

M00M
Developmental Disabilities Administration
 Department of Health and Mental Hygiene

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Approp.</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03 - 04</u> <u>Change</u>	<u>FY 03 - 04</u> <u>% Change</u>
General Funds	\$339,843	\$376,297	\$401,698	\$25,401	6.8%
FY 2003 Cost Containment	0	-20	0	20	
Contingent & Back of Bill Reductions	0	-64	-329	-266	
Adjusted General Funds	\$339,843	\$376,214	\$401,369	\$25,155	6.7%
Special Funds	11,120	4,038	3,185	-853	-21.1%
Adjusted Special Funds	\$11,120	\$4,038	\$3,185	-\$853	-21.1%
Federal Funds	124,833	143,300	156,504	13,204	9.2%
Contingent & Back of Bill Reductions	0	-1	-9	-8	
Adjusted Federal Funds	\$124,833	\$143,300	\$156,495	\$13,195	9.2%
Reimbursable Funds	511	580	451	-128	-22.2%
Contingent & Back of Bill Reductions	0	0	-1	-1	
Adjusted Reimbursable Funds	\$511	\$580	\$450	-\$129	-22.3%
Adjusted Grand Total	\$476,306	\$524,131	\$561,499	\$37,368	7.1%

- The fiscal 2004 allowance contains \$16.2 million to increase the wages and benefits of direct service workers employed by community providers.
- Funding for community services increases \$24 million in the fiscal 2004 allowance. The increase is the result of annualization of prior year placements, new placements for individuals on the waiting list, and deinstitutionalization of 13 current Rosewood Center residents.

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

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Personnel Data

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working</u>	<u>FY 04</u> <u>Allowance</u>	<u>Change</u>
Regular Positions	1,459.20	1,346.45	1,307.45	-39.00
Contractual FTEs	59.41	92.12	92.66	0.54
Total Personnel	1,518.61	1,438.57	1,400.11	-38.46

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	50.60	3.87%
Positions Vacant as of 12/31/02	103.70	7.70%

- The elimination of 39 vacant positions, primarily in direct care assistance at the State residential centers, reduces the fiscal 2004 allowance \$1.4 million.

Analysis in Brief

Major Trends

Emphasis on Community Placements Continues: Continuing deinstitutionalization efforts combined with the expansion of community services through the waiting list initiative have reduced the percentage of clients served by the Developmental Disabilities Administration (DDA) in the State's four residential centers.

Waiting List Placements Continue through Fiscal 2003: The waiting list initiative, designed to serve everyone on the waiting list for community services as of January 1, 1998, will have provided services to an additional 5,977 individuals by the end of fiscal 2003. As a result of this initiative, the number of people served in the community has increased 27% over the last five years.

Issues

Deinstitutionalization Efforts Reduce Populations at State Residential Centers: As the average daily census has decreased, the cost of operating and maintaining each of the State's residential centers has grown disproportionate to the number of people served. In fiscal 2004, an estimated 413 of more than 22,000 people served by DDA will reside in one of the State residential centers at a cost of \$66 million. Although the institutionalized population represents less than 2% of the population served by DDA, these centers represent 12% of the DDA budget.

Conclusion of the Waiting List Initiative: The waiting list initiative officially continues through the end of fiscal 2003, serving approximately 6,000 individuals. The fiscal 2004 allowance essentially extends the waiting list initiative through a sixth year, providing for a similar amount of expansion of community residential, day, and support services.

Commitment of Forensic Clients to Rosewood Center: Rosewood Center is the only of the State residential centers to accept new clients, all of which are referred to the center by order of the court. At the end of fiscal 2002, the forensic population included 46 residents, more than 20% of all individuals served at Rosewood Center. The size of this population has raised concerns for the safety of other residents and staff.

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Recommended Actions

	<u>Funds</u>
1. Add budget bill language requiring the Department of Health and Mental Hygiene to submit to the budget committees a plan to close one of the State’s residential centers for the developmentally disabled in fiscal 2005.	
2. Delete funding for grants to nongovernmental programs.	\$ 261,037
3. Delete funding to increase compensation for community direct service workers.	16,170,674
4. Reduce funding for expansion of community services under the waiting list initiative.	6,939,260
Total Reductions	\$ 23,370,971

Updates

Department of Legislative Services’ Audits: Audits of Brandenburg and Rosewood Centers disclosed deficiencies in collections and inventory practices.

Fiscal 2002 Cost Containment: As part of a strategy to reduce the DDA fiscal 2002 appropriation by \$4.8 million for cost containment, the administration proposed retaining the January 1, 2002, Supplemental Security Income cost-of-living increase for contribution to care. The General Assembly enacted an emergency measure prohibiting the administration from retaining the increase for cost containment.

