M00M

Developmental Disabilities Administration

Department of Health and Mental Hygiene

Operating Budget Data

($ in Thousands)

	FY 02	FY 03	FY 04	FY 02-04 Change	FY 05	FY 04-05 Change
Operations	$71,214	$70,071	$70,335	-$880	$72,242	$1,907
Contractual Services	404,846	454,194	482,756	77,910	530,038	47,282
Grants	246	239	48	-199	250	202
FY 2004 Deficiencies	0	0	3,869	3,869	0	-3,869
Contingent & Back of Bill Reductions	0	0	0	0	-347	-347
Adjusted Grand Total	**$476,306**	**$524,504**	**$557,007**	**$80,701**	**$602,182**	**$45,175**
General Funds	339,843	376,089	380,235	40,392	400,161	19,926
FY 2004 Deficiencies	0	0	3,869	3,869	0	-3,869
Contingent & Back of Bill Reductions	0	0	0	0	-336	-336
Adjusted General Funds	**$339,843**	**$376,089**	**$384,104**	**$44,261**	**$399,825**	**$15,721**
Special Funds	11,120	2,637	3,239	-7,881	3,423	184
Federal Funds	124,833	145,324	169,213	44,380	198,518	29,305
Contingent & Back of Bill Reductions	0	0	0	0	-12	-12
Adjusted Federal Funds	**$124,833**	**$145,324**	**$169,213**	**$44,380**	**$198,507**	**$29,293**
Reimbursable Funds	511	454	451	-59	427	-24
Adjusted Grand Total	**$476,306**	**$524,504**	**$557,007**	**$80,701**	**$602,182**	**$45,175**
Annual % Change		**10.1%**	**6.2%**		**8.1%**	

- The administration has been subject to limited cost containment measures since fiscal 2002. Although the Board of Public Works reduced the administration's general fund appropriation by $16.2 million in fiscal 2004, the administration is expected to recoup most of that amount through increased attainment of federal funds.

- A fiscal 2004 general fund deficiency appropriation of $3.9 million would offset the cost of a proposed fee on State intermediate care facilities for the mentally retarded.

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

For further information contact: Suzanne M. Owen Phone: (410) 946-5530

- The fiscal 2005 allowance includes an additional $17.8 million to increase the wages and benefits of direct care service workers employed by community providers.

Personnel Data

	FY 02	FY 03	FY 04	FY 02-04 Change	FY 05	FY 04-05 Change
Regular Positions	1,459.2	1,346.5	1,249.2	-210.0	1,258.2	9.0
Contractual FTEs	59.4	49.3	92.2	32.8	91.2	-1.0
Total Personnel	**1,518.6**	**1,395.8**	**1,341.4**	**-177.2**	**1,349.4**	**8.0**

Vacancy Data: Regular Positions

Turnover Expectancy	44.84	3.59%
Positions Vacant as of 12/31/03	73.90	5.84%

- The administration has lost 210 positions since fiscal 2002 as part of the effort to contain the growth in the size of the State workforce. The administration also remains subject to the hiring freeze for the majority of non-direct care positions.

- The addition of new positions, primarily in the administration's four regional offices, will handle the workload associated with expansion of the Medicaid Home and Community Based Services waiver.

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 in the State's four residential centers.

Waiting List Placements Continue to Increase: The waiting list 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 8,702 individuals by the end of fiscal 2005.

Issues

Smaller Censuses Prompt Discussion of Facility Closure: Fiscal 2004 budget bill language required the department to submit a report to the budget committees identifying one of the State residential centers for closure in fiscal 2005.

Inconsistencies Exist in Wage Initiative Data: Incomplete data have created inconsistencies in survey data reported by the Community Services Reimbursement Rate Commission.

Relocation Likely for Forensic Population at Rosewood Center: A May 2003 escape of a forensic client caused the administration to reconsider the adequacy of current and proposed security measures at Rosewood Center. The department has developed a new proposal to construct a secure facility for court-committed individuals on the grounds of Clifton T. Perkins Hospital Center in Jessup.

Recommended Actions

		Funds
