

M00A01
Administration
Department of Health and Mental Hygiene

Operating Budget Data

	(\$ in Thousands)				
	FY 02	FY 03	FY 04		% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$29,012	\$28,361	\$27,079	-\$1,282	-4.5%
FY 2003 Cost Containment		-959		959	
FY 2003 Deficiency		413		-413	
Contingent & Back of Bill Reductions		-35	-140	-105	
Adjusted General Funds	\$29,012	\$27,780	\$26,940	-\$840	-3.0%
Special Funds	80	1,350	40	-1,310	-97.0%
Federal Funds	8,756	13,181	12,050	-1,132	-8.6%
Contingent & Back of Bill Reductions		-2	-11	-9	
Adjusted Federal Funds	\$8,756	\$13,180	\$12,038	-\$1,141	-8.7%
Reimbursable Funds	4,500	4,830	3,987	-843	-17.5%
Contingent & Back of Bill Reductions			-4	-4	
Adjusted Reimbursable Funds	\$4,500	\$4,830	\$3,984	-\$847	-17.5%
Adjusted Grand Total	\$42,347	\$47,140	\$43,002	-\$4,138	-8.8%

- The budget includes a \$412,500 deficiency appropriation to cover a contingency fee award to Maximus, Inc. for its work increasing Medicaid and Medicare recoveries.
- The fiscal 2004 allowance shows a sharp decline, almost \$4.2 million (8.8%) over the fiscal 2003 working appropriation. Major reductions are in information technology and telecommunications expenditures, federal emergency preparedness grant awards, and personnel expenses.

Personnel Data

	FY 02	FY 03	FY 04	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	548.80	546.30	530.30	(16.00)
Contractual FTEs	19.76	28.77	26.95	(1.82)
Total Personnel	568.56	575.07	557.25	(17.82)

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	19.67	3.71%
Positions Vacant as of 12/31/02	42.00	7.69%

- The fiscal 2004 allowance reflects 16 abolished regular positions.

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

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Analysis in Brief

Major Trends

Health Insurance Portability and Accountability Act (HIPAA) Compliance: Non-Medicaid information technology systems that are required to be HIPAA compliant are racing to meet upcoming compliance deadlines.

Generally: In a number of performance measures, DHMH is attributing lack of improvement to recent budget and personnel reductions.

Issues

Revenue Options: Vital Records Fees: The fees currently charged for vital records have remained unchanged since 1998 and are, according to DHMH, lower than in other states. Additionally, other states charge for vital records services performed in Maryland at no charge. Both areas could generate additional general funds for the State.

The Health Insurance Portability and Accountability Act of 1996: A Progress Report: DHMH's progress in meeting various HIPAA compliance deadlines is detailed.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Reduce funding for Government Relations.	\$ 72,688	1.0
2. Reduce funding for vehicle replacement.	22,849	
3. Reduce general funds due to the availability of federal bioterrorism funds.	51,000	
4. Reduce funding for the Community Services Reimbursement Rate Commission.	100,000	
Total Reductions	\$ 246,537	1.0

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Operating Budget Analysis

Program Description

The Department of Health and Mental Hygiene (DHMH) Administration budget analysis includes the following offices within the department:

- Office of the Secretary;
- Deputy Secretary for Operations;
- Deputy Secretary for Public Health; and
- Deputy Secretary for Health Care Financing.

The **Office of the Secretary** establishes policies regarding health services and supervises the administration of the health laws of the State and its subdivisions.

The **Deputy Secretary for Operations** is the general support agency for the whole department, providing administrative, fiscal, information technology, and general services (such as central warehouse management, inventory control, fleet management, space management, and management of engineering/construction projects).

The **Deputy Secretary for Public Health Services** is responsible for policy formulation and program implementation affecting the health of Maryland's citizens through the actions and interventions of the following administrations:

- Community and Family Health Administrations;
- AIDS Administration;
- Office of the Chief Medical Examiner;
- Laboratories Administration;
- Alcohol and Drug Abuse Administration;
- Mental Hygiene Administration; and
- Developmental Disabilities Administration.

The **Deputy Secretary for Health Care Financing** is responsible for the activities and mission of:

- the Medical Care Programs, which include five programs: Medical Assistance (Medicaid), Pharmacy Assistance, Kidney Disease, Family Planning Programs, and Maryland Children's Health Program (MCHP);

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- Health Services Analysis and Evaluation Administration;
- Health Services Cost Review Commission; and
- Maryland Health Care Commission.

The primary goals of the various secretariats that comprise the analysis are of two broad categories:

- Goals of the administrations under the oversight of those secretariats. For example, the Deputy Secretary for Public Health Services has a variety of public and behavioural health goals related to programs in such administrations as Developmental Disabilities, Community Health, Family Health and so forth.
- Goals that relate to specific functions within the various secretariats. For example, the Deputy Secretary for Public Health Services has goals related to grievance resolutions at State institutions, the Deputy Secretary for operations has goals related to services provided to the department as a whole such as the reliability of information technology support.