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Department of Health and Mental Hygiene

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 and which is likely to continue indefinitely. Examples include autism, blindness, cerebral palsy, deafness, epilepsy, mental retardation, and multiple sclerosis. The Developmental Disabilities Administration (DDA) provides direct services to these individuals in four State residential centers and through funding of a coordinated service delivery system that supports the integration of these individuals into the community. Goals of the administration include:

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

Performance Analysis: Managing for Results

Managing for Results data in **Exhibit 1** reflect the priority DDA has placed on integrating individuals with developmental disabilities into community life. The emphasis on community placement has been reinforced by the Supreme Court's ruling on *L.C. v. Olmstead* (119 S.Ct. 2176). The court ruled that, according to the Americans with Disabilities Act, no person may be required to live in an institution if able to live in the community with appropriate support. DDA accelerated the process of deinstitutionalization in response to the court's ruling, though the administration had been moving individuals from the State residential centers to the community for nearly 20 years. As Exhibit 1 shows, the average daily census at the State residential centers is expected to decline by 171 individuals from fiscal 1999 to 2004, a 29% reduction. The census at the State residential centers is distributed among four centers, spreading costs over a dwindling population. As discussed further in Issue 1, this shift has caused the average cost of institutionalizing individuals in the State residential centers to increase 52% over the last five years.

Exhibit 1

Managing for Results Data Fiscal 1999 through 2004

	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	FY 99 – 04
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Est.</u>	<u>Annual</u>
							<u>Change</u>
<i>State Residential Centers:</i>							
Average daily census	584	548	508	466	435	413	-7%
Average cost per resident	\$104,943	\$115,511	\$128,809	\$141,345	\$152,383	\$159,019	9%
<i>Community Services:</i>							
Community residential services	4,207	4,305	4,407	4,514	4,804	4,847	3%
Individuals served	17,401	18,281	19,060	20,261	21,082	22,020	5%
Percentage of individuals served in the State residential centers	3.25%	2.91%	2.60%	2.25%	2.02%	1.84%	-11%

Source: Maryland Operating Budget

The waiting list initiative is another reflection of the State's priority on increasing community placement. The initiative, designed to provide a service to everyone on the waiting list for community services as of January 1, 1998, will have provided services to an additional 5,977 individuals by the end of fiscal 2003. As a result of this initiative and the process of deinstitutionalization, the number of people served in the community has increased 27% over the last five years, to an estimated 22,020 people in fiscal 2004. The combination of efforts has reduced to less than 2% the proportion of individuals served by DDA in the State residential centers.

Fiscal 2003 Actions

Cost containment reductions in DDA total \$84,445 in fiscal 2003. The majority of fiscal 2003 cost containment, \$64,445, is realized through the reversion of appropriations to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2003. The remainder, \$20,000, is attributable to a reduction in travel and training.

Governor's Proposed Budget

The fiscal 2004 allowance for DDA increases \$37.3 million over the fiscal 2003 working appropriation, an increase of 7%. The growth, detailed in **Exhibits 2** and **3**, is primarily attributable to increases in community services for community direct service wages, annualization of prior year placements, and fiscal 2004 community placements.

Exhibit 2

Developmental Disabilities Administration Budget Growth
Fiscal 2002 through 2004
(\$ in Thousands)

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working Approp.</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03 – 04</u> <u>% Change</u>
Program direction	\$4,884	\$4,727	\$4,654	-2%
Community services	405,480	453,181	491,510	8%
<i>State Residential Centers</i>				
Rosewood	36,678	36,615	36,993	1%
Facilities Maintenance	76	0	0	0
Holly	16,067	16,331	16,045	-2%
Potomac	9,049	9,098	8,782	-3%
Brandenburg	4,073	4,243	3,855	-9%
Subtotal	\$65,943	\$66,287	\$65,675	-1%
Subtotal	\$476,306	\$524,195	\$561,838	7%
Transit		-64		
Deferred compensation			-339	
Total	\$476,306	\$524,131	\$561,499	7%

Source: Maryland Operating Budget

Exhibit 3

**Governor’s Proposed Budget
Developmental Disabilities Administration
(\$ in Thousands)**

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Approp.</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03 - 04</u> <u>Change</u>	<u>FY 03 - 04</u> <u>% Change</u>
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Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$1,969
Turnover adjustments	674
Elimination of deferred compensation match.....	-316
Reduction in leave payouts and reclassifications	-462
39 abolished positions	-1,421
Workers’ compensation premium assessment	-1,634
Other adjustments.....	17

