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Developmental Disabilities Administration

Department of Health and Mental Hygiene

Operating Budget Data

($ in Thousands)

	FY 16 Actual	FY 17 Working	FY 18 Allowance	FY 17-18 Change	% Change Prior Year
General Fund	$592,850	$635,642	$651,370	$15,729	2.5%
Adjustments	0	-17,312	-8,577	8,735	
Adjusted General Fund	**$592,850**	**$618,330**	**$642,794**	**$24,464**	**4.0%**
Special Fund	5,360	6,230	5,785	-445	-7.1%
Adjusted Special Fund	**$5,360**	**$6,230**	**$5,785**	**-$445**	**-7.1%**
Federal Fund	442,479	509,287	505,854	-3,433	-0.7%
Adjustments	0	0	-7,033	-7,033	
Adjusted Federal Fund	**$442,479**	**$509,287**	**$498,821**	**-$10,466**	**-2.1%**
Reimbursable Fund	0	30	30	0	
Adjusted Reimbursable Fund	**$0**	**$30**	**$30**	**$0**	**0.0%**
Adjusted Grand Total	**$1,040,690**	**$1,133,876**	**$1,147,429**	**$13,553**	**1.2%**

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2018 allowance includes two contingent reductions: one across-the-board reduction for supplemental pension payments and one to decrease the provider rate increase to 2.0%.

- The fiscal 2017 working appropriation includes a targeted reversion to align funding with projected spending.

- After accounting for the fiscal 2017 targeted reversion and the 2018 contingent reductions, the fiscal 2018 allowance for the Developmental Disabilities Administration (DDA) increases by $13.6 million (1.2%) over the fiscal 2017 working appropriation. The increase is primarily due to the expansion of services, the annualization of the fiscal 2017 expansion of services, and a 2.0% provider rate increase. The growth is understated as the fiscal 2017 appropriation overstates the availability of federal funds by $28.3 million.

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

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Personnel Data

	FY 16 Actual	FY 17 Working	FY 18 Allowance	FY 17-18 Change
Regular Positions	626.50	600.50	600.50	0.00
Contractual FTEs	17.39	24.40	24.71	0.31
Total Personnel	**643.89**	**624.90**	**625.21**	**0.31**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	43.54	7.91%
Positions and Percentage Vacant as of 12/31/16	70.00	11.66%

- The fiscal 2018 allowance includes the same number of regular full-time equivalents (FTE) and an additional 0.31 contractual FTE.

- The agency currently has 70.0 vacant positions, a vacancy rate of 11.66%. The agency has more than enough vacant positions to meet turnover.

Analysis in Brief

Major Trends

Community-based Services Continue to Be the Agency's Preferred Model of Service Delivery: DDA aims to serve individuals in the community rather than in institutions. In fiscal 2016, 23,654 individuals were served in the Community Services Program within DDA. This is a decrease from 2015. However, the agency expects the number to increase in fiscal 2017. Meanwhile, the State Residential Centers' average daily population (ADP) continues to decline.

Population in Secure Evaluation and Therapeutic Treatment Units for Court-committed Individuals Nears Capacity: Both Secure Evaluation and Therapeutic Treatment (SETT) units (at Jessup and Sykesville) reached full capacity in fiscal 2011. After declining in both fiscal 2012 and 2013, the ADP at both locations have been increasing and reached near capacity in calendar 2016.

Individuals with a Repeat Commitment to SETT Increase: DDA aims to reduce recidivism in the SETT units. In calendar 2016, 14 individuals were repeat commitments to SETT, an increase from the 9 repeat commitments in 2015.

Increasing Courtroom Procedure Skills: DDA aims to increase skills in courtroom procedures for individuals committed as Incompetent to Stand Trial (IST). In fiscal 2016, 43% of the 56 individuals committed as IST achieved training goals for increased courtroom procedures, lower than the 50% goal the agency set.

Waiver Enrollment Increases: Waiver enrollment continued to increase in fiscal 2016 to 89% from 88% in the prior fiscal year. However, the agency estimates that waiver enrollment will decrease in fiscal 2017.

Issues

Changes to Community Pathways Waiver and Requirements for Meeting Community Settings Rule: The federal Centers for Medicare and Medicaid Services made a rule change that significantly impacts how supports can be delivered through the DDA Community Pathways Waiver. Complying with the Community-based Settings Final Rule may have a budgetary impact.

Rate Setting and Payment System Reform Delayed: Legislation in the 2014 session required the department to conduct an independent rate-setting study as a prerequisite to the development and implementation of a new payment system. The agency is transitioning to the Long Term Supports and Services Tracking System (LTSS) platform from the Provider Consumer Information System. However, both the rate-setting study and transition to the LTSS are delayed.

Facility Staffing and Employee Safety: There have been incidents endangering staff at both the Potomac Center and the consolidated SETT unit. Both units have been understaffed and have high budgeted overtime. Adequate staffing levels and appropriate training for officers could reduce overtime payments and lower the risk of future staff injuries.

Recommended Actions

		Funds
1.	Strike contingent language.	
2.	Reduce funding for the transition from community supported living arrangements to personal support.	$ 3,000,000
3.	Reduce the provider rate increase from 3.5% to 1.0%.	25,200,452
4.	Strike contingent language.	
	Total Reductions	**$ 28,200,452**

Updates

Federal Audit Disallowance: The agency has disagreed with the finding of an audit from the U.S. Department of Health and Human Services concerning the funding of additional services beyond residential habilitation services for certain individuals. The agency advises that it has not yet received a disallowance letter.

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, manifests itself before the individual attains 22, and is likely to continue indefinitely. Examples include autism, cerebral palsy, epilepsy, intellectual disability, and other neurological disorders. The Developmental Disabilities Administration (DDA) provides direct services to developmentally disabled individuals in two State Residential Centers (SRC), as of November 2016 one Secure Evaluation and Therapeutic Treatment (SETT) unit, and through the funding of a coordinated service delivery system that supports the integration of these individuals into the community. The State receives federal matching funds for services provided to the Maryland Medical Assistance Program (Medicaid)-enrolled individuals (who make up the vast majority of individuals served by the agency).

The goals of the administration include:

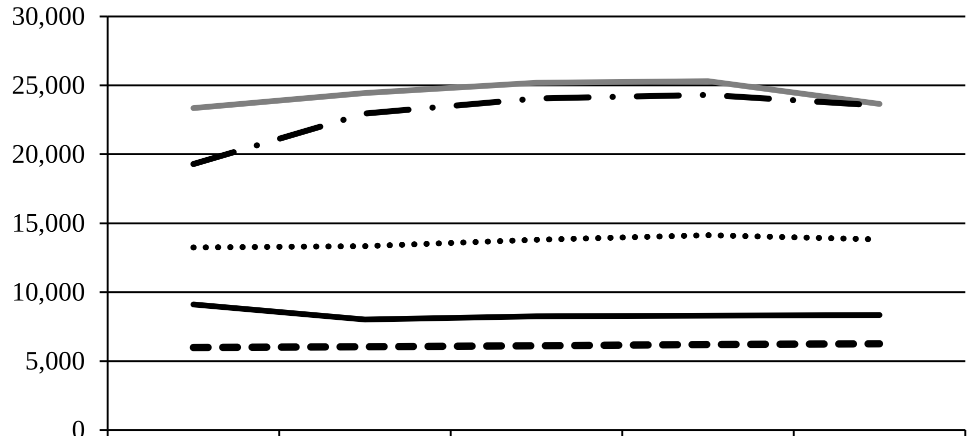
- the empowerment of developmentally disabled individuals and their families;
- the integration of developmentally disabled individuals into community life;
- the provision of quality support services that maximize individual growth and development; and
- the establishment of a responsible, flexible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

Performance Analysis: Managing for Results

1. Community-based Services Continue to Be the Agency's Preferred Model of Service Delivery

One of DDA's performance goals is to serve individuals in the community rather than in institutions. In fiscal 2016, 23,654 unique individuals were served in the Community Services Program within DDA, including resource coordination and behavioral health services. The agency expects that number to increase to over 25,570 by fiscal 2017. The Community Services Program offers a variety of services to individuals, including residential, day, and support. Examples of residential services include community residential services and individual family care. Examples of day services (which provide activities during normal working hours) include day habilitation services, supported employment, and summer programs. Finally, examples of support services include individual and family support, targeted case management (TCM), community supported living arrangements (CSLA), and self-directed services. **Exhibit 1** shows the number of individuals receiving each of the major services. For purposes of this exhibit, TCM (formerly known as resource coordination) is shown separately from the support services category, as TCM is available to all individuals in the system.

Exhibit 1
Individuals Receiving Community Services
Fiscal 2012-2016



	2012	2013	2014	2015	2016
Residential Services	5,990	6,040	6,107	6,209	6,260
Day Services	13,246	13,353	13,810	14,138	13,827
Support Services	9,115	8,011	8,259	8,306	8,337
Number of Individuals Served	23,359	24,445	25,183	25,315	23,654
TCM	19,298	22,954	24,052	24,314	23,551

TCM: Targeted Case Management

Note: Duplicated count, as individuals can be counted in multiple categories. Day Services include day, supported employment, and summer programs.