Performance Analysis: Managing for Results

For the purpose of this analysis, performance analysis review is limited to measures of specific administrative activities of the units included in DHMH Administration and are shown in **Exhibit 1**. A number of points can be made from the exhibit:

Exhibit 1

**Administration Selected Program Measurement Data
Department of Health and Mental Hygiene
Fiscal 2000 through 2004**

	<u>Actual Fiscal 2000</u>	<u>Actual Fiscal 2001</u>	<u>Actual Fiscal 2002</u>	<u>Working Fiscal 2003</u>	<u>Allowance Fiscal 2004</u>
Repeat OLA audit comments (%)	40.9	28.6	29.8	28.9	28.9
Identified interactive business applications available on-line (%)			52	65	80
Technology contracts meeting contract specifications (%)	83	90	90	92	100
Residential and program buildings meeting: Licensing standards, current building codes and patient/client needs (%); and ADA requirements (%)	53 50	58 34	54 48	59 58	59 61
Non-Medicaid Systems meeting HIPAA transaction/code set requirements (%)			0	50	100
Birth and Death certificates available to customers within 72 hours of their appropriate receipt (%)	95	95	97	98	98

OLA = Department of Legislative Audits
ADA = Americans with Disabilities Act

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

- A concern of the Joint Budget and Audit Committee has been the extent to which audit comments repeat from one audit to the next. One DHMH objective, repeat Office of Legislative Audits' (OLA) audit comments, speaks to this issue. Specifically, the measure illustrates how many of the audit comments for any particular DHMH unit are repeated from the previous audit of the same unit. While the measure is imperfect since it does not take into consideration the severity of different audit comments, it does point to some measure of effort to improve fiscal compliance. As recently as fiscal 1999, almost half of the audit comments in DHMH audits were repeat comments. This has fallen in recent years to just under 30%. According to OLA, they have a statewide goal of 35% repeat audit comments, and the average across State agencies is 43%. Thus, DHMH's performance is considered good. However, as indicated in Exhibit 1, DHMH does not believe that significant improvement in this area is likely in the near-term. They attribute this to personnel reductions required under various rounds of cost containment.

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- Compliance with HIPAA requirements remains a key concern for DHMH (see **Issue 2** below). Relevant systems have to be 100% compliant with transaction and code set requirements by October 2003. While the MFR data, which is limited to non-Medicaid systems, indicates that this objective can be met, DHMH's slow response to this issue is underscored by the fact that they had no systems compliant with the requirement in fiscal 2002 (below last year's estimate for fiscal 2002 of 25%). Medicaid is already reporting compliance with implementation requirements, undoubtedly helped by the availability of federal funds to address this problem.
- Chapter 5, Acts of 2000 required all units of the executive branch (excluding higher education institutions) to make 50% of their information and services available to the public over the Internet by calendar 2002, rising to 65% and 80% by calendar 2003 and 2004 respectively. As shown in Exhibit 1, DHMH did reach the 50% goal for 2002. However, this measure (and in fact the requirement as a whole) is imperfect because it is not weighted according to the importance of the information and services that the public would most likely want to receive or benefit from.

Further, DHMH notes that budget and staffing cuts have essentially stopped work on the 50-65-80 initiative. While some efforts continue on the maintenance and development of static web pages, applications that are likely to be more useful to the public (interactive applications) will not move forward.

- DHMH's objectives in terms of the appropriateness of the physical environment at their facilities are unlikely to be met. Specifically, by fiscal 2006 the objective is to have 85% of designated buildings meeting current standards and patient needs, and by fiscal 2005 have 100% of designated buildings ADA compliant or in the process of being modified to become ADA compliant. As shown in Exhibit 1, the department is not making much headway towards these objectives.

Fiscal 2003 Actions

Proposed Deficiency

A \$412,500 deficiency appropriation, all general funds, is provided in DHMH Administration for a contingency fee to Maximus Inc. For the past several years Maximus has been contributing to DHMH's own efforts to maximize Medicaid and Medicare revenues.

Impact of Cost Containment

Cost containment measures reduced the DHMH Administration budget by \$959,000. This reduction was derived from three sources:

- \$800,000 from higher than anticipated federal fund indirect cost recoveries. DHMH receives an indirect cost award based on the number of federally-funded employees. A legislative reduction to the fiscal 2003 budget was made assuming a federal indirect cost recovery rate of 30% (rather than the 27% in the fiscal 2003 allowance). In fact, DHMH negotiated an indirect cost recovery rate of 32%

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and also had increased federal salaries as a result of new grants for bioterrorism. This reduction is carried over into fiscal 2004 as the allowance assumes a similar indirect cost recovery rate of 32% (the negotiated rate is valid for two fiscal years).

- Hiring freeze savings of \$136,000; and
- Contract savings of \$23,000 from legal service contracts in connection with independent legal representation of residents of State psychiatric facilities and State residential centers. This cut was made based on actual assistance provided. The fiscal 2004 allowance reflects this reduced demand.

Contingent Reductions

There is a further contingent reduction of \$36,000 to the fiscal 2003 appropriation, in the proposed Budget Reconciliation and Financing Act, eliminating funding of the employee transit initiative.

Based on the various adjustments to the fiscal 2003 legislative appropriation, general fund reductions in fiscal 2003 amount to \$581,000, 2% of the original appropriation. The total adjusted fiscal 2003 working appropriation is still about \$4.8 million above total actual fiscal 2002 expenditures. However, general funds fall by over \$1.2 million from fiscal 2002 to 2003, or 4.2%. The growth in spending between fiscal 2002 and 2003 is fueled by increased availability of federal funds from grants (primarily bioterrorism response and emergency preparedness) and indirect cost recoveries, as well as special funds to support the E-Samis information technology project.