Community Services

Second year of the initiative to increase the wages of community direct service workers, per Chapters 109 and 110, Acts of 2001	16,171
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Where It Goes:

Annualization of fiscal 2003 community services placements.....	7,605
Expansion of community services through placements from the waiting list	6,939
Transitioning youth services	5,259
Emergency placements	3,117
Deinstitutionalization of 13 Rosewood Center residents.....	1,348
Community cost containment, namely reduction of reimbursement to community providers for day program absences	-700
Fiscal 2003 base adjustments, including higher-than-anticipated utilization of less costly services and federal fund reductions.....	-1,050

Institutions and Administration

Contract nursing service at Rosewood Center	356
Reduction in contractual turnover expectancy	297
Fuel and utilities	-187
Other adjustments.....	-614

Total **\$37,368**

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

Personnel Expenses

The fiscal 2004 allowance reduces funding for personnel expenses \$1.2 million below the fiscal 2003 working appropriation. The decrease is driven by a \$1.6 million reduction in the administration’s workers’ compensation premium assessment, overstated in previous years. The elimination of 39 vacant positions, primarily in direct care assistance at the State residential centers, further reduces the allowance by \$1.4 million. The fiscal 2004 allowance also includes smaller across-the-board reductions, including the elimination of the appropriation for matching employee deferred compensation contributions, contingent on legislation, and a reduction in salary adjustments and reclassifications. These reductions are offset by increases in health insurance premiums and a reduction in turnover expectancy.

Direct Care Wage Increase

The largest increase in the fiscal 2004 allowance provides for wage increases for direct care workers employed by community providers. Concern that direct care workers working in the community were not being compensated at the rate of employees in State residential centers led to the development of an initiative to eliminate the wage disparity. Chapters 109 and 110, Acts of 2001 require the Department of Health and Mental Hygiene (DHMH) to increase rates of reimbursement for community service providers

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to eliminate the wage disparity over a five-year period. The legislation further requires all increases in rates of reimbursement be used to directly increase compensation for direct care workers. In fiscal 2003, the first year of the initiative, DDA estimates that the average hourly wage and fringe benefits of community direct service workers will increase 8% from \$11.22 to \$12.10. The fiscal 2004 allowance provides for a similar increase in wages at a total cost of \$16 million.

Community Services

Independent of the wage initiative, funding for community services increases \$24 million in the fiscal 2004 allowance. The increase is the result of annualization of prior year placements, new placements for individuals on the waiting list, and deinstitutionalization of 13 current Rosewood Center residents.

Approximately 900 people began receiving DDA community services in fiscal 2003. The total cost of these placements, made throughout the course of the fiscal year, will not be realized until fiscal 2004, when services are provided for an entire year. Annualization of these prior year community placements accounts for \$7.6 million of the fiscal 2004 increase in community services. The allowance also provides for the following new community placements in fiscal 2004:

- ***Transitioning Youth:*** This program funds supported employment and day services for students with developmental disabilities graduating from the school system. Eligibility for these services is independent of the severity of the individual's situation or the need for immediate service. An additional 412 individuals will be served by the \$5.3 million in the allowance for these services in fiscal 2004.
- ***Emergencies:*** The allowance provides \$3.1 million for emergency residential, day, and support services. The funds will serve individuals in immediate need of service due to the severity of their condition or health of their caregiver. DDA expects nearly 260 individuals will require care on an emergency basis in fiscal 2004.
- ***Waiting List Placements:*** Despite significant increases in recent community placements, the current waiting list for community services includes nearly 10,000 individuals. The fiscal 2004 allowance provides \$6.9 million to reduce the size of the waiting list by extending day, residential, and support services to nearly 600 individuals.
- ***Deinstitutionalization:*** The allowance provides \$1.3 million to move 13 individuals from Rosewood Center to the community. The deinstitutionalization of these current residents will offset fiscal 2004 anticipated admissions.

Increases in community service funding are partially offset by measures to contain costs, namely initiation of a policy that reduces reimbursement to community providers for consumer absences from day programs. In addition, the allowance decreases \$0.6 million due to changes to fiscal 2003 base calculations as more individuals were served with less costly support services than anticipated.

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State Residential Centers

Funding for the State's four residential centers decreases \$0.6 million in fiscal 2004, primarily because of the elimination of vacant staff positions. Funding increases only at Rosewood Center, which continues to accept court-ordered admissions. The increase is due to retention of a contract nursing service to provide temporary coverage due to staff shortages caused by vacations and sick leave, offset by an anticipated reduction in utility costs at each of the centers in fiscal 2004.

