M00B0103
Office of Health Care Quality
Department of Health and Mental Hygiene

Operating Budget Data

($ in Thousands)

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change	% Change Prior Year
General Fund	$10,460	$11,176	$11,603	$427	3.8%
Contingent & Back of Bill Reductions	0	-197	-118	78	
Adjusted General Fund	**$10,460**	**$10,979**	**$11,485**	**$505**	**4.6%**
Special Fund	269	525	344	-181	-34.5%
Adjusted Special Fund	**$269**	**$525**	**$344**	**-$182**	**-34.6%**
Federal Fund	6,443	7,364	7,377	13	0.2%
Contingent & Back of Bill Reductions	0	0	-26	-26	
Adjusted Federal Fund	**$6,443**	**$7,364**	**$7,351**	**-$13**	**-0.2%**
Reimbursable Fund	9	0	0	0	
Adjusted Reimbursable Fund	**$9**	**$0**	**$0**	**$0**	
Adjusted Grand Total	**$17,182**	**$18,868**	**$19,180**	**$311**	**1.6%**

- The Governor's fiscal 2015 allowance increases by $311,000, or 1.6%, over the fiscal 2014 working appropriation, mainly due to increased personnel expenses.

- General fund support increases by $505,000, or 4.6%; special fund support decreases by $182,000, or 34.6% (mainly due to a decrease in Civil Money Penalty Grant funds); and federal fund support decreases by $13,000, or 0.2%.

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

For further information contact: Jennifer A. Ellick Phone: (410) 946-5530

Personnel Data

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change
Regular Positions	185.70	187.70	187.70	0.00
Contractual FTEs	6.73	11.80	12.80	1.00
Total Personnel	**192.43**	**199.50**	**200.50**	**1.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	7.51	4.00%
Positions and Percentage Vacant as of 12/31/13	17.40	9.27%

- The fiscal 2015 allowance includes 1.0 additional full-time equivalent contractual employee.

- As of December 31, 2013, there were 17.4 vacant positions.

Analysis in Brief

Major Trends

Staffing Deficits and Increased Workload Limit the Agency's Efficacy: The Office of Health Care Quality has faced chronic staffing shortages over the past few years due to the combination of an increased workload, a structural deficiency in positions allotted for survey and inspection activities, and chronic vacancies among surveyor positions. In fiscal 2013, the agency was able to meet only 50% of its Managing for Results performance measures, though it also met some requirements set forth in State and federal laws and regulations.

Issues

Staffing Concerns Persist but Have Improved Due to Programmatic Changes: The agency's projected surveyor staffing deficit for fiscal 2013 remains significant at 67.9; thus, concerns related to staffing levels persist. However, the agency's fiscal 2013 deficit reflects a significant improvement over fiscal 2012 when the deficit was 107.1. The decrease in the deficit is attributable primarily to decreased hours required per survey for assisted living program licensure renewals, decreased hours required per long-term care complaint investigation, and the agency's judgment that residential service agencies are not required by statute or regulation to be surveyed annually. The agency has not successfully submitted the required quarterly reports on the inspection levels for entities under its purview.

Recommended Actions

1. Adopt committee narrative requiring the department to report, on a quarterly basis, the inspection levels for entities under the agency's purview.

Operating Budget Analysis

Program Description

The Office of Health Care Quality (OHCQ) is the agency within the Department of Health and Mental Hygiene (DHMH) mandated by State and federal law to determine compliance with the quality of care and life standards for a variety of health care services and programs. Facilities and services are reviewed on a regular basis for compliance with the *Code of Maryland Regulations* (COMAR), as well as for compliance with federal regulations in those facilities participating in Medicare and Medicaid. The types of facilities licensed and regulated by OHCQ include nursing homes, hospitals, ambulatory surgical centers, endoscopic centers, birthing centers, home health agencies, health maintenance organizations (HMO), hospice care, physical therapy centers, developmental disability homes and facilities, mental health facilities, substance abuse treatment facilities, and forensic laboratories.