Governor's Proposed Budget

The Governor's fiscal 2004 allowance for DHMH Administration shows an almost \$4.2 million decline (8.8%) over the fiscal 2003 working appropriation (see **Exhibit 2**). The decline is in all funds. General funds decline by \$840,000, 3%, and represent just over 20% of the total change from fiscal 2003 to 2004. However, the relative change in general funds is small compared to the decline in other funds: special funds 97%; federal funds 8.7%; and reimbursable funds 17.5%.

Specific changes include:

- **Personnel** expenses decline by \$419,000. The most significant changes in this area are large increases in turnover relief (\$948,000) and health insurance costs (\$778,000) which are more than offset by the removal of funds for the deferred compensation match (\$140,000), the removal of the fiscal 2003 one-time bonus and other fringe benefit adjustments (\$198,000), a reduction in reclassifications (\$340,000), a decrease in the workers' compensation premium assessment (\$732,000), and savings from abolished positions (\$735,000).

The fiscal 2004 allowance calculates turnover at 3.71%. To meet that turnover rate, the DHMH Administration budgets would need on average to keep 19.67 positions vacant. The most recent vacancy report noted 42 vacant positions, a vacancy rate of 7.69%. Even with the abolition of 16 positions from the budget, budgeted turnover expectancy appears overly reasonable.

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- **Information technology and telecommunications** expenses decline by \$1.4 million. Most of this relates to the E-Samis project, a web-enabled data management system designed to assess substance abuse treatment program performance and provide individual programs with the ability to utilize clinical data to make service delivery improvements. The project is contracted to the University of Maryland Bureau of Governmental Research and the University of Maryland Center for Substance Abuse Research.

E-Samis, originally budgeted in the Alcohol and Drug Abuse Administration (ADAA), was transferred to DHMH Administration in fiscal 2003. However, in fiscal 2004, the project will be funded through the Major Information Technology Project Development Fund in the Department of Budget and Management. The Cigarette Restitution Fund dollars that would have funded E-Samis in fiscal 2004 are proposed to be transferred to the general fund in the current session through the Budget Reconciliation and Financing Act of 2003.

- **Byrne Grants.** The largest decline, almost \$1.93 million in federal funds, were one-time grant funds awarded in fiscal 2003 that derived from a federal grant award under the Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program (Byrne Grants). In the most recently completed federal fiscal year, \$251.1 million was provided under the Byrne Grant program for allocation to State and local agencies for emergency preparedness equipment, training and related activities. Fiscal 2003 grants were made to the Maryland Institute for Emergency Medical Services Systems (MIEMSS) as well as a variety of State and local government agencies.

Exhibit 2

**Governor's Proposed Budget
Administration
(\$ in Thousands)**

	FY 02 Actual	FY 03 Working	FY 04 Allowance	Change	% Change Prior Year
General Funds	\$29,012	\$28,361	\$27,079	-\$1,282	-4.5%
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Where It Goes:

Personnel Expenses	-\$419	
Turnover relief.....		948
Health Insurance		778
Deletion of deferred compensation match		-140
Other fringe benefit adjustments, including deletion of the one-time bonus		-198
Reclassifications		-340
Workers' compensation premium assessment		-732
Abolished positions (16 FTEs)		-735
Information Technology and Telecommunications	-1,383	
DBM Telecommunications (GF)		269
Miscellaneous communications (RF).....		110
Information Technology hardware and software replacement and maintenance (GF/RF)		-462
E-Samis (SF).....		-1,300
Grants	-1,926	
Byrne Grant for emergency preparedness (FF)		-1,926
Miscellaneous	-410	
Centers for Disease Control and Prevention emergency preparedness distance learning technical assistance (FF)		150
Extension of Community Services Reimbursement Rate Commission per Chapter 370, Acts of 2002 (GF)		100
Metro building rent (GF/RF)		-340
Maximus contingency fee (GF)		-413
Other.....		93
Total		-4,138

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

Issues

1. Revenue Options: Vital Records Fees

One of the functions within DHMH Administration is the Division of Vital Records and its sister agency – the Office of Health Statistics. The Division of Vital Records maintains a statewide system for registering, indexing, filing and protecting all records of birth, death, fetal death, marriage and divorce, adoption, and legitimation and adjudication of paternity. The Office of Health Statistics prepares a variety of vital statistics reports as well as responding to requests from a variety of users for data on births, deaths, marriages, and divorces.

Fees for vital records are set in statute [Annotated Code of Maryland, Health-General §4-217(c)] and have not changed since 1998. Fees are deposited to the general fund. Current fee schedules, which are expected to generate at least \$3.75 million in fiscal 2004, are as follows:

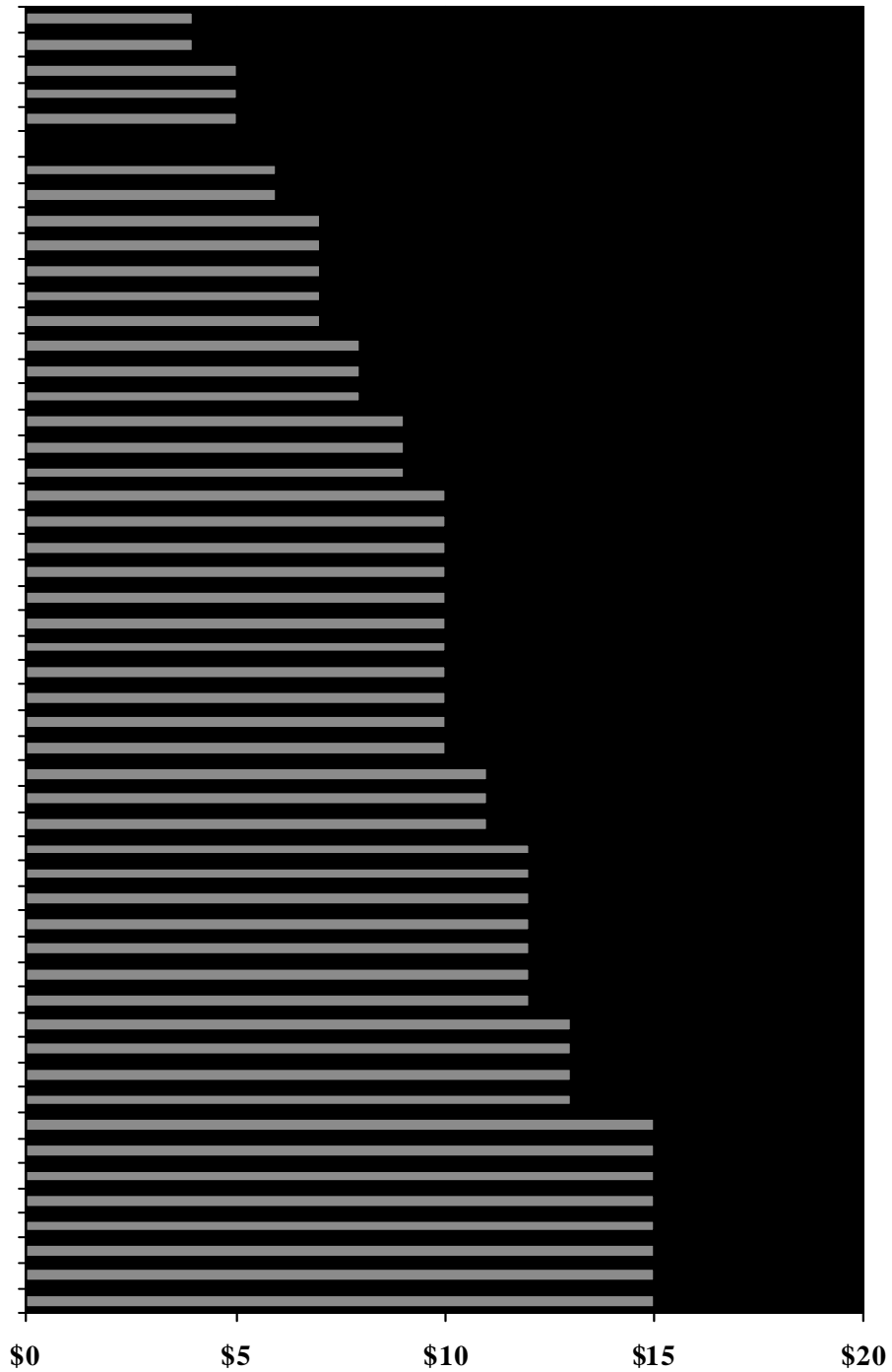
- \$6 for each certified or abridged copy of a birth, death, fetal death, marriage certificate, or for a report that a search of the files was made and the requested record is not on file.
- A local health department may process and issue a birth certificate or a report that a search of the files was made and the requested record is not on file. The local health department may charge a fee to cover the costs to the local health department for processing and issuing the certificate or report. These fees are set in accordance with a memorandum of understanding with DHMH and range from \$6 to \$10. However, \$4 of any fee charged by a local health department must be paid into the general fund.
- DHMH may waive fees for any federal agency and may not charge a fee to a current or former member of the United States armed forces or their surviving spouse or child in connection with a claim for a dependent or beneficiary of the member.

In addition, the State can issue a special commemorative birth certificate. The fee for this certificate, \$25, is paid into the Children's Trust Fund. That fund is used for a variety of child-related grant activities awarded through the Governor's Office for Children, Youth and Families.

While the statute restricts the local health department fee to the cost of processing and issuing the certificate or report, no such restriction applies to the fees charged by DHMH. Indeed, the current revenue generated by these fees is approximately \$750,000 above the general fund cost of operating the Division of Vital Records and its sister agency – the Office of Health Statistics. Further, fees charged in Maryland are typically below those charged in other states. **Exhibits 3, 4, and 5** illustrate fees charged by DHMH for various vital records relative to other states.