Issues

1. Deinstitutionalization Efforts Reduce Populations at State Residential Centers

The process of deinstitutionalization has encouraged the integration of individuals with developmental disabilities into community life. The emphasis on community placement has been reinforced by the Supreme Court's ruling on *L.C. v. Olmstead* (119 S.Ct. 2176). The court ruled that, according to the Americans with Disabilities Act, no person may be required to live in an institution if able to live in the community with appropriate support. DDA accelerated the process of deinstitutionalization in response to the court's ruling, though the administration had begun moving individuals from the State residential centers to the community over the last 20 years.

Individuals in State residential centers are considered ready to move to the community with appropriate supports unless the individual is court-committed to remain at the State residential center or chooses to do so. The community's ability to provide the appropriate support, not the severity of the disability, determines whether an individual is considered for community placement. Placements are prioritized by the desire of the individual to move to the community, the impact on building consolidation, and an individual's need to be served in a smaller environment. Considerations also include family preferences, geographic location, required physical accommodations, and the maintenance of personal relationships.

The Cost of Deinstitutionalization

The number of people served by DDA in the State residential centers has declined as the State has moved the majority of people served in the centers to community-based residential settings. The emphasis on community placements has been underscored by recent initiatives to expand community services. As a result, fewer than 2% of people served by DDA in fiscal 2004 will reside in the State residential centers. As **Exhibit 4** shows, an estimated 413 individuals will reside in one of the State's residential centers in fiscal 2004. Despite the small numbers, DDA continues to operate four residential centers: Rosewood Center in Owings Mills, Holly Center in Salisbury, Potomac Center in Hagerstown, and Brandenburg Center in Cumberland.

Exhibit 4

State Residential Center Trends
Fiscal 1999 through 2004
(\$ in Thousands)

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	%
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Est.</u>	<u>Est.</u>	<u>Change</u>
<i>Rosewood Center</i>							
Average daily census	278	255	236	227	223	215	-23%
Average cost per resident	\$125	\$139	\$154	\$162	\$164	\$172	37%
Budget	\$34,864	\$35,352	\$36,319	\$36,678	\$36,615	\$36,993	6%
<i>Holly Center</i>							
Average daily census	161	154	144	128	118	113	-30%
Average cost per resident	\$90	\$99	\$112	\$126	\$138	\$142	58%
Budget	\$14,451	\$15,314	\$16,074	\$16,067	\$16,331	\$16,045	11%
<i>Potomac Center</i>							
Average daily census	101	96	86	75	68	62	-39%
Average cost per resident	\$83	\$92	\$104	\$121	\$134	\$142	70%
Budget	\$8,421	\$8,843	\$8,968	\$9,049	\$9,098	\$8,782	4%
<i>Brandenburg Center</i>							
Average daily census	44	43	42	36	26	23	-48%
Average cost per resident	\$81	\$88	\$97	\$113	\$163	\$168	108%
Budget	\$3,551	\$3,792	\$4,074	\$4,073	\$4,243	\$3,855	9%
Total							
Average daily census	584	548	508	466	435	413	-29%
Average cost per resident	\$105	\$116	\$129	\$141	\$152	\$159	51%
Budget	\$61,287	\$63,300	\$65,435	\$65,867	\$66,287	\$65,675	7%

Source: Maryland Operating Budget

As the average daily census has decreased, the cost of operating and maintaining each of the State's residential centers has grown disproportionate to the number of people served. In fiscal 2004 an estimated 413 of more than 22,000 people served by DDA will reside in one of the State residential centers at a cost of \$66 million. Although the institutionalized population represents less than 2% of the population served by DDA, these centers represent 12% of the DDA budget. These facilities no longer achieve the economies of scale that they once did. Although the census at the State residential centers has decreased nearly 30% in just the last five years, the budget for these facilities has increased 7% over the same amount of time.

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Although the average cost of serving an individual in the State residential centers exceeds the cost of community placement, the State has realized few savings from the process of deinstitutionalization. Variable costs at the State residential centers have been nearly eliminated; as a result, fixed costs are distributed among increasingly fewer residents, driving significant increases in average cost per resident. The average cost for community placement will continue to be less expensive relative to State residential center placement, even for many of the centers with more medically complex residents, as average institutional costs continue to rise.

