]

On February 10, 2012, a memorandum was sent to all DDA licensed service providers, from DDA and OHCQ that noted in the past few weeks there have been several deaths related to choking and/or aspiration within the DDA statewide community. The agency advises that since January 1, 2012, there have been four incidents involving choking, two of which resulted in deaths. It is important to note that the determined cause of death in both of these instances is preliminary as the Medical Examiner will determine the official cause of death. The agency advised that it issued this memorandum prior to the cause of death being determined by the Medical Examiner since OHCQ noticed an increase in deaths caused by choking/aspiration. The aforementioned training curriculum was included in the memorandum and it was noted that the DDA regional offices have begun scheduling "Train-the-Trainer" classes regarding choking prevention with a qualified trainer.[3]

The committee is required to annually prepare a public summary report and submit it to the General Assembly; however, a report has not been submitted to the legislature since 2009. Furthermore, the committees reporting requirement is scheduled to sunset on December 31, 2012, and at the time of this writing, a bill to extend the reporting requirement's effective date has not been submitted by the department. **The Secretary should comment on the relevance of the Mortality and Quality Review Committee and inform the committees as to why annual reports have not been submitted to the General Assembly, as required by statute, and whether the committee has been meeting.**

Resource Coordination and Provider Oversight

DDA provides resources coordination services to all individuals participating in a DDA Medicaid Waiver program, individuals receiving State-funded services, and those on the waiting list. Resource coordination agencies have numerous mandated responsibilities that are defined by

[2] Pica is an eating disorder defined by an individual's craving and ingestion of nonfood substances such as paper or string. Although pica is most frequently observed in children, it is common among individuals with developmental disabilities.

[3] A qualified trainer may be a nurse, dietician, speech language pathologist, or the designated agency trainer.

COMAR, including the development and implementation of Individual Plans (IP) for DDA clients. An IP is a single plan for the provision of all services and supports, including non-DDA-funded services. It is outcome oriented and is intended to specify all assessments, services, and training needed for DDA clients. Among other things, an IP should contain measurable goals and strategies to work toward an outcome. Furthermore, IPs must be reassessed annually. In order to address the increased demand for resource coordination services, the fiscal 2013 budget includes an additional $0.9 million for resource coordination.

