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# Maryland Department of Health Fiscal 2020 Budget Overview

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

**January 2019**

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

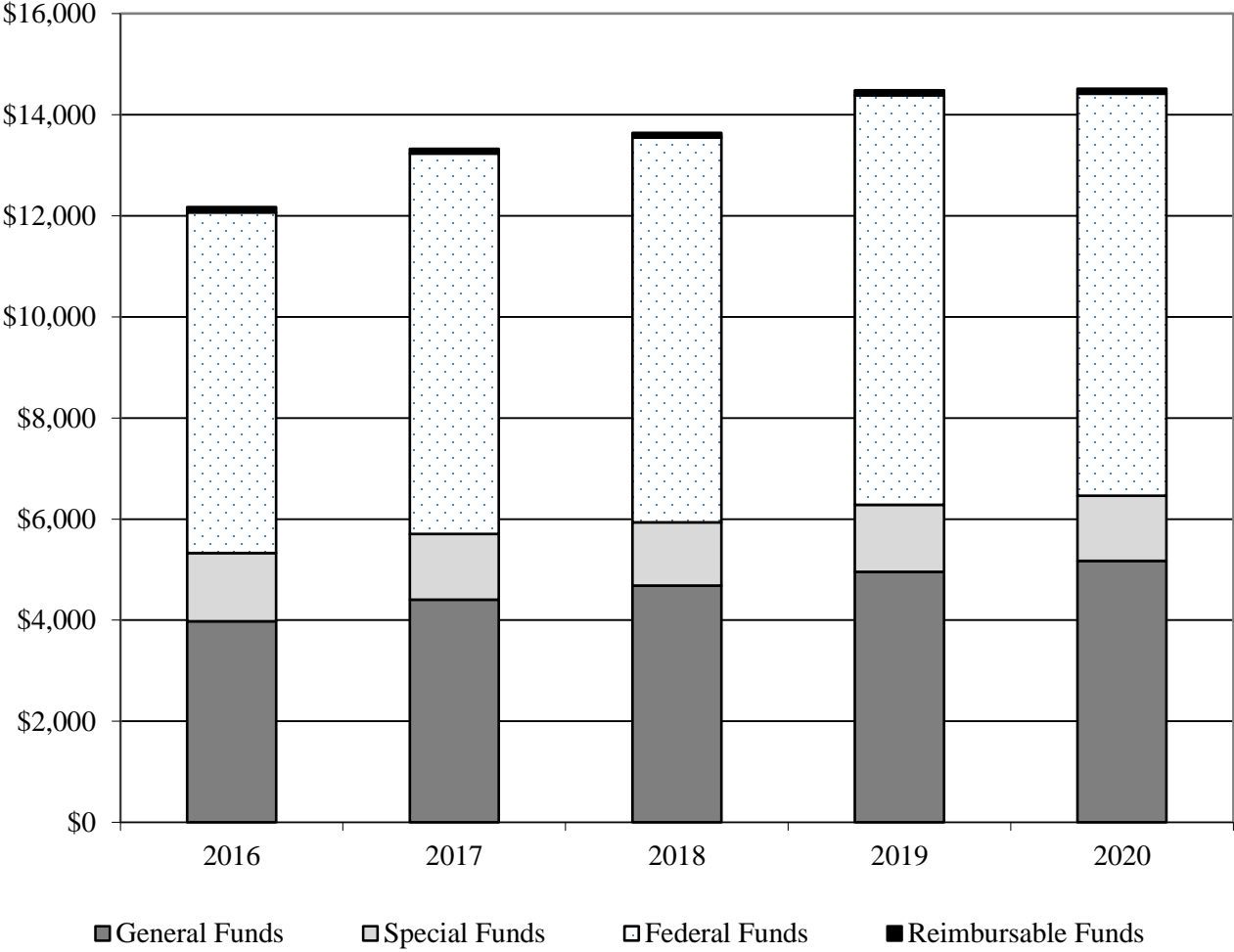
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*Analysis of the FY 2020 Maryland Executive Budget, 2019*

**M00**  
**Maryland Department of Health**  
**Fiscal 2020 Budget Overview**

**Five-year Funding Trends**  
**Fiscal 2016-2020**  
**(\$ in Millions)**



Note: Includes fiscal 2019 deficiencies allocated to appropriate fiscal year and fiscal 2020 statewide personnel funding.

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

*M00 – Maryland Department of Health – Fiscal 2020 Budget Overview*

**Budget Overview**  
**Fiscal 2016-2020**  
**(\$ in Millions)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Change</u> <u>2019-2020</u>
<b>General Funds</b>	<b>\$3,978</b>	<b>\$4,408</b>	<b>\$4,669</b>	<b>\$4,927</b>	<b>\$5,156</b>	
Fiscal 2019 Deficiencies			\$15	\$22		
Departmentwide Adjustments				5	\$16	
<b>Adjusted General Funds</b>	<b>\$3,978</b>	<b>\$4,408</b>	<b>\$4,684</b>	<b>\$4,954</b>	<b>\$5,172</b>	<b>\$219</b>
<b>Special Funds</b>	<b>\$1,348</b>	<b>\$1,298</b>	<b>\$1,252</b>	<b>\$1,330</b>	<b>\$1,290</b>	
Fiscal 2019 Deficiencies				-\$3		
Departmentwide Adjustments				0	\$1	
<b>Adjusted Special Funds</b>	<b>\$1,348</b>	<b>\$1,298</b>	<b>\$1,252</b>	<b>\$1,327</b>	<b>\$1,291</b>	<b>-\$36</b>
<b>Federal Funds</b>	<b>\$6,746</b>	<b>\$7,526</b>	<b>\$7,585</b>	<b>\$8,069</b>	<b>\$7,954</b>	
Fiscal 2019 Deficiencies			\$28	\$33		
Departmentwide Adjustments				1	\$2	
<b>Adjusted Federal Funds</b>	<b>\$6,746</b>	<b>\$7,526</b>	<b>\$7,613</b>	<b>\$8,103</b>	<b>\$7,956</b>	<b>-\$147</b>
<b>Reimbursable Funds</b>	<b>\$100</b>	<b>\$95</b>	<b>\$95</b>	<b>\$103</b>	<b>\$99</b>	<b>-\$4</b>
<b>Total</b>	<b>\$12,172</b>	<b>\$13,327</b>	<b>\$13,643</b>	<b>\$14,487</b>	<b>\$14,518</b>	<b>\$31</b>
<b>Annual % Change From Prior Year</b>	<b>0.8%</b>	<b>9.5%</b>	<b>2.4%</b>	<b>6.2%</b>	<b>0.2%</b>	