Performance Analysis: Managing for Results

1. Staffing Deficits and Increased Workload Limit the Agency's Efficacy

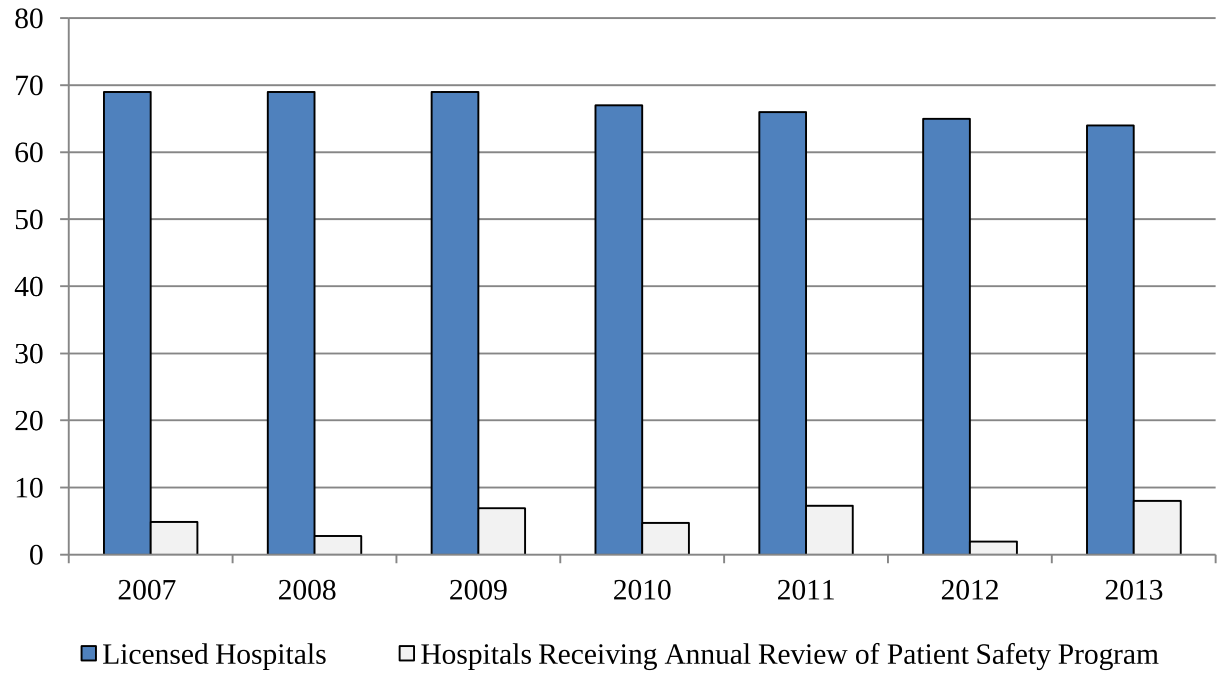
Hospitals and Patient Safety

OHCQ protects the safety of consumers through a survey and enforcement process of a variety of health-related entities. It also protects the public and ensures the health of Marylanders through the timely resolution of consumer complaints. However, staffing deficiencies have hampered the agency's ability to meet its Managing for Results (MFR) performance measures.

In fiscal 2004, OHCQ assumed responsibility for the implementation of the Maryland Patient Safety Program (part of the Hospital and HMO Quality Assurance units at OHCQ), which requires hospitals to establish an internal patient safety program that tracks adverse events and near misses. OHCQ had struggled to meet its MFR goal and had consequently reduced the percentage goal from 11 to 3% of required annual reviews of hospital patient safety programs; after reaching its previous goal of 11% in fiscal 2011, OHCQ increased the percentage goal to 5%. However, OHCQ failed to meet this goal in fiscal 2012 and reviewed only 3% of programs.

As shown in **Exhibit 1**, OHCQ exceeded its goal and reviewed 13% of licensed hospitals in fiscal 2013. OHCQ advises that it did so by incorporating these surveys into other survey activities. However, staff resources continue to be limited, which likely explains the program's inconsistent performance. The program was formerly budgeted for 2 nurse surveyors to conduct onsite surveys of patient safety review programs but is currently budgeted for only 1 surveyor.