Exhibit 3

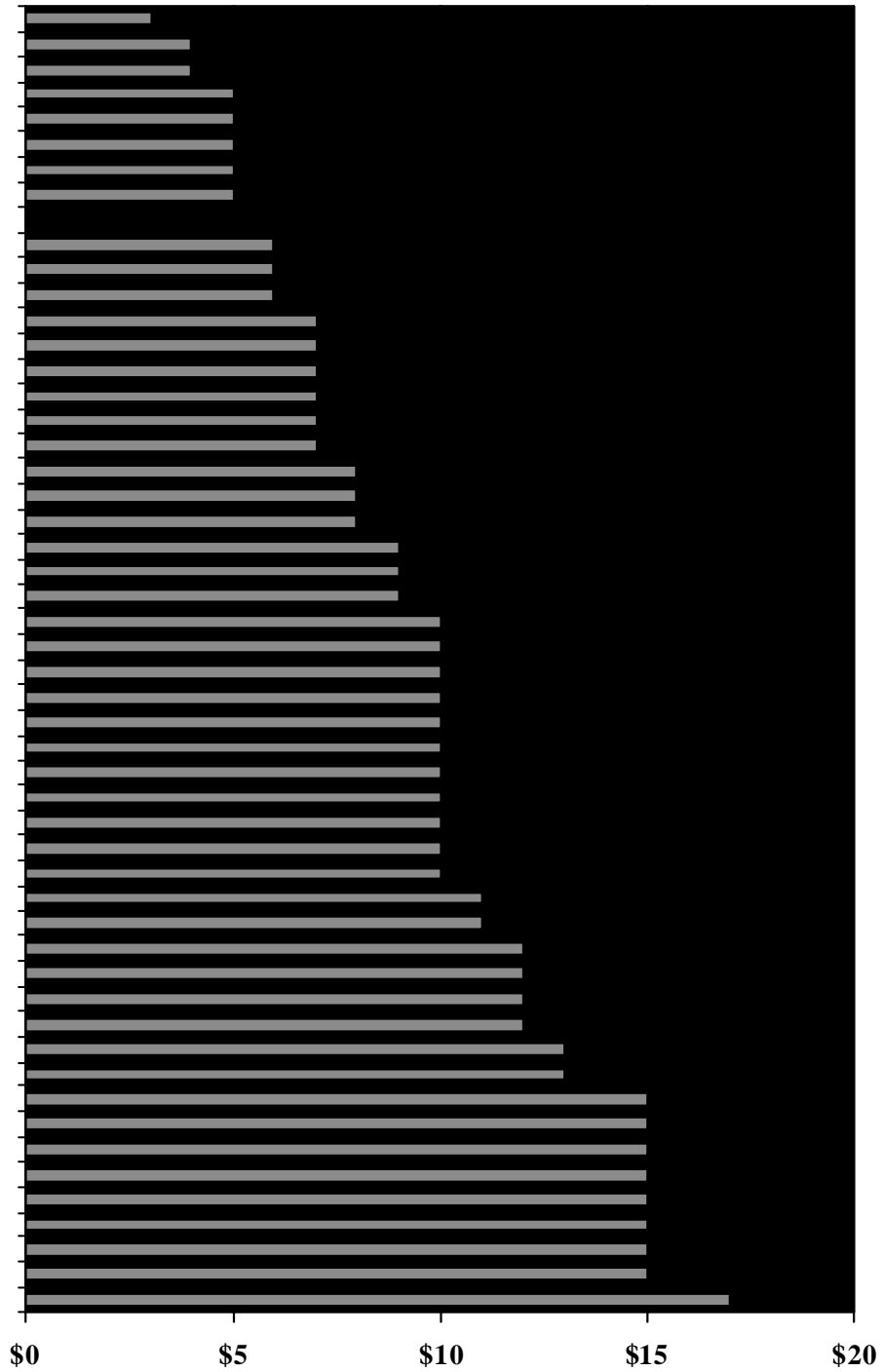
Fees Charged by State Vital Records Offices for a Certified Copy of a Certificate of Live Birth



Source: Department of Health and Mental Hygiene

Exhibit 4

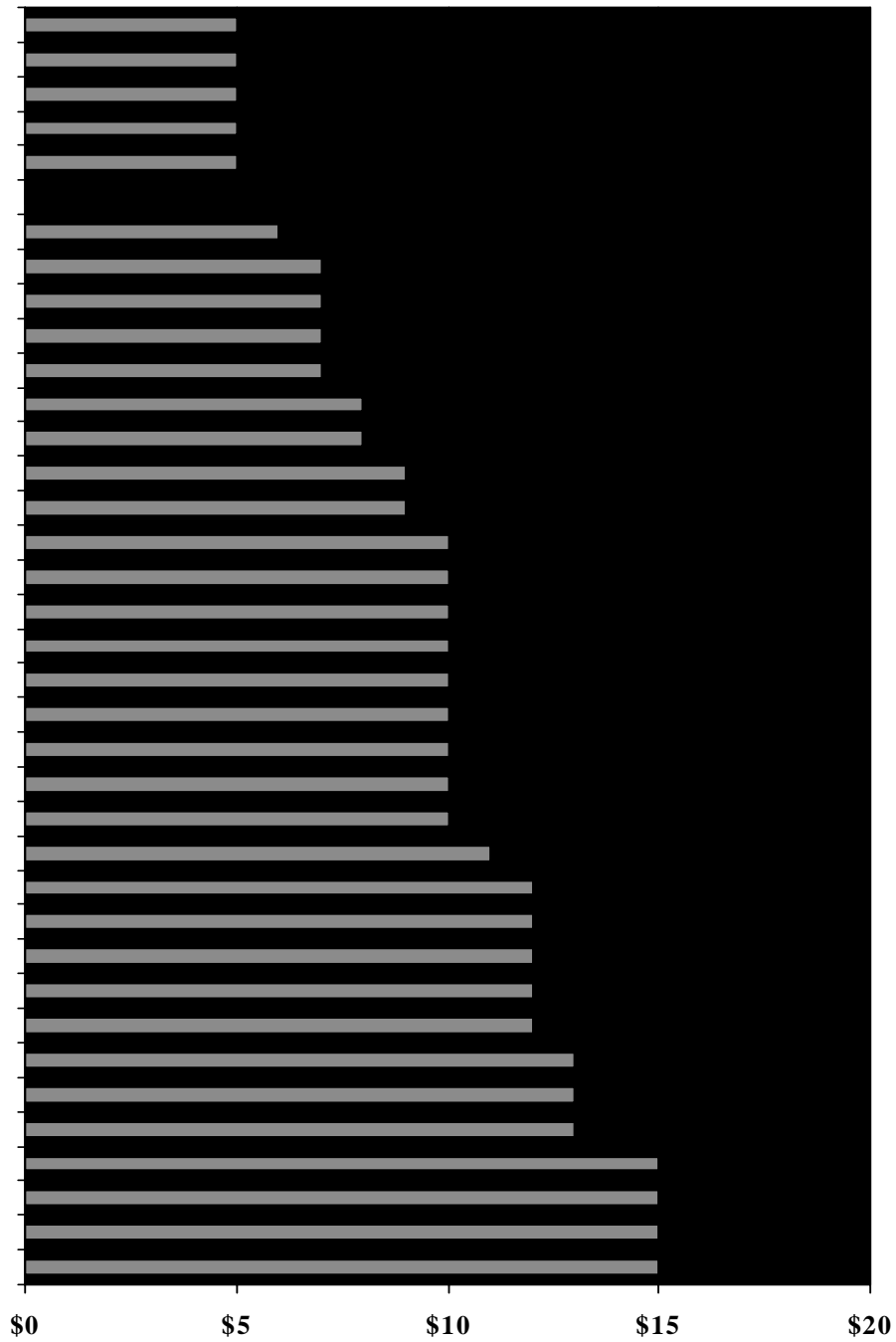
Fees Charged by State Vital Records Offices for a Certified Copy of a Certificate of Death