Note: The fiscal 2019 appropriation includes deficiencies, a one-time \$500 bonus, and general salary increases. The fiscal 2020 allowance includes general salary increases. Includes fiscal 2019 deficiencies allocated to appropriate fiscal year and fiscal 2020 statewide personnel funding.

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

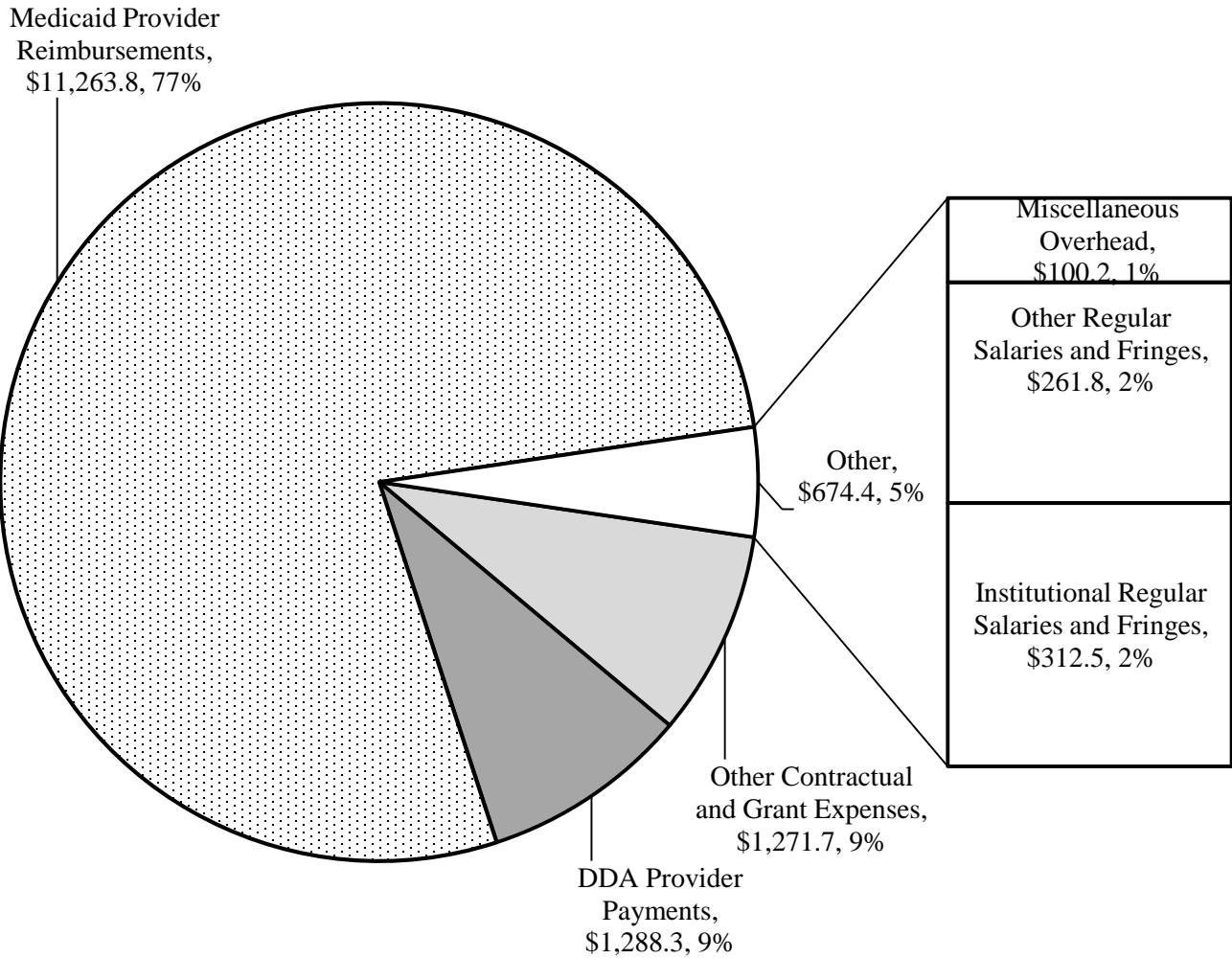
**Maryland Department of Health  
Fiscal 2019 Deficiencies**

<u>Program</u>	<u>Item</u>	<u>General Funds</u>	<u>Total Funds</u>
<b>Fiscal 2019 Deficiencies</b>			
Office of the Secretary	Funding to support the Employed Individuals with Disabilities Pilot Program.	\$100,000	\$100,000
Office of the Secretary	Funding for minor facility improvements.	4,100,000	4,100,000
Office of the Secretary	Funding to supplement current appropriation for calendar 2018 nurse bonuses.	1,675,621	1,675,621
Office of Health Care Quality (OHCQ)	Funding for the emergency relocation of OHCQ.	417,785	623,560
Prevention and Health Promotion	Additional funding for the Breast and Cervical Cancer Diagnosis and Treatment Program.	3,000,000	3,000,000
Chronic Hospitals	Funding for tactile translation and one-on-one clinical services at Western Maryland Center.	542,584	542,584
Behavioral Health Administration (BHA)	Funding for psychiatrist salary increases.	3,607,333	3,607,333
BHA	Funding for operational costs at Crownsville Hospital Center.	534,355	729,248
BHA	Funding for service year 2018 Medicaid behavioral health provider reimbursements.	14,798,839	42,572,615
BHA	Funding for substance use disorder residential treatment services.	7,790,617	7,790,617
BHA	State Opioid Response federal grant.		33,000,000
Medical Care Programs Administration	Special fund availability as a result of actions in the BRFA of 2018 and CRF litigation.		-3,000,000
<b>Fiscal 2019 Deficiencies Total</b>		<b>\$36,567,134</b>	<b>\$94,741,578</b>
<b>Departmentwide Fiscal 2019 Deficiencies</b>			
Maryland Department of Health (MDH)	Funding for April 1, 2019 0.5% general salary increase.	\$596,944	\$725,556
MDH	Funding for April 1, 2019 one-time \$500 bonus.	4,235,718	4,948,208
<b>Departmentwide Fiscal 2019 Deficiencies Total</b>		<b>\$4,832,662</b>	<b>\$5,673,764</b>