State Residential Center Consolidation

The census has declined by an average of 34 individuals annually at the State residential centers for each of the last five years. The average number of people annually leaving the State residential centers exceeds the current census at Brandenburg Center and is equivalent to 55% of Potomac Center's estimated fiscal 2004 census. As reductions occur and the census continues to decline, the opportunity to close a State residential center increases. Reductions in census, especially at small centers, do not necessarily result in reductions in personnel. One of few opportunities to reduce costs among the State residential centers is to close one or more of the facilities.

The administration has closed seven facilities since 1981, most recently Great Oaks Center in Silver Spring in 1996. The cost of serving people in the facilities was applied toward the cost of community services for those displaced, as were profits from the sale of surplus land. With the small number of residents at Brandenburg Center, it would be possible to relocate each of the current residents to the community over the course of one year without accelerating the rate of deinstitutionalization. A process of targeted deinstitutionalization would both continue the State compliance with the Olmstead decision and reduce the cost of providing residential services.

DHMH should comment on future plans to close or consolidate one or more of the currently-operated State residential centers.

2. Conclusion of the Waiting List Initiative

The waiting list initiative began in fiscal 1999 to serve everyone on the DDA waiting list for community services as of January 1, 1998. The five-year initiative will meet its goal by the end of fiscal 2003, serving approximately 6,000 individuals at a cumulative cost of nearly \$500 million. The fiscal 2004 allowance essentially extends the waiting list initiative through a sixth year, providing for a similar amount of expansion of community residential, day, and support services.

As detailed in **Exhibit 5**, expansion of community services in fiscal 2004 increases at a rate similar to that under the waiting list initiative. DDA will provide an estimated 1,470 services in fiscal 2004, greater than the number served in three of five years of the waiting list initiative. The increase partially reflects an effort to provide support services, less costly than residential or day services, to an increasing number of individuals and families. Support services, which include respite care, transportation assistance, and structural modifications, such as wheelchair ramps, will be extended to an estimated 600 families in fiscal 2004.

Exhibit 5

Waiting List Initiative Placements Fiscal 1999 through 2004

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Transitioning youth	315	275	275	275	275	412
<i>Emergencies</i>						
Residential	160	100	80	60	40	70
Day	272	115	95	75	55	70
Support	180	180	180	180	180	192
<i>Waiting List</i>						
Residential	250	150	150	150	150	136
Day	300	200	200	200	200	190
Support	1,425	485	485	485	485	400
Total Services	2,902	1,505	1,465	1,425	1,385	1,470

Source: Department of Health and Mental Hygiene

Fiscal 2004 expansion responds to an increasing demand for community services. The number of people on the waiting list since the initiative began in fiscal 1999 has not declined as anticipated; rather, it has grown each year as the initiative has brought attention to the availability of DDA services. The waiting list initiative has also encouraged families to request services for individuals at an earlier age, in anticipation of their child's future needs.

As of January 1, 2003, the number of individuals waiting for DDA services totaled 9,697. Of this number, 3,583 individuals currently receive one or more DDA-funded services. **Exhibit 6** reflects the growth in applications for community services. Applications for services have exceeded the number of new placements, resulting in continued growth in the size of the waiting list. Although community placements have increased 21% in the last four years, applications for services have more than doubled in the same amount of time. After increasing for many years, however, DDA anticipates that the number of applications for community services will decrease in fiscal 2003.

DHMH should comment on trends in applications for community services and plans to maximize the number of people served.

Exhibit 6

**Applications for and Provisions of Community Services
Fiscal 1999 through 2003**

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Applications	2,363	2,795	3,054	3,590	2,460
Waiting list placements	2,177	980	960	940	920
Total receiving community services	17,401	18,281	19,060	20,261	21,082
Number on waiting list at beginning of fiscal year	2,597	2,997	3,640	6,823	8,720

Source: Department of Health and Mental Hygiene

3. Commitment of Forensic Clients to Rosewood Center

The process of deinstitutionalization has significantly reduced the average daily census at the State residential centers; however, the rate of decline has been less pronounced at Rosewood Center, the largest of the State facilities. Rosewood Center is the only of the State residential centers to accept new clients, all of which are referred to the center by order of the court. At the end of fiscal 2002, the forensic population included 46 residents, more than 20% of all individuals served at Rosewood Center. The center has been admitting an average of 15 court-ordered individuals each of the last six years, detailed in **Exhibit 7**, which has compromised attempts to reduce the census.

Exhibit 7

**Rosewood Center Average Daily Census
Fiscal 1999 through 2004**

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Admissions	7	13	24	18	15	13
Discharges	29	30	40	35	15	17
Average daily census	278	255	236	227	223	215

Note: Numbers may not sum due to the timing of admissions and discharges.

