

---

# **Department of Health and Mental Hygiene Fiscal 2015 Budget Overview**

---

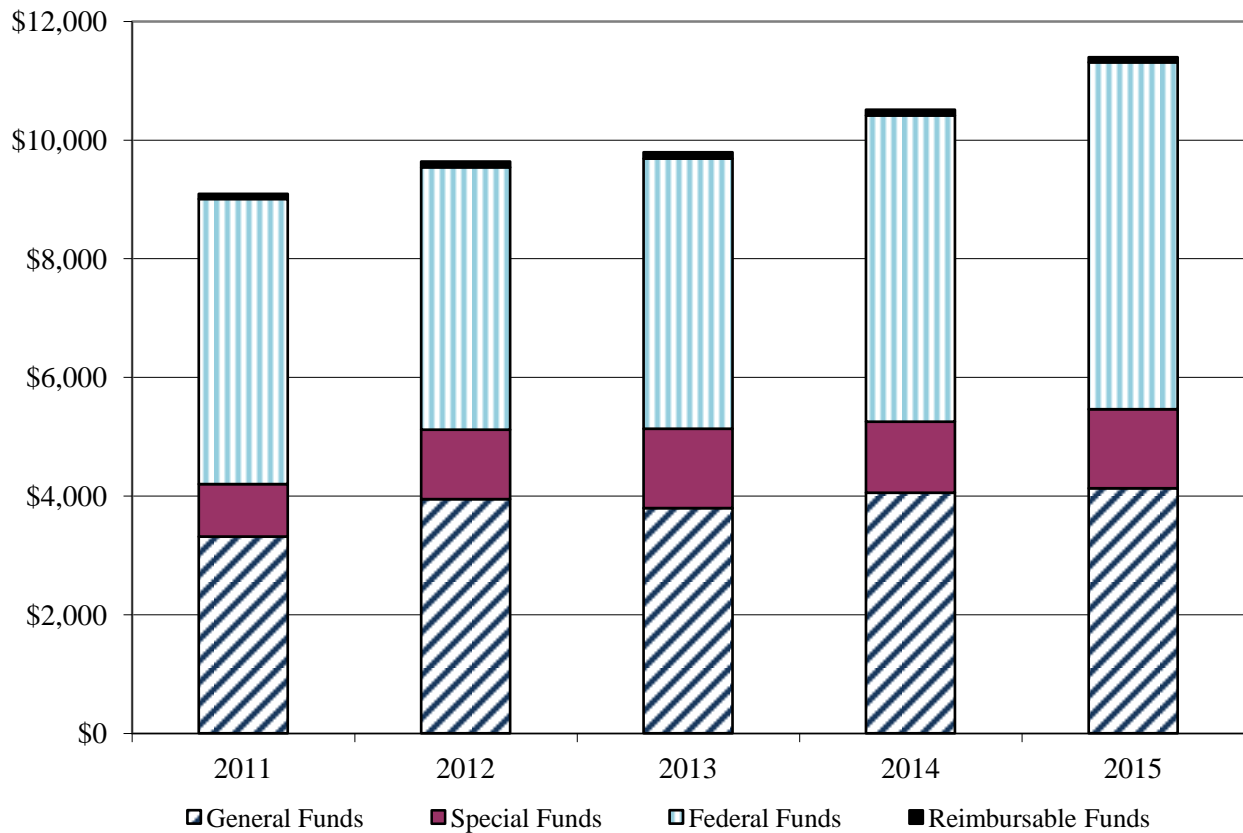
**Department of Legislative Services  
Office of Policy Analysis  
Annapolis, Maryland**

**January 2014**

***M00 – DHMH – Fiscal 2015 Budget Overview***

**M00**  
**Department of Health and Mental Hygiene**  
**Fiscal 2015 Budget Overview**

**Department of Health and Mental Hygiene**  
**Five-year Funding Trends**  
**Fiscal 2011-2015**  
**(\$ in Millions)**



Source: Department of Legislative Services; Department of Budget and Management

*M00 – DHMH – Fiscal 2015 Budget Overview*

**Department of Health and Mental Hygiene  
Budget Overview: Expenditure Growth Fueled Largely by  
Federal Funds Continues**

**Fiscal 2011-2015**

**(\$ in Millions)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Change 2014-2015</u>
<b>General Funds</b>	<b>\$3,236</b>	<b>\$3,949</b>	<b>\$3,811</b>	<b>\$3,911</b>	<b>\$4,135</b>	
Fiscal 2014 Deficiencies and Other Actions Impacting Fiscal 2013			-14			
Fiscal 2014 Deficiencies Contingent, Planned, and Back of Bill Reductions				145	-6	
<b>Adjusted General Funds</b>	<b>\$3,236</b>	<b>\$3,949</b>	<b>\$3,798</b>	<b>\$4,056</b>	<b>\$4,129</b>	<b>\$73</b>
<b>Special Funds</b>	<b>\$886</b>	<b>\$1,166</b>	<b>\$1,335</b>	<b>\$1,257</b>	<b>\$1,332</b>	
Fiscal 2014 Deficiencies Contingent, Planned, and Back of Bill Reductions				-60	0*	
<b>Adjusted Special Funds</b>	<b>\$886</b>	<b>\$1,166</b>	<b>\$1,335</b>	<b>\$1,197</b>	<b>\$1,332</b>	<b>\$135</b>
<b>Federal Funds</b>	<b>\$4,739</b>	<b>\$4,426</b>	<b>\$4,554</b>	<b>\$5,130</b>	<b>\$5,847</b>	
Fiscal 2014 Deficiencies Contingent, Planned, and Back of Bill Reductions				30	-1	
<b>Adjusted Federal Funds</b>	<b>\$4,739</b>	<b>\$4,426</b>	<b>\$4,554</b>	<b>\$5,160</b>	<b>\$5,847</b>	<b>\$687</b>
<b>Reimbursable Funds</b>	<b>\$87</b>	<b>\$97</b>	<b>\$107</b>	<b>\$97</b>	<b>\$87</b>	<b>-\$10</b>
<b>Total</b>	<b>\$8,948</b>	<b>\$9,637</b>	<b>\$9,794</b>	<b>\$10,509</b>	<b>\$11,394</b>	<b>\$885</b>
<b>% Change from Prior Year</b>	<b>4.4%</b>	<b>7.7%</b>	<b>1.6%</b>	<b>7.3%</b>	<b>8.4%</b>	

\*Special fund reductions round down to zero.

Note: Includes fiscal 2014 deficiencies and fiscal 2015 contingent and back of the bill reductions. The Department of Disabilities Administration deficiencies and Medicaid fiscal 2013 reversions are attributed to the appropriate fiscal year. Excludes funding in the Department of Budget and Management for that share of the fiscal 2015 cost-of-living adjustment and Annual Salary Review increases attributable to the Department of Health and Mental Hygiene. Numbers may not sum due to rounding.