Exhibit 1
Licensed Hospitals and Annual Review of Patient Safety Program
Fiscal 2007-2013



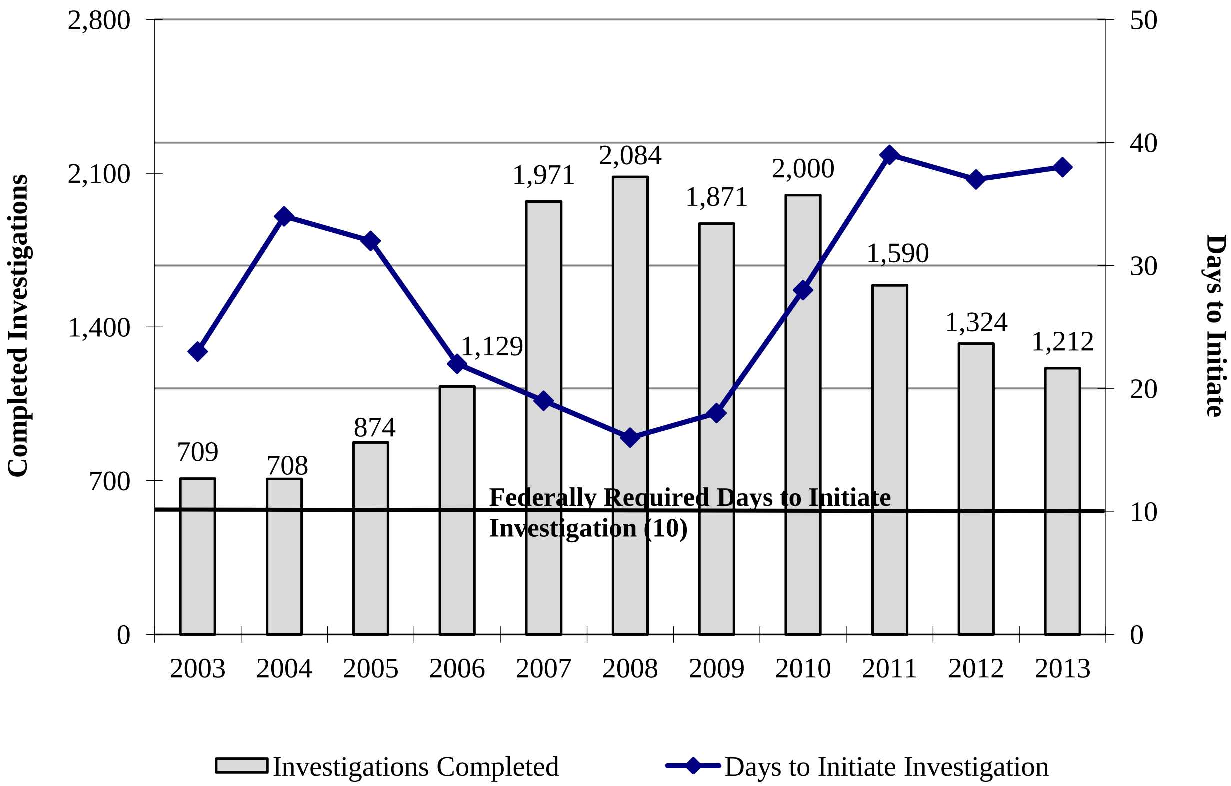
Source: Department of Health and Mental Hygiene

Hospitals are required to report to OHCQ Level 1 adverse events, including events that result in death or serious disability, retained foreign bodies after a surgery, or wrong-side/wrong-person surgery. For each adverse event, hospitals submit a root cause analysis (RCA) that is reviewed by OHCQ and logged into a database. Despite struggling to reach its patient safety program review goals consistently, OHCQ has consistently managed to conduct timely RCA reviews.

Nursing Homes

Federal and State regulations require the investigation of complaints and incidents (as reported by facilities, consumers, or advocates) alleging actual harm. OHCQ's Long Term Care Unit (LTCU) evaluates, monitors, licenses, and certifies all nursing homes in the State. One of OHCQ's performance goals is to minimize delays in handling complaint investigations in nursing homes. Specifically, the MFR goal is to initiate investigations of complaints alleging actual harm within 10 days of receipt of the complaint (consistent with requirements set forth in federal regulations for Medicare and Medicaid). **Exhibit 2** shows the number of complaint investigations completed by OHCQ annually, as well as the average number of days for OHCQ to initiate an investigation.