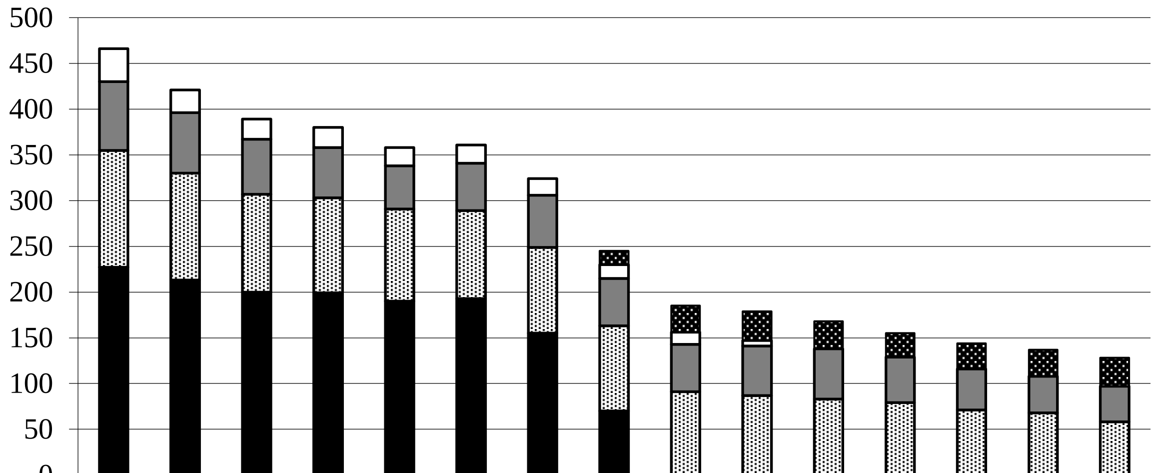
Source: Department of Health and Mental Hygiene

As Exhibit 1 shows, DDA provided residential services to 6,260 individuals, day services to 13,827 individuals, and support services to 8,337 individuals in fiscal 2016. (It should be noted that individuals receiving services through DDA may receive more than one type of service.) The agency attributes the overall decrease in the number of individuals served to the reduction of targeted case management services. Additionally, the agency attributes the slight decline in day services to changes in supported employment that better align with the Employment First efforts.

State Residential Centers

Part of DDA's mission is to serve individuals in the least restrictive setting possible. In most cases, this means serving individuals in the community instead of in institutional settings. As a result, the number of individuals served in SRCs is far fewer than the number of individuals served in the community. As shown in **Exhibit 2**, the average daily population (ADP) has steadily declined since fiscal 2002.

Exhibit 2
Average Daily Population of State Facilities
Fiscal 2002-2016



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
SETT								15	29	32	30	26	28	29	31
Brandenburg	36	25	22	22	20	20	18	15	13	6	0	0	0	0	0
Potomac	75	66	60	55	47	52	57	52	52	54	55	50	45	40	39
Holly Center	128	117	107	104	101	96	94	93	91	87	83	79	71	68	58
Rosewood	227	213	200	199	190	193	155	70	0	0	0	0	0	0	0

SETT: Secure Evaluation and Therapeutic Treatment

Source: Department of Health and Mental Hygiene

As more individuals are served in community-based settings, the remaining residential center population includes individuals that have more involvement with the criminal justice system (forensic population) and more complex conditions. The Potomac Center is increasingly made up of forensic residents, which require a higher staffing ratio. Facility staffing issues will be discussed in Issue 3.

2. Population in Secure Evaluation and Therapeutic Treatment Units for Court-committed Individuals Nears Capacity

Since fiscal 2009, DDA has served court-ordered individuals in specialized centers – called SETT units – instead of in SRCs. Two SETT units are operated by DDA: one for evaluation and short-term treatment and one for treatment on a longer-term basis.

The evaluation and short-term treatment unit is a secure facility located on the grounds of the Clifton T. Perkins Hospital in Jessup. This unit houses a maximum of 12 individuals for 21 to 90 days. During the evaluation phase, DDA completes competency and behavioral evaluations and develops individual, comprehensive service plans.

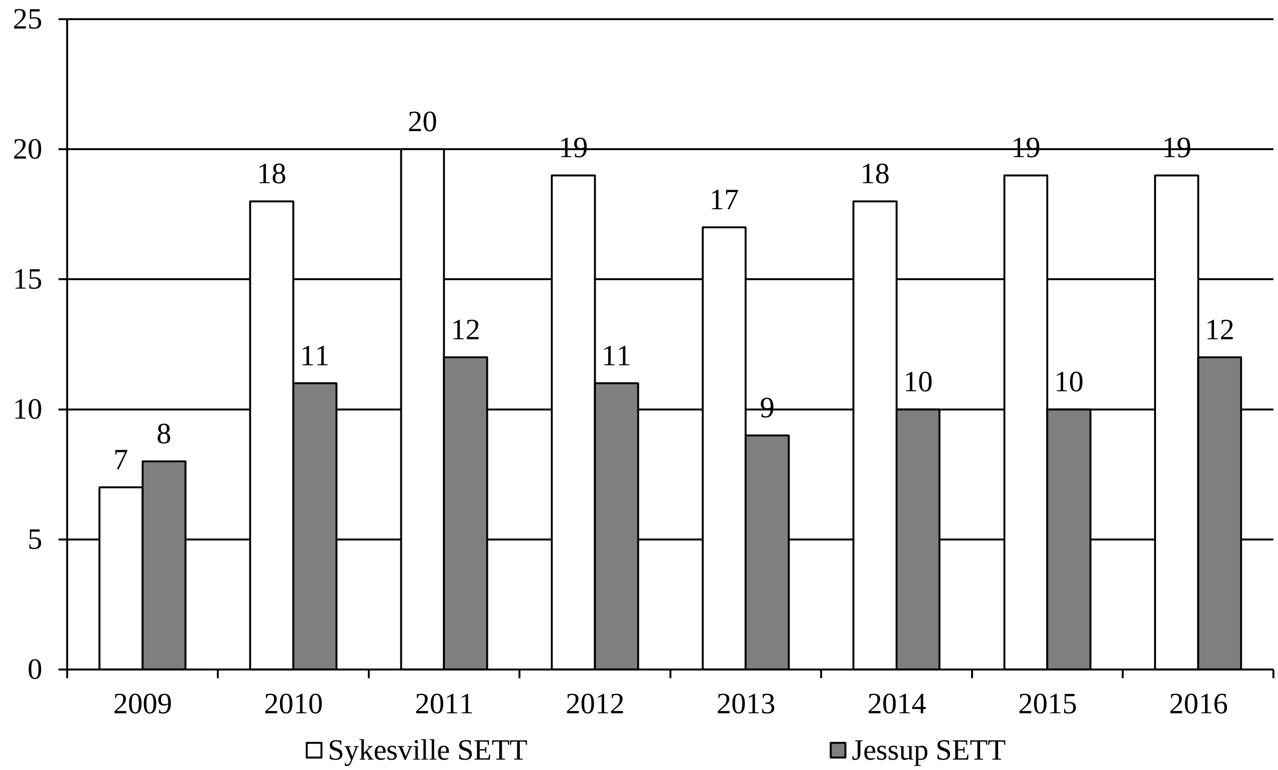
The longer-term therapeutic treatment facility is also a secure facility located on the grounds of Springfield Hospital in Sykesville. This unit has capacity for 20 individuals who have been appropriately identified through evaluation at the Jessup unit.

Exhibit 3 shows the ADP of each unit. As the exhibit demonstrates, both SETT units were at full capacity in fiscal 2011. After a slight decline at both locations in fiscal 2012 and 2013, ADP at both locations has increased since 2014, reaching capacity at Jessup in fiscal 2016.

Due to safety and capacity concerns, DDA received capital funding in fiscal 2011 to begin the planning and design of a new, consolidated SETT unit to replace both existing units, and had advised that the renovation and consolidation of the Sykesville Unit would provide sufficient residential and program space to effectively provide secure evaluation and therapeutic treatment (54 beds). The construction was to originally begin in fiscal 2014 and be completed in fiscal 2015. However, the project was delayed multiple times. The agency instead consolidated the two SETT units at the Sykesville location (Springfield Hospital) in November 2016, where minor renovations can be made to accommodate the program's facility needs. The capacity of the consolidated unit is 32 beds. The same month of the merger, there was an incident at the SETT when an individual threatened staff, discussed further in Issue 3.

It should be noted that when the SETT unit reaches capacity, individuals are either moved to the Potomac Center Residential Center or remain in the jail setting. The agency advised that the latter has occurred twice in the last two years. Ideally, it should not occur at all. **The agency should comment on whether the capacity at the new consolidated SETT unit is adequate.**