Source: Department of Legislative Services; Department of Budget and Management

*M00 – DHMH – Fiscal 2015 Budget Overview*

**Department of Health and Mental Hygiene  
Fiscal 2014 Deficiencies**

<b><u>Program</u></b>	<b><u>Item</u></b>	<b><u>General Funds</u></b>	<b><u>Total Funds</u></b>
Medicaid	Funding to cover anticipated shortfall in provider reimbursements	\$65,652,922	\$65,652,922
Developmental Disabilities	Funding to cover anticipated shortfall in community services funding in fiscal 2013 and 2014. Of this amount, \$5,389,299 is for fiscal 2013 unprovided general fund payables, and \$24,742,572 is for fiscal 2014	30,131,871	30,131,871
Behavioral Health	Increased federal funding for community fee-for-service mental health services	0	27,812,291
Medicaid	Funding to cover anticipated costs of extending eligibility redeterminations	2,600,000	5,200,000
Regulatory Commissions	Increased Uncompensated Care Fund payments	0	5,145,824
Behavioral Health	Overtime funding at Clifton Perkins Hospital	3,569,729	3,569,729
Developmental Disabilities	Consultant funding for financial and programmatic management	580,690	1,186,905
Regulatory Commissions	Funding to cover increased payments for uncompensated trauma services and subsidies under the Small Employer Health Benefit Premium Subsidy Program	0	600,000
Administration	Purchase of a new Storage Area Network	400,000	400,000
Public Health Administration	Additional funding for a new position, rent, and parking fees at the new State Laboratory	381,629	381,629
Prevention and Health Promotion	Additional support for the Immunization Registry System	182,059	182,059
Prevention and Health Promotion	MADAP fund swap	0	0

***M00 – DHMH – Fiscal 2015 Budget Overview***

<b><u>Program</u></b>	<b><u>Item</u></b>	<b><u>General Funds</u></b>	<b><u>Total Funds</u></b>
Behavioral Health	Fund swap at Springfield and Spring Grove hospitals based on available Strategic Energy Investment Fund revenue	-642,410	0
Medicaid	Funding to offset loss of Cigarette Restitution Fund revenue due to arbitration ruling on 2003 sales year litigation	70,000,000	0
Medicaid	Savings based on increased federal fund match for certain eligibility determination costs	-1,988,587	0
Health Systems and Infrastructure	Savings attributed to favorable average daily population trends at the Western Maryland Center	-50,000	-50,000
Health Systems and Infrastructure	Savings attributed to favorable average daily population trends at the Western Maryland Center and fund swap based on available Strategic Energy Investment Fund revenue; \$100,000 of the reduction may be reallocated within DHMH	-407,590	-50,000
Developmental Disabilities	Savings based on reversion of restricted funds	-950,000	-950,000
Administration	Savings as a result of lower than anticipated spending on the State Personnel System	-2,232,841	-2,232,841
Departmental	Savings in retirement funding as a result of reducing retirement reinvestment funding. Savings are DHMH's portion of a statewide \$86.1 million general fund reduction	-2,657,957	-2,657,957
Departmental	Savings as a result of favorable spending trends in the State Employees Health Program. Savings are DHMH's portion of a statewide \$49.6 million in general fund savings	-5,847,596	-5,847,596
Behavioral Health	Savings due to increased federal fund participation. Reduction may be reallocated within DHMH	-8,330,075	-8,330,075
<b>Fiscal 2014 Deficiencies Total</b>		<b>\$150,391,844</b>	<b>\$120,144,761</b>

DHMH: Department of Health and Mental Hygiene  
MADAP: Maryland AIDS Drug Assistance Program

Source: Department of Legislative Services; State Budget

*M00 – DHMH – Fiscal 2015 Budget Overview*

**Department of Health and Mental Hygiene  
Fiscal 2015 Other DHMH-related Items**

<b><u>Program</u></b>	<b><u>Item</u></b>	<b><u>General Funds</u></b>	<b><u>Total Funds</u></b>
<b>Fiscal 2015 Back of the Bill Reductions</b>			
Departmental	Savings as a result of favorable spending trends in the State Employees Health Program. Savings are DHMH's portion of a statewide \$23.8 million total fund reduction	-\$2,083,767	-\$2,593,523
<b>Total</b>		<b>-\$2,083,767</b>	<b>-\$2,593,523</b>
<b>Reductions Contingent on Legislation</b>			
Medicaid	Savings resulting from a reduction in the MHIP assessment. The BRFA of 2014 reduces the MHIP assessment to 0.5% effective October 1, 2014. The bill also establishes a Community Partnership Assistance program designed to encourage hospitals and community health organizations to collaborate on community-based strategies to improve health care delivery. The bill authorizes HSCRC to allow spending of \$30 million in fiscal 2015 and \$40 million in fiscal 2016 and thereafter, supported through hospital rates	-\$1,500,000	-\$1,500,000
Departmental	Savings in retirement funding as a result of reducing retirement reinvestment funding. Savings are DHMH's portion of a statewide \$96.7 million total fund reduction	-2,685,567	-3,439,470
<b>Total</b>		<b>-\$4,185,567</b>	<b>-\$4,939,470</b>
<b>Other DHMH Budget Actions</b>			
DHMH	Fiscal 2013 Medicaid carryover surplus recognized as fiscal 2014 revenue	\$19,000,000	\$19,000,000
DHMH	GlaxoSmithKline pharmacy lawsuit settlement recognized as fiscal 2014 revenue	5,885,188	5,885,188
<b>Total</b>		<b>\$24,885,188</b>	<b>\$24,885,188</b>

*M00 – DHMH – Fiscal 2015 Budget Overview*

<u>Program</u>	<u>Item</u>	<u>General Funds</u>	<u>Total Funds</u>
----------------	-------------	--------------------------	------------------------

**Other DHMH-related Items**

DHMH	In addition to funding for a 2% cost-of-living adjustment effective January 1, 2015, the DBM budget includes various Annual Salary Review increases, also effective January 1, 2015, including retention and hiring bonuses for certain registered nurses at DHMH facilities (\$1,083,114); one grade increase for direct care workers and geriatric assistants (\$762,914); a one grade increase for psychologists; and salary equity in the planner series		
------	--	--	--

BRFA: Budget Reconciliation and Financing Act

DBM: Department of Budget and Management

DHMH: Department of Health and Mental Hygiene

HSCRC: Health Services Cost Review Commission

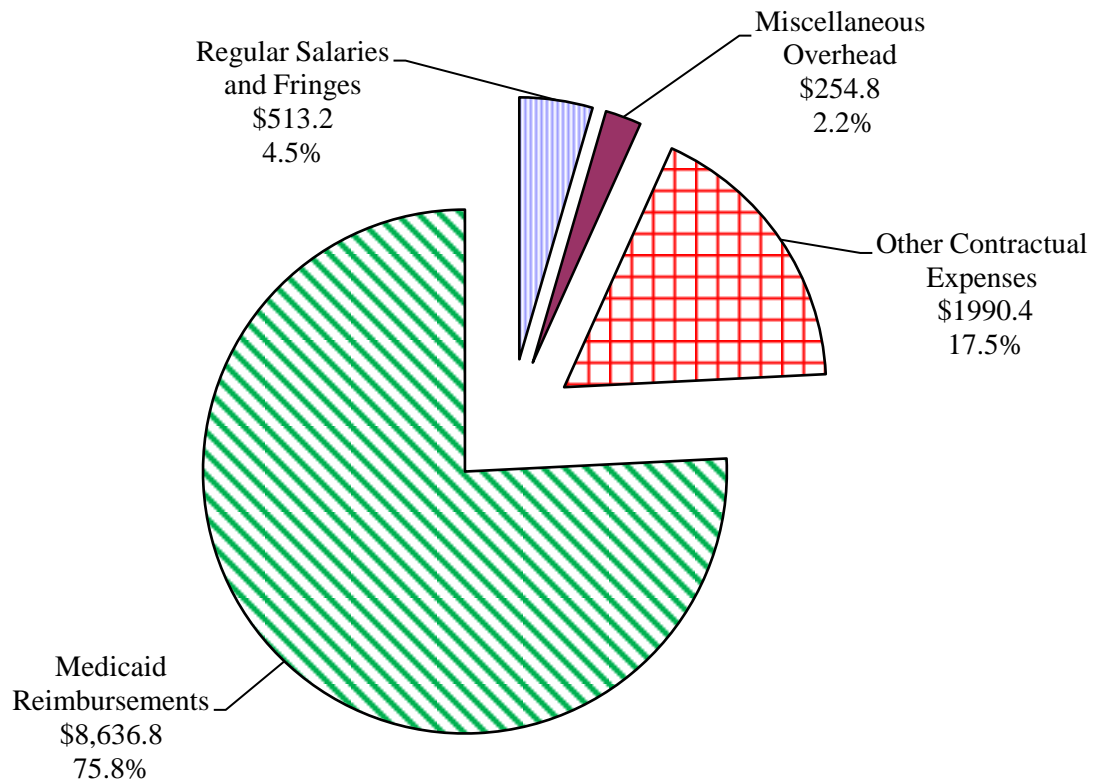
MHIP: Maryland Health Insurance Program

Source: Department of Legislative Services; State Budget



*M00 – DHMH – Fiscal 2015 Budget Overview*

**Department of Health and Mental Hygiene  
Functional Breakdown of Spending  
Fiscal 2015 Allowance  
(\$ in Millions)**