Exhibit 2
Nursing Home Complaint Investigations
Fiscal 2003-2013



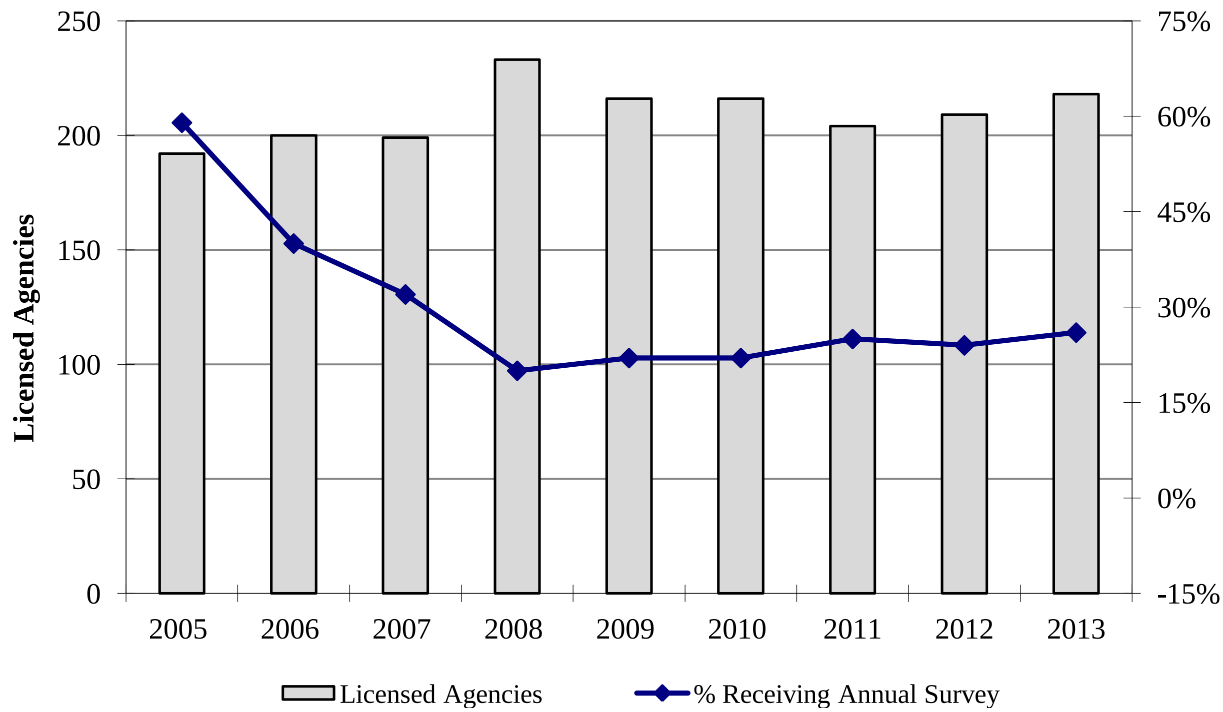
Source: Department of Health and Mental Hygiene

As Exhibit 2 demonstrates, OHCQ had made progress toward reaching its goal of initiating onsite investigations within 10 days from fiscal 2004 through 2008. However, the average number of days to initiate an investigation subsequently increased from 16 days in fiscal 2008 to 39 days in fiscal 2011 (a 144% increase). Since then, the average number of days to initiate an investigation has remained relatively constant – decreasing slightly to 37 days in fiscal 2012 and increasing slightly to 38 days in fiscal 2013. Limited staff resources have not only prevented the agency from reaching its goal, they have put the State out of compliance with federal regulations. As of December 12, 2013, there were 7.4 vacancies in LTCU. Of those vacancies, 2.4 are nurse surveyor positions.

Developmental Disabilities Facilities

OHCQ's Developmental Disabilities Unit (DDU) evaluates, monitors, and recommends licensure for all community residential, day habilitation, vocational, and support services provided for individuals receiving funding through the Developmental Disabilities Administration (DDA). In fiscal 2013, there were over 200 agencies operating more than 3,100 sites throughout the State. The unit's goal is to provide timely and comprehensive relicensure surveys for agencies providing services to developmentally disabled individuals, as required by COMAR. **Exhibit 3** shows the total number of licensed agencies and the percentage of those receiving an annual survey. All new sites are required to have an initial survey prior to operation.