Source: Maryland Operating Budget

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The incorporation of this population into the census at Rosewood Center has created safety concerns for other Rosewood residents, staff, and neighbors of the facility. The forensic residents at Rosewood Center, deemed not competent or not criminally responsible by the court, are nonetheless considered dangerous to themselves or others. Criminal charges include murder, sex offenses, assault, theft, and arson. In addition to exhibiting aggressive and violent behavior many court-ordered residents have co-occurring mental health or addictions problems, resulting in elevated levels of assault, increased use of restraint, and allegations of abuse.

Several issues arise from the commitment of court-ordered individuals to Rosewood Center. Among the most pressing:

- Shared space at Rosewood Center increases the likelihood of incidents between residents. Bathrooms, bedrooms, and dining areas are currently configured to accommodate several residents, requiring additional staff supervision to prevent assault between residents. Such incidents are a threat to residents and staff as well as increase the average length of stay for a court-ordered client.
- The cottages at Rosewood Center do not include features sufficient to provide security for the forensic population. There are no barriers or fences containing the Rosewood property. Several schools are located adjacent to Rosewood Center and an outstanding proposal would locate another school on surplus Rosewood property. Additional security measures would lessen the threat to the community.
- Current facilities are insufficient to segregate violent or aggressive residents from the rest of the community. Failure to do so threatens the security of the residents and jeopardizes Medicaid reimbursement for failure to provide a safe living environment.

Current living arrangements require additional staff resources and ultimately compromise the Rosewood Center's ability to provide a safe living and working environment.

In response to these concerns, the Governor has included \$0.6 million in the fiscal 2004 capital budget allowance for planning for renovation of the two cottages in which the forensic population lives. The project would renovate and expand Roberts and Jackson cottages to accommodate clients in single bedrooms and private bathrooms. The project would also reconfigure units to house a smaller number of people, reducing the size of the common areas and lessening the possibility of unsupervised contact between residents. Out-year plans also include installation of new plumbing and electrical systems, security features, and external improvements.

DHMH should brief the committees on the commitment of court-ordered individuals to Rosewood Center, the effect on the census, and current safety measures for residents, staff, and community residents.

Recommended Actions

1. Add the following language:

Provided that the Department of Health and Mental Hygiene submit to the budget committees a report identifying one of the State residential centers for the developmentally disabled for closure in fiscal 2005. The report shall include plans for providing services to residents of the State residential center in the community or an alternate State facility. The report shall also include options for alternate uses of the State residential center identified for closure.

Explanation: The process of deinstitutionalization has reduced the average daily census at the four State residential centers operated by the Developmental Disabilities Administration to an estimated 413 residents in fiscal 2004. The cost of operating and maintaining each of the State’s residential centers has grown disproportionate to the small number served. Closing one of the State’s residential centers, two of which serve fewer than 100 residents, is consistent with the Supreme Court’s Olmstead decision and one of few opportunities to reduce costs in State residential services.

Information Request	Author	Due Date
Report detailing plans for closure of one of the State’s residential centers	DHMH	November 15, 2003

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	<u>Amount Reduction</u>	
2. Delete grant funding for Special Olympics and Best Buddies International, a nonprofit organization that pairs developmentally disabled individuals with high school and college students. This action would delete a \$36,037 grant to Special Olympics and a \$225,000 grant to Best Buddies International. The activities of these organizations are not central to the administration’s mission. Furthermore, the State provides \$285,227 for Best Buddies International through the Maryland State Department of Education’s Funding for Educational Organizations.	\$ 261,037	GF
3. Delete funding for the second year of the initiative to increase compensation for community direct service workers. The State does not have the financial capacity to expand at the rate proposed in fiscal 2004. This initiative should be deferred until the State’s financial situation improves.	11,157,765	GF
	5,012,909	FF
4. Reduce funding for expansion of community services under the waiting list initiative. This action would still leave funding for expansion of transitioning youth and emergency services. Further expansion is not affordable given the State’s current financial situation.	4,500,000	GF
	500,000	SF
	1,939,260	FF
Total Reductions	\$ 23,370,971	
Total General Fund Reductions	\$ 15,918,802	
Total Special Fund Reductions	\$ 500,000	
Total Federal Fund Reductions	\$ 6,952,169	

Updates

1. Department of Legislative Services' Audits

The Department of Legislative Services' (DLS) Office of Legislative Audits periodically conducts audits of agency financial transactions, records, and internal controls to evaluate compliance with applicable State laws, rules, and regulations. An audit of transactions from July 1998 to November 2001 at Brandenburg Center resulted in a finding that physical inventories were not conducted in accordance with the Department of General Services' *Inventory Control Manual*. An inventory of all equipment was not conducted during fiscal 2001 and inventories of sensitive equipment were not conducted in fiscal 1999 and 2000. The last inventory of equipment, including sensitive equipment, was completed in fiscal 1998. DHMH responded to the audit by completing a physical inventory of all equipment last spring.