Source: Department of Health and Mental Hygiene

Exhibit 5

Fees Charged by State Vital Records Offices for a Certified Copy of a Marriage Certificate



Source: Department of Health and Mental Hygiene

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One revenue option is to increase the fees charged by DHMH and collected from local health departments. **The Department of Legislative Services (DLS) recommends that in the Budget Reconciliation and Financing Act of 2003, the \$6 fee charged by DHMH be doubled to \$12, and that the \$4 fee collected from local health departments if they process and issue a birth certificate or a report concerning a files search be increased to \$10.** The result would be an increase in general fund revenue of an estimated \$3.75 million.

A second option is to expand the range of fees that are currently charged. Currently, no charge is made for processing adoptions, foreign adoptions, legitimations, adjudication of paternity, affidavit of parentage, divorce verification, and changes to certificates. Again, as shown in **Exhibit 6**, many other states do charge for these services. **DLS recommends that in the Budget Reconciliation and Financing Act of 2003 a fee equal to the fees charged for other vital records (revised or otherwise) be charged for such services.** Based on current record requests, such an expansion of fees could yield an additional \$600,000 to \$1,200,000 (assuming changes to certificates made within one year continue to be done free of charge and depending on if a higher fee is charged).

Exhibit 6

**Special Registration Services Provided by the Division of Vital Records
at No Charge to Customers and Range of Fee Charges by Other Jurisdictions**

<u>Service</u>	<u>Number Processed in 2002</u>	<u>Fees Charged in Maryland</u>	<u>Range of Fees Charged by Other Jurisdictions</u>
Adoption			
Domestic	1,786	\$0	\$6-\$40
Foreign ¹	410	\$0	\$6-40
Legitimation	472	\$0	\$13-\$40
Paternity adjudication per court order	662	\$0	\$13-\$40
Affidavit of natural parentage	46	\$0	\$13-\$40
Corrections, amendments, and court-ordered changes ²	13,690	\$0	\$6-\$40
Delayed birth certificates	183	\$0	\$40

¹The number of foreign adoptions processed by the Division of Vital Records is likely to increase substantially as a result of legislation that eliminated the requirement for readoption in a Maryland court in order for a Maryland Certificate of Foreign Birth to be prepared.

²Approximately half of all corrections and court-ordered changes are made within one year of filing of a certificate. Most jurisdictions do not charge for changes made within this period.

Source: Department of Health and Mental Hygiene

2. The Health Insurance Portability and Accountability Act of 1996: A Progress Report

For states and all healthcare organizations, the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) establishes uniform transaction and code set requirements; privacy standards; the adoption of unique identifier codes; security and electronic signature standards; and penalties for noncompliance. Compliance is required for programs that include such things as claims submissions and attachments processing; enrollment and eligibility transactions; claims payment and remittance notices; or health care referrals or claims authorization.

Among the areas of DHMH that have to comply with HIPAA are Medicaid (Medicaid Management Information System); as well as non-Medicaid programs in the Mental Hygiene Administration (Hospital Management Information System), Alcohol and Drug Abuse Administration (Substance Abuse Management Information System), Developmental Disabilities Administration (DDA Electronic Billing System), Community and Family Health Administrations, and Laboratories Administration.

As noted above in the discussion of DHMH Administration's MFR, the effectiveness of DHMH's response to HIPAA compliance has varied. Medicaid got a jump-start on HIPAA activities, aided by a generous federal match to assist in HIPAA compliance activities, and appears in timely compliance with current HIPAA requirements. DHMH's non-Medicaid systems have been playing catch-up, a reflection not so much of a lack of awareness of the general problem but rather the availability of funds to fully explore the cost of compliance and remediate/replace system hardware and software. Expenditures related to non-Medicaid systems require 100% State funds.

The timeline for compliance for key HIPAA deadlines is detailed in **Exhibit 7**.

