

D26A07
Department of Aging

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$5,317	\$5,363	\$5,528	\$211	\$5,429	-\$99
Contractual Services	122	188	253	131	145	-108
Grants	41,088	48,452	41,519	431	40,896	-623
Contingent & Back of Bill Reductions	0	0	0	0	-100	-100
Adjusted Grand Total	\$46,527	\$54,003	\$47,300	\$773	\$46,370	-\$930
General Funds	21,346	22,221	20,721	-625	20,637	-84
Contingent & Back of Bill Reductions	0	0	0	0	-100	-100
Adjusted General Funds	\$21,346	\$22,221	\$20,721	-\$625	\$20,537	-\$184
Special Funds	221	247	286	65	258	-28
Federal Funds	24,961	31,535	26,293	1,332	25,575	-718
Adjusted Grand Total	\$46,528	\$54,003	\$47,300	\$772	\$46,370	-\$930
Annual % Change		16.1%	-12.4%		-2.0%	

- From fiscal 2002 to 2004, the budget grew by \$773,000. General funds decreased by \$625,000 mostly in the Senior Care, Congregate Housing, Home Delivered Meals, and Congregate Meals programs. Federal funds increased by \$1.3 million due to the expansion of the Medicaid Waiver for Older Adults program.
- From fiscal 2004 to 2005, the budget decreases by \$930,000, with a decrease of \$184,000 in general funds for internal cost containment in various programs and a decrease of \$718,000 in federal funds due to the halt in expansion of the Medicaid Waiver for Older Adults program and the expiration of the federal grant for the Alzheimer's project.
- Fiscal 2005 is the second consecutive year that the total appropriation decreases.

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

For further information contact: Deepa Bhattacharyya

Phone: (410) 946-5530

Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	57.0	51.0	56.0	-1.0	56.0	0.0
Contractual FTEs	8.0	12.0	7.0	-1.0	7.0	0.0
Total Personnel	65.0	63.0	63.0	-2.0	63.0	0.0

Vacancy Data: Regular Positions

Turnover Expectancy	1.61	2.88%
Positions Vacant as of 12/31/03	4.00	7.14%

- From fiscal 2002 to 2004, the number of regular positions decreased by one, and the number of contractual positions decreased by one.
- There are no personnel changes in the fiscal 2005 allowance.

Analysis in Brief

Major Trends

Maryland Department of Aging Continues Successful Performance: Despite substantial cost containment actions during fiscal 2004 and reductions in funding for fiscal 2004 and 2005, the Maryland Department of Aging continues to meet or exceed its key goals and objectives.

Issues

Medicaid Waiver for Older Adults Program: The Medicaid Waiver for Older Adults program is closed to new enrollees. The program is capped at current participation figures. The program has experienced difficulties in the recruitment of and timely reimbursement to service providers. Upon the recommendations of an independent consultant, a new web-based tracking system is being implemented to resolve many of the difficulties. The tracking system will be linked to a new database that should be operational before the end of fiscal 2004.

D26A07 - Department of Aging

Recommended Actions

	<u>Funds</u>
1. Reduce funds for senior centers by \$100,000 consistent with the Governor's budget.	\$ 100,000
Total Reductions	\$ 100,000

D26A07 - Department of Aging

D26A07
Department of Aging

Operating Budget Analysis

Program Description

The Department of Aging (MDOA) is responsible for administering community-based care programs and services to the elderly, evaluating the service needs of the elderly, and determining whether public and private resources meet these needs. The Maryland Aging Network is made up of MDOA and the local Area Agencies on Aging (AAAs). With input from the local AAAs, seniors, and caregivers, the department establishes priorities for meeting the needs of the elderly and advocates for those needs. MDOA's key goals are to:

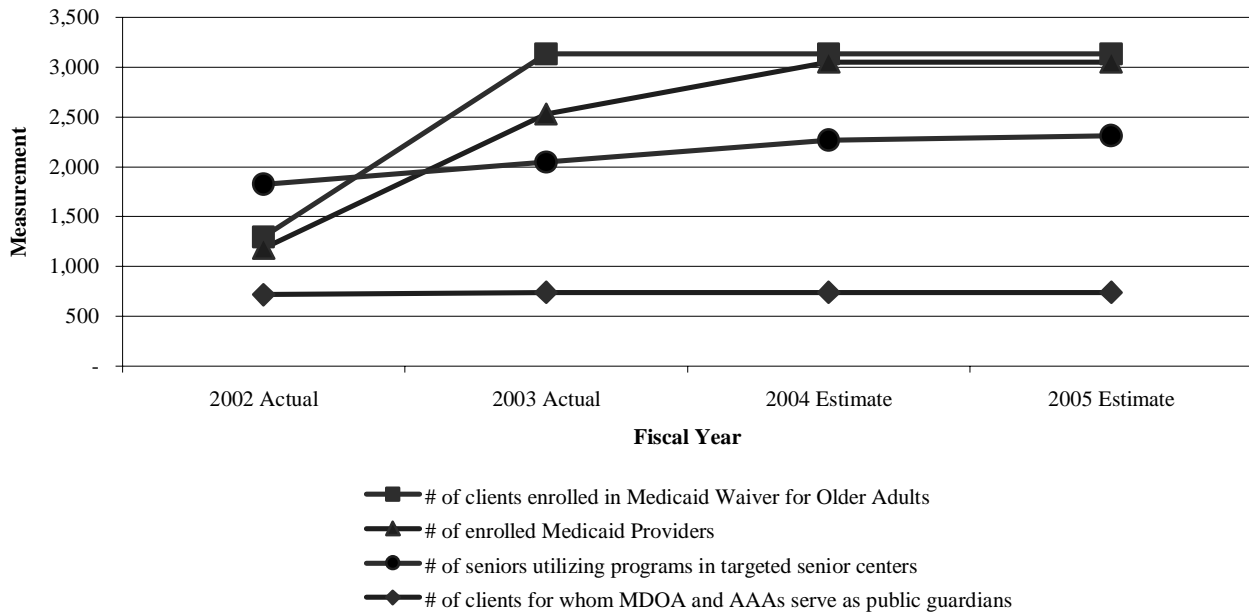
- enable seniors who are served by the Aging Network to be maintained in the most appropriate and safest living arrangements within the community for as long as possible;
- ensure that vulnerable seniors served by the Aging Network are treated with dignity and, to the extent possible with available resources, protected against abuse, exploitation, and consumer fraud;
- provide seniors and caregivers served by the Aging Network expanded choices in services, vendors, and activities;
- enhance the quality and quantity of nutrition, health education, physical fitness, and socialization activities offered by the Aging Network; and
- promote the well being of seniors by providing a broad range of employment opportunities.

Performance Analysis: Managing for Results

As shown in **Exhibit 1**, MDOA anticipates continued success in its programs, despite budget reductions since fiscal 2003.

While full expansion of the Medicaid Waiver for Older Adults program would include 5,135 participants, given the budget reductions since fiscal 2003, MDOA continues to estimate enrollment at 3,135 participants through fiscal 2005. While MDOA has experienced difficulty in recruiting Medicaid providers in the past, the number of enrolled Medicaid providers is expected to increase significantly in fiscal 2004. This is due to a major initiative to improve timely reimbursements to providers. The number of jurisdictions with at least one provider for each Medicaid Waiver program service also continues to rise.

**Exhibit 1
Performance Measurement Data
Department of Aging**



Source: Department of Aging

One key goal of MDOA is to enhance the quality and quantity of activities provided by the Aging Network. The number of seniors utilizing programs in senior centers is on the rise, but the number increases by less than 200 for each year since fiscal 2002.

MDOA has met or exceeded its estimated figures for fiscal 2003. While the actual number of clients enrolled in the Medicaid Waiver program and the actual number of seniors utilizing senior center programs met the expected figures for fiscal 2003, the actual number of enrolled Medicaid providers exceeded the estimate by 947, and the actual number of clients for whom MDOA and AAAs serve as public guardian also exceeded the estimate by 18. Despite reductions in funding, MDOA has successfully met or exceeded its Managing for Results performance goals and objectives.

A future trend within MDOA will be to work to provide services to the growing number seniors in non-English-speaking communities. More in-home programs and educational and outreach activities will be developed in these communities.

MDOA should comment on how it intends to continue to provide valuable services to Maryland seniors despite reductions in funding and how the reductions in funding will affect key services.

Fiscal 2004 Actions

Impact of Cost Containment

As shown in **Exhibit 2**, fiscal 2004 cost containment reduced MDOA's working appropriation by \$1.4 million. General administration grants to local governments were reduced by \$1.3 million, especially in the Medicaid Waiver for Older Adults and Senior Care programs, while the senior centers operating fund was reduced by \$100,000. **MDOA should comment on how these reductions impact services to seniors.**

Exhibit 2 Fiscal 2004 Cost Containment Reductions

<u>Program</u>	<u>Subobject/Subprogram</u>	<u>Reduction</u>
Administration:	Printing and reproduction	\$10,000
	Management studies and consultants	10,000
	Office supplies	7,222
Grants:	Support to MAC*	5,000
	Senior Assisted Group Housing	90,818
	State Ombudsman Funds	188,764
	Senior information and assistance	37,678
	Senior care	309,489
	Public guardianship	12,374
	IT grant	69,721
	State Medicaid Waiver (case management)	412,755
	Innovations in aging	172,500
Senior Centers:	Operating funds	100,000
Total Cost Containment Reductions		\$1,426,321

* MAC is the local AAA for Dorchester, Somerset, Wicomico, and Worcester counties.