An audit of transactions from July 1999 to January 2002 at Rosewood Center disclosed several deficiencies, many of which DLS commented on in previous reports. Findings included:

- Proper internal controls were not established over the processing of purchasing and disbursement transactions.
- Reconciliations disclosed that the center's client fund balance exceeded the State Comptroller's records by \$28,953, and controls over certain client fund withdrawals were inadequate.
- Equipment records were not adequately maintained and the results of physical inventories were not reconciled with the corresponding detail records.
- Other significant internal control and record keeping deficiencies were noted with respect to materials and supplies, accounts receivable, and cash receipts.

Rosewood Center has concurred with the recommendations to rectify the deficiencies disclosed in the audit and has developed a plan of correction that addresses the findings.

2. Fiscal 2002 Cost Containment

As part of a strategy to reduce the DDA fiscal 2002 appropriation by \$4.8 million for cost containment, the administration proposed retaining the January 1, 2002, Supplemental Security Income cost-of-living increase for contribution to care. Since 1995 DDA had used the cost-of-living increases to increase individuals' personal needs allowance. The cost containment measure, expected to generate \$279,889 in cost saving, would have been used to offset costs for room and board.

The General Assembly enacted an emergency measure prohibiting the administration from retaining the Supplemental Security Income cost-of-living increase for cost containment. The measure also made provisions for the administration to borrow funds from the Waiting List Equity Fund, a special fund to provide funding for deinstitutionalization and other individuals eligible for community services, for

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fiscal 2002 cost containment. The administration reimbursed the fund, as required by law, with fiscal 2003 general funds appropriated for individual support services. The transfer represents 1% of the budget for these services and did not result in a reduction in services provided relative to fiscal 2002.

Current and Prior Year Budgets

Current and Prior Year Budgets Developmental Disabilities 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	\$344,203	\$9,119	\$124,944	\$587	\$478,853
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	456	2,603	80	0	3,139
Reversions and Cancellations	-4,817	-601	-191	-77	-5,686
Actual Expenditures	\$339,843	\$11,121	\$124,833	\$511	\$476,306
Fiscal 2003					
Legislative Appropriation	\$376,297	\$4,038	\$143,300	\$580	\$524,215
Budget Amendments	-84	0	-1	0	-85
Working Appropriation	\$376,214	\$4,038	\$143,299	\$580	\$524,131

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

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Fiscal 2002

Adjustments to the fiscal 2002 general fund appropriation resulted in a \$0.5 million net increase due to budget amendments authorizing the following transactions:

- \$0.2 million increase due to inability to draw down the anticipated amount of federal funds;
- \$0.1 million increase to compensate for unfunded positions;
- \$0.1 million transfer from the Deputy Secretary to the administration for the cost of the fiscal 2002 annual salary review for nurses; and
- \$0.2 million reduction due to increased turnover expectancy.

Smaller adjustments totaling \$0.2 million were made to provide funds to the Henryton Center, increase funding for clothing and linens at the State residential centers, and redistribute surplus funds budgeted for health insurance. Cost containment reduced the fiscal 2002 general fund appropriation by \$4.8 million. Reductions were made in the following areas:

- \$0.1 million of reductions in administration;
- \$3.2 million of reductions to contractual services in the community services budget; and
- \$1.5 million of reductions in personnel expenses and supplies at the State residential centers.

The fiscal 2002 special fund appropriation increased \$2.6 million due to an increase of \$0.9 million for the unspent dedicated purpose account attainment from prior years. The increase also included an additional \$1.6 million transfer from other agencies within DHMH for prior year grant activity. The transfer of surplus prior year grant funds covered deficits relating to an ongoing contract dispute litigated by a service provider and an inability to recover funds from a provider that declared bankruptcy. These increases were partially offset by recovery of utility costs from supported employment programs at Rosewood Center.

The fiscal 2002 federal fund appropriation reflects a deficiency appropriation for September 11, 2001, overtime costs at direct care facilities.

Fiscal 2003

The fiscal 2003 general fund appropriation reflects the reversion of appropriations to support free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2003.