BRFA: Budget Reconciliation and Financing Act  
CRF: Cigarette Restitution Fund

Source: State Budget

**Maryland Department of Health  
Functional Breakdown of Spending  
Fiscal 2020 Allowance  
(\$ in Millions)**



DDA: Developmental Disabilities Administration

Note: Excludes statewide personnel funding attributable to the Maryland Department of Health totaling \$19.8 million.

Source: State Budget; Department of Legislative Services

**Maryland Department of Health  
Budget Overview: All Funding Sources  
Fiscal 2018-2020  
(\$ in Thousands)**

	<u>Actual 2018</u>	<u>Working 2019</u>	<u>Allowance 2020</u>	<u>\$ Change 2019-2020</u>	<u>% Change 2019-2020</u>
<b>Medical Programs/Medicaid</b>	<b>\$9,584,472</b>	<b>\$10,144,566</b>	<b>\$9,950,254</b>	<b>-\$194,312</b>	<b>-1.9%</b>
Provider Reimbursements	9,227,598	9,739,653	9,540,874	-198,779	-2.0%
Maryland Children’s Health Program	242,826	258,269	266,326	8,057	3.1%
Other	114,048	146,643	143,054	-3,589	-2.4%
<b>Behavioral Health</b>	<b>\$2,094,468</b>	<b>\$2,191,713</b>	<b>\$2,281,229</b>	<b>\$89,516</b>	<b>4.1%</b>
Program Direction	23,800	22,903	22,680	-223	-1.0%
Community Services	1,769,103	1,864,987	1,951,510	86,523	4.6%
Facilities	301,564	303,823	307,039	3,216	1.1%
<b>Developmental Disabilities</b>	<b>\$1,165,832</b>	<b>\$1,262,300</b>	<b>\$1,351,792</b>	<b>\$89,492</b>	<b>7.1%</b>
Program Direction	9,807	9,286	9,862	576	6.2%
Community Services	1,114,131	1,209,908	1,299,451	89,543	7.4%
Facilities	41,894	43,106	42,479	-627	-1.5%
<b>Public Health Administration</b>	<b>\$143,518</b>	<b>\$140,518</b>	<b>\$148,701</b>	<b>\$8,183</b>	<b>5.8%</b>
Targeted Local Health	53,734	51,700	54,385	\$2,686	5.2%
Other	89,784	88,818	94,315	5,497	6.2%
<b>Prevention and Health</b>					
<b>Promotion Administration</b>	<b>\$351,002</b>	<b>\$399,040</b>	<b>\$431,084</b>	<b>\$32,044</b>	<b>8.0%</b>
Women, Infants, and Children	91,406	109,450	109,222	-\$228	-0.2%
Cigarette Restitution Fund Tobacco and Cancer	33,694	33,698	33,691	-7	0.0%
Maryland AIDS Drug Assistance Program (Including MOE)	49,661	50,871	59,300	8,428	16.6%
Other	176,241	205,021	228,871	23,851	11.6%
<b>Other Budget Areas</b>	<b>\$304,090</b>	<b>\$342,786</b>	<b>\$335,146</b>	<b>-\$7,641</b>	<b>-2.2%</b>
MDH Administration	50,229	51,775	55,715	3,941	7.6%
Office of Health Care Quality	20,128	22,038	23,854	1,816	8.2%
Health Occupations Boards	36,161	39,831	42,288	2,456	6.2%
Chronic Disease Hospitals	48,223	47,518	46,207	-1,311	-2.8%
Health Regulatory Commissions	149,348	181,624	167,082	-\$14,543	-8.0%
<b>Departmentwide Actions</b>	<b>\$0</b>	<b>\$5,674</b>	<b>\$19,817</b>	<b>\$14,144</b>	<b>249.3%</b>
<b>Total Funding</b>	<b>\$13,643,381</b>	<b>\$14,486,597</b>	<b>\$14,518,022</b>	<b>\$31,425</b>	<b>0.2%</b>

MDH: Maryland Department of Health  
MOE: Maintenance of Effort

Note: Includes fiscal 2019 deficiencies allocated to appropriate fiscal year and fiscal 2020 statewide personnel funding. For the purpose of this chart, fee-for-service community behavioral health expenditures for Medicaid recipients are shown under the Behavioral Health Administration as opposed to Medicaid where they are budgeted. Numbers may not sum to total due to rounding.