Exhibit 3
Average Daily Population of SETT Units
Fiscal 2009-2016



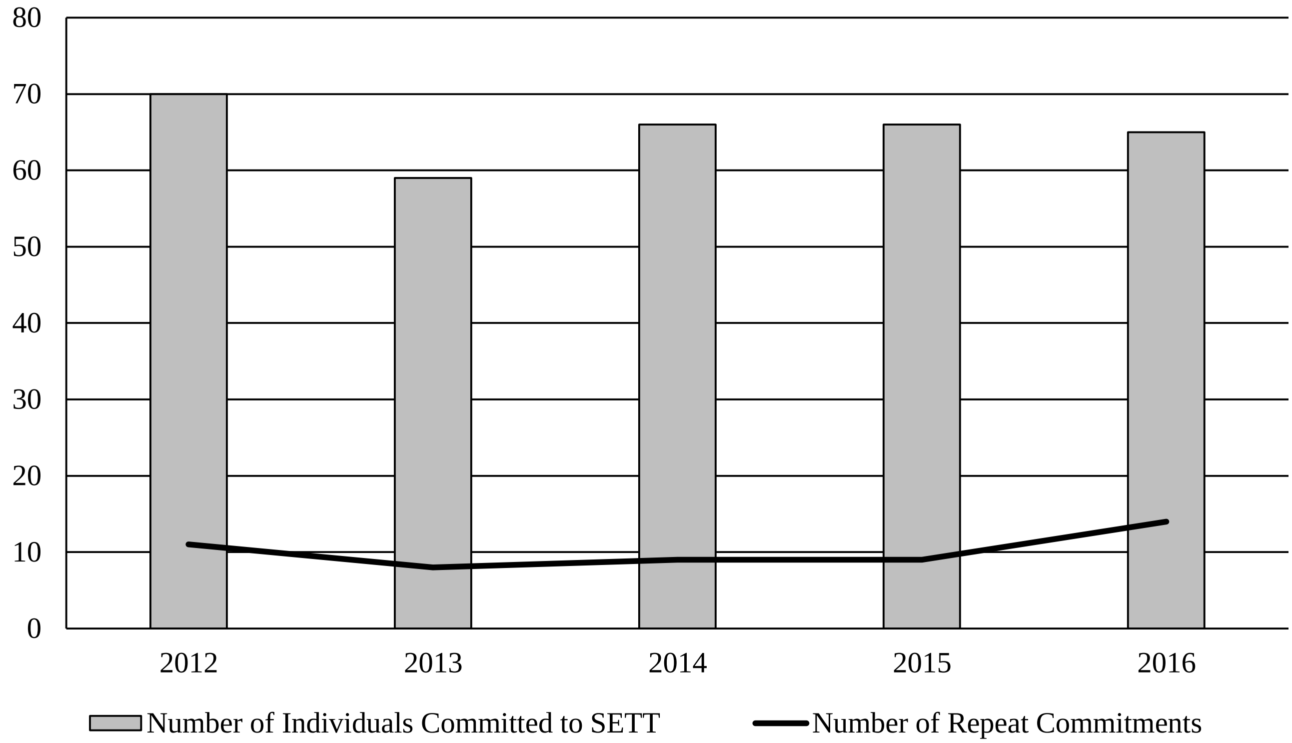
SETT: Secure Evaluation and Therapeutic Treatment

Source: Department of Health and Mental Hygiene

3. Individuals with a Repeat Commitment to SETT Increase

DDA aims to reduce recidivism to the SETT units. DDA works on after care plans and monitoring to ensure that individuals are successful in the community. When individuals are not successful in the community, they may end up with a repeat commitment to the SETT unit. As shown in **Exhibit 4**, in calendar 2016, 14 individuals (21.5% of all committed individuals) were repeat commitments to the SETT, an increase from the 9 repeat commitments (13.6%) in 2015.

Exhibit 4
Individuals with Repeat Commitments to SETT
Fiscal 2012-2016



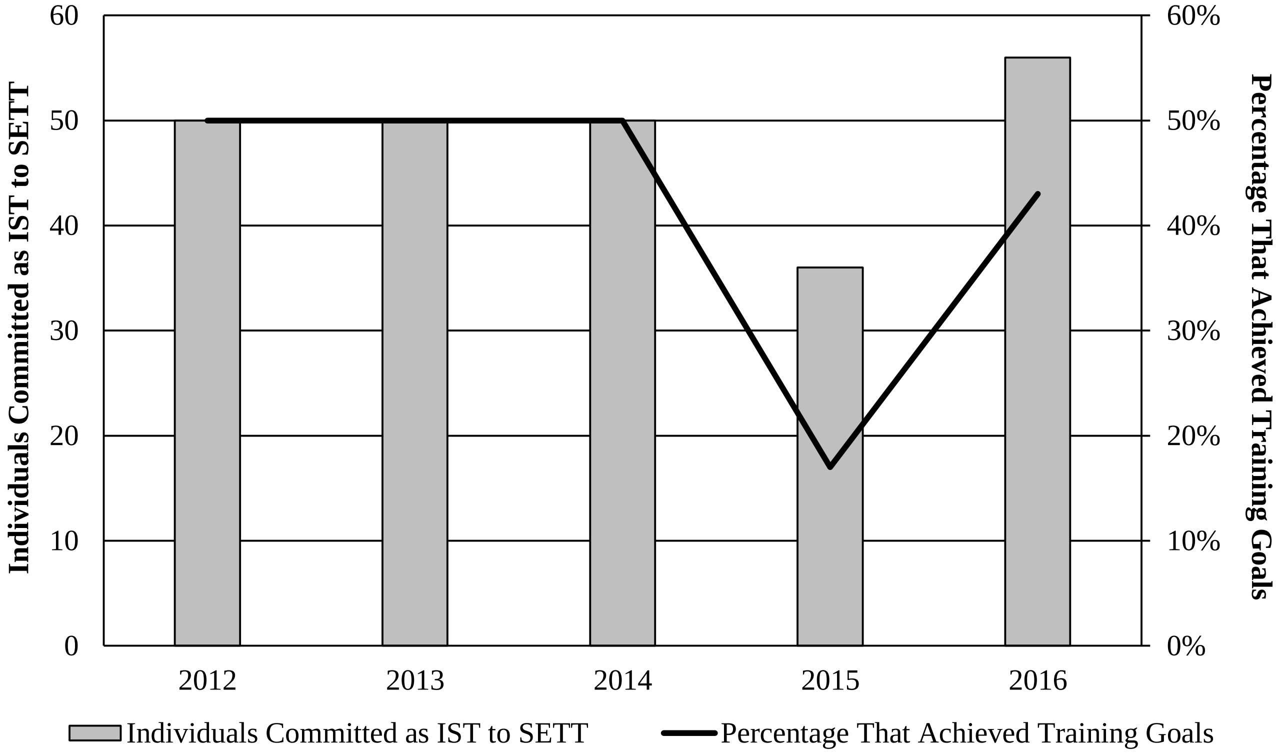
SETT: Secure Evaluation and Therapeutic Treatment

Source: Department of Health and Mental Hygiene

4. Increasing Courtroom Procedure Skills

DDA has submitted a new performance measure for individuals committed as Incompetent to Stand Trial (IST) to demonstrate increased skills in courtroom procedures. As shown in **Exhibit 5**, in fiscal 2015, a low of 12% of individuals committed as IST demonstrated increased skills in courtroom procedures. However, this increased to 43% of the 56 individuals committed as IST in 2016. The agency has a goal to have 50% of individuals committed as IST to achieve training goals for increased courtroom procedure skills.

Exhibit 5
Individuals Committed as IST with Increased Courtroom Procedure Skills
Fiscal 2012-2016



IST: Incompetent to Stand Trial
SETT: Secure Evaluation and Therapeutic Treatment

Source: Department of Health and Mental Hygiene

5. Waiver Enrollment Increases

Another performance goal for DDA is to increase the percentage of individuals receiving services through the Home and Community-based Services Waiver. **Exhibit 6** shows the percentage of individuals enrolled in the waiver. As shown, waiver enrollment increased 1.52 percentage points from fiscal 2015 to 2016. The Department of Health and Mental Hygiene (DHMH) advises that 92.0% of DDA clients are likely Medicaid-eligible.

Exhibit 6
Individuals Enrolled in DDA's Home and Community-based Services Waiver
Fiscal 2013-2017 Est.

	2013	2014	2015	2016	2017 Est.
Percentage of Individuals in Waiver	84.35%	85.85%	87.69%	89.21%	88.44%
Percentage Increase Over Previous Year	n/a	1.80%	2.10%	1.70%	-0.90%

DDA: Developmental Disabilities Administration

Source: Department of Health and Mental Hygiene

The agency's latest Managing for Results submission is the third in which the agency has provided this data. The agency's newly established goal with respect to waiver enrollment is to increase the percentage of individuals enrolled in the waiver by 0.3% in each of the next two fiscal years. The agency has met this goal for fiscal 2014 to 2016. However, in fiscal 2017, the agency estimates that the percentage of individuals enrolled in DDA's waiver will decrease. However, the agency attributes this to a larger number of individuals being served overall, decreasing the percentage actually in the waiver. The number of individuals in the waiver in fiscal 2017 is actually greater than in fiscal 2016.

Fiscal 2017 Actions

Targeted Reversion

The Governor's budget plan includes one targeted reversion for DDA of $17.1 million in general funds to align with projected expenditures for fiscal 2017. With that action, the $17.1 million will revert to the General Fund at the close of fiscal 2017. As of the end of the first quarter of fiscal 2017, the agency was expecting a surplus of $17.1 million in general funds and $28.3 million in federal funds.

Section 20 Position Abolitions

The fiscal 2017 budget bill contained a section which directed the Executive Branch to abolish 657 positions and achieve a savings of $25 million, including $20 million in general funds and $5 million in special funds. This agency's share of the reduction is 16 positions, and approximately $530,000 in general funds. Of the 16 positions, 6 each were abolished from both the Holly Center and the Potomac Center, 3 were abolished from the SETT, and 1 was abolished from administration. It should be noted that overtime increased by over $1 million in the fiscal 2018 allowance, primarily at the three facilities that lost positions.

Proposed Budget

As shown in **Exhibit 7**, the adjusted fiscal 2018 allowance for DDA is $13.6 million (1.2%) over adjusted the fiscal 2017 working appropriation, primarily due to a fiscal 2018 expansion of services, a 2.0% provider rate increase, and the annualization of the fiscal 2017 expansion of services. General fund support increases by $24.5 million (4.0%), while federal support decreases by $10.5 million (-2.1%). The federal fund decline is due to the fiscal 2017 budget overstating the federal funds that will be spent.