Source: Department of Legislative Services; State Budget

*M00 – DHMH – Fiscal 2015 Budget Overview*

**Department of Health and Mental Hygiene  
Budget Overview: All Funding Sources  
Fiscal 2013-2015  
(\$ in Thousands)**

	<u>Actual 2013</u>	<u>Working 2014</u>	<u>Allowance 2015</u>	<u>\$ Change 2014-15</u>	<u>% Change 2014-15</u>
<b>Medical Programs/Medicaid</b>	<b>\$6,916,525</b>	<b>\$7,409,252</b>	<b>\$8,152,824</b>	<b>\$743,572</b>	<b>10.0%</b>
Provider Reimbursements	6,623,582	7,071,174	7,778,560	707,386	10.0%
Maryland Children's Health Program	197,471	214,083	225,742	11,660	5.4%
Other	95,473	123,995	148,521	24,527	19.8%
<b>Behavioral Health</b>	<b>\$1,211,288</b>	<b>\$1,325,265</b>	<b>\$1,382,368</b>	<b>\$57,103</b>	<b>4.3%</b>
Program Direction	15,184	18,050	17,722	-328	-1.8%
Community Services	928,884	1,031,384	1,081,410	50,026	4.9%
Facilities	267,221	275,831	283,236	7,405	2.7%
<b>Developmental Disabilities</b>	<b>\$910,401</b>	<b>\$974,951</b>	<b>\$997,318</b>	<b>\$22,366</b>	<b>2.3%</b>
Program Direction	6,018	9,387	8,835	-553	-5.9%
Community Services	864,546	924,828	947,257	22,428	2.4%
Facilities	39,837	40,736	41,226	490	1.2%
<b>Health Systems and Infrastructure</b>					
<b>Development</b>	<b>\$91,815</b>	<b>\$98,605</b>	<b>\$126,199</b>	<b>\$27,593</b>	<b>28.0%</b>
Targeted Local Health	42,544	46,236	51,372	5,135	11.1%
Other	49,271	52,369	74,827	22,458	42.9%
<b>Prevention and Health Promotion</b>					
<b>Administration</b>	<b>336,789</b>	<b>357,066</b>	<b>357,691</b>	<b>\$625</b>	<b>0.2%</b>
Women, Infants, and Children	114,047	118,835	119,938	1,102	0.9%
CRF Tobacco and Cancer	25,991	37,068	37,027	-41	-0.1%
Maryland AIDS Drug Assistance Program	66,410	63,319	58,751	-4,568	-7.2%
Other	130,340	137,844	141,975	4,131	3.0%
<b>Other Budget Areas</b>	<b>\$327,003</b>	<b>\$352,560</b>	<b>\$383,579</b>	<b>\$31,019</b>	<b>8.8%</b>
DHMH Administration	45,556	50,644	51,766	1,122	2.2%
Public Health Administration	60,033	68,936	80,069	11,133	16.1%
Office of Health Care Quality	17,182	19,065	19,325	260	1.4%
Health Occupations Boards	27,702	31,888	33,586	1,697	5.3%
Health Regulatory Commissions	176,529	182,027	198,834	16,807	9.2%
<b>Departmentwide Reductions</b>		<b>-\$8,506</b>	<b>-\$6,033</b>	<b>\$3,736</b>	<b>-43.9%</b>
<b>Total Funding</b>	<b>\$9,793,821</b>	<b>\$10,509,194</b>	<b>\$11,393,945</b>	<b>\$886,014</b>	<b>8.4%</b>

CRF: Cigarette Restitution Fund

DHMH: Department of Health and Mental Hygiene

Note: Includes fiscal 2014 deficiencies and fiscal 2015 contingent and back of the bill reductions. The Developmental Disabilities Administration deficiencies and Medicaid fiscal 2013 reversions are attributed to the appropriate fiscal year. Excludes funding in the Department of Budget and Management for that share of the fiscal 2015 cost-of-living adjustment and Annual Salary Review increases attributable to DHMH. For the purpose of this chart, fiscal 2015 fee-for-service community mental health expenditures for Medicaid recipients are shown under the Behavioral Health Administration, as opposed to Medicaid, where they are budgeted.

Source: Department of Legislative Services; State Budget

*M00 – DHMH – Fiscal 2015 Budget Overview*

**Department of Health and Mental Hygiene  
Budget Overview: General Funds Only**

**Fiscal 2013-2015**

**(\$ in Thousands)**

	<b>Actual 2013</b>	<b>Working 2014</b>	<b>Allowance 2015</b>	<b>\$ Change 2014-15</b>	<b>% Change 2014-15</b>
<b>Medical Programs/Medicaid</b>	<b>\$2,317,323</b>	<b>\$2,493,407</b>	<b>\$2,499,586</b>	<b>\$6,178</b>	<b>0.2%</b>
Provider Reimbursements	2,229,124	2,398,797	2,397,280	-1,516	-0.1%
Maryland Children's Health Program	63,551	68,642	72,430	3,788	5.5%
Other	24,647	25,969	29,876	3,907	15.0%
<b>Behavioral Health</b>	<b>\$758,426</b>	<b>\$792,366</b>	<b>\$814,710</b>	<b>\$22,344</b>	<b>2.8%</b>
Program Direction	10,879	12,360	13,735	1,374	11.1%
Community Services	496,622	513,931	528,297	14,367	2.8%
Facilities	250,925	266,075	272,678	6,603	2.5%
<b>Developmental Disabilities</b>	<b>\$519,326</b>	<b>\$554,322</b>	<b>\$574,994</b>	<b>\$20,673</b>	<b>3.7%</b>
Program Direction	3,945	5,487	5,478	-9	-0.2%
Community Services	476,502	508,871	529,186	20,315	4.0%
Facilities	38,878	39,963	40,330	367	0.9%
<b>Health Systems and Infrastructure</b>					
<b>Development</b>	<b>\$80,133</b>	<b>\$86,299</b>	<b>\$92,190</b>	<b>\$5,891</b>	<b>6.8%</b>
Targeted Local Health	37,283	41,743	46,879	5,135	12.3%
Other	42,849	44,555	45,311	756	1.7%
<b>Prevention and Health Promotion</b>					
<b>Administration</b>	<b>52,842</b>	<b>53,628</b>	<b>54,338</b>	<b>\$710</b>	<b>1.3%</b>
Women, Infants, and Children	51	65	65	0	0.0%
CRF Tobacco and Cancer	906	787	832	45	5.7%
Maryland AIDS Drug Assistance Program	5	0	0	0	\$0
Other	51,879	52,776	53,441	665	1.3%
<b>Other Budget Areas</b>	<b>\$69,788</b>	<b>\$84,236</b>	<b>\$97,887</b>	<b>\$13,651</b>	<b>16.2%</b>
DHMH Administration	23,853	25,919	26,652	733	2.8%
Public Health Administration	35,133	46,662	59,243	12,581	27.0%
Office of Health Care Quality	10,460	11,176	11,603	427	3.8%
Health Occupations Boards	343	387	388	1	0.3%
Health Regulatory Commissions	0	91	0	-91	-100.0%
<b>Departmentwide Reductions</b>		<b>-\$8,506</b>	<b>-\$4,765</b>	<b>\$3,736</b>	<b>-43.9%</b>
<b>Total Funding</b>	<b>\$3,797,837</b>	<b>\$4,055,752</b>	<b>\$4,128,935</b>	<b>\$73,183</b>	<b>1.8%</b>

CRF: Cigarette Restitution Fund

DHMH: Department of Health and Mental Hygiene

Note: Includes fiscal 2014 deficiencies and fiscal 2015 contingent and back of the bill reductions. The Developmental Disabilities Administration deficiencies and Medicaid fiscal 2013 reversions are attributed to the appropriate fiscal year. Excludes funding in the Department of Budget and Management for that share of the fiscal 2015 cost-of-living adjustment and Annual Salary Review increase attributable to DHMH. For the purpose of this chart, fiscal 2015 fee-for-service community mental health expenditures for Medicaid recipients are shown under the Behavioral Health Administration, as opposed to Medicaid, where they are budgeted.