Source: State Budget; Department of Legislative Services

**Maryland Department of Health  
Budget Overview: General Funds Only  
Fiscal 2018-2020  
(\$ in Thousands)**

	<u>Actual 2018</u>	<u>Working 2019</u>	<u>Allowance 2020</u>	<u>\$ Change 2019-2020</u>	<u>% Change 2019-2020</u>
<b>Medical Programs/Medicaid</b>	<b>\$2,772,807</b>	<b>\$2,959,369</b>	<b>\$3,068,702</b>	<b>\$109,333</b>	<b>3.7%</b>
Provider Reimbursements	2,718,717	2,901,779	2,988,968	87,189	3.0%
Maryland Children’s Health Program	29,139	30,766	51,638	20,872	67.8%
Other	24,951	26,823	28,095	1,272	4.7%
<b>Behavioral Health</b>	<b>\$1,020,782</b>	<b>\$1,052,395</b>	<b>\$1,099,056</b>	<b>\$46,661</b>	<b>4.4%</b>
Program Direction	17,118	17,384	17,550	166	1.0%
Community Services	711,471	740,552	783,817	43,265	5.8%
Facilities	292,192	294,458	297,689	3,230	1.1%
<b>Developmental Disabilities</b>	<b>\$634,785</b>	<b>\$679,335</b>	<b>\$732,433</b>	<b>\$53,098</b>	<b>7.8%</b>
Program Direction	5,471	4,886	5,456	569	11.7%
Community Services	587,519	631,460	684,615	53,155	8.4%
Facilities	41,794	42,989	42,362	-627	-1.5%
<b>Public Health Administration</b>	<b>\$107,207</b>	<b>\$109,481</b>	<b>\$113,758</b>	<b>\$4,277</b>	<b>3.9%</b>
Targeted Local Health	49,488	51,700	54,385	2,686	5.2%
Other	57,719	57,781	59,372	1,591	2.8%
<b>Prevention and Health Promotion Administration</b>	<b>\$64,593</b>	<b>\$64,924</b>	<b>\$54,278</b>	<b>-\$10,646</b>	<b>-16.4%</b>
Women, Infants, and Children	65	65	65	0	0.0%
Cigarette Restitution Fund Tobacco and Cancer	828	858	787	-71	-8.3%
Maryland AIDS Drug Assistance Program	0	0	0	0	n/a
Other	63,700	64,001	53,427	-\$10,575	-16.5%
<b>Other Budget Areas</b>	<b>\$83,725</b>	<b>\$83,242</b>	<b>\$87,584</b>	<b>\$4,342</b>	<b>5.2%</b>
MDH Administration	25,962	25,183	29,508	4,325	17.2%
Office of Health Care Quality	13,037	14,335	15,733	1,398	9.8%
Health Occupations Boards	501	500	553	52	10.5%
Chronic Disease Hospitals	44,226	43,224	41,790	-1,434	-3.3%
Health Regulatory Commissions	0	0	0	0	n/a
<b>Departmentwide Actions</b>	<b>\$0</b>	<b>\$4,833</b>	<b>\$16,464</b>	<b>\$11,632</b>	<b>240.7%</b>
<b>Total Funding</b>	<b>\$4,683,898</b>	<b>\$4,953,579</b>	<b>\$5,172,274</b>	<b>\$218,696</b>	<b>4.4%</b>

MDH: Maryland Department of Health

Note: Includes fiscal 2019 deficiencies allocated to appropriate fiscal year and fiscal 2020 statewide personnel funding. For the purpose of this chart, fee-for-service community behavioral health expenditures for Medicaid recipients are shown under the Behavioral Health Administration as opposed to Medicaid where they are budgeted. Numbers may not sum to total due to rounding.

Source: State Budget; Department of Legislative Services;

**Proposed Budget Changes  
Maryland Department of Health  
Fiscal 2019-2020  
(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
2019 Working Appropriation	\$4,953,579	\$1,327,149	\$8,103,072	\$102,797	\$14,486,597
2020 Governor’s Allowance	\$5,172,274	\$1,290,803	\$7,956,171	\$98,774	\$14,518,022
Amount Change	218,696	-36,346	-146,902	-4,022	31,425
Percent Change	4.4%	-2.7%	-1.8%	-3.9%	0.2%

**Where It Goes:**

**Personnel**

	<b>\$29,657</b>
Regular earnings (annualization of January 1, 2019, 2% general salary increase and 142.3 new positions) .....	\$13,281
Employee and retiree health insurance .....	13,226
Retirement contribution .....	6,627
Reclassifications and miscellaneous adjustments .....	3,048
Workers’ compensation .....	1,029
Other fringe benefit adjustments.....	853
Overtime .....	-1,335
Turnover adjustments .....	-7,073

**Major Programmatic Changes (Excluding Medicaid) .....** **\$192,526**

<i>Behavioral Health Administration</i> .....	<b>\$85,731</b>
Rate assumptions for community providers .....	68,272
Enrollment and utilization for Medicaid-eligible services.....	36,500
Enrollment and utilization for Medicaid-ineligible services and the uninsured .....	6,700
Community Mental Health Services Block Grant (federal funds).....	4,691
Chapter 209 and 210 of 2018 Crisis Response Grant Program .....	3,000
Administrative Service Organization contract.....	1,718
Applied Behavioral Health Analysis .....	-2,935
Substance Abuse Treatment Service Block Grant (federal funds).....	-3,046
Cost settlements .....	-4,605
State Targeted Response to the Opioid Crisis Grant (federal funds).....	-8,364
Transfer of Opioid Operational Command Center to MEMA.....	-16,201