Exhibit 7

Selected HIPAA Compliance Deadlines and DHMH Non-Medicaid Systems Status

HIPAA Compliance Item	Deadline*	DHMH Non-Medicaid Systems Status
Standards for electronic transactions and code sets	Deadline extended from October 2002 to October 2003. Testing to begin by April 2003.	Four systems are affected by this requirement: MHA Hospital Management Information System (HMIS), and billing systems in the Kidney, Children’s Medical Services, and Breast and Cervical Cancer programs. The budget committees recently agreed to release funds from the Major Information Technology Project Development Fund in DBM to meet expenditures related to these systems. HMIS work is currently in testing and expected to be completed by June 2003. An RFP is to be issued in January for off-the-shelf software for the other programs. Installation and testing should begin April 2003 in order to meet October 2003 deadline.
Privacy of individually identifiable health information	April 2003.	DHMH is confident that they will be able to meet privacy standard requirements because they feel State privacy standards are as strong as federal standards. Much of the compliance costs in this area involves printing costs for informed consent forms for example, rather than information technology costs.
Standard unique identifier for employers	July 2004.	DHMH understands the need to comply with this requirement.
Standard unique health care provider identifier	Final rule has yet to be published (expected Spring 2003)	Compliance requirements are undetermined as the final rule has yet to be published.
Security standards for certain electronic identifiable health information of health plans, health care clearinghouses, and certain providers	Final rule has yet to be published (had been expected by end of 2002).	Compliance requirements are undetermined as the final rule has yet to be published. However, compliance in this area is likely to be the most expensive component of overall HIPAA compliance for DHMH.

*Standards are generally required to be implemented within two years of the effective date of the final rule. However, congressional or administrative action can delay implementation of the final rule. For example, congressional action delayed the initial deadline for compliance with transaction and code set requirements by a year, to October 2003. Deadlines vary by size of health care provider. For the sake of simplicity, the deadlines above refer only to DHMH.

Source: DLS; Centers for Medicare and Medicaid Services; DHMH

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Initial estimates of out-year costs to meet HIPAA compliance deadlines were over \$15 million in general funds. As noted in Exhibit 7, the major costs for DHMH are likely to relate to meeting HIPAA security standards. Absent the publication of those specific standards, out-year costs remain unknown. The DBM budget for major information technology projects assumes fiscal 2004 expenditures on DHMH HIPPA-related activities of \$550,000 in non-Medicaid systems and \$1,050,000 in Medicaid systems.

DHMH should be prepared to comment on the department's readiness to meet HIPAA deadlines, and the consequences of failure to do so.

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Delete one position and concomitant funding in the Office of Governmental Affairs. The consolidation of health issues among the standing committees in the Maryland House of Delegates should result in the need for less coverage in this office.	\$ 72,688	GF	1.0
2. Reduce funding for vehicle replacement. While Department of Budget and Management mileage requirements are met, replacement can be deferred.	22,849	GF	
3. Substitute federal funds for general funds. The fiscal 2004 allowance includes federal funds to support three risk communications positions in the Office of Public Relations. The funding is through federal bioterrorism grants. While some additional workload is anticipated, there is some duplication with the work currently done in that office. The reduction is based on utilizing the federal funds to cover other general fund expenditures.	51,000	GF	
4. Reduce the contractual support funding for the Community Services Reimbursement Rate Commission. Chapter 370, Acts of 2002 extended the termination date of the commission, and the fiscal 2003 budget contained funding for four months of contractual support. With its extension, the Department of Health and Mental Hygiene met fiscal 2003 costs through assessments on affected programs. Those programs can similarly cover the increased amount in fiscal 2004.	100,000	GF	
Total General Fund Reductions	\$ 246,537		1.0

Current and Prior Year Budgets

Current and Prior Year Budgets Administration (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$29,828	\$97	\$6,711	\$5,143	\$41,779
Deficiency Appropriation	1,157	0	451	0	1,608
Budget Amendments	-129	36	2,044	-135	1,816
Reversions and Cancellations	-1,844	-53	-450	-508	-2,855
Actual Expenditures	\$29,012	\$ 80	\$8,756	\$4,500	\$42,348
Fiscal 2003					
Legislative Appropriation	\$28,309	\$50	\$7,588	\$4,821	\$40,768
Budget Amendments	52	1,300	5,593	9	6,954
Cost Containment	-959	0	0	0	-959
Deficiency Appropriation	413	0	0	0	413
Contingent Reduction	-35	0	-2	0	-36
Working Appropriation	\$27,780	\$1,350	\$13,180	\$4,830	\$47,140

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

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Fiscal 2002

The fiscal 2002 legislative appropriation for DHMH Administration budgets was increased by \$569,000. Deficiency appropriations approved by the legislature in the 2002 session increased the appropriation by just over \$1.6 million. These comprised of almost \$1.2 million in general funds as a contingency fee payable to Maximus Inc., a consultant working with DHMH to maximize federal revenues, and federal funds of just over \$450,000 to cover expenditures related to emergency and disaster response as a result of the September 11 incidents and to provide for emergency readiness training.

Budget amendments further increased the appropriation by a little over \$1.8 million. This increase was derived as follows:

- General fund decreases of \$129,000 derived from a variety of amendments transferring funds between administrations to cover deficits within DHMH;
- Special fund increases of \$36,000 in the Deputy Secretary for Health Care Financing representing a Packard Foundation grant to assess the needs of children enrolled in the HealthChoice program;
- Federal fund increases of just over \$2 million, primarily derived from higher than anticipated federal indirect cost recoveries; and
- Reimbursable fund reductions of \$135,000, which represented a realignment of Cigarette Restitution Fund expenditures within DHMH.