Source: Department of Legislative Services; State Budget

*M00 – DHMH – Fiscal 2015 Budget Overview*

**Proposed Budget Changes**  
**Department of Health and Mental Hygiene**  
**(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2014 Working Appropriation	\$4,055,752	\$1,196,668	\$5,159,862	\$96,912	\$10,509,194
2015 Governor's Allowance	4,128,935	1,331,510	5,846,637	86,863	11,393,945
Amount Change	73,183	134,842	686,775	-10,049	884,751
Percent Change	1.8%	11.3%	13.3%	-10.4%	8.4%

**Where It Goes:**

**Personnel**

**\$15,536**

Regular earnings (annualization of fiscal 2014 COLA and increments and fiscal 2015 increment) .....	\$15,212
Retirement contribution .....	6,208
Social Security contributions .....	1,068
Workers' Compensation .....	674
Miscellaneous adjustments .....	564
Other fringe benefit adjustments.....	-16
Overtime .....	-1,113
Turnover expectancy.....	-1,888
Employee and retiree health insurance .....	-5,175

**Major Programmatic Changes (Excluding Medicaid)**

**\$130,676**

**Behavioral Health Administration**

**\$50,095**

**Fee-for-Service Community Mental Health Services**

ACA expansion.....	\$50,889
Statutory rate adjustment for community providers, 4% effective January 1, 2015 (Chapters 297 and 298 of 2010).....	10,080
Enrollment and utilization (excluding ACA expansion).....	5,855

**Community Mental Health Grants and Contracts**

Rate adjustment for grants and contracts (4% effective January 1, 2015).....	\$1,036
Community Mental Health Grants and Contracts (primarily to local CSAs and ASO contract) .....	-541
Various federal mental health grants .....	-868
Whittsit Budget Adjustment (reimbursable funds) .....	-1,501

## *M00 – DHMH – Fiscal 2015 Budget Overview*

### **Where It Goes:**

#### **Substance Abuse Services**

Problem Gambling Services .....	\$1,320
Prevention .....	307
Local treatment except Problem Gambling Services .....	-4,082
Savings as a result of the deletion of funds previously transferred to the Primary Adult Care program .....	-12,400

#### **Developmental Disabilities Administration** **\$22,496**

Statutory rate adjustment for community providers, 4% effective January 1, 2015 (Chapters 297 and 298 of 2010).....	\$18,321
Additional funding for annualization and expansion .....	4,175

#### **Public Health Administration** **\$11,954**

Rent and operating lease payment to MEDCO for the new public health laboratory .....	\$11,840
Fuel and utilities for the new public health laboratory .....	1,500
Additional laboratory equipment, supplies, drugs, and chemicals.....	-1,386

#### **Health Systems and Infrastructure Administration** **\$27,026**

State Innovations Models Project (federal funds) .....	\$18,891
Statutory adjustment to the Core funding formula.....	5,135
Health Care Innovation Challenge Grant (federal funds) .....	3,000

#### **Prevention and Health Promotion Administration** **\$2,140**

ACA – Maternal, Infant, and Early Childhood Homevisiting Program .....	\$3,091
WIC Electronic Benefit Transfer Implementation.....	2,669
Maryland Million Hearts and Institute for a Healthiest Maryland (federal funds) .....	1,316
WIC Special Supplemental Food and Nutrition Program.....	1,102
Breast and Cervical Cancer Program .....	-1,470
MADAP and MADAP-Plus Programs .....	-4,568

#### **Regulatory Commissions** **\$16,964**

Uncompensated Care Funding .....	\$14,854
Consulting services associated with implementation of new Medicare waiver model design ....	2,110

#### **Medicaid/Medical Care Programs Administration** **\$742,328**

#### **Medicaid/Maryland Children’s Health Program (Programs 03 and 07)**

##### **Provider Reimbursements Medicaid** **\$696,493**

ACA expansion (federal funds) .....	\$474,286
Enrollment and utilization (excluding ACA expansion).....	216,979
Medicare Part A/B reimbursement .....	23,984

***M00 – DHMH – Fiscal 2015 Budget Overview***

**Where It Goes:**

School-based services (reimbursable funds).....	19,418
Managed care organization supplemental payments .....	6,000
Maryland Children’s Health Program.....	5,255
Medicaid program recoveries .....	-1,393
Pharmacy rebates .....	-48,036

**ACA Cost Savings** **-\$205,842**

Annualization of Medically Needy savings per ACA .....	-\$84,784
Primary Adult Care program .....	-121,058

**Cost Containment** **-\$2,560**

New fiscal 2015 cost containment actions .....	-\$2,560
--	----------

**Medicaid Rate Changes** **\$166,996**

Various rate changes and rate assumptions.....	\$166,996
--	-----------

**Long-term Care Rebalancing** **\$37,229**

Community First Choice .....	\$24,429
Balancing Incentive Program.....	20,405
Money Follows the Person.....	-1,833
Home and Community-based Options Waiver case management .....	-6,805

**Other Medicaid Expenditures** **\$50,011**

Miscellaneous adjustments .....	\$30,302
Major information technology development projects (federal funds) .....	23,282
Waiver services.....	3,276
Graduate Medical Education.....	2,000
Pharmacy administration .....	1,751
Statewide graduation and planning services .....	1,532
Health information technology .....	1,212
Transportation grants .....	-533
Subsidized adoptions .....	-956
Employed Individuals with Disabilities.....	-1,021
Medicaid systems expenses .....	-1,223
Medicaid reimbursement to the Mental Hygiene Administration.....	-1,236
Family planning .....	-1,400
Health home .....	-1,725
Clawback payment.....	-5,248

**Other** **-\$3,788**

<b>Total</b>	<b>\$884,751</b>
--------------	------------------

## ***M00 – DHMH – Fiscal 2015 Budget Overview***

ACA: Affordable Care Act  
ASO: Administrative Services Organization  
COLA: cost-of-living adjustment  
CSA: Community Services Administration  
MADAP: Maryland AIDS Drug Assistance Program  
MEDCO: Maryland Economic and Development Corporation  
WIC: Women, Infants, and Children

Note: Includes fiscal 2014 deficiencies and fiscal 2015 contingent and back of the bill reductions. The Developmental Disabilities Administration deficiencies and Medicaid fiscal 2013 reversions are attributed to the appropriate fiscal year. Excludes funding in the Department of Budget and Management for that share of the fiscal 2015 cost-of-living adjustment and Annual Salary Review increases attributable to the Department of Health and Mental Hygiene.