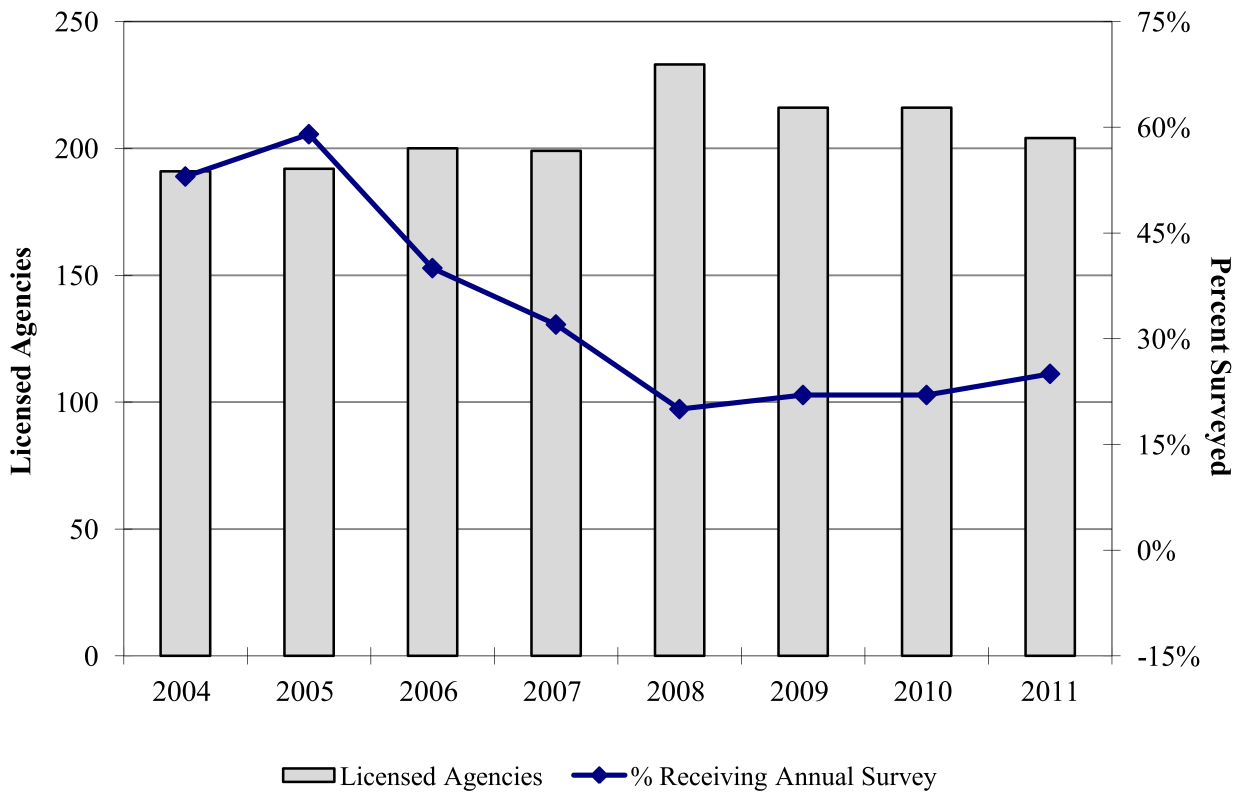
In a letter to providers on February 6, 2012, DDA noted that it is important for resource coordinators, providers and regional offices to review, monitor, and track IPs to determine if they are meeting an individual's needs. IPs must also be reviewed for compliance with federal and State requirements including Medicaid Waiver programs. Furthermore, the letter noted that DDA regional offices have requested and reviewed IPs developed from July 1, 2011 to the present. While these measures are important to ensure that IPs are appropriate for a given individual, recent audit findings indicate a lack of oversight regarding resource coordination providers.

More specifically, OLA audited OHCQ for the period begin February 1, 2008, and ending August 2, 2010. The audit revealed that OHCQ had not performed inspections for any of the 15 related resource coordination agencies responsible for developing appropriate individualized plans for developmentally disabled individuals. DHMH inspections would include reviews of the adequacy of these plans. Similar situations were commented on in OHCQ's two preceding audit reports. Furthermore, OHCQ has advised that it has not done a dedicated survey of resource coordination providers since 2006. Instead, OHCQ will survey resource coordination entities based on a complaint filed or at DDA's request. All individuals receiving ongoing funding from DDA are required to have a comprehensive individual plan, and inspection of resource coordination agencies is necessary to ensure that individual plans for DDA clients are appropriate.

Furthermore, for fiscal 2010, OLA found that OHCQ had not performed inspections for 154 of the 201 licensed developmental disability providers. As shown in **Exhibit 12**, OCHQ's Developmental Disabilities Licensure unit goal is to provide timely and comprehensive relicensure surveys for 25% of required annual relicenusre surveys. Despite the office's internal goal, the agency is required to conduct inspections of 100% of licensed providers.

There was a sharp decline in the percent receiving annual surveys between fiscal 2005 and 2008, as Exhibit 11 shows. In fiscal 2005, OHCQ conducted as many as 59% of relicensure surveys, whereas in fiscal 2008, only 20% were conducted. The growing number of individuals receiving DDA-funded support and the corresponding increase in the total number of agencies serving these individuals has placed a greater burden on OHCQ. Also, DHMH has been closing SRCs and placing the vast majority of those individuals in community placements, which also contribute to the increase in agencies assisting individuals. In fiscal 2009 and 2010, the percentage of annual relicensure surveys increased to 22% as a result of efficiency measures and increased staff for the unit, and in fiscal 2011 the unit was able to perform 25% of relicensure surveys.