Source: Department of Aging

Governor's Proposed Budget

As shown in **Exhibit 3**, out of a total budget of \$46 million, the fiscal 2005 allowance for the Department of Aging decreases by \$930,000, or 2% below the fiscal 2004 working appropriation. Reductions in grants to local AAAs account for the largest decrease of \$723,000. Internal cost containment efforts account for a decrease of \$184,000 in operational costs.

Exhibit 3
Governor's Proposed Budget
Department of Aging
(\$ in Thousands)

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
General Funds	\$22,221	\$20,721	\$20,637	-\$84	-0.4%
Contingent & Back of Bill Reductions	0	0	-100	-100	
Adjusted General Funds	\$22,221	\$20,721	\$20,537	-\$184	-0.9%
Special Funds	\$247	\$286	\$258	-\$28	-9.8%
Federal Funds	\$31,535	\$26,293	\$25,575	-\$718	-2.7%
Adjusted Grand Total	\$54,003	\$47,300	\$46,370	-\$930	-2.0%

Where It Goes:

Personnel Expenses

Increments and other compensation	\$74
Employee and retiree health insurance	78
Workers' compensation premium assessment.....	-86
Turnover adjustments	12
Other fringe benefit adjustments	-100

To maintain seniors within the community for as long as possible

Reduce grants to local AAAs for Medicaid Waiver for Older Adults program	-486
Increase grants to local AAAs for Senior Care program.....	188

To provide seniors expanded choices in services, vendors, and activities

Reduce grants to local AAAs for Information and Assistance program	-94
Reduce grants to local AAAs Innovations on Aging and IT grant programs	-110
Increase grants to local AAAs for Resource Center program.....	52

D26A07 - Department of Aging

Where It Goes:

Other reductions in grants to local AAAs.....	-20
To enhance nutrition, health education, physical fitness, and socialization activities	
Expiration of federal grant for Alzheimer's Disease Demonstration project.....	-253
Operational Expenses	
Decrease in fees for management and staff training and development.....	-52
Reduce contractual services for agency operations.....	-61
Reduce administrative consulting fees due to cost containment efforts.....	-40
Decreased need for replacement office equipment budgeted for in fiscal 2004.....	-12
Decrease in telecommunications, in-state travel, and office supplies and materials ...	-19
Other	-1
Total	-\$930

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

Impact of Cost Containment

A reduction of \$100,000 in general funds for senior centers is contingent upon enactment of legislation reducing the amount to be distributed. The Budget Reconciliation Act of 2004 includes a provision that would permanently reduce the mandated appropriation for senior centers from \$500,000 to \$400,000.

Issues

1. Medicaid Waiver for Older Adults Program

The Medicaid Waiver for Older Adults program is a program to prevent or delay low-income seniors' entry into a nursing home. The program also assists seniors moving from institutions to the community. The Department of Health and Mental Hygiene (DHMH) funds this program, while MDOA administers it. The program currently has 3,135 enrollees and is currently capped at this level of participation. The projected cost for MDOA in fiscal 2005 is \$5,375,705. Because of the current freeze on the planned expansion of the program, general funds in the allowance decrease by \$75,000 from the fiscal 2004 working appropriation, and federal funds decrease by \$411,070. **MDOA should comment on how the reductions in funding have affected this program and how they will continue to affect it.**

Rapid expansion of the program led to some problems in its implementation, including a shortage of providers and untimely reimbursement to providers. A "redesign" committee was convened with representatives from MDOA, DHMH, local AAAs, and advocacy groups. The committee hired an independent consultant that recommended:

- establishing single points of entry for clients and providers;
- delegating many functions to the local level;
- developing an automated eligibility system; and
- increasing staffing.

DHMH entered into a contract with the University of Maryland to develop a web-based tracking system to resolve many of the difficulties with the program. The tracking system will be linked to a new database that should be operational before the end of fiscal 2004. Another major step is to decentralize the waiver program so that local governments are more accountable. MDOA is currently working to educate the public and specialized professionals to more effectively manage this Medicaid program. **MDOA should comment on its efforts to implement the key recommendations for this program and the success of the new system in correcting the problems.**

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funds for senior centers by \$100,000. This action implements a reduction proposed by the Governor reducing funds mandated for this program from \$500,000 to \$400,000.	\$ 100,000	GF
Total General Fund Reductions	\$ 100,000	