*M00 – Maryland Department of Health – Fiscal 2020 Budget Overview*

**Where It Goes:**

<u>Developmental Disabilities Administration</u> .....	<b>\$88,558</b>	
Community Services .....		
Rate increase for providers (3.5%) .....		42,531
Additional funding for services based on net traditional growth for new placements and expansion of services .....		46,027
 <u>Prevention and Health Promotion Administration</u> .....	 <b>\$25,909</b>	
HIV Health Services .....		13,873
Maryland AIDS Drug Assistance Program (special and federal funds) .....		8,428
HIV Rebate reserve (special funds) .....		7,834
340b rebates from general funded pharmacy expenditures (special funds) .....		4,438
Epidemiology and laboratory capacity (federal grant) .....		2,471
Community-based programs to test and cure Hepatitis C .....		1,118
National HIV Behavioral Surveillance (special funds) .....		1,042
Maryland breast and cervical cancer early detection program (federal funds) .....		-1,296
University of Maryland Capital Region Hospital Center Operating Grant .....		-12,000
 <u>Public Health Administration</u> .....	 <b>\$3,803</b>	
Nonpersonnel costs for the Project Management Office for the Maryland Primary Care Program (reimbursable funds) .....		2,810
Targeted Local Health Grant .....		2,686
Decrease in federal funds related to contracts with MIPAR that are being moved in-house .....		-1,693
 <u>MDH Administration</u> .....	 <b>\$3,077</b>	
Removal of fiscal 2019 deficiency for facility maintenance projects .....		-4,100
Statewide allocated costs .....		2,086
Technical adjustment to offset centrally budgeted fiscal 2019 cost containment... ..		4,091
Major information technology project to migrate MDH headquarters data center to the cloud .....		1,000
 <u>Regulatory Commissions</u> .....	 <b>-\$14,551</b>	
HSCRC rate setting administration and evaluation .....		1,853
Uncompensated Care Fund .....		-2,000
MHCC Total Cost of Care Expansion Project (Health Information Exchange funds) .....		-14,404
 <b>Medicaid/Medical Care Programs Administration</b> .....	 <b>-\$197,121</b>	
Community First Choice (enrollment, utilization and administration excluding rate increase) .....		66,980
Expansion of Hepatitis C coverage .....		29,250

*M00 – Maryland Department of Health – Fiscal 2020 Budget Overview*

**Where It Goes:**

Medicare A and B premium assistance.....	15,996
Federally Qualified Health Centers supplemental payments (align to most recent actual).....	11,731
Calendar 2019 waiver initiatives (adult dental pilot and diabetes prevention).....	10,148
Maryland Children’s Health Program (increased enrollment).....	8,057
Value-based Purchasing Program Fiscal 2018 Supplement .....	7,200
Transportation grants .....	5,529
Nursing home cost settlements .....	2,825
Graduate medical education payments .....	2,340
Health Home payments.....	1,964
Lead remediation initiatives.....	-1,742
Hospital Presumptive Eligibility services for inmates.....	-3,000
Hospital Presumptive Eligibility.....	-3,007
Patient centered medical home .....	-3,915
Medicare Part D Clawback payments.....	-5,053
Major Information Technology Development Projects (federal funds).....	-5,348
School Based Health Services (reimbursable and federal funds) .....	-6,362
Provider rate increases .....	-17,699
Pharmacy rebates, alignment to most recent actuals.....	-18,471
Enrollment and utilization.....	-294,544
 Other .....	 <b>\$6,364</b>
 <b>Total</b>	 <b>\$31,425</b>

HSCRC: Health Services Cost Review Commission  
MDH: Maryland Department of Health  
MEMA: Maryland Emergency Management Agency  
MHCC: Maryland Health Care Commission  
MIPAR: Maryland Institute for Policy Analysis and Research

Note: Includes fiscal 2019 deficiencies allocated to appropriate fiscal year and fiscal 2020 statewide personnel funding. For the purpose of this chart, fee-for-service community behavioral health expenditures for Medicaid recipients are shown under the Behavioral Health Administration as opposed to Medicaid where they are budgeted. Numbers may not sum to total due to rounding.

Sources: State Budget; Department of Legislative Services

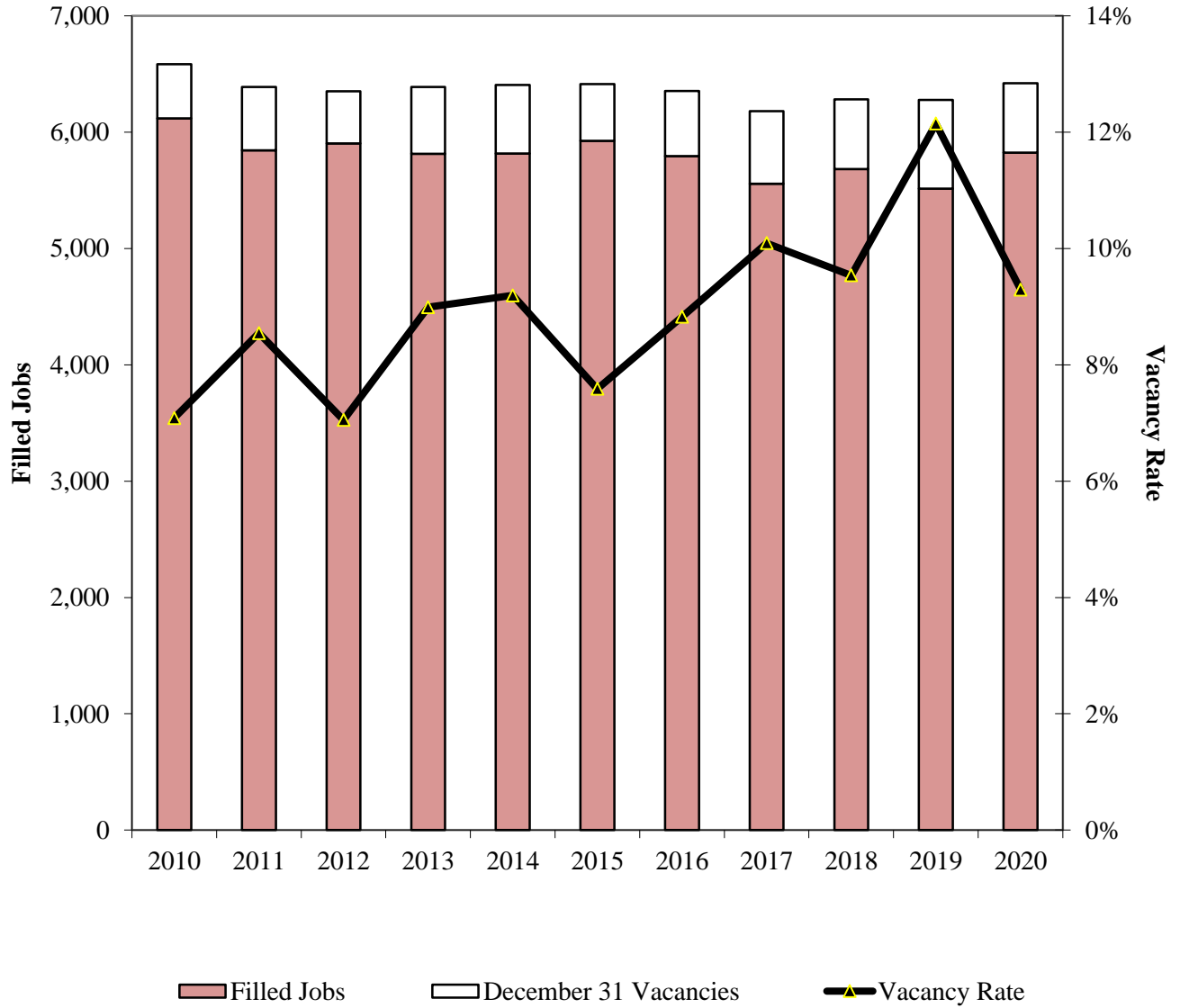
**Maryland Department of Health  
Regular Employees  
Fiscal 2018-2020**