Exhibit 3
Survey of Developmental Disabilities Agencies
Fiscal 2005-2013



Source: Department of Health and Mental Hygiene

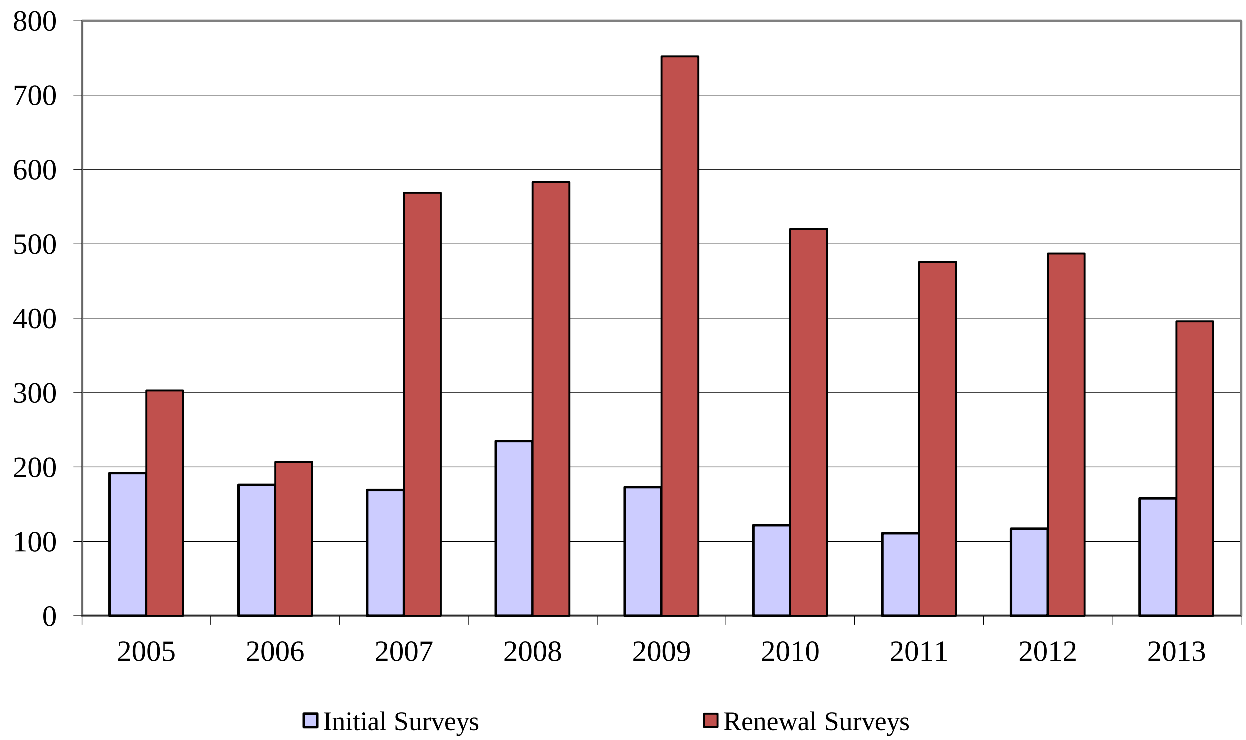
The percentage receiving annual surveys declined sharply between fiscal 2005 and 2008, as Exhibit 3 shows. Specifically, OHCQ conducted as many as 59% of relicensure surveys in fiscal 2005 but only 20% in fiscal 2008. The agency's DDU has struggled to meet its MFR goal and had previously reduced the percentage goal from 27 to 25% of required annual relicensure surveys. After failing to meet this goal in fiscal 2012 (during which only 24% of annual relicensure surveys were completed), the agency completed 26% of annual relicensure surveys to meet its goal in fiscal 2013.

Although the agency has since increased its percentage goal to an ambitious 80%, this goal will likely be difficult to meet given the challenges facing the unit. 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. The closing of State Residential Centers (and relocation of most affected individuals into community placements) has also contributed to the increase in community providers (as well as the increase in sites operated by those providers). However, decreased staff vacancies in the unit may enable the agency to increase its survey activities; as of December 12, 2013, there was only one vacancy within DDU. Furthermore, OHCQ advises that it has developed a targeted survey process that will increase the number of surveys completed beginning in fiscal 2014.

Assisted Living Facilities

OHCQ's Assisted Living Unit (ALU) surveys all assisted living providers in the State. The unit's goal is to provide timely and comprehensive initial and annual renewal surveys of assisted living sites for the protection of individuals receiving services from assisted living providers. In fiscal 2013, there were 1,406 licensed sites. **Exhibit 4** shows the number of licensed sites in the State receiving initial and renewal surveys.