Exhibit 12
Survey of Development Disabilities Agencies
Fiscal 2004-2011



Source: Department of Health and Mental Hygiene

Ultimately, OLA recommended that OHCQ complete inspections as required by law. The agency concurred with OLA's finding and recommendation. In its response to the audit, OHCQ noted that the increasing workload of the agency and the reductions in staff have affected the agency's ability to complete surveys. In an effort to address oversight concerns, the Developmental Disabilities Licensure Unit has implemented the following initiatives:

- utilizing self-surveys to document mandated policy and procedure compliance and personnel training requirements, which resulted in an average savings of two days survey time per agency surveyed;

- allocating staff resources to develop a small division with the primary focus on children's issues, which includes initial and re-licensure surveys, complaint and incident investigations, and partnerships with other State and county agencies involved in supporting the needs of children, which should increase OHCQ's ability to complete visits to 24 agencies; and

- referring non-health and non-safety complaints to the four DDA regional offices.

The department should comment on the oversight functions performed by DDA regional offices, including whether regional oversight of resource coordination agencies is sufficient in the absence of OHCQ inspections.

Concerns

The Mortality and Quality Review Committees failure to produce a public summary report as required, coupled with repeat audit findings related to OHCQ underscore the need for improved coordination between DDA and OHCQ. The department has recognized the need for improved synchronization between the agencies by creating a StateStat goal to develop a plan for improved coordination between OHCQ, Medicaid, and DDA by May 2012. **The Secretary should advise the committees on the department's progress in meeting this goal.**

Recommended Actions

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

, provided that $1,000,000 of this appropriation, made for the purpose of Program Direction, may not be expended until the Department of Health and Mental Hygiene provides a report to the budget committees on the department's progress in improving financial oversight within the Developmental Disabilities Administration in order to ensure that funding appropriated to the agency is spent expeditiously, as the number of the individuals on the waiting list continues to be of concern. Specifically, the report shall advise the budget committees of the agency's options to reconfigure its fiscal structure based on the recommendations of an independent consultant. The report shall be submitted by December 1, 2012, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of the report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: As a result of poor financial oversight, the Developmental Disabilities Administration (DDA) reverted $25.7 million in prior year spending during the fiscal 2011 closeout. Furthermore, the Office of the Inspector General at the Department of Health and Mental Hygiene (DHMH) recommended that DDA restructure its current financial operations.

Information Request	Author	Due Date
Report on financial oversight in DDA	DHMH	December 1, 2012

		Amount Reduction		Position Reduction
2.	Delete 2.5 long-term vacant positions at the Secure Evaluation and Therapeutic Treatment (SETT) units and the Potomac Center. In the SETT units, 1.0 position is a social worker (PIN 025210) and 0.5 position is a speech pathologist (PIN 025363). These positions have been vacant for nearly 33 months and 37 months, respectively. One position at the Potomac Center is for an agency health safety specialist (PIN 046347). This position has been vacant for 22 months.	$ 147,648	GF	2.5
	Total General Fund Reductions	**$ 147,648**		**2.5**

Updates

1. Henryton Center Campus

The Henryton Center, an institutional facility for developmentally disabled individuals, has been closed since 1985, and efforts to dispose of the property have been ongoing since the closure. The site presents numerous issues that prevent a successful disposition of the property, one being that the site is not served by public water and sewer and is essentially within Patapsco Valley State Park, making the site inappropriate for intensive development. Furthermore, there have been numerous reports of trespassing, break-ins, and fires at the site which pose a threat to public safety.

This project was not included in the *Capital Improvement Plan*; however, it was added to the 2013 capital budget due to safety concerns raised by the State Fire Marshal. The budget includes $3.5 million in funding for design, asbestos/hazardous materials abatement work, and demolition. Once the property is restored, it will be transferred to the Department of Natural Resources for inclusion in the Patapsco Valley State Park.