	<u>Actual 2018</u>	<u>Working 2019</u>	<u>Allowance 2020</u>	<u>Change 2018-2019</u>	<u>% Change 2018-2019</u>	<u>Change 2019-2020</u>	<u>% Change 2019-2020</u>
<b>MDH Administration</b>	325.0	325.0	341.5	0.0	0.0%	16.5	5.1%
<b>Office of Health Care Quality</b>	191.7	200.7	211.0	9.0	4.7%	10.3	5.1%
<b>Health Occupations Boards</b>	271.6	273.6	272.6	2.0	0.7%	-1.0	-0.4%
<b>Public Health Administration</b>	388.0	391.0	410.0	3.0	0.8%	19.0	4.9%
<b>Prevention and Health Promotion Administration</b>	401.8	401.8	458.6	0.0	0.0%	56.8	14.1%
<b>Chronic Hospitals</b>	437.2	437.2	435.7	0.0	0.0%	-1.5	-0.3%
<b>Behavioral Health Administration</b>	2,858.9	2,891.9	2,907.6	33.0	1.2%	15.7	0.5%
Administration	169.4	169.4	183.9	0.0	0.0%	14.5	8.6%
Institutions	2,689.5	2,722.5	2,723.7	33.0	1.2%	1.2	0.0%
<b>Developmental Disabilities Administration</b>	649.3	649.3	650.8	0.0	0.0%	1.5	0.2%
Administration	152.0	152.0	155.5	0.0	0.0%	3.5	2.3%
Institutions	497.3	497.3	495.3	0.0	0.0%	-2.0	-0.4%
<b>Medical Care Programs Administration</b>	598.5	603.5	628.5	5.0	0.8%	25.0	4.1%
<b>Health Regulatory Commissions</b>	95.9	103.9	103.9	8.0	8.3%	0.0	0.0%
<b>Total Regular Positions</b>	<b>6,217.9</b>	<b>6,277.9</b>	<b>6,420.2</b>	<b>60.0</b>	<b>1.0%</b>	<b>142.3</b>	<b>2.3%</b>

MDH: Maryland Department of Health

Source: State Budget

### Maryland Department of Health Regular Employee Filled Jobs and Vacancy Rates Fiscal 2010-2020



Note: Fiscal 2020 vacancy rate is based on budgeted turnover.

Source: Maryland Department of Health; Department of Legislative Services

**Maryland Department of Health  
Regular Employees – Vacancy Rates  
December 31, 2018**

	<u>FTE Vacancies</u>	<u>FTE Positions</u>	<u>Vacancy Rate</u>
MDH Administration	44.00	325.00	13.5%
Office of Health Care Quality	24.00	200.70	12.0%
Health Occupations Boards	29.50	273.60	10.8%
Public Health Administration	47.50	391.00	12.1%
Prevention and Health Promotion Administration	48.50	401.80	12.1%
Chronic Hospitals	46.60	437.20	10.7%
Behavioral Health Administration	347.90	2,891.90	12.0%
Developmental Disabilities Administration	95.50	649.25	14.7%
Medical Care Programs Administration	70.00	603.50	11.6%
Health Regulatory Commissions	9.00	103.90	8.7%
<b>Total Regular Positions</b>	<b>762.50</b>	<b>6,277.85</b>	<b>12.1%</b>

FTE: full-time equivalent

MDH: Maryland Department of Health

Source: Department of Budget and Management

**Maryland Department of Health  
Contractual Employees  
Fiscal 2018-2020**

	<u>Actual 2018</u>	<u>Working 2019</u>	<u>Allowance 2020</u>	<u>Change 2018-2019</u>	<u>% Change 2018-2019</u>	<u>Change 2019-2020</u>	<u>% Change 2019-2020</u>
<b>MDH Administration</b>	8.21	9.27	7.09	1.06	12.9%	-2.18	-23.5%
<b>Office of Health Care Quality</b>	5.69	15.00	12.50	9.31	163.6%	-2.50	-16.7%
<b>Health Occupations Boards</b>	27.46	39.77	64.89	12.31	44.8%	25.12	63.2%
<b>Public Health Administration</b>	27.15	27.30	36.60	0.15	0.6%	9.30	34.1%
<b>Prevention and Health Promotion Administration</b>	19.56	27.47	48.47	7.91	40.4%	21.00	76.4%
<b>Chronic Hospitals</b>	19.12	20.02	18.22	0.90	4.7%	-1.80	-9.0%
<b>Behavioral Health Administration</b>	177.32	208.13	189.71	30.81	17.4%	-18.42	-8.9%
Administration	10.43	24.53	23.53	14.10	135.2%	-1.00	-4.1%
Institutions	166.89	183.60	166.18	16.71	10.0%	-17.42	-9.5%
<b>Developmental Disabilities Administration</b>	21.01	26.02	44.64	5.01	23.8%	18.62	71.6%
Administration	5.87	12.00	34.00	6.13	104.4%	22.00	183.3%
Institutions	15.14	14.02	10.64	-1.12	-7.4%	-3.38	-24.1%
<b>Medical Care Programs Administration</b>	103.86	104.81	101.26	0.95	0.9%	-3.55	-3.4%
<b>Health Regulatory Commissions</b>	0.79	0.00	7.57	-0.79	-100.0%	7.57	n/a
<b>Total Contractual Positions</b>	<b>410.17</b>	<b>477.79</b>	<b>530.95</b>	<b>67.62</b>	<b>16.5%</b>	<b>53.16</b>	<b>11.1%</b>