Exhibit 7
Proposed Budget
DHMH – Developmental Disabilities Administration
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2016 Actual	$592,850	$5,360	$442,479	$0	$1,040,690
Fiscal 2017 Working Appropriation	618,330	6,230	509,287	30	1,133,876
Fiscal 2018 Allowance	642,794	5,785	498,821	30	1,147,429
Fiscal 2017-2018 Amount Change	$24,464	-$445	-$10,466	$0	$13,553
Fiscal 2017-2018 Percent Change	4.0%	-7.1%	-2.1%		1.2%

Where It Goes:	
Personnel Expenses	
Overtime (alignment to actual)	$1,032
Workers' compensation premium assessment	332
Additional assistance, miscellaneous adjustments, and other compensation	193
Other fringe benefit adjustments	29
Regular earnings (annualization of Section 20 savings)	-173
Employee and retiree health insurance	-282
Retirement contributions (including contingent reduction)	-331
Turnover adjustments	-830
Community Services	
Fiscal 2018 provider rate increase (2%)	20,608
Fiscal 2018 Expansion	17,712
Annualization of Fiscal 2017 Expansion (includes financial and support broker management services)	6,946
Community Services Capped Waiver (fiscal 2018 expansion)	5,000
Personal supports transition (fiscal 2018 expansion)	3,000
Individual and Family Support Waiver (fiscal 2018 expansion)	2,400
Reduced demand for residential and supported employment and transition from community supported living arrangements to personal supports (fiscal 2017 targeted reversion general funds, corresponding federal funds, and federal fund underattainment)	-45,060

Where It Goes:	
Utilization Review Services	
Utilization Review audits	2,944
IIRS Assessments and Supports Intensity Scale licenses	430
Other Community Services	
Forensic and eligibility evaluations	850
Postsecondary education development	250
Coordinator of community services training	200
Council on Quality and Leadership	150
Project STIR	100
Rate-setting study	-129
Program Direction	
Regional Office server replacement	-200
DDA licensee training by regional offices	-400
Project management support for LTSS transition	-1,174
Facilities	
Merger of SETT units	305
Rosewood Center SEIF	-349
Total	**$13,553**

DDA: Developmental Disabilities Administration
DHMH: Department of Health and Mental Hygiene
IIRS: Individual Indicator Rating Scale
LTSS: Long Term Services and Supports Tracking System
SEIF: Strategic Energy Investment Fund
SETT: Secure Evaluation and Therapeutic Treatment
STIR: Steps Toward Independence and Responsibility

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

Contingent Reductions

The fiscal 2018 budget bill includes a $54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. This agency's share of these reductions is $132,000 in general funds and $21,000 in federal funds. This action is tied to a provision in the Budget Reconciliation and Financing Act (BRFA) of 2017.

There is another contingent reduction specific to DDA to reduce the mandated provider rate increase from 3.5% to 2.0% in fiscal 2018, a reduction of $15.5 million, $8.5 million in general funds and $7.0 million in federal funds. Chapter 262 of 2014 mandated a 3.5% provider rate increase in fiscal 2016 through 2019.

Personnel Expenses

Personnel expenses remain essentially flat over the fiscal 2017 working appropriation. Overtime increases by $1 million, primarily due to increases at the SETT ($540,000) and residential centers ($500,000). The increase in overtime aligns to the most recent actual. However, overtime costs for the Holly Center are expected to be higher than in previous years. The fiscal 2017 appropriation included the reduction of 10 regular positions in anticipation of the closure of Cottage 800. However, a decision was made after the budget was passed not to close Cottage 800. Therefore, staff overtime has been needed to maintain staffing levels at Cottage 800. This and other increases are partially offset by a decrease of $830,000 for turnover adjustments. Budgeted turnover is set to 7.9%.

Community Services

Fiscal 2018 Expansion and Annualization of Fiscal 2017 Expansion

As shown in Exhibit 7, the fiscal 2017 budget includes $28.1 million (including new waiver programs) for the expansion of services in fiscal 2018 and $6.9 million for the annualization of the fiscal 2017 service expansion as individuals come into service at different times during the fiscal year. When an individual is placed in community services for the first time in any fiscal year, annualized costs of servicing that individual in the subsequent fiscal year are included as part of the base budget.

Expansion funds will be spent to fund the following estimated placements:

- ***Emergency Placements:*** Emergency services are provided when an individual becomes homeless, the caregiver of an individual dies, or any other situation arises that threatens the life and safety of the individual. The budget estimates that DDA will provide residential and day services to approximately 131.0 additional individuals (72.91 full-time equivalents (FTE)) in emergency situations in fiscal 2018.

- ***Transitioning Youth:*** This 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. The program is intended to ease the transition of such individuals into the DDA system. In fiscal 2018, DDA expects to serve 789 additional individuals (629 FTEs) through the program.

- ***Department of Human Resources Phase-out:*** Services are provided for youth aging out of the Department of Human Resources services at age 21 and transitioning into DDA adult services. In fiscal 2018, DDA expects to provide residential services for 30 (15 FTEs) individuals.

- ***Crisis Services:*** Crisis services are provided for individuals in the crisis resolution category of the waitlist. The budget estimates that DDA will provide residential and day services to 101.0 individuals (53.32 FTEs) on the waitlist.

- ***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 2018, DDA expects to serve 27.0 court-referred individuals (16.82 FTEs) in community settings.

- ***Waiting List Equity Fund Placements:*** The Waiting List Equity Fund (WLEF) is supported through a State income tax check-off, investment earnings from the sale of properties owned by DDA, and savings associated with the movement of an individual from institutional care to community care. The allowance includes $478,750 in special funds from the WLEF expansion of residential services for 36.0 individuals (17.5 FTEs) on the waitlist by the end of fiscal 2018.

Community Support Waiver

In addition to expansion funding, the fiscal 2018 budget allowance includes $5.0 million to implement a community support waiver program. DDA proposes support of $25,000 a year per individual for nonresidential services in the community. The services will include all those available in the comprehensive waiver except residential and site-based day services. People on the waitlist in the Crisis Resolution and the Crisis Prevention priority categories would be eligible for this funding. Pending the approval of the Centers for Medicare and Medicaid (CMS), DDA proposes to make available 400 slots, starting mid-year fiscal 2018.

The agency advised that the request to create the new waiver has not yet been submitted to CMS, as State funding needs to be provided before DDA is able to submit a request. Another state is currently being sued because they received CMS approval for the new waiver before having state money to implement.

Family Support Waiver

DDA also proposes to implement a waiver program to provide funding for children under 21 and their families to secure supplemental, wraparound services to those provided by the Maryland State Department of Education, $2.4 million in fiscal 2018. The purpose of family support services is to provide adequate resources within the community so that families with a child with a disability may keep that child at home and avoid disruption to the family unit. Allowable services include after-school and weekend support and respite services. Funding would be capped at $12,000 per individual/family per year. Pending the approval of CMS, DDA proposes to make available 400 slots.

It should be noted that DDA proposed eliminating $4.4 million for family support services in the fiscal 2016 budget. However, Section 48 of the fiscal 2016 budget bill identified $2.2 million to continue partial support for the services. The fiscal 2017 allowance eliminated the $2.2 million in funding for family support services. The agency advised that a review of its existing contracts for these services revealed that they did not align with the agency's current service delivery model and did not qualify for federal matching funds.

Personal Supports Transition

The allowance includes $3 million for the transition from CSLA to personal supports (PS). The fiscal 2018 budget was formulated in August when the agency anticipated an improvement in utilization in fiscal 2017 that did not materialize. This funding is not needed for this purpose in fiscal 2018. **The Department of Legislative Services (DLS) recommends reducing the fiscal 2018 appropriation by $3 million.**

Rate Increases for Community Service Providers

Chapter 262 mandated a 3.5% provider rate increase in fiscal 2016 through 2019. A contingent reduction and subsequent back of the bill language reduced the fiscal 2016 rate increase to 3.0%. The fiscal 2018 allowance, inclusive of the contingent reduction, includes $20.6 million for a 2.0% provider rate increase. However, Chapter 262 mandates the 3.5% provider rate increase to be applied to the prior year appropriation for the community services budget. Applying the fiscal 2018 3.5% rate increase to the fiscal 2017 appropriation results in a $38.5 million provider rate increase. However, the 3.5% increase in the allowance included only $36.3 million, $2.2 million lower than the mandated amount. Additionally, while the 2.0% increase includes $20.6 million in the allowance, it should be $22.0 million.

It should be noted that Chapter 648 of 2014, along with requiring DDA to conduct an independent study to set provider rates for community-based services, also established certain requirements with respect to wages paid by providers to direct support employees. Specifically, DHMH was to report to the General Assembly by December 15, 2015, summarizing the range of total funding (based on wage surveys required to be submitted by providers) spent by providers on direct support employee wages and benefits as a percentage of total operating expenses for fiscal 2014. Beginning in fiscal 2015 (and before the earlier of either the implementation of a new DDA payment system or the end of fiscal 2019), the percentage of a community provider's total reported operating expenses that is spent on direct support wages and benefits for a fiscal year may not be less than the percentage that was spent in fiscal 2014. If DHMH determines that this requirement was not being met (and does not find mitigating circumstances or accept a plan of correction), the department must recoup funds from a community provider that have not been expended as required. DDA submitted the report in January and advised that it needs to contact the providers who were outside the normal range to find out why they are different. A preliminary analysis of wage surveys by DLS identified at least one provider that did not increase wages for direct workers from fiscal 2014 to 2015. Additionally, the wage survey process for fiscal 2016 has not yet begun.