---

*M00 – DHMH – Fiscal 2015 Budget Overview*

**Department of Health and Mental Hygiene  
Regular Employees  
Fiscal 2013-2015**

	<b><u>Actual 2013</u></b>	<b><u>Working 2014</u></b>	<b><u>Allowance 2015</u></b>	<b><u>Change 2014-15</u></b>	<b><u>% Change 2014-15</u></b>
<b>DHMH Administration</b>	<b>371.0</b>	<b>371.0</b>	<b>371.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Office of Health Care Quality</b>	<b>185.7</b>	<b>187.7</b>	<b>187.7</b>	<b>0.0</b>	<b>0.0%</b>
<b>Health Occupations Boards</b>	<b>257.2</b>	<b>265.7</b>	<b>272.7</b>	<b>7.0</b>	<b>2.6%</b>
<b>Public Health Administration</b>	<b>397.9</b>	<b>401.9</b>	<b>402.9</b>	<b>1.0</b>	<b>0.2%</b>
<b>Health Systems and Infrastructure Administration</b>	<b>532.1</b>	<b>532.1</b>	<b>525.8</b>	<b>-6.3</b>	<b>-1.2%</b>
<b>Prevention and Health Promotion Administration</b>	<b>364.8</b>	<b>362.8</b>	<b>362.8</b>	<b>0.0</b>	<b>0.0%</b>
<b>Behavioral Health Administration</b>	<b>2,919.5</b>	<b>2,919.5</b>	<b>2,916.5</b>	<b>-3.0</b>	<b>-0.1%</b>
Administration	148.0	148.0	145.0	-3.0	-2.0%
Institutions	2,771.5	2,771.5	2,771.5	0.0	0.0%
<b>Developmental Disabilities Administration</b>	<b>655.5</b>	<b>648.5</b>	<b>643.5</b>	<b>-5.0</b>	<b>-0.8%</b>
Administration	160.0	160.0	155.0	-5.0	-3.1%
Institutions	495.5	488.5	488.5	0.0	0.0%
<b>Medical Care Programs Administration</b>	<b>606.0</b>	<b>618.0</b>	<b>627.0</b>	<b>9.0</b>	<b>1.5%</b>
<b>Health Regulatory Commissions</b>	<b>98.7</b>	<b>99.7</b>	<b>102.7</b>	<b>3.0</b>	<b>3.0%</b>
<b>Total Regular Positions</b>	<b>6,388.3</b>	<b>6,406.8</b>	<b>6,412.6</b>	<b>5.8</b>	<b>0.1%</b>

DHMH: Department of Mental Health and Hygiene

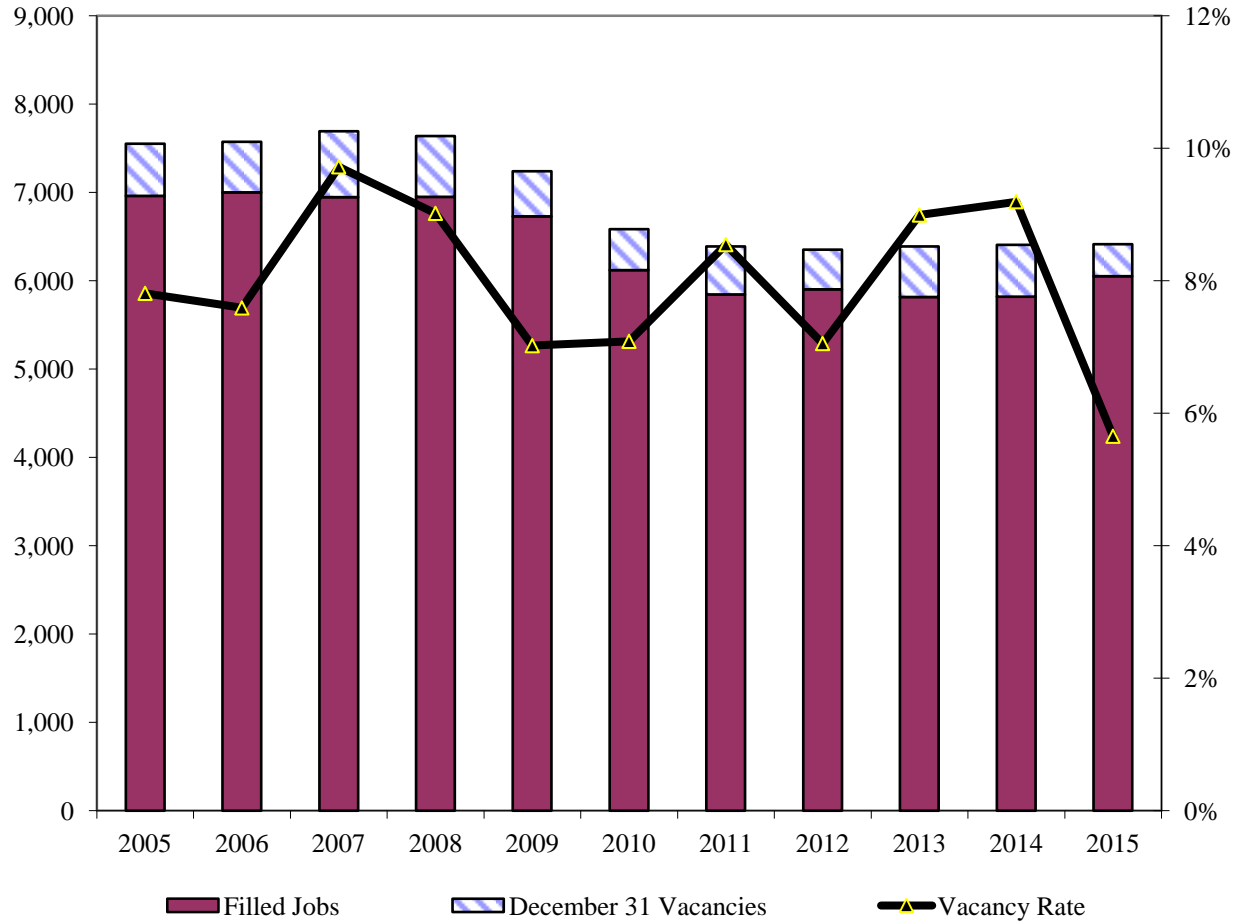
Note: Fiscal 2014 includes one additional position in the Public Health Administration included in a deficiency appropriation.

Source: State Budget



*M00 – DHMH – Fiscal 2015 Budget Overview*

**Department of Health and Mental Hygiene  
Regular Employee Filled Jobs and Vacancy Rates  
Fiscal 2005-2015**



Note: Fiscal 2015 data reflects the number of vacancies required to meet turnover.

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

*M00 – DHMH – Fiscal 2015 Budget Overview*

**Department of Health and Mental Hygiene  
Regular Employees – Vacancy Rates  
December 31, 2013**

	<b><u>FTE Vacancies</u></b>	<b><u>FTE Positions</u></b>	<b><u>Vacancy Rate</u></b>
DHMH Administration	34.40	<b>371.00</b>	8.2%
Office of Health Care Quality	17.40	<b>187.70</b>	10.3%
Health Occupations Boards	26.50	<b>265.70</b>	11.0%
Public Health Administration	36.00	<b>401.90</b>	8.2%
Health Systems and Infrastructure Administration	57.25	<b>532.10</b>	11.1%
Prevention and Health Promotion Administration	39.00	<b>362.80</b>	11.6%
Behavioral Health Administration	234.00	<b>2,919.50</b>	7.9%
Developmental Disabilities Administration	64.50	<b>648.50</b>	10.9%
Medical Care Programs Administration	73.00	<b>618.00</b>	12.0%
Health Regulatory Commissions	6.80	<b>99.70</b>	7.8%
<b>Total Regular Positions</b>	<b>588.80</b>	<b>6,406.80</b>	<b>9.3%</b>