**Object/Fund Difference Report
DHMH - Developmental Disabilities Administration**

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 – FY 04 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1459.20	1346.45	1307.45	-39.00	-2.9%
02 Contractual	59.41	92.12	92.66	0.54	0.6%
Total Positions	1518.61	1438.57	1400.11	-38.46	-2.7%
Objects					
01 Salaries and Wages	\$ 63,032,503	\$ 62,933,631	\$ 62,036,233	-\$ 897,398	-1.4%
02 Technical & Spec Fees	2,829,498	3,560,245	3,863,465	303,220	8.5%
03 Communication	424,928	420,637	433,794	13,157	3.1%
04 Travel	66,384	87,378	62,162	-25,216	-28.9%
06 Fuel & Utilities	1,278,830	2,235,645	2,048,171	-187,474	-8.4%
07 Motor Vehicles	245,271	223,265	268,055	44,790	20.1%
08 Contractual Services	404,845,552	451,136,882	489,919,517	38,782,635	8.6%
09 Supplies & Materials	2,621,046	2,659,311	2,617,192	-42,119	-1.6%
10 Equip - Replacement	329,147	281,602	186,295	-95,307	-33.8%
11 Equip - Additional	48,450	36,746	14,650	-22,096	-60.1%
12 Grants, Subsidies, Contr	246,437	284,612	47,812	-236,800	-83.2%
13 Fixed Charges	248,440	355,253	341,019	-14,234	-4.0%
14 Land & Structures	90,000	0	0	0	0.0%
Total Objects	\$ 476,306,486	\$ 524,215,207	\$ 561,838,365	\$ 37,623,158	7.2%
Funds					
01 General Fund	\$ 339,842,647	\$ 376,297,240	\$ 401,698,370	\$ 25,401,130	6.8%
03 Special Fund	11,120,194	4,037,949	3,184,816	-853,133	-21.1%
05 Federal Fund	124,833,125	143,300,431	156,504,024	13,203,593	9.2%
09 Reimbursable Fund	510,520	579,587	451,155	-128,432	-22.2%
Total Funds	\$ 476,306,486	\$ 524,215,207	\$ 561,838,365	\$ 37,623,158	7.2%

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

Fiscal Summary
DHMH - Developmental Disabilities Administration

<u>Unit/Program</u>	<u>FY02 Actual</u>	<u>FY03</u>		<u>FY03 Working Appropriation</u>	<u>FY02 - FY03 % Change</u>		<u>FY03 - FY04 % Change</u>	
		<u>Legislative Appropriation</u>	<u>Working Appropriation</u>		<u>FY02 - FY03 % Change</u>	<u>FY03 - FY04 % Change</u>		
01 Program Direction	\$ 4,884,194	\$ 4,747,114	\$ 4,747,114	\$ 4,747,114	-2.8%	\$ 4,653,930	-2.0%	
02 Community Services	405,479,714	453,181,351	453,181,351	453,181,351	11.8%	491,509,508	8.5%	
01 Rosewood Center	36,678,291	36,615,305	36,615,305	36,615,305	-0.2%	36,992,762	1.0%	
01 Facilities Maintenance	75,801	0	0	0	-100.0%	0	0%	
01 Holly Center	16,066,880	16,330,893	16,330,893	16,330,893	1.6%	16,045,399	-1.7%	
01 Potomac Center	9,048,860	9,097,794	9,097,794	9,097,794	0.5%	8,781,887	-3.5%	
01 Joseph D. Brandenburg Center	4,072,746	4,242,750	4,242,750	4,242,750	4.2%	3,854,879	-9.1%	
Total Expenditures	\$ 476,306,486	\$ 524,215,207	\$ 524,215,207	\$ 524,215,207	10.1%	\$ 561,838,365	7.2%	
General Fund	\$ 339,842,647	\$ 376,297,240	\$ 376,297,240	\$ 376,297,240	10.7%	\$ 401,698,370	6.8%	
Special Fund	11,120,194	4,037,949	4,037,949	4,037,949	-63.7%	3,184,816	-21.1%	
Federal Fund	124,833,125	143,300,431	143,300,431	143,300,431	14.8%	156,504,024	9.2%	
Total Appropriations	\$ 475,795,966	\$ 523,635,620	\$ 523,635,620	\$ 523,635,620	10.1%	\$ 561,387,210	7.2%	
Reimbursable Fund	\$ 510,520	\$ 579,587	\$ 579,587	\$ 579,587	13.5%	\$ 451,155	-22.2%	
Total Funds	\$ 476,306,486	\$ 524,215,207	\$ 524,215,207	\$ 524,215,207	10.1%	\$ 561,838,365	7.2%	

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