2. SETT Center

The fiscal 2011 capital budget included $1.15 million to begin designing the new SETT facility to house individuals with developmental disabilities who have been found by the courts to be incompetent to stand trial, not criminally responsible, or who are court-ordered for pretrial evaluation. This facility will replace obsolete and inadequate facilities at the Rosewood Center which closed on June 30, 2009. Although the department has implemented an interim plan for housing the forensic population at the Springfield Hospital Center (Sykesville SETT) and the Clifton T. Perkins Hospital Center (Jessup SETT), the facilities have an insufficient number of beds to accommodate the court-ordered admissions and lack additional space for vocational activities.

Needed bed capacity for the SETT unit has been based on an analysis of past trends in admissions and average length of stay. These trends indicate a need for 75 beds to serve the two populations at Sykesville and Jessup. However, DHMH is proposing a 60-bed facility that consists of one main administration building and five residential duplexes. In order to meet this lower bed capacity, DHMH advises that it will aggressively reduce the average length of stay by expanding community-based programs and increasing interaction with the courts.

The fiscal 2013 capital budget includes $2.2 million for Phase II design of this project. The design start date is scheduled for May 2012, and construction of the facility is scheduled to begin in June 2014. The total estimated cost of this project is currently $44.1 million, and the anticipated date for project completion is June 2016.

3. Wage Initiative

Chapters 109 and 110 of 2001 required DHMH to increase the rate of reimbursement for community service providers to eliminate the wage disparity between State and private direct-service workers. The legislation also required all increases in rate reimbursement to be used to directly increase compensation of direct-service workers. In total, $81 million was appropriated through the Wage Initiative from fiscal 2003 to 2007. However, it remains unclear as to whether the Wage Initiative was successful in reaching its goal.

CSRRC and DDA were required to annually survey community service providers to determine if the funds appropriated under the Wage Initiative successfully reduced the wage disparity between direct-service workers employed by private providers and the equivalent State positions. However, there were inconsistencies throughout the Wage Initiative survey data. For instance, data derived from DDA's annual wage and benefits cost survey in fiscal 2004 contradicted CSRRC's survey findings. Ultimately, DDA advised that CSRRC's survey data understated the amount of the wage increase. Additionally, a certain amount of the wage increase was provided to direct-service workers as a bonus, rather than a salary adjustment, compromising the efforts to permanently increase the salaries of direct-services workers. The Wage Initiative was also intended to increase the fringe benefits package for direct-service workers so it was comparable to the State's fringe benefits package. In practice, however, the Wage Initiative did little to improve benefits for direct-service workers.[4]

DDA was also hesitant to recover unspent funding under the initiative. OLA noted in a 2009 audit that DDA had not taken timely action to recover funding totaling $3.6 million from providers that did not use funds to increase the compensation for direct-service workers, as intended. DDA's procedure was to annually require providers to submit reports of the amount spent to increase wages within four months of the end of the fiscal year. These reports were attested by independent certified public accountants and were used by DDA to determine whether funding was used for its intended purpose of increasing direct-service workers' compensation. However, even though DDA received these reports annually, for fiscal 2005 to 2007, DDA did not take any action until December 2008 to collect any funds that had not been spent for the initiative's purpose. In December 2008, DDA billed providers for such funds totaling $3.6 million and, at the time of this report, $2.3 million was still outstanding.

In a letter to the General Assembly, dated December 21, 2011, DDA provided an update on the actions that the agency had taken in order to recover these outstanding funds. DDA reviewed the records pertaining to these outstanding funds and determined that the actual amount that should be recovered from providers was $1.1 million. Of this amount, 67% has already been collected by DDA. The remaining funds ($365,159.79) are collectively owed by 14 providers. In order to recover these funds, DDA has sent written notification to providers regarding the outstanding funds.

[4] Comparing the fringe benefit packages offered by providers and the State is problematic due to the fact that providers do not pay into the State Retirement and Pension System. Additionally, health insurance rates for some providers' budgets were financed by other payers, diluting the amount of money allocated to increase benefits under the Wage Initiative.