Current and Prior Year Budgets

Current and Prior Year Budgets Department of Aging (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2003					
Legislative Appropriation	\$23,700	\$250	\$21,370	\$0	\$45,320
Budget Amendments	0	25	12,472	0	12,497
Cost Containment	-1,181	0	0	0	-1,181
Reversions and Cancellations	-297	-28	-2,307	0	-2,632
Actual Expenditures	\$22,222	\$247	\$31,535	\$0	\$54,004
Fiscal 2004					
Legislative Appropriation	\$22,147	\$232	\$25,980	\$0	\$48,359
Cost Containment	-1,426	0	0	0	-1,426
Budget Amendments	0	54	313	0	367
Working Appropriation	\$20,721	\$286	\$26,293	\$0	\$47,300

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

Fiscal 2003

Cost containment reduced MDOA's fiscal 2003 general fund appropriation by approximately \$1.2 million, of which \$1,000 is from employee transmit costs, \$24,000 is in the Senior Citizens Activities Center Operating Fund, and the remaining amount is in general administration. MDOA's fiscal 2003 federal fund appropriation increased by approximately \$12.5 million. Federal fund budget amendments added funds for senior centers, meals, in-home services, health care, caregiver support, Senior Health Insurance Assistance, Curbing Abuse in Medicare and Medicaid, guardian, information technology, long-term care ombudsman and elder abuse, refugees, Alzheimer's, and insurance counseling programs. Another amendment increased the federal fund appropriation by \$50,000 and the special fund appropriation by \$25,000, to be used to increase access to services for older residents in public housing. Reversions and cancellations from the fiscal 2003 budget included \$297,000 of general funds, most of which was a refund from Area Agencies on Aging for unspent fiscal 2002 grants, \$27,000 in special funds due to turnover, and \$2.3 million in federal funds due to over-budgeting in a fiscal 2003 budget amendment to pay fiscal 2002 costs.

Fiscal 2004

Cost containment reduced the fiscal 2004 appropriation by \$1.4 million. A budget amendment increased the special fund appropriation by \$54,000 to support the Continuing Care Residential Communities program, and it increased the federal fund appropriation by \$314,000 to provide services such as the Resource Center, Curbing Abuse in Medicare and Medicaid, disaster relief, and employment programs.

**Object/Fund Difference Report
Department of Aging**

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	51.00	56.00	56.00	0	0%
02 Contractual	12.00	7.00	7.00	0	0%
Total Positions	63.00	63.00	63.00	0	0%
Objects					
01 Salaries and Wages	\$ 4,568,727	\$ 4,927,703	\$ 4,904,516	-\$ 23,187	-0.5%
02 Technical & Spec Fees	390,234	289,384	237,507	-51,877	-17.9%
03 Communication	84,634	91,251	78,556	-12,695	-13.9%
04 Travel	67,503	62,675	59,947	-2,728	-4.4%
07 Motor Vehicles	2,196	5,069	5,241	172	3.4%
08 Contractual Services	188,372	253,044	144,717	-108,327	-42.8%
09 Supplies & Materials	45,703	42,144	39,050	-3,094	-7.3%
10 Equip - Replacement	54,605	18,835	7,129	-11,706	-62.2%
11 Equip - Additional	1,804	0	0	0	0.0%
12 Grants, Subsidies, Contr.	48,452,373	41,519,091	40,896,082	-623,009	-1.5%
13 Fixed Charges	84,123	85,577	95,390	9,813	11.5%
14 Land & Structures	63,924	5,700	1,500	-4,200	-73.7%
Total Objects	\$ 54,004,198	\$ 47,300,473	\$ 46,469,635	-\$ 830,838	-1.8%
Funds					
01 General Fund	\$ 22,221,771	\$ 20,720,865	\$ 20,636,832	-\$ 84,033	-0.4%
03 Special Fund	247,155	286,232	258,142	-28,090	-9.8%
05 Federal Fund	31,535,272	26,293,376	25,574,661	-718,715	-2.7%
Total Funds	\$ 54,004,198	\$ 47,300,473	\$ 46,469,635	-\$ 830,838	-1.8%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

**Fiscal Summary
Department of Aging**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
01 General Administration	\$ 53,528,698	\$ 47,858,435	\$ 46,900,473	-12.4%	\$ 45,969,635	-2.0%
02 Senior Centers Operating Fund	475,500	500,000	400,000	-15.9%	500,000	25.0%
Total Expenditures	\$ 54,004,198	\$ 48,358,435	\$ 47,300,473	-12.4%	\$ 46,469,635	-1.8%
General Fund	\$ 22,221,771	\$ 22,147,185	\$ 20,720,865	-6.8%	\$ 20,636,832	-0.4%
Special Fund	247,155	231,507	286,232	15.8%	258,142	-9.8%
Federal Fund	31,535,272	25,979,740	26,293,376	-16.6%	25,574,661	-2.7%
Total Appropriations	\$ 54,004,198	\$ 48,358,435	\$ 47,300,473	-12.4%	\$ 46,469,635	-1.8%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.