MDH: Maryland Department of Health

Source: Department of Budget and Management

**Maryland Department of Health  
Budget Overview: Selected Caseload Measures  
Fiscal 2016-2020**

	<u>Actual 2016</u>	<u>Actual 2017</u>	<u>Actual 2018</u>	<u>Working 2019</u>	<u>Allowance 2020</u>	<u>Change 2019-2020</u>	<u>% Change 2019-2020</u>
<b>Medical Programs/Medicaid Average Monthly Enrollment</b>							
Medicaid Enrollees	850,692	895,546	914,578	907,514	910,281	2,767	0.3%
Maryland Children’s Healthcare Program	134,932	144,293	147,837	156,036	162,779	6,743	4.3%
ACA Medicaid Expansion	238,834	290,714	309,504	311,456	313,420	1,964	0.6%
<b>Total</b>	<b>1,224,458</b>	<b>1,330,553</b>	<b>1,371,919</b>	<b>1,375,006</b>	<b>1,386,480</b>	<b>11,474</b>	<b>0.8%</b>
<b>Developmental Disabilities Administration<sup>1</sup></b>							
Residential Services	6,260	6,367	6,510	6,519	6,632	113	1.7%
Day Services	13,827	13,807	13,754	13,721	13,704	-17	-0.1%
Support Services	7,823	7,499	8,910	9,127	9,809	682	7.5%
<b>Total Services</b>	<b>27,910</b>	<b>27,673</b>	<b>29,174</b>	<b>29,367</b>	<b>30,145</b>	<b>778</b>	<b>2.6%</b>
Resource Coordination Number of Individuals Served	25,670	22,421	22,646	23,108	23,608	500	2.2%
Average Daily Census at Institutions <sup>2</sup>	23,380	23,942	24,273	24,896	25,389	493	2.0%
	128	133	126	120	129	9	7.5%
<b>Behavioral Health Administration</b>							
<i>Average Daily Populations at State-run Psychiatric Hospitals</i>							
Hospitals excluding RICAs and Assisted Living							
	964	957	970	988	988	0	0.0%
RICAs	66	60	67	90	90	0	0.3%
Assisted Living	53	44	42	53	64	11	21.5%
<b>Total</b>	<b>1,083</b>	<b>1,061</b>	<b>1,079</b>	<b>1,130</b>	<b>1,142</b>	<b>11</b>	<b>1.0%</b>
Number of Individuals Treated in the PBHS	243,690	260,213	275,667	292,500	311,750	19,250	6.6%
Individuals Treated by the PBHS for Mental Health Condition	192,809	200,959	211,325	220,000	230,500	10,500	4.8%
Individuals Treated by the PBHS for Substance Related Disorders	90,731	103,115	110,398	117,000	124,750	7,750	6.6%
Individuals in the PBHS Dually Diagnosed	77,749	85,657	91,914	98,000	107,500	9,500	9.7%

***M00 – Maryland Department of Health – Fiscal 2020 Budget Overview***

ACA: Affordable Care Act

PBHS: Public Behavioral Health System

RICA: Regional Institutions for Children and Adolescents

<sup>1</sup> Residential services include community residential services and individual family care. Day services include activities during normal working hours such as day habilitation services, supported employment, and summer programs. Support services include individual and family support, Community Supported Living Arrangements, and New Direction, a waiver program that allows individuals to self-direct their services. Resource coordination is shown separately from the support services category as all individuals in the system receive resource coordination.

<sup>2</sup> The Developmental Disabilities Administration institutional data includes the secure evaluation and therapeutic treatment center units.

Source: Maryland Department of Health; Department of Legislative Services



## ***Issues***

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### **1. Cigarette Restitution Fund: Ongoing Litigation Continues to Impact the Operating Budget**

#### **Background**

The Cigarette Restitution Fund (CRF) was established by Chapters 172 and 173 of 1999 and is supported by payments made under the Master Settlement Agreement (MSA). Through the MSA, the settling manufacturers pay the litigating parties – 46 states (Florida, Minnesota, Mississippi, and Texas had previously settled litigation), five territories, and the District of Columbia – substantial annual payments in perpetuity as well as conform to a number of restrictions on marketing to youth and the general public. The distribution of MSA funds among the states is determined by formula, with Maryland receiving 2.26% of MSA monies, which are adjusted for inflation, volume, and prior settlements.

The use of the CRF is restricted by statute. Activities funded through the CRF in fiscal 2020 include the Tobacco Use Prevention and Cessation Program; the Cancer Prevention, Education, Screening, and Treatment Program; substance abuse treatment and prevention; the Breast and Cervical Cancer Program; Medicaid; tobacco production alternatives; legal activities; and nonpublic school support.

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

One of the conditions of the MSA was that the states take steps toward creating a more “level-playing field” between participating manufacturers (PM) to the MSA (and thus subject to annual payments and other restrictions) and nonparticipating manufacturers (NPM) to the agreement. This condition is enforced through another adjustment to the states’ annual payments, the NPM adjustment. The PMs have long contended that the NPMs have avoided or exploited loopholes in state laws that give them a competitive advantage in the pricing of their products. If certain conditions are met, the MSA provides a downward adjustment to the contribution made by PMs based on their MSA-defined market share loss multiplied by three. This adjustment is known as an NPM adjustment and involves loss of market share and demonstration that the state was not diligently enforcing its qualifying statute (Chapter 169 of 1999 with subsequent revisions in the 2001 and 2004 sessions). The agreement also allows PMs to pursue this adjustment on an annual basis.