Providers will be required to remit a check to the State of Maryland for the balance due, provide written documentation demonstrating that DDA either canceled the invoice or provide documentation that a payment was made specifically for the Wage Initiative, or provide historical documentation and an attestation from an independent certified public accountant to the fact the Wage Initiative funding was properly utilized in accordance with Chapters 109 and 110 of 2001. If the providers do not respond, then the matter will be turned over the Central Collection Unit.

Appendix 1

Current and Prior Year Budgets

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

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2011					
Legislative Appropriation	$482,166	$4,262	$317,456	$1,052	$804,936
Deficiency Appropriation	731	-541	98	0	288
Budget Amendments	219	259	0	0	478
Reversions and Cancellations	-12	-3,296	-12,614	-1,033	-16,955
Actual Expenditures	**$483,104**	**$683**	**$304,940**	**$19**	**$788,746**
Fiscal 2012					
Legislative Appropriation	$496,890	$4,857	$342,331	$373	$844,451
Budget Amendments	1,278	0	347	0	1,625
Working Appropriation	**$498,167**	**$4,857**	**$342,679**	**$373**	**$846,076**

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

Fiscal 2011

In fiscal 2011, the budget for DDA closed at $788.7 million, a decrease of $16.2 million below the original legislative appropriation.

Budget amendments account for an increase of $478,000 during fiscal 2011. The general fund appropriation increased by $0.2 million due to two amendments that realigned funds within DHMH so that surpluses in some programs could be used to resolve deficits in others. The special fund appropriation increased to cover the increased cost for fuel and utilities for tenants at the Rosewood Center ($235,948) and for maintenance support at the Holly Center ($22,841).

Deficiency appropriations increased the legislative appropriation of DDA by $288,000. This includes $0.2 million in general funds and $0.1 million in federal funds for Program Direction, the administrative arm of DDA, to provide funds for 9 contractual positions needed to process DDA waiver claims. This also includes a deficiency appropriation for the Rosewood Center to recognize the loss of Strategic Energy Investment Fund special funds ($0.5 million) to be replaced with general funds ($0.5 million) to support the facility's energy performance contract.

Finally, at the end of fiscal 2011, $17 million in appropriations were cancelled or reverted. A more detailed discussion of DDA's fiscal 2011 closeout can be found in the Issues section of this analysis; however, some of the major cancellations include:

- $12.6 million in federal funds within the agency's CS Administration; and

- $3.3 million in special funds, including funds available through the WLEF ($821,833) and prior year grants ($2,408,045).

Fiscal 2012

The fiscal 2012 working appropriation is $846.1 million, an increase of $1.6 million over the original legislative appropriation. The fiscal 2012 budget for the Department of Budget and Management (DBM) included centrally budgeted funds for the $750 one-time bonus for State employees. This resulted in the transfer of funds from DBM to DDA ($452,394 in general funds and $31,414 in federal funds).

Chapter 497 of 2010 required that beginning in fiscal 2012, DHMH must provide an inflationary cost adjustment to community providers for salary adjustments. Subsequently, funds were transferred from DBM's Statewide Expenses Program to DDA for community provider salary adjustments ($825,206 in general funds and $316,011 in federal funds).

Appendix 2

Audit Findings

Audit Period for Last Audit:	June 9, 2008 – May 4, 2011
Issue Date:	September 2011
Number of Findings:	2
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Department of Health and Mental Hygiene – Holly Center

Finding 1: The Holly Center had not reconciled its resident funds records with the corresponding records of the Comptroller of Maryland since October 2006.

Finding 2: Physical inventories of equipment were not conducted at required intervals, and record keeping was inadequate.