DHMH: Department of Health and Mental Hygiene  
FTE: full-time equivalent

Source: State Budget; Department of Budget and Management

*M00 – DHMH – Fiscal 2015 Budget Overview*

**Department of Health and Mental Hygiene  
Contractual Employees  
Fiscal 2013-2015**

	<b><u>Actual 2013</u></b>	<b><u>Working 2014</u></b>	<b><u>Allowance 2015</u></b>	<b><u>Change 2014-15</u></b>	<b><u>% Change 2014-15</u></b>
<b>DHMH Administration</b>	<b>6.89</b>	<b>12.37</b>	<b>9.54</b>	<b>-2.83</b>	<b>-22.9%</b>
<b>Office of Health Care Quality</b>	<b>6.73</b>	<b>11.80</b>	<b>12.80</b>	<b>1.00</b>	<b>8.5%</b>
<b>Health Occupations Boards</b>	<b>13.69</b>	<b>11.58</b>	<b>10.32</b>	<b>-1.26</b>	<b>-10.9%</b>
<b>Public Health Administration</b>	<b>10.82</b>	<b>13.23</b>	<b>12.85</b>	<b>-0.38</b>	<b>-2.9%</b>
<b>Health Systems and Infrastructure Administration</b>	<b>22.53</b>	<b>20.92</b>	<b>21.32</b>	<b>0.40</b>	<b>1.9%</b>
<b>Prevention and Health Promotion Administration</b>	<b>5.43</b>	<b>8.93</b>	<b>8.90</b>	<b>-0.03</b>	<b>-0.3%</b>
<b>Behavioral Health Administration</b>	<b>209.02</b>	<b>191.00</b>	<b>203.18</b>	<b>12.18</b>	<b>6.4%</b>
Administration	5.34	10.08	9.00	-1.08	-10.7%
Institutions	203.68	180.92	194.18	13.26	7.3%
<b>Developmental Disabilities Administration</b>	<b>20.15</b>	<b>28.34</b>	<b>27.61</b>	<b>-0.73</b>	<b>-2.6%</b>
Administration	4.19	7.00	9.00	2.00	28.6%
Institutions	15.96	21.34	18.61	-2.73	-12.8%
<b>Medical Care Programs Administration</b>	<b>52.99</b>	<b>102.11</b>	<b>104.55</b>	<b>2.44</b>	<b>2.4%</b>
<b>Health Regulatory Commissions</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0%</b>
<b>Total Contractual Positions</b>	<b>348.25</b>	<b>400.28</b>	<b>411.07</b>	<b>10.79</b>	<b>2.7%</b>

DHMH: Department of Health and Mental Hygiene

Source: State Budget

*M00 – DHMH – Fiscal 2015 Budget Overview*

**Department of Health and Mental Hygiene  
Budget Overview: Selected Caseload Measures  
Fiscal 2011-2015**

	<b>Actual 2011</b>	<b>Actual 2012</b>	<b>Actual 2013</b>	<b>Working 2014</b>	<b>Allowance 2015</b>	<b>Change 2014-15</b>	<b>% Change 2014-15</b>
<b>Medical Programs/Medicaid</b>							
Medicaid Enrollees	763,171	811,050	842,237	876,282	922,619	46,337	5.3%
Maryland Children's Healthcare Program	98,013	103,011	111,132	112,885	115,775	2,890	2.6%
Affordable Care Act Medicaid Expansion				109,702	139,564	29,862	27.2%
<b>Total</b>	<b>861,184</b>	<b>914,061</b>	<b>953,369</b>	<b>1,098,869</b>	<b>1,177,958</b>	<b>79,089</b>	<b>7.2%</b>
Primary Adult Care <sup>1</sup>	51,483	61,233	73,464	83,028			
<b>Developmental Disabilities Administration<sup>2</sup></b>							
Residential Services	5,849	5,990	6,040	6,124	6,204	80	1.3%
Day Services	13,123	13,246	13,353	13,949	14,195	246	1.8%
Support Services	7,171	9,115	8,011	9,046	8,731	-315	-3.5%
Total Services	26,143	28,351	27,404	29,119	29,130	11	0.0%
Resource Coordination	22,132	19,298	22,506	24,660	23,641	-1,019	-4.1%
Number of Individuals Served	22,328	23,359	24,445	25,633	26,881	1,248	4.9%
Average Daily Census at Institutions <sup>3</sup>	173	168	155	153	152	-1	-0.7%
<b>Behavioral Health Administration</b>							
Average Daily Populations at State-run Psychiatric Hospitals							
Hospitals Excluding RICAs and Assisted Living							
	931	946	949	954	957	3	0.3%
RICAs	67	67	65	68	70	2	2.9%
Assisted Living	141	130	56	60	60	0	0.0%
<b>Total</b>	<b>1,139</b>	<b>1,143</b>	<b>1,070</b>	<b>1,082</b>	<b>1,087</b>	<b>5</b>	<b>0.5%</b>
Number Receiving Community Mental Health Services							
Medicaid Eligible	132,600	144,712	153,576	170,000	181,000	11,000	6.5%
Medicaid Ineligible	20,353	14,412	14,104	14,104	11,900	-2,204	-15.6%
<b>Total</b>	<b>152,953</b>	<b>159,124</b>	<b>167,680</b>	<b>184,104</b>	<b>192,900</b>	<b>8,796</b>	<b>4.8%</b>
Clients with Substance Abuse Served in Various Settings							
	66,876	70,652	69,419	70,400	72,200	1,800	2.6%

RICAs: Regional Institutions for Children and Adolescents

<sup>1</sup> Effective January 1, 2014, the Primary Adult Care program ended and recipients became eligible for full Medicaid benefits under the Medicaid expansion option provided in the federal Affordable Care Act.

## ***M00 – DHMH – Fiscal 2015 Budget Overview***

<sup>2</sup> Residential services include community residential services and individual family care. Day services include activities during normal working hours such as day habilitation services, supported employment, and summer programs. Support services include individual and family support, Community Supported Living Arrangements, and New Direction, a waiver program that allows individuals to self-direct their services. Resource coordination is shown separately from the support services category as all individuals in the system receive resource coordination.

<sup>3</sup> The Developmental Disabilities Administration data includes secure evaluation and therapeutic treatment center units.

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

## ***Issues***

---

### **1. Cigarette Restitution Fund: Ongoing Litigation Has Significant Impact on Fiscal 2014 and 2015 Budget**

#### **Background**

The Cigarette Restitution Fund (CRF) was established by Chapters 172 and 173 of 1999 and is supported by payments made under the Master Settlement Agreement (MSA). Through the MSA, the settling manufacturers pay the litigating parties – 46 states (Florida, Minnesota, Mississippi, and Texas had previously settled litigation), five territories, and the District of Columbia – substantial annual payments in perpetuity as well as conform to a number of restrictions on marketing to youth and the general public.

The distribution of MSA funds among the states is determined by formula, with Maryland receiving 2.26% of MSA monies, which are adjusted for inflation, volume, and prior settlements. In addition, the State collects 3.3% of monies from the Strategic Contribution Fund, distributed according to each state's contribution toward resolution of the state lawsuits against the major tobacco manufacturers.

The use of the CRF is restricted by statute. Activities funded through the CRF in fiscal 2014 include the Tobacco Use Prevention and Cessation Program; the Cancer Prevention, Education, Screening, and Treatment Program; substance abuse treatment and prevention; the Breast and Cervical Cancer Program; Medicaid; tobacco production alternatives; legal activities; and nonpublic school textbooks.