Impact of Fiscal 2017 Surplus

As noted earlier, there is a fiscal 2017 targeted reversion, $17.1 million in general funds, with an expectation of lower federal fund expenditures of $28.3 million. The lower spending of federal funds is a combination of matching funds associated with the reverted general funds and overestimated federal fund attainment generally. The expected changes in fiscal 2017 expenditures are shown in **Exhibit 8**. The agency projected programs with a surplus as of the first quarter of fiscal 2017. Programs with a large projected surplus include:

- ***Residential:*** DDA is projecting fewer service change requests for residential services, and attrition has outpaced those requests.

- ***CSLA:*** As discussed in **Appendix 1** of this analysis, DDA reverted over $11 million in general funds at the end of fiscal 2016 and processed a budget amendment decreasing the fiscal 2016 appropriation by $35 million in federal funds. DDA attributed a portion of the federal fund decrease to lower than budgeted waiver participation. Of the remaining federal funds and the corresponding general funds, $6 million was due to a change in September 2015 from CSLAs to PS, which changed the rate paid from daily to hourly. Currently, in fiscal 2017, there is an $8 million general fund surplus in CSLA/PS due to DDA using 2016 projections to forecast caseloads for the fiscal 2017 budget.

- ***Supported Employment:*** Supported employment should be viewed in conjunction with day, education discovery and customization, and community learning services, which projected a large deficit resulting in the need to add $8.7 million in general funds to that program. However, the surplus in supported employment is much greater than the deficit in community learning services. The agency was unable to explain the reason for the additional surplus in supported employment.

Exhibit 8
Targeted Reversion General Funds and Projected Federal Fund Underattainment
Fiscal 2017

Service	General Fund	Federal Fund	Total
Residential	-$8,468,022	-$17,695,817	-$26,163,839
Day	-241,772	16,154,039	15,912,267
Supported Employment	-13,260,522	-10,533,986	-23,794,508
Resource Coordination (TCM)	382,862	-382,862	0
Summer	0	619,901	619,901
New Directions	2,636,591	2,100,571	4,737,162
Individual Support Services	-149,638	507,050	357,412
Personal Supports	-7,921,598	-9,596,333	-17,517,931
Community Learning Services	8,741,390	-8,741,390	0
Education Discovery and Customization	1,793	0	1,793
Utilization Review	67,087	-67,087	0
Contribution to Care	500,000	0	500,000
Other	613,866	-712,334	-98,468
Total	**-$17,097,963**	**-$28,348,248**	**-$45,446,211**

TCM: targeted case management

Note: Estimates based on Developmental Disabilities Administration first quarter projections.

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

Exhibit 9 shows the difference between the adjusted fiscal 2017 appropriation, inclusive of the targeted reversion and estimates of federal fund underattainment, and the fiscal 2018 allowance. Fiscal 2018 spending is expected to grow $43.1 million (4.1%) over the revised fiscal 2017 appropriation. PS and day services both decrease while most other categories of service increase.

Exhibit 9
Community Services Budget
Fiscal 2017-2018

Service	Adjusted Fiscal 2017 Working Appropriation	Fiscal 2018 Allowance	Difference
Residential	$540,919,026	$549,689,573	$8,770,547
Day	199,659,890	189,213,270	-10,446,620
Supported Employment	61,470,627	65,102,969	3,632,342
Resource Coordination (TCM)	41,615,450	43,582,691	1,967,241
New Waiver Programs	0	7,400,000	7,400,000
New Directions	33,335,927	34,523,151	1,187,224
Individual Support Services	40,450,719	45,070,391	4,619,672
CSLA/PS	97,005,635	81,694,573	-15,311,062
Community Learning Services	0	14,538,821	14,538,821
Education Discovery and Customization	1,793	644,828	643,035
Utilization Review	6,127,214	12,475,367	6,348,153
CTC Payments	500,000	0	-500,000
Prior Year Activity	2,500,000	2,500,000	0
Other	30,509,255	30,189,047	-320,208
Subtotal	***$1,054,095,536***	***$1,076,624,681***	***$22,529,145***
Provider Rate Increase 2%	0	20,608,240	20,608,240
Total	**$1,054,095,536**	**$1,097,232,921**	**$43,137,385**

CSLA: community supported living arrangements
CTC: contribution to care
PS: personal support
TCM: targeted case management

Note: Fiscal 2017 data based on Developmental Disabilities Administration first quarter projections.

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

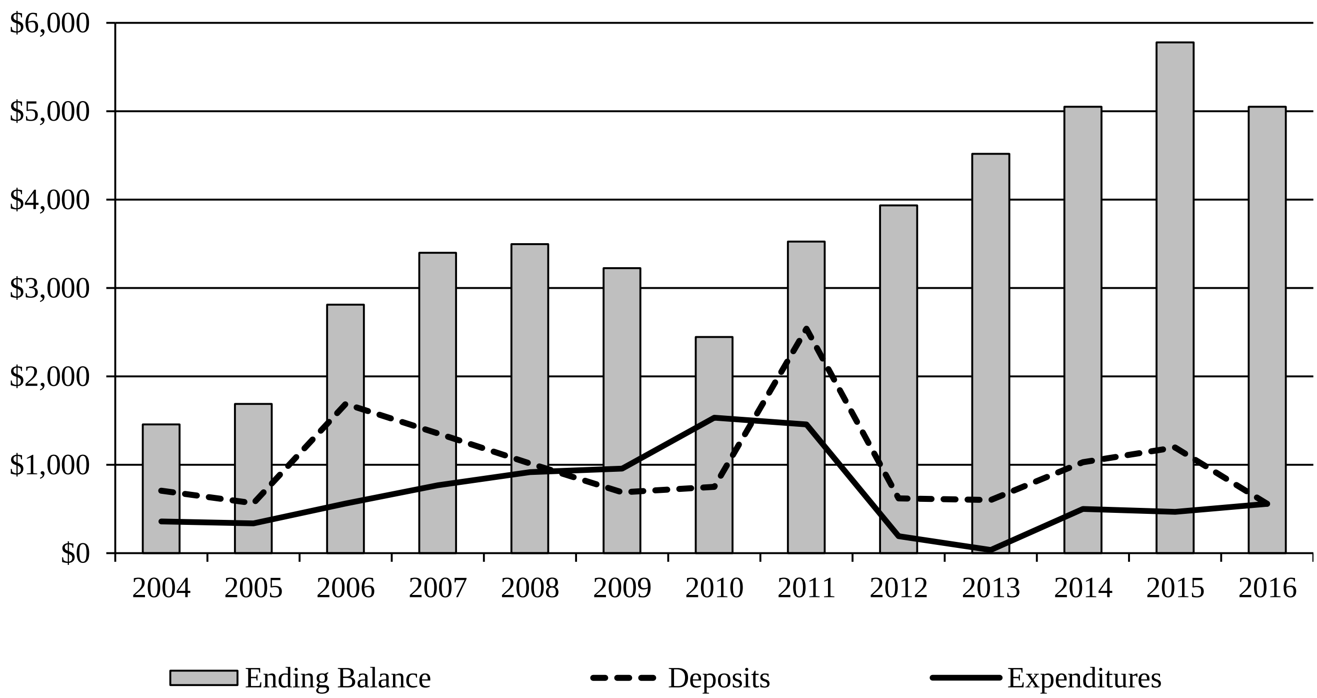
It should be noted that the *Joint Chairmen's Report* of 2016 required DDA to submit a report on new placements within the Community Services Program by September 1, 2016, and January 15, 2017, in order for DLS to analyze caseload trends. However, as of February 20, 2017, DLS has not received year-to-date fiscal 2017 data. **DDA should comment on the availability of monthly caseload data.**

Waiting List Equity Fund Balance

The WLEF was established to ensure that funding associated with serving individuals in an SRC follows them to the community when they are transitioned to a community-based care setting and that any funds remaining be used to provide community-based services to individuals on the waitlist. According to statute, WLEF funds may not be used to supplant funds for emergency placements or transitioning youth. The WLEF funds only the first year of placement after which those individuals become part of the base.

Exhibit 10 shows the ending fund balance of the WLEF, the deposits made to the fund, and the expenditure or placement costs incurred by the fund between fiscal 2004 and the estimate for fiscal 2018. Deposits include the balance of funds available due to a discharge from an SRC, as well as interest earned by the Community Service Trust Fund and the WLEF. The Community Services Trust Fund holds the proceeds from the sale or long-term lease of a DDA facility after it has closed. The interest earned on those funds is then transferred to the WLEF annually.

Exhibit 10
Waiting List Equity Fund Balance
Fiscal 2004-2016
($ in Thousands)



Source: Department of Health and Mental Hygiene

After reaching $3.5 million in fiscal 2008, the fund balance of the WLEF declined in fiscal 2009 and 2010 due in large part to expenditures exceeding deposits to the fund. Since 2011, the reverse has been true, with expenditures below deposits, and the balance has grown. The agency is working with the DDA coalition and hired an independent consultant to look at the waitlist categories. As part of the exercise, the agency is looking at a better way to use the WLEF. The agency advised that the current statutory use for the WLEF favors older caregivers. However, many of the individuals that DDA reaches out to through the year would rather wait. DDA will work on a change to the statute over the next 18 months.