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

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Based on the arbitration panel’s finding, Maryland not only forfeited \$16 million that the PMs placed in escrow for the 2003 sales year, but under the MSA arbitration framework, also saw its fiscal 2014 payment reduced by \$67 million based on the arbitration panel’s assessment that those states that settled before arbitration could not be found as nondiligent. However, subsequent litigation reduced the payment loss to \$13 million.

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

The PMs sought a multistate arbitration related to sales year 2004 for Maryland and those other states that did not settle the 2003 sales year litigation. Arbitration on sales year 2004 began in fall 2018 with eight or nine states involved (there is a lack of clarity on the current status of New Mexico and its involvement in the current arbitration proceedings based on litigation in that state over its involvement in the arbitration proceedings). No decision on the arbitration will be made until all of the arbitration proceedings for each state have concluded.

Depending on the involvement of New Mexico in those proceedings, a decision might be forthcoming in April 2019 but could be delayed another year if, and when, New Mexico joins the arbitration. Further, if there are winners and losers at arbitration, resolving payment amounts could also delay any beneficial or detrimental impact on Maryland’s payments.

It should be noted that for each disputed year since 2004, with some exceptions, an amount has been withheld and deposited into a disputed payments account. As of April 2018, there was \$202 million in this account. If the State were to be found to have diligently enforced the statute in subsequent years, at least this amount could be realized in revenue. When that funding could be available will depend on whether the PMs continue to pursue annual sales year litigation or whether they try and bring all states back into realignment by pursuing multi-year settlements with the states currently still in arbitration and also what strategies the individual states themselves decided to pursue. That decision will be easier to make for both sides once the current round of arbitration is resolved.

### **Fiscal 2018 to 2020 CRF Programmatic Support**

**Exhibit 1** provides CRF revenue and expenditure detail for fiscal 2018 to 2020. With the ending of the strategic contribution payments in fiscal 2017 (payments to states to compensate for litigation costs prior to the arbitration that resulted in the MSA), settlement payments have declined over the period shown, primarily as a result of the adjustment for volume reduction being greater than that for inflation.

**Exhibit 1**  
**Cigarette Restitution Fund Budget**  
**Fiscal 2018-2020**  
**(\$ in Millions)**

	<u>2018 Actual</u>	<u>2019 Working</u>	<u>2020 Allowance</u>
Beginning Fund Balance	\$9.6	\$7.2	\$2.0
Settlement Payments	157.8	157.2	153.6
NPM and Other Shortfalls in Payments <sup>(1)</sup>	-22.1	-21.5	-21.5
Awards from Disputed Account	0.0	0.0	0.0
Other Adjustments <sup>(2)</sup>	5.3	5.3	5.3
Tobacco Laws Enforcement Arbitration <sup>(3)</sup>	0.0	0.0	16.0
<b>Subtotal</b>	<b>\$150.5</b>	<b>\$148.2</b>	<b>\$155.4</b>
Prior Year Recoveries	\$2.6	\$1.8	\$1.8
<b>Total Available Revenue</b>	<b>\$153.2</b>	<b>\$149.9</b>	<b>\$157.1</b>
<b>Health</b>			
Tobacco Enforcement, Prevention, and Cessation	\$9.5	\$9.7	\$9.7
Cancer	25.1	25.0	25.1
Substance Abuse	21.5	21.5	21.5
Breast and Cervical Cancer	13.2	13.2	13.2
Medicaid	61.8	62.4 <sup>(3)</sup>	67.3
<b>Subtotal</b>	<b>\$131.1</b>	<b>\$131.8</b>	<b>\$136.7</b>
<b>Other</b>			
Aid to Nonpublic Schools	\$11.4	\$13.3	\$16.3
Crop Conversion	2.0	1.9	1.0
Attorney General	1.4	0.9	0.9
<b>Subtotal</b>	<b>\$14.8</b>	<b>\$16.2</b>	<b>\$18.2</b>
<b>Total Expenses</b>	<b>\$145.9</b>	<b>\$148.0</b>	<b>\$154.9</b>
<b>Ending Fund Balance</b>	<b>\$7.2</b>	<b>\$2.0</b>	<b>\$2.2</b>

NPM: nonparticipating manufacturer

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

<sup>(2)</sup> National Arbitration Panel Award.

<sup>(3)</sup> Medicaid funding for fiscal 2019 includes a reduction of \$16.0 million proposed in the fiscal 2020 budget.

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

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

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Although total revenues available in fiscal 2020 are \$7.2 million above that in fiscal 2019, this is only due to the assumption by the Administration that the State will prevail in the 2004 sales year arbitration proceedings, yielding \$16.0 million. This was an assumption made in both fiscal 2018 and 2019. However, it appears more realistic in the current plan. In fiscal 2018, because the assumption about arbitration settlement revenues did not materialize, CRF support for Medicaid was reduced and additional general funds were appropriated for Medicaid. While the budget plan again reduces CRF support for Medicaid in fiscal 2019, there is no general fund deficiency appropriation provided for Medicaid as the Administration believes that State support for Medicaid is adequate even without this funding.

Programs supported from the CRF have been relatively unchanged for a number of years with certain exceptions and the proposed 2020 budget is little different. Specifically:

- Only one program, the Maryland Department of Agriculture’s Tobacco Transition Program, sees any major reduction in funding. As was expected in the 2018 *Capital Improvement Program*, funding for agricultural land preservation is eliminated in fiscal 2020. Funding continues for administration and marketing.
- The Administration has increased funding for nonpublic schools by \$3.0 million to \$16.3 million. Specifically, funding for the Broadening Options and Opportunities for Students Today program increases from \$7.0 million to \$10.0 million.
- Medicaid funding increases by \$4.9 million compared to fiscal 2019 after taking into consideration the withdrawal of \$16.0 million from fiscal 2019 in the fiscal 2020 budget. However, depending on the timing and result of the 2004 sales year arbitration that increase could prove to be ephemeral. Historically, any shortfalls in anticipated CRF revenue are always accounted for in Medicaid support.