Exhibit 4
Licensed Assisted Living Sites Surveyed
Fiscal 2005-2013



Source: Department of Health and Mental Hygiene

Between fiscal 2006 and 2007, the number of sites receiving renewal surveys increased significantly (from 207 to 569). To handle this increase, the licensure and complaint division increased its survey staff in fiscal 2007 by hiring additional surveyors for residential and community programs. The agency also employed a new management model to improve staff and survey efficiency. Specifically, the model included appointing a program manager to coordinate the surveys; partnering with local entities to coordinate resources; and offering provider education activities. Exhibit 4 shows that the agency's efforts were successful between fiscal 2007 and 2009, as the number of sites receiving renewal surveys increased from 569 to 752. However, the number of sites receiving renewal surveys has since decreased to 396 in fiscal 2013. OHCQ attributes this decrease to the fact that several surveyors took extended medical leave in fiscal 2013, during which the agency did not meet its stated goal for the number of surveys completed monthly. As of December 12, 2013, ALU has only 1 staff vacancy, which does not represent a nurse surveyor position. However, OHCQ cites the sharing of ALU staff to assist other units as a possible reason that performance measures may remain unmet.

Fiscal 2014 Actions

Cost Containment

There are three across-the-board withdrawn appropriations that offset the increase in deficiency appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology system, and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel, the Department of Information Technology (DoIT), and the State Retirement Agency (SRA), respectively. For OHCQ, these reductions total $196,590 in general funds.

Proposed Budget

As shown in **Exhibit 5**, the Governor's proposed allowance for fiscal 2015 increases by $311,000, or 1.6%, over the fiscal 2014 working appropriation. As the chart demonstrates, general fund support increases by $505,000, or 4.6% (due primarily to higher personnel expenses in fiscal 2014); special fund support decreases by $182,000, or 34.6% (due primarily to a decrease in Civil Money Penalty Grants); and federal fund support decreases by $13,000, or 0.2%.

Exhibit 5
Proposed Budget
DHMH – Office of Health Care Quality
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2014 Working Appropriation	$10,979	$525	$7,364	$18,868
2015 Allowance	11,485	344	7,351	19,180
Amount Change	$505	-$182	-$13	$311
Percent Change	4.6%	-34.6%	-0.2%	1.6%

Where It Goes:	
Personnel Expenses	
Annualized salary increase for fiscal 2014 cost-of-living adjustment and increments	$470
Employee retirement	147
Turnover adjustments	11
Workers' compensation premium assessment	-14
Increments and other compensation	-26
Accrued leave payout	-30
Other fringe benefit adjustments	-38
Employee and retiree health insurance	-151
Other Changes	
Contractual employment	81
Reimbursements to Montgomery County for nursing home certifications	32
Postage for National Background Check program	23
Other adjustments	8
Motor vehicle purchase costs	-14
Civil Money Penalty Grants	-188
Total	**$311**

Notes: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

Cost Containment

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA. For OHCQ, these reductions total $145,097 in all funds.

Personnel

Personnel expenditures increase by $369,000 over the fiscal 2014 working appropriation. Annualized salary increases add $470,000 to the budget. Employee retirement contributions increase by $147,000, while turnover adjustments increase by $11,000. These increases are offset by decreases in employee and retiree health insurance ($151,000), accrued leave payout ($30,000), increments and other compensation ($26,000), the workers' compensation premium assessment ($11,000), and other fringe benefit adjustments.

Other Changes

Increases for the rest of the fiscal 2015 allowance include contractual employment ($80,000) and postage ($23,000) for the National Background Check unit, which is responsible for the development of the Maryland Background Check program as defined in the Affordable Care Act. The program's intent is to design a comprehensive national background check program for direct care employees by creating an efficient, effective, and economical process for long-term care facilities and providers to conduct background checks. The unit will be responsible for conducting background checks, including fingerprinting and management of the appeals process.

Reimbursements to the Health Facility Licensing Unit of the Montgomery County Health Department for certification surveys performed by the county (and designed to reduce duplication of effort by DHMH personnel) increases the budget by $32,000. Other adjustments increase the budget by $8,000.

These increases are offset by the removal of one-time motor vehicle purchase costs ($14,000), as well as by a decrease in Civil Money Penalty Grants originating from funds collected from facilities (primarily nursing homes) as a result of violations of federal law ($188,000). The agency advises that the availability of grant funds (used for projects to benefit facility residents) varies from year to year. The fiscal 2015 allowance is consistent with the two-year average.