#### **The Nonparticipating Manufacturer Adjustment**

One of the conditions of the MSA was that the states take steps toward creating a more “level playing field” between participating manufacturers (PM) to the MSA (and thus subject to annual payments and other restrictions) and nonparticipating manufacturers (NPM) in the agreement. This condition is enforced through another adjustment to the states' annual payments, the NPM adjustment. The PMs have long contended that the NPMs have avoided or exploited loopholes in state laws that give them a competitive advantage in the pricing of their products. If certain conditions are met, the MSA provides a downward adjustment to the contribution made by PMs based on their MSA-defined market share loss multiplied by three. This adjustment is known as an NPM adjustment. The agreement also allows PMs to pursue this adjustment on an annual basis.

Under the MSA, PMs have to show three things in order to prevail and reduce their MSA payments:

- a demonstrable loss of market share of over approximately 2%;
- that the MSA was a significant factor contributing to that loss of market share; and

## ***M00 – DHMH – Fiscal 2015 Budget Overview***

- a state was not diligently enforcing its qualifying statute.

The qualifying statute is intended to create a more level playing field with regard to the price between the PMs and the NPMs. Originally included in the MSA as a model statute, Maryland enacted its qualifying statute in Chapter 169 of 1999, with subsequent revisions in the 2001 and 2004 sessions.

As shown in **Exhibit 1**, litigation on the NPM adjustment started in 2005, beginning with the NPM adjustment for sales year 2003. An arbitration on the “diligent enforcement” issue for 2003 commenced in July 2010. As further shown in the exhibit, Maryland was one of 15 states that did not settle with the PMs during the arbitration process and was one of 6 states that were found to not have diligently enforced its qualifying statute. Among the findings made by the arbitration panel were that Maryland lacked dedicated and trained personnel to conduct enforcement efforts and that the Comptroller’s office, in particular, failed to meaningfully participate in enforcement efforts.

---

### **Exhibit 1**

#### **Nonparticipating Manufacturer Litigation Timeline**

<b><u>Date</u></b>	<b><u>Item</u></b>
April 2004	PMs give notice to state attorneys general that they were pursuing an NPM adjustment with respect to a loss of market share in sales year 2003. A similar adjustment is sought for subsequent sales years. The PMs may place that portion of their annual payments they believe should be reduced under this process into an escrow account. Some PMs elect to do this, reducing the funding available to the states in any given year.
March 2006	An economic firm rules for PMs that MSA participation was a significant factor in the PMs’ market share loss, which had previously been calculated by the MSA Independent Auditor. Similar rulings were made for subsequent sales years.
April 2006	Additional PMs place disputed payments related to 2003 NPM Adjustment into escrow account.
Calendar 2006-2009	Maryland (like many other states) argues that the issue of whether it diligently enforced its Qualifying Statute should be made in State courts. The PMs prevail that the diligent enforcement issue is subject to the MSA’s arbitration clause.
January 2009	Most states sign an agreement to enter into arbitration. The agreement includes a 20% refund of the liability of each joining state that is eventually determined to not have diligently enforced.
July 2010	Arbitration proceedings begin for 46 states, the District of Columbia, and various territories.
November 2011	PMs file statements of contest against all but 15 states in the arbitration.
March-June 2013	Twenty other states and the District of Columbia enter into a settlement agreement with the PMs leaving 15 states, including Maryland, proceeding with arbitration.

## *M00 – DHMH – Fiscal 2015 Budget Overview*

<u>Date</u>	<u>Item</u>
September 2013	Six states (Indiana, Kentucky, Maryland, Missouri, New Mexico, and Pennsylvania) are determined to not have diligently enforced their qualifying statute for sales year 2003. These states not only lose payments from PMs that have been held in escrow for that sales year, they will also see a reduction in their future MSA payments for the states that are found to have diligently enforced their qualifying statutes. In addition to the \$16 million placed in escrow for that sales year, and after the 20% refund resulting from entering into arbitration, Maryland would see a reduction in its April 2014 MSA payment of \$70 million.
November 2013	Maryland petitions the Baltimore City Circuit Court to vacate the arbitration award finding that Maryland did not diligently enforce its qualifying statute during 2003 as well as the arbitration panel's judgment reduction. Hearings are set to begin in February 2014.

MSA: Master Settlement Agreement  
NPM: nonparticipating manufacturer  
PM: participating manufacturer

Source: Office of the Attorney General; 2003 NPM Adjustment Arbitration Ruling, September 2013; Department of Legislative Services

---

As also noted in the exhibit, Maryland not only forfeits \$16 million that the PMs placed in escrow for the 2003 sales year, but under the MSA arbitration framework, Maryland would see its fiscal 2014 payment reduced by \$70 million. The fiscal 2015 budget accounts for this reduction and provides Medicaid with a \$70 million general fund deficiency for fiscal 2014. In November 2013, Maryland filed a petition with the Baltimore City Circuit Court to vacate the arbitration order finding that the State did not diligently enforce its qualifying statute and also the arbitration panel's judgment reduction. The outcome of that litigation could result in a reduction of Maryland's 2003 NPM adjustment liability. The budget assumes that the State's liability will be reduced by \$40 million in fiscal 2015. Hearings are set to begin in February 2014.

At this time, it is inappropriate to speculate on the likelihood that the State will prevail in the upcoming hearings. It is also impossible to know how long proceedings will take, although it is likely that any ruling in the lower court will be appealed.

### **Fiscal 2013-2015 CRF Programmatic Support**

**Exhibit 2** provides CRF revenue and expenditure detail for fiscal 2013 to 2015. Compared to data shown during fiscal 2014 budget deliberations:

- actual fiscal 2013 revenues were slightly higher than projected which translated into a larger fiscal 2013 fund balance;
- as discussed in detail above, available fiscal 2014 revenues have been sharply reduced as a result of the recent NPM arbitration ruling. The loss of revenue is reflected in lower Medicaid support; and



**Exhibit 2**  
**Cigarette Restitution Fund Budget**  
**Fiscal 2013-2015**  
**(\$ in Millions)**

	<u>2013 Actual</u>	<u>2014 Working</u>	<u>2015 Allowance</u>
Beginning Fund Balance	\$6.2	\$6.3	\$6.7
Settlement Payments	134.5	134.1	134.1
NPM and Other Shortfalls in Payments <sup>1</sup>	-18.4	-18.4	-18.4
Awards from Disputed Account	0.0	0.0	0.0
Other Adjustments <sup>2</sup>	34.9	34.9	34.9
Tobacco Laws Enforcement Arbitration		-70.0	40.0
<b>Subtotal</b>	<b>\$157.3</b>	<b>\$87.0</b>	<b>\$197.3</b>
Prior Year Recoveries	\$2.1	\$1.0	\$1.0
<b>Total Available Revenue</b>	<b>\$159.4</b>	<b>\$88.0</b>	<b>\$198.3</b>
<b>Health</b>			
Tobacco	\$3.6	\$7.7	\$7.7
Cancer	17.8	25.0	25.3
Substance Abuse	21.0	21.0	21.0
Medicaid <sup>3</sup>	85.7	1.2	116.3
Breast and Cervical Cancer	14.7	14.7	13.2
<b>Subtotal</b>	<b>\$142.8</b>	<b>\$69.6</b>	<b>\$139.6</b>
<b>Other</b>			
Aid to Nonpublic School	\$4.4	\$6.1	\$6.1
Tobacco Transition Program	5.1	4.6	7.0
Attorney General	0.8	1.0	1.0
<b>Subtotal</b>	<b>\$10.3</b>	<b>\$11.7</b>	<b>\$14.2</b>
<b>Total Expenses</b>	<b>\$153.1</b>	<b>\$81.3</b>	<b>\$197.7</b>
<b>Ending Fund Balance</b>	<b>\$6.3</b>	<b>\$6.7</b>	<b>\$0.6</b>

NPM: nonparticipating manufacturer

<sup>1</sup> The NPM adjustment represents the bulk of this total adjustment.

<sup>2</sup> Other adjustments include the strategic contribution payments and the National Arbitration Panel Award.