Utilization Review Services

The fiscal 2018 allowance increased by $430,000 for Supports Intensity Scale (SIS) licenses and the Individual Indicator Rating Scale (IIRS). Both will be used simultaneously until SIS is fully implemented. This includes annual IIRS assessments, emergency IIRS assessments, routine SIS assessments, and emergency SIS assessments.

The fiscal 2018 allowance also includes $5.7 million for utilization review services, an increase of $2.9 million over fiscal 2017. DDA will now contract with a Quality Improvement Organization to conduct utilization reviews. This includes conducting utilization review audits of DDA-funded services to ensure that funded services are provided and to evaluate consumer satisfaction with services. If the services are not provided as funded, as documented in the individual plan or as documented in the Service Funding Plan, the State can recover funds. Utilization review services include routine performance audits, on-demand performance audits, and review of request for service change and add-on services. It should be noted that no funding was appropriated in either fiscal 2015 or 2016 for utilization review audits.

No utilization review audits have been performed since fiscal 2013 and there is currently no contract for utilization review, although the agency has budgeted $2.8 million for fiscal 2017. The agency notes that it will work on a Request for Proposal over the next few weeks. It is unlikely that the agency will spend the $2.8 million in fiscal 2017. **The agency should comment on how it ensured that funded services were actually provided when no utilization review audits have been performed since fiscal 2013. DLS recommends a BRFA provision cutting $2.5 million of the fiscal 2017 funding for utilization review.**

Rate-setting Study

Chapter 648 requires DDA to conduct "an independent cost-driven, rate-setting study to set provider rates for community-based services that includes a rate analysis and an impact study that considers the actual cost of providing community-based services." DDA contracted with a vendor through a competitive procurement process in fiscal 2016, and work is expected to continue through fiscal 2018. Tasks in the base year include (1) performing rate-setting analysis of all DDA-funded services; (2) developing a schedule of uniform fixed rates by service type; (3) providing guidance on reimbursement strategies to incentivize outcomes; (4) analyzing unmet needs in the proposed rate if it is higher than the current rate; (5) justifying recommendations on proposed rates based on geographic regions; and (6) providing DDA with a rate maintenance process. The agency initially anticipated the final report in January 2017. However, there were delays in providers submitting the necessary data to the vendor. This delay has affected the analysis of the data. Therefore, the agency projects that the final report will be finished by the beginning of fiscal 2018.

Work in the latter part of fiscal 2018 will include: developing and supporting an implementation plan; updating service rates as necessary based on cost changes, funding availability, and any new data; conducting an analysis to determine working capital requirements; and developing updates for rate publications in regulations. In fiscal 2018, the funding for the rate-setting study decreases by $129,000.

Other Community Services

The fiscal 2018 allowance includes increases in multiple programs in the community services budget including:

- ***Coordinator of Community Services Training:*** $200,000 to establish and implement statewide standards for the training of licensed providers that provide targeted case management consistent with the requirements set forth in *Code of Maryland Regulations* 10.22.09.

- ***Postsecondary Education Development:*** $250,000 to provide funding to higher educational institutions to develop postsecondary programs for people with intellectual and developmental disabilities.

- ***Project STIR (Steps Toward Independence and Responsibility):*** $100,000 to train self-advocates using the Project STIR curriculum.

- ***Council on Quality and Leadership (CQL):*** $150,000 to review and make recommendations on person-centered quality measures, performance indicators, and evaluation methods contracted through CQL.

- ***Forensic and Eligibility Evaluations:*** $850,000 to perform pretrial evaluations for individuals referred by the court to determine competency to stand trial (previously funded in the Behavioral Health Administration).

Additionally, it should be noted that a recent audit finding identified that DDA collected excess contribution to care payments from clients. DDA intends to identify and repay clients. However, the fiscal 2018 allowance does not include funds for repayment. The agency advised that the process of identifying repayments is timely and payments may not occur in fiscal 2018.

Program Direction

Expenses for Program Direction, the administrative arm of the agency, decrease by $1.8 million due to a $1.2 million decrease in project management support for the Long Term Supports and Services Tracking System (LTSS) transition, a decrease of $210,000 for a server replacement for regional offices that took place in fiscal 2017, and a $400,000 decrease in funding for training to DDA licensees from the regional offices.

Facilities

The fiscal 2018 allowance includes additional funding for the merger of the SETT units, $305,000, primarily to replace furniture. The allowance also includes a decrease of $349,000 from the Strategic Energy Investment Fund for the Rosewood Center, as the agency finished paying for the energy performance contract.

Issues

1. Changes to Community Pathways Waiver and Requirements for Meeting Community Settings Rule

States must apply to the federal CMS through a Home and Community-based Services waiver application to obtain permission to operate a waiver program. DDA's current Community Pathways Waiver is in effect for five years, July 1, 2013, through June 30, 2018. The department is making several changes to its waiver program to align services to comply with a new federal Community Settings Rule issued in January 2014 (as well as to implement other recommendations to improve the Community Pathways waiver). The Community Settings Rule states that services provided in facilities, congregate settings, farmsteads, and/or services that have the effect of isolating individuals from the broader community are considered to have institutional qualities and therefore may not be in compliance.

To comply with the Community Settings Rule, individuals being served in these types of settings will need to be transitioned to more integrated community settings. The rule ensures that home and community-based services programs in residential and nonresidential settings provide full access to the benefits of community living and offer services in the most integrated settings. The rule emphasizes individual initiative, autonomy, and independence in making life choices, including, but not limited to, daily activities, physical environment, and with whom to interact. This will have an impact on day services. The average staff-to-client ratio for individuals will have to decrease as clients will have more autonomy in how they plan their day. For example, if a client wants to go out for the day by themselves, rather than as part of a group, the staff-to-client ratio would be 1:1. Currently, for many day service programs the staff-to-client ratio is 8:1. This increases the cost for day services.

States were required to submit a Statewide Transition Plan to CMS outlining strategies to come into compliance with the new rule. Maryland submitted its plan on March 12, 2015. States must be in full compliance with the new rule by March 17, 2019. The agency is currently working on the costs of complying with the rule and advised that there will likely be funding in the fiscal 2019 budget.

The agency is implementing other changes to improve the Community Pathways waiver based on recommendations by the National Association of State Directors of Developmental Disabilities Services. These changes require sequencing, with waiver amendments occurring in stages. The department completed the first of the Community Pathways waiver amendments in fiscal 2016. After submitting the first amendment to the waiver to CMS, DDA began working on the second amendment to redefine existing services and establish new services, with a plan to submit the amendment in spring 2017. However, DDA will now submit the updated service definition and program descriptions originally proposed for the second amendment with the renewal application for the Community Pathways waiver, which must be submitted to CMS by January 2018. **The agency should comment on how the community settings rule will affect rates paid to providers, particularly for day services.**

2. Rate Setting and Payment System Reform Delayed

Current Payment System Weaknesses

DLS has long cited inherent weaknesses in DDA's current payment system, which is prospective in nature. That is, the system estimates the costs that a provider will incur in the coming fiscal year to serve its clients. DDA pays these costs to providers upfront (before the services are actually provided). Providers then submit documentation of their expenses and, at the end of the year, providers and DDA use audited cost reports to reconcile actual costs with the prospective payments. If actual costs were less than the prospective payments, a provider must reimburse DDA. Conversely, if actual costs were greater than the prospective payments, DDA must reimburse the provider. The prospective nature of DDA's provider payment process makes budget forecasting more difficult. Because payments are issued one quarter in advance, payments may differ from actual expenses. Inevitably, DDA will have overpaid or underpaid providers at the close of each year. It is not surprising that since the current system was adopted, DDA has encountered significant budgeting difficulties – resulting in significant surpluses (and, correspondingly, the reversion and/or cancellation of funds), as well as significant deficits. Efforts to improve DDA's payment system are multi-pronged.

Transition to LTSS Financial Platform

In January 2013, Alvarez and Marsal (A&M), an independent consulting firm, was tasked by the agency to recommend draft specifications to solicit the modification or replacement of the agency's existing financial platform. The firm was also required to advise how the new system will address the major underlying inefficiencies in DDA's current system and to identify any barriers to adopting a new financial management system.

Ultimately, the Provider Consumer Information System 2 (PCIS 2) currently used by DDA was found to have significant weaknesses with regard to data, reporting, and system functionality. A&M ultimately recommended replacing the system with DHMH's LTSS, an integrated care management tracking system currently used by multiple waiver programs and Community First Choice. A&M further advised that utilizing the LTSS was a less expensive option than either enhancing PCIS 2 or developing a new DDA system.

Furthermore, of the options examined by A&M, the LTSS is expected to offer the greatest ability to support A&M's key recommendation regarding billing and payment process options, namely, the direct submission of Medicaid claims by providers to the Maryland Medicaid Management Information System (MMIS) for payment processing. Currently, invoicing and payment activity is separate from DDA's generation of Medicaid claims. A&M advised that the leveraging of existing DHMH investments in LTSS and MMIS – in coordination with reengineered processes – would improve fiscal controls, increase transparency, and reduce DDA's liability for uncollected federal funds.

Dual-operating Environment

A&M identified a number of system dependencies and timeline considerations impacting the adoption of a new financial management system. Chief among these was the completion of a rate-setting study, as described previously. Because the rate-setting study is not required to be complete until September 30, 2017, A&M advised that a dual-operating environment will likely be required for a period of time, as nonpayment functionality is migrated to the LTSS in advance of the study's completion. A&M reported that, with LTSS as the selected option, a plan to support the implementation of the system will be developed. The transition from PCIS 2 to the LTSS is staggered and began January 2015. The agency has advised that the first and second phases of full implementation of the LTSS are being delayed to July 1, 2018, and July 1, 2019, respectively. This is one year later than previously projected. The agency wants to ensure that the launch better aligns with the waiver's renewal application and allows for the acquisition of infrastructure needed to fully support DDA's large user base.