Issues

1. Staffing Concerns Persist but Have Improved Due to Programmatic Changes

OHCQ continues to face a staffing shortfall, which prevents the agency from fully performing all of the surveys for which it is responsible. The fiscal budget 2013 included 5 new nurse surveyor positions to help address long-standing budgetary constraints, low employee retention rates, a loss of positions through the Voluntary Separation Program, and an influx of new providers in community-based programs (including residential service agencies, assisted living providers, and homes for individuals with developmental disabilities).

Health-General 19-308 (b)(4) requires DHMH to submit a report on the inspection of health care facilities in the State. Accordingly, OHCQ publishes the *Annual Report and Staffing Analysis* each year to report on the activities of each licensure unit. The report includes a labor-hour analysis that compares the number of surveyors assigned to each unit with the number of surveyors needed to perform all of the inspections and surveys required.

The agency's 2013 report has not been published as of January 22, 2014. However, the agency has advised that, based on its analysis of the number of surveyors needed to perform all of the agency's mandated inspections and surveys, the projected surveyor staffing deficit for fiscal 2013 is 67.9. As shown in **Exhibit 6**, this deficit – while significant – reflects a significant improvement over fiscal 2012, when the deficit was 107.1.

Exhibit 6
Surveyor Staffing Deficits
Fiscal 2005-2014

Year	Staffing Deficit
2005	55.42
2006	70.98
2007	67.10
2008	67.20
2009	83.10
2010	91.90
2011	92.32
2012	95.63
2013	107.09
2014 Est.	67.90

Source: Department of Health and Mental Hygiene

The agency advises that the projected decrease in the surveyor deficit is attributable to several programmatic changes made within OHCQ to improve inspection levels: decreased hours required per survey for assisted living program licensure renewals, decreased hours required per long-term care complaint investigation, and the judgment that residential service agencies (RSAs) are not required by statute or regulation to be surveyed annually. The decrease in staff hours results from targeted (and abbreviated) survey procedures developed by the agency, while the agency's new approach to surveying RSAs is due to the agency's evidence-based review of survey protocols in the context of statutory and regulatory requirements.

In the 2013 *Joint Chairmen's Report*, the budget committees directed the agency to report, on a quarterly basis, inspection levels for entities under the agency's purview. The required reports should (1) for each type of facility licensed and regulated by OHCQ, provide the number of licensees, the number of initial and renewal surveys completed by OHCQ, and the number of complaints received and investigated; (2) address the agency's progress in meeting performance measures discussed in the agency's annual report; and (3) advise the committees of any programmatic changes made within the agency to improve inspection levels. The reports are required to be submitted within 15 days after the end of each quarter.

The agency advises that it has, to date, submitted only one report (for the quarter ending July 2013) and that another (for the quarter ending October 2013) was under review as of January 21, 2013. However, the July 2013 was not received by the Department of Legislative Services until January 2014. **The agency should advise the committees on the status of its submission of the required reports.**

Recommended Actions

1. Adopt the following narrative:

Report on Mandated Inspection Levels: The committees direct the Department of Health and Mental Hygiene (DHMH) to report, on a quarterly basis, the Office of Health Care Quality's (OHCQ) inspection levels for entities under the agency's purview. For each type of health care facility, including forensic laboratories, licensed and regulated by OHCQ, the department should provide the number of licensees, the number of initial and renewal surveys completed by OHCQ, the number of complaints received by the agency, and the number of complaints investigated. The agency's progress in meeting performance measures that are discussed in OHCQ's Annual Report and Staffing Analysis should also be addressed. Finally, the reports should advise the budget committees of any programmatic changes made within OHCQ to improve inspection levels.

Information Request	**Author**	**Due Date**
Report on mandated inspection levels	DHMH	15 days after the end of each quarter

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
DHMH – Office of Health Care Quality
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2013					
Legislative Appropriation	$10,382	$146	$6,847	$0	$17,374
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	78	125	60	9	272
Reversions and Cancellations	0	-1	-463	0	-465
Actual Expenditures	**$10,460**	**$269**	**$6,443**	**$9**	**$17,182**
Fiscal 2014					
Legislative Appropriation	$11,082	$186	$7,249	$0	$18,518
Budget Amendments	94	339	115	0	547
Working Appropriation	**$11,176**	**$525**	**$7,364**	**$0**	**$19,065**

Notes: Numbers may not sum to total due to rounding. The fiscal 2014 working appropriation does not include deficiencies or contingent reductions.