Increases to the appropriation derived through deficiencies and budget amendments were offset by reversions and cancellations of almost \$2.9 million. This figure includes just over \$1.8 million in general fund cost containment reductions (see the fiscal 2003 operating budget analysis for further details), \$53,000 in special fund cancellations, \$450,000 in federal fund cancellations, and \$508,000 in reimbursable fund cancellations.

Fiscal 2003

The fiscal 2003 legislative appropriation for DHMH Administration has to date been increased by just over \$6.4 million. Budget amendments increased the appropriation by almost \$7 million. The major increase were:

- \$1.3 million in special funds for E-Samis, funds transferred from ADAA; and
- almost \$5.6 million in federal funds, primarily bioterrorism (almost \$3 million) and emergency preparedness grants (almost \$2.3 million), plus increase federal indirect cost recoveries (\$330,000).

The increase in the legislation appropriation through budget amendments is further increased by a deficiency appropriation before being offset by cost containment actions and contingent reductions (see above for a more detailed discussion of these changes).

M00A01 - DHMH Administration

Appendix 2

Object/Fund Difference Report
DHMH Administration

Object/Fund	FY02 Actual	FY03 Working Appropriation	FY04 Allowance	FY03 - FY04 Amount Change	Percent Change
Positions					
01 Regular	548.80	546.30	530.30	(16.00)	(2.9%)
02 Contractual	19.76	28.77	26.95	(1.82)	(6.3%)
Total Positions	568.56	575.07	557.25	(17.82)	(3.1%)
Objects					
01 Salaries and Wages	\$ 30,559,704	\$ 31,217,540	\$ 30,917,477	(\$ 300,063)	(1.0%)
02 Technical & Spec Fees	634,394	854,611	856,699	2,088	0.2%
03 Communication	1,917,851	1,619,836	2,005,799	385,963	23.8%
04 Travel	578,254	758,459	696,418	(62,041)	(8.2%)
06 Fuel & Utilities	125,252	128,201	84,957	(43,244)	(33.7%)
07 Motor Vehicles	58,888	85,703	76,353	(9,350)	(10.9%)
08 Contractual Services	5,201,224	7,011,748	4,936,621	(2,075,127)	(29.6%)
09 Supplies & Materials	245,580	300,686	309,882	9,196	3.1%
10 Equip - Replacement	449,479	277,463	94,114	(183,349)	(66.1%)
11 Equip - Additional	471,883	1,268,282	1,256,657	(11,625)	(0.9%)
12 Grants,Subsidies,Contr	135,598	2,012,407	86,000	(1,926,407)	(95.7%)
13 Fixed Charges	1,969,291	2,187,854	1,835,076	(352,778)	(16.1%)
Total Objects	\$ 42,347,398	\$ 47,722,790	\$ 43,156,053	(\$ 4,566,737)	(9.6%)
Funds					
01 General Fund	\$ 29,011,828	\$ 28,361,242	\$ 27,079,145	(\$ 1,282,097)	(4.5%)
03 Special Fund	80,197	1,349,900	40,000	(1,309,900)	(97.0%)
05 Federal Fund	8,755,597	13,181,424	12,049,602	(1,131,822)	(8.6%)
09 Reimbursable Fund	4,499,776	4,830,224	3,987,306	(842,918)	(17.5%)
Total Funds	\$ 42,347,398	\$ 47,722,790	\$ 43,156,053	(\$ 4,566,737)	(9.6%)

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.
Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Fiscal Summary
DHMH Administration

<u>Unit/Program</u>	<u>FY02 Actual</u>	<u>FY03 Legislative Appropriation</u>	<u>FY03 Working Appropriation</u>	<u>FY02 - FY03 % Change</u>	<u>FY04 Allowance</u>	<u>FY03 - FY04 % Change</u>
01 Executive Direction	\$ 4,209,372	\$ 4,348,720	\$ 4,357,331	3.5%	\$ 3,662,193	(16.0%)
01 Executive Direction	12,433,408	10,168,510	13,631,963	9.6%	13,404,396	(1.7%)
02 Fiscal Services Administration	5,458,360	6,441,283	5,411,056	(0.9%)	5,483,079	1.3%
03 Information Resources Management Administration	8,289,659	8,201,445	9,484,120	14.4%	8,989,756	(5.2%)
04 General Services Administration	8,198,568	8,179,935	8,154,104	(0.5%)	8,038,602	(1.4%)
05 Major Information Technology Projects	254,633	0	1,300,000	410.5%	0	(100.0%)
01 Executive Direction	2,945,315	2,827,957	4,782,997	62.4%	2,993,741	(37.4%)
01 Executive Direction	558,083	601,219	601,219	7.7%	584,286	(2.8%)
Total Expenditures	\$ 42,347,398	\$ 40,769,069	\$ 47,722,790	12.7%	\$ 43,156,053	(9.6%)
General Fund	\$ 29,011,828	\$ 28,309,334	\$ 28,361,242	(2.2%)	\$ 27,079,145	(4.5%)
Special Fund	80,197	49,900	1,349,900	1583.2%	40,000	(97.0%)
Federal Fund	8,755,597	7,588,222	13,181,424	50.5%	12,049,602	(8.6%)
Total Appropriations	\$ 37,847,622	\$ 35,947,456	\$ 42,892,566	13.3%	\$ 39,168,747	(8.7%)
Reimbursable Fund	\$ 4,499,776	\$ 4,821,613	\$ 4,830,224	7.3%	\$ 3,987,306	(17.5%)
Total Funds	\$ 42,347,398	\$ 40,769,069	\$ 47,722,790	12.7%	\$ 43,156,053	(9.6%)

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.