Rate-setting Process

DDA is currently working with a selected contractor to conduct an independent cost-driven, rate-setting study; develop a strategy for assessing the needs of individuals receiving services; develop a sound fiscal billing and payment system; and obtain input from stakeholders, including individuals receiving services and providers. The contractor began the rate-setting process in September 2015, which includes the following steps:

- gathering service information – September 2015 through March 2016;
- identifying cost categories to use – September 2015 through March 2016;
- gathering all financial information and accounting data – November 2015 through March 2016;
- coding and analyzing all financial data – December 2015 through April 2016;
- studying direct care/support hourly wage – December 2015 through April 2016;
- analyzing demographic/acuity/scale differences – January 2016 through August 2016;
- compiling the value of the support hour ("brick method") – March 2016 through August 2016; and
- performing budget impact analyses – May 2016 through December 2016.

The agency previously advised DLS that the rate-setting study and the payment system reform would be complete at the end of fiscal 2017, with fiscal 2018 as a transition year as DDA continues to work on regulation changes. However, the agency advised that the study is currently delayed by several months due to the untimely submission of data from some providers. The implementation of rates will be coordinated with the transition to the LTSS platform from PCIS 2. **The agency should comment on how the delay of both the study and the transition to LTSS will impact the submission of the fiscal 2019 budget with new rates.**

3. Facility Staffing and Employee Safety

DDA operates two residential centers and, as of November 2016, one SETT unit. Both the Potomac Center and the SETT units house forensic (court-involved) individuals. The population at the SETT unit is 100% forensic, while about half of the population at the Potomac Center is forensic. The Potomac Center received forensic residents after the closure of the Rosewood Center in 2009 and acts as a step-down and overflow unit for the forensic population at the SETT unit. The forensic population requires a lower staff-to-client ratio. Not providing adequate staffing can endanger both the residents and the staff.

SETT Unit Incident

In November, 2016, after the merger of the SETT units, some residents at the SETT unit became unmanageable and endangered staff. The SETT unit contains three separate types of residents: those who are court-committed and not competent to stand trial, those who are court-committed waiting to find out if they are competent to stand trial, and those who are sent there for long-term treatment. Those who have been sent to the SETT unit and have not been adjudicated are held in the same unit with those who have been determined noncompetent. Staff suggested separating those individuals into separate units. Additionally, staff noted that the security in the room on the night of the incident was not in a position to handle the degree of unrest, making it necessary to contact local and State police. The staff suggested more training, particularly for security to handle this population, more compensation, and reclassifying the position to reflect what they actually do.

The agency noted that there is now a written policy to instruct staff on what to do when they feel threatened, which was not available prior to the incident. It has also established other recommendations, including walkie talkies for communication. However, implementing other recommendations will take longer, as they involve going through the procurement process.

Staffing and Vacancy

As shown in **Exhibit 11**, staffing levels and vacancies vary by facility. The Potomac Center and the SETT unit have similar staff-to-resident ratios, reflecting a higher acuity of residents. The SETT unit has the highest vacancy rate out of the three facilities. The administration estimates that the facility is expected to be fully staffed and will maintain a turnover rate of 10%, which will reduce usage of more expensive overtime. However, as of December 31, 2016, the turnover rate was 20%. Additionally, overtime increased by more than $1 million in the fiscal 2018 allowance for the facilities.

Exhibit 11
Staffing Levels at DDA Operated Facilities
Fiscal 2017

	Potomac Center	SETT Unit	Holly Center
Positions	142.00	98.00	213.50
Contractual FTEs	3.80	9.00	4.14
Total	145.80	107.00	217.64
Vacancy Rate	6.3%	20.0%	9.2%
ADP	38.00	29.00	65.00
% Forensic	43.0%	100.0%	0.0%

ADP: average daily population
DDA: Developmental Disabilities Administration
FTE: full-time equivalent
SETT: Secure Evaluation and Therapeutic Treatment

Source: Department of Legislative Services

The Potomac Center has historically had high vacancy rates due to both budget constraints and problems retaining staff due to pay not being commensurate with the risk of injury among staff. The Potomac Center had a vacancy rate of 10.3% in November 2016. The Potomac Center has decreased this rate to 6.3% as of December 31, 2016. The vacancy rate at the Holly Center also decreased from November 2016, when the rate was 11.87%. However, the vacancy rate at the Holly Center remains high at 9.2%.

Workload Trends

The preferred model of service delivery for the agency continues to be community-based services rather than institutions. Since 2002, two of the State's other residential centers closed, Rosewood in 2008 and Brandenburg in 2010. As the administration works toward moving residents into the least restrictive setting, the hardest to place residents remain at the two remaining residential centers.

Management at the Potomac Center advised that there are a few factors contributing to the increase in violent incidents at the center. As discussed, the Potomac Center has been used as a step down from the SETT unit as well as an overflow center for the SETT unit when it is over capacity. Because the Potomac Center does not have the same level of security as the SETT unit but houses the same population, violent incidents are more likely to occur.

The Potomac Center advised DLS that the retention rate in the field has historically been low and that it takes 8 to 12 weeks to get 1 position filled. Additionally, the Potomac Center noted high sick absences among staff, consistent with disability centers nationwide. Some of the absences are due to injuries among staff from an increase in violence at the center. The management and union at the

Potomac Center met monthly in fiscal 2016 and looked at data and practices to reduce the risk of injuries. **DLS recommends that DDA include in its Managing for Results measures, data on injuries to both staff and other residents in the SETT and Potomac Center.**

Compensation

The administration has advised DLS that the salaries remain unappealing to doctors and nurses who have other opportunities in safer settings with higher wages. For the Holly Center, this is particularly true among occupational and physical therapists, where the State salary is low relative to other opportunities. As discussed, employees at the SETT unit recommended higher compensation for working with a more difficult population that can be prone to violence. Higher pay can also lower turnover among staff and reduce reliance on overtime. Additionally, reducing the risk of injury among staff requires both more staff to oversee residents that require more staff supervision as well as better security protocols. **The agency should comment on its plan to adequately staff the facilities, limit overtime payments, and reduce the risk of injury to staff.**

Recommended Actions

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

   ~~, provided that this appropriation shall be reduced by $8,444,522 contingent upon the enactment of legislation reducing the mandated provider rate increase from 3.5% to 2.0% for the Developmental Disabilities Administration.~~

   Explanation: This action strikes contingent language reducing the provider rate increase from 3.5% to 2.0%.

		Amount Reduction	
2.	Reduce funding for the transition from community supported living arrangements to personal support. The agency has advised that this funding is not needed for this purpose.	$ 1,785,000 $ 1,215,000	GF FF
3.	Reduce the provider rate increase from 3.5% to 1.0% to align with rate increases for other community providers.	13,492,324 11,708,128	GF FF

4. Strike the following language to the federal fund appropriation:

   ~~, provided that this appropriation shall be reduced by $7,011,659 contingent upon the enactment of legislation reducing the mandated provider rate increase from 3.5% to 2.0% for the Developmental Disabilities Administration.~~

   Explanation: This action strikes contingent language reducing the provider rate increase from 3.5% to 2.0%.

Total Reductions	**$ 28,200,452**
Total General Fund Reductions	**$ 15,277,324**
Total Federal Fund Reductions	**$ 12,923,128**

Updates

1. Federal Audit Disallowance

In an audit report released in June 2015, the Office of the Inspector General (OIG) at the U.S. Department of Health and Human Services documented an additional overclaiming of federal funds, resulting in a recommendation that the State refund $34.0 million to the federal government. This $34.0 million represents the federal share of services provided over a three-year period (July 1, 2010, to June 30, 2013) to individuals with developmental disabilities who, because of their high degree of need, were provided additional services beyond residential habilitation services (add-on services). During this same time period, the department claimed $329.0 million ($178.7 million federal share) for all add-on waiver services.

OIG reviewed $34.2 million of the federal share and concluded that virtually every claim that it reviewed was not consistent with waiver criteria. The audit alleges that DDA claimed add-on services for beneficiaries who did not meet the waiver's level-of-need requirement for those services under its Community Pathways waiver program. According to the audit, the waiver allowed add-on services for beneficiaries who met three requirements, including a level-of-need of five on the State agency's IIRS. However, the State agency did not consider the beneficiary's level-of-need score when approving add-on services.

DHMH did not concur with the OIG recommendation or its interpretation that the Community Pathways waiver requires individuals receiving the services to meet three separate requirements. The department has, in the past, interpreted the waiver and operated its program such that an individual who meets any one of the three conditions is eligible for add-on services. The department believes it is entitled to deference for its interpretation of its waiver language. OIG responded that the agency's interpretation of its waiver (that only one of the three requirements be met) would have been unallowable because it would not have required evidence that there was a need for add-on services or that additional payment was necessary to cover the cost of those services.

During the audit, the agency significantly amended this provision in its waiver, eliminating the requirement that an individual must have a level of need of five on the rating scale. However, OIG noted that the amended waiver was not in effect during the audit period and does require providers to document both medical necessity and financial need to receive add-on payments. After reviewing the State agency's comments, OIG believes a recommendation for a refund is valid. The agency noted that no payments will be made until DHMH receives a disallowance letter from the federal government. As of February 2017, there is no disallowance letter. However, the General Accounting Division of the Comptroller of Maryland recorded a decrease to the General Fund in the State's fiscal 2016 *Comprehensive Annual Financial Report* to recognize these disallowances.