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

Object/Fund Difference Report
DHMH – Developmental Disabilities Administration

Object/Fund	FY 11 Actual	FY 12 Working Appropriation	FY 13 Allowance	FY 12 - FY 13 Amount Change	Percent Change
Positions					
01 Regular	667.50	659.50	657.50	-2.00	-0.3%
02 Contractual	30.54	30.63	27.63	-3.00	-9.8%
Total Positions	**698.04**	**690.13**	**685.13**	**-5.00**	**-0.7%**
Objects					
01 Salaries and Wages	$ 44,895,394	$ 43,462,705	$ 43,122,504	-$ 340,201	-0.8%
02 Technical and Spec. Fees	1,650,443	1,694,346	1,534,432	-159,914	-9.4%
03 Communication	222,673	246,747	250,268	3,521	1.4%
04 Travel	65,920	74,678	67,733	-6,945	-9.3%
06 Fuel and Utilities	2,026,656	2,070,113	1,694,448	-375,665	-18.1%
07 Motor Vehicles	139,225	137,156	159,413	22,257	16.2%
08 Contractual Services	737,031,615	795,926,552	827,126,613	31,200,061	3.9%
09 Supplies and Materials	1,574,471	1,435,537	1,403,223	-32,314	-2.3%
10 Equipment – Replacement	85,399	37,673	17,157	-20,516	-54.5%
11 Equipment – Additional	53,444	0	7,300	7,300	N/A
12 Grants, Subsidies, and Contributions	472,985	477,106	405,000	-72,106	-15.1%
13 Fixed Charges	528,270	513,392	507,977	-5,415	-1.1%
Total Objects	**$ 788,746,495**	**$ 846,076,005**	**$ 876,296,068**	**$ 30,220,063**	**3.6%**
Funds					
01 General Fund	$ 483,104,370	$ 498,167,351	$ 501,830,729	$ 3,663,378	0.7%
03 Special Fund	683,469	4,856,834	4,276,337	-580,497	-12.0%
05 Federal Fund	304,940,052	342,678,534	369,623,862	26,945,328	7.9%
09 Reimbursable Fund	18,604	373,286	565,140	191,854	51.4%
Total Funds	**$ 788,746,495**	**$ 846,076,005**	**$ 876,296,068**	**$ 30,220,063**	**3.6%**

Note: The fiscal 2012 appropriation does not include deficiencies.

Fiscal Summary
DHMH – Developmental Disabilities Administration

Program/Unit	FY 11 Actual	FY 12 Wrk Approp	FY 13 Allowance	Change	FY 12 - FY 13 % Change
01 Program Direction	$ 5,895,469	$ 6,352,069	$ 6,430,392	$ 78,323	1.2%
02 Community Services	739,393,447	799,714,135	830,682,476	30,968,341	3.9%
01 Services and Institutional Operations	2,643,292	2,514,185	1,908,819	-605,366	-24.1%
01 Services and Institutional Operations	18,268,896	18,209,300	18,145,273	-64,027	-0.4%
01 Court Involved Service Delivery	8,749,324	8,410,988	8,287,248	-123,740	-1.5%
01 Services and Institutional Operations	11,172,008	10,841,700	10,811,357	-30,343	-0.3%
01 Services and Institutional Operations	2,624,059	33,628	30,503	-3,125	-9.3%
Total Expenditures	**$ 788,746,495**	**$ 846,076,005**	**$ 876,296,068**	**$ 30,220,063**	**3.6%**
General Fund	$ 483,104,370	$ 498,167,351	$ 501,830,729	$ 3,663,378	0.7%
Special Fund	683,469	4,856,834	4,276,337	-580,497	-12.0%
Federal Fund	304,940,052	342,678,534	369,623,862	26,945,328	7.9%
Total Appropriations	**$ 788,727,891**	**$ 845,702,719**	**$ 875,730,928**	**$ 30,028,209**	**3.6%**
Reimbursable Fund	$ 18,604	$ 373,286	$ 565,140	$ 191,854	51.4%
Total Funds	**$ 788,746,495**	**$ 846,076,005**	**$ 876,296,068**	**$ 30,220,063**	**3.6%**

Note: The fiscal 2012 appropriation does not include deficiencies.