<sup>3</sup> Fiscal 2014 Medicaid funding reflects the withdrawal of \$70 million in available funding based on the September 2013 arbitration ruling. Fiscal 2015 Medicaid funding assumes some adjustment in the arbitration ruling. See text for additional details.

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

Source: Department of Legislative Services; Department of Budget and Management

## ***M00 – DHMH – Fiscal 2015 Budget Overview***

- for fiscal 2015, CRF support is anticipated to significantly increase. While underlying revenues are assumed to be the same as in fiscal 2014, again as discussed above, assumptions are made about revenues related to the arbitration ruling.

On the expenditure side, other than the significant growth in funding for Medicaid that reflects anticipated higher available CRF support, significant changes are anticipated as follows:

- a \$1.5 million decline in CRF funding for the Breast and Cervical Cancer program. This drop is attributed to anticipated demand for that program given the increased availability of insurance coverage through Medicaid and Qualified Health Plans; and
- a \$2.7 million increase in support for Agricultural Marketing and Development. In recent years, partial funding for this program – specifically agricultural land preservation – has been through general obligation bonds. Bond funding is reduced in the fiscal 2015 capital budget resulting in higher CRF support. Slightly offsetting this increase is a decline of \$319,000 in funding for the tobacco transition program reflecting the end of payments associated with the tobacco farmers’ buy-out program.

### **Beyond the 2003 Sales Year**

The NPM adjustment is in dispute for future years; thus, unless it is settled or Maryland’s diligence is not contested, there will be future arbitrations assessing Maryland’s enforcement for future years. It is worth noting that although the arbitration ruling found that Maryland was not diligent in enforcing its qualifying statute in the 2003 sales year, the ruling also notes that the State did take actions to position it “well for diligent enforcement in 2004.” Data regarding the extent of noncompliant packs of cigarettes, NPM escrowing, and enforcement efforts support this comment not only for the 2004 sales year but also subsequent years.

Those states that did settle with the PMs realized a one-time cash windfall with the release of funds from disputed payments escrow accounts for sales years 2003 through 2012. However, under the terms of the settlement, the PMs were given credit for future payments from those states (*i.e.*, reducing the payments to those states), and those states need to enact new legislation and will be held to an enhanced standard in NPM adjustment disputes starting in 2015.

The PMs recently notified Maryland and those other states that did not settle the 2003 sales year litigation that they intend to seek a multi-state arbitration for sales year 2004. Maryland filed a motion in November 2013, also in the Baltimore City Circuit Court, seeking a single-state arbitration process. Initial hearings on that motion will also be heard in February 2014.

## **2. Measuring Progress in Health: *America’s Health Rankings, 2013***

One of the more comprehensive and longstanding nationwide health rankings is developed by the United Health Foundation (a nonprofit, private foundation established by UnitedHealth Group), the American Public Health Association (an organization representing public health professionals),

## ***M00 – DHMH – Fiscal 2015 Budget Overview***

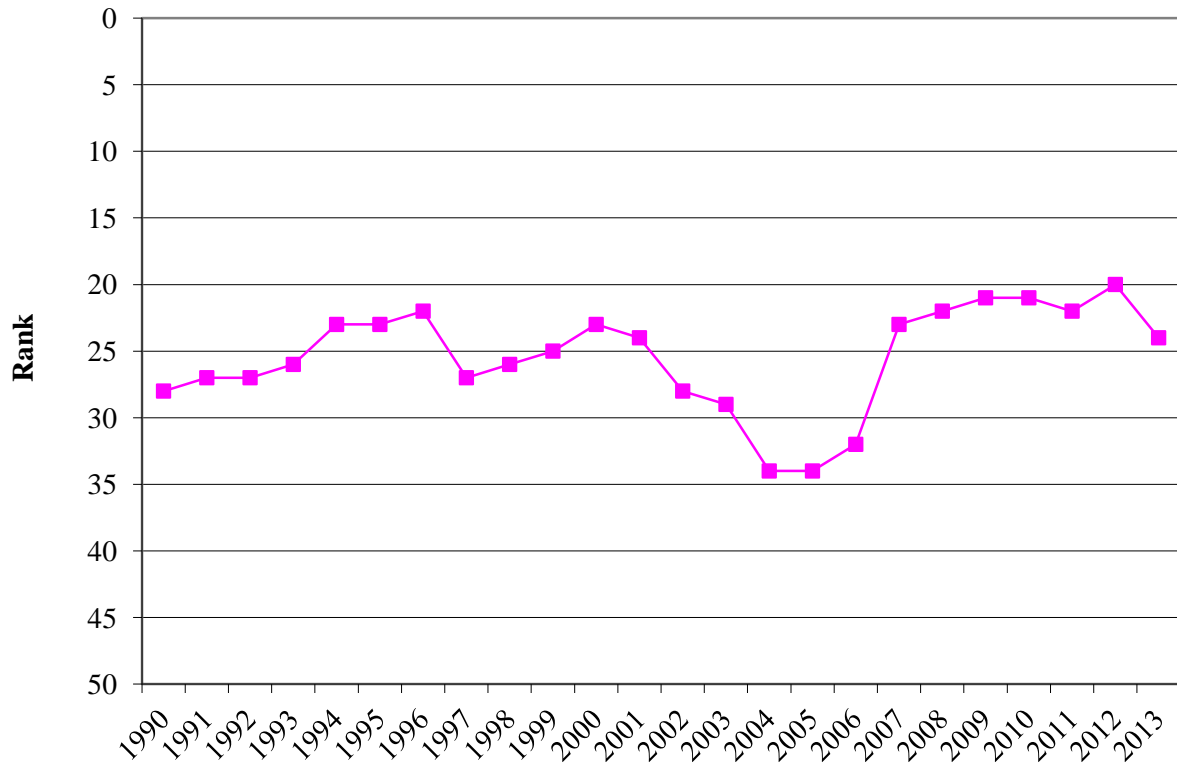
and Partnership for Prevention (a national nonprofit organization dedicated to health improvement). Since 1990, in a publication entitled *America's Health: State Health Rankings*, individual state rankings have been produced using data that represents a broad range of issues affecting a population's health, that is available at a state level and that is current.

*America's Health* rankings are developed from a variety of so-called determinant factors that include behaviors (e.g., the prevalence of smoking and obesity), community and environmental factors (e.g., air pollution levels and children in poverty), public health policies (e.g., rates of health insurance and immunization coverage), and clinical care (e.g., access to dental and primary health care practitioners), as well as a variety of outcomes (e.g., rate of adult diabetes and infant mortality).

Data and the ranking methodology are regularly reviewed by a large panel of public health experts and may change from year to year. For example, the 2013 version of the *America's Health* rankings includes a new behavior measure – Drug Deaths – to measure deaths from drug poisoning; the redefinition of infectious disease measures; the alignment of immunization measures with that used in the *Healthy People's* 2020 report; the addition of an immunization measure for adolescents; and the refinement of the health disparity measure. Under this revised methodology, Maryland's ranking in 2012, which had been previously reported as nineteenth, was revised down to twentieth.

As shown in **Exhibit 3**, in the 2013 edition of *America's Health*, Maryland's overall ranking fell to 24 from 20 in the prior year. This represented the second largest decline in ranking among the states and was attributed to increases in child poverty, diabetes, and disparity in health status. Despite the increase in child poverty, the rate of child poverty remains a relative strength together with low levels of smoking among adults and access to primary care practitioners. The most significant challenges identified using this particular set of data continue to be relatively high violent crime rates, air pollution, and the rate of low birthweight births.

**Exhibit 3**  
***America's Health: State Health Rankings***  
**1990-2013**  
**Maryland**



Source: *America's Health, State Health Rankings*, 2013 Edition

---