Appendix 1

Current and Prior Year Budgets

DHMH – Developmental Disabilities Administration
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2016					
Legislative Appropriation	$590,152	$6,503	$462,684	$33	$1,059,371
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	13,703	0	-18,579	4	-4,871
Reversions and Cancellations	-11,005	-1,142	-1,627	-37	-13,810
Actual Expenditures	**$592,850**	**$5,360**	**$442,479**	**$0**	**$1,040,690**
Fiscal 2017					
Legislative Appropriation	$635,096	$6,230	$509,203	$30	$1,150,558
Budget Amendments	546	0	84	0	630
Working Appropriation	**$635,642**	**$6,230**	**$509,287**	**$30**	**$1,151,188**

DHMH: Department of Health and Mental Hygiene

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

Fiscal 2016

The budget for the Developmental Disabilities Administration (DDA) closed at $1.04 billion, $19 million below the original legislative appropriation.

Budget amendments reduced the appropriation by $4.9 million, an $18.6 million decrease in federal funds offset by a $13.7 million increase in general funds. General funds increased by $7.0 million to realign the Department of Health and Mental Hygiene fiscal 2016 2% cost containment. General funds also increased $5.2 million for individual and family support services and crisis resolution services reflecting legislative priorities. An additional $598,821 in general funds and $89,794 in federal funds were added to restore a 2% pay cut. General funds were further increased by $920,000 including an increase of $1.0 million for overtime for direct care workers and nurse hiring bonuses at the Potomac Center and $438,000 to backfill the transfer of general funds from the Holly and Potomac Centers to the Waiting List Equity Fund as required by statue, offset by a decrease of $520,000 due to delays in hiring.

Budget amendments also increased general funds by $6,146 to transfer the Maryland Environmental Services fee from the Office of the Secretary to DDA facility maintenance and by $21,847 to implement the 2016 State Law Enforcement Officers Labor Alliance (SLEOLA) agreement.

The federal fund appropriation increased $16.8 million due to expectations of higher than anticipated Medicaid waiver participation. However, this increase was offset by an end-of-year budget amendment decreasing the federal fund appropriation by $35.4 million due to lower actual Medicaid waiver participation.

At the end of the year, the agency reverted $11.0 million in general funds. Of this amount:

- $6.0 million was due to a change in September 2015 from community supported living arrangements to personal support, which changed the invoicing method from a daily to an hourly rate;

- $2.0 million was not needed for targeted case management because, as of January 2016, DDA discharged about 2,600 people as new regulations no longer provided services for supports only individuals;

- $800,000 was unspent on utilization review (UR) due to a delay in the approval of a contract for UR; and

- $2.0 million was due to additional time placing individuals in programs, including $1.4 million in residential placements.

The agency canceled a further $1.6 million in federal funds due a lower federal fund attainment than anticipated. In addition, $1.1 million of DDA's special fund appropriation was canceled due to lower than projected special fund attainment.

Fiscal 2017

To date, $630,000 has been added to the legislative appropriation, $546,000 in general funds and $84,000 in federal funds. Of this amount, $589,618 in general funds and $84,214 in federal funds relate to the centrally budgeted fiscal 2017 salary increments. Budget amendments related to the annual salary review and SLEOLA increased general funds by $34,139 and $6,386, respectively. These increases were offset by a reduction of $84,395 in general funds to implement Section 20 of the fiscal 2017 budget bill.

Appendix 2
Audit Findings

Audit Period for Last Audit:	February 29, 2012 – April 12, 2015
Issue Date:	November 2016
Number of Findings:	10
Number of Repeat Findings:	3
% of Repeat Findings:	30%
Rating: (if applicable)	n/a

Finding 1: The Developmental Disabilities Administration (DDA) incorrectly directed providers to collect an estimated $4.2 million annually from consumers for services that should have been paid for with State and federal funds.

Finding 2: **DDA did not adequately monitor the resource/service coordinators' efforts to determine whether it was ensuring that consumers received the required services from providers and that Medicaid eligibility reassessments were conducted in a timely manner.**

Finding 3: DDA did not compare hours billed by the resource/service coordinators with hours worked as recorded in its Provider Consumer Information System 2 (PCIS 2) to ensure payments were proper.

Finding 4: DDA did not negotiate the contract rates for either contract, and DDA procured the second contract as an emergency procurement even though certain services ultimately provided under the contract did not appear to be emergencies as defined by regulation.

Finding 5: DDA lacked an effective means to monitor payments for contract deliverables and similar deliverables were noted in both contracts and certain contract modifications.

Finding 6: DDA did not effectively monitor the contracts and the related payments. Certain deliverables were not received, vendor invoices were not effectively reviewed, and DDA authorized the contractor to perform work outside the scope of the contracts.

Finding 7: **Federal fund reimbursement requests were not made in a timely manner, resulting in lost interest income totaling approximately $210,000.**

Finding 8: **DDA did not conduct audits of Community Supported Living Arrangement providers to identify and recover overpayments.**

Finding 9: DDA did not verify critical adjustments that were processed in PCIS 2, resulting in errors such as overpayments going undetected and not adequately restricting access to the system.

Finding 10: The PCIS 2 database contained 58,022 unique Social Security numbers with associated names, dates of birth, and addresses without adequate safeguards.

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

Appendix 3
Object/Fund Difference Report
DHMH – Developmental Disabilities Administration

Object/Fund	FY 16 Actual	FY 17 Working Appropriation	FY 18 Allowance	FY 17 - FY 18 Amount Change	Percent Change
Positions					
01 Regular	626.50	600.50	600.50	0.00	0%
02 Contractual	17.39	24.40	24.71	0.31	1.3%
Total Positions	**643.89**	**624.90**	**625.21**	**0.31**	**0%**
Objects					
01 Salaries and Wages	$ 45,549,717	$ 47,058,262	$ 47,183,247	$ 124,985	0.3%
02 Technical and Spec. Fees	1,205,752	1,453,846	1,555,489	101,643	7.0%
03 Communication	218,043	213,278	208,196	-5,082	-2.4%
04 Travel	62,202	49,485	68,058	18,573	37.5%
06 Fuel and Utilities	1,377,160	1,524,587	892,805	-631,782	-41.4%
07 Motor Vehicles	165,461	144,257	170,118	25,861	17.9%
08 Contractual Services	989,063,889	1,098,208,148	1,109,778,055	11,569,907	1.1%
09 Supplies and Materials	1,315,449	1,208,875	1,382,487	173,612	14.4%
10 Equipment – Replacement	376,232	2,848	168,847	165,999	5828.6%
11 Equipment – Additional	19,757	14,109	21,997	7,888	55.9%
12 Grants, Subsidies, and Contributions	728,540	730,000	980,000	250,000	34.2%
13 Fixed Charges	607,507	580,213	629,333	49,120	8.5%
Total Objects	**$ 1,040,689,709**	**$ 1,151,187,908**	**$ 1,163,038,632**	**$ 11,850,724**	**1.0%**
Funds					
01 General Fund	$ 592,850,110	$ 635,641,605	$ 651,370,306	$ 15,728,701	2.5%
03 Special Fund	5,360,367	6,229,576	5,784,721	-444,855	-7.1%
05 Federal Fund	442,479,232	509,287,130	505,854,008	-3,433,122	-0.7%
09 Reimbursable Fund	0	29,597	29,597	0	0%
Total Funds	**$ 1,040,689,709**	**$ 1,151,187,908**	**$ 1,163,038,632**	**$ 11,850,724**	**1.0%**

DHMH: Department of Health and Mental Hygiene

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

Appendix 4
Fiscal Summary
DHMH – Developmental Disabilities Administration

Program/Unit	**FY 16 Actual**	**FY 17 Wrk Approp**	**FY 18 Allowance**	**Change**	**FY 17 - FY 18 % Change**
01 Program Direction	$ 8,884,028	$ 10,234,507	$ 8,742,643	-$ 1,491,864	-14.6%
02 Community Services	990,460,372	1,099,542,647	1,112,689,103	13,146,456	1.2%
01 Services and Institutional Operations	17,520,608	17,532,425	17,497,296	-35,129	-0.2%
01 Court Involved Service Delivery	8,412,526	8,986,007	9,177,810	191,803	2.1%
01 Services and Institutional Operations	13,886,580	13,480,390	13,672,916	192,526	1.4%
01 Services and Institutional Operations	1,525,595	1,411,932	1,258,864	-153,068	-10.8%
Total Expenditures	**$ 1,040,689,709**	**$ 1,151,187,908**	**$ 1,163,038,632**	**$ 11,850,724**	**1.0%**
General Fund	$ 592,850,110	$ 635,641,605	$ 651,370,306	$ 15,728,701	2.5%
Special Fund	5,360,367	6,229,576	5,784,721	-444,855	-7.1%
Federal Fund	442,479,232	509,287,130	505,854,008	-3,433,122	-0.7%
Total Appropriations	**$ 1,040,689,709**	**$ 1,151,158,311**	**$ 1,163,009,035**	**$ 11,850,724**	**1.0%**
Reimbursable Fund	$ 0	$ 29,597	$ 29,597	$ 0	0%
Total Funds	**$ 1,040,689,709**	**$ 1,151,187,908**	**$ 1,163,038,632**	**$ 11,850,724**	**1.0%**

DHMH: Department of Health and Mental Hygiene

Note: Does not include targeted reversions, deficiencies, and contingent reductions.