Fiscal 2013

The budget for OHCQ closed at $17.2 million, $0.2 million below the original legislative appropriation.

Budget amendments over the course of fiscal 2013 increased the budget of OHCQ by approximately $272,000. The fiscal 2013 budget included centrally budgeted funds for the 2013 cost-of-living adjustment (COLA) for State employees. This resulted in the transfer of funds to OHCQ ($48,166 in special funds and $47,471 in federal funds). General funds increased by an additional $63,651 to realign funds within DHMH from programs with surpluses to those with deficits. Similarly, special funds increased by $76,951 to realign funds within DHMH from programs with special fund surpluses to those with deficits. In addition, general and federal funds increased (by $14,271 and $12,422, respectively) to realign the State Retirement Administrative Fee and DoIT Services Allocation appropriations within DHMH. Finally, reimbursable funds increased by $9,147 (available through the Maryland Emergency Management Agency) to cover evacuation expenditures associated with Hurricane Sandy.

At the end of the year, approximately $463,000 of the federal fund appropriation was cancelled due to reduced expenditures by the agency, primarily as a result of vacancies in the agency's LTCU.

Fiscal 2014

The fiscal 2014 working appropriation is $19.1 million, an increase of $0.5 million over the original legislative appropriation. Special funds (available from Civil Money Penalty Fees) increased by $338,276 to issue grants to benefit nursing home residents and assisted living residents. In addition, the fiscal 2014 budget included centrally budgeted funds for the 2014 COLA and salary increment increase for State employees, which resulted in the transfer of funds to OHCQ ($165,250 in general funds, $100,727 in federal funds, and $536 in special funds). General and federal funds increased (by $19,341 and $13,987, respectively) to realign the State Retirement Administrative Fee and DoIT Services Allocation appropriations within DHMH. Finally, general funds decreased by $91,000 due to a transfer of funds for the Advanced Directive Registry from OHCQ to the Maryland Health Care Commission.

Object/Fund Difference Report
DHMH – Office of Health Care Quality

Object/Fund	FY 13 Actual	FY 14 Working Appropriation	FY 15 Allowance	FY 14 - FY 15 Amount Change	Percent Change
Positions					
01 Regular	185.70	187.70	187.70	0.00	0%
02 Contractual	6.73	11.80	12.80	1.00	8.5%
Total Positions	**192.43**	**199.50**	**200.50**	**1.00**	**0.5%**
Objects					
01 Salaries and Wages	$ 15,052,098	$ 16,259,726	$ 16,578,846	$ 319,120	2.0%
02 Technical and Spec. Fees	248,056	386,371	467,137	80,766	20.9%
03 Communication	55,056	67,369	84,081	16,712	24.8%
04 Travel	308,384	357,576	349,841	-7,735	-2.2%
07 Motor Vehicles	153,597	153,863	148,209	-5,654	-3.7%
08 Contractual Services	801,137	894,563	958,257	63,694	7.1%
09 Supplies and Materials	47,019	62,282	61,068	-1,214	-1.9%
10 Equipment – Replacement	10,838	12,910	9,500	-3,410	-26.4%
11 Equipment – Additional	1,162	14,245	1,562	-12,683	-89.0%
12 Grants, Subsidies, and Contributions	142,350	488,276	300,000	-188,276	-38.6%
13 Fixed Charges	361,903	367,856	366,123	-1,733	-0.5%
Total Objects	**$ 17,181,600**	**$ 19,065,037**	**$ 19,324,624**	**$ 259,587**	**1.4%**
Funds					
01 General Fund	$ 10,459,780	$ 11,175,880	$ 11,603,245	$ 427,365	3.8%
03 Special Fund	269,296	525,299	344,101	-181,198	-34.5%
05 Federal Fund	6,443,377	7,363,858	7,377,278	13,420	0.2%
09 Reimbursable Fund	9,147	0	0	0	0.0%
Total Funds	**$ 17,181,600**	**$ 19,065,037**	**$ 19,324,624**	**$ 259,587**	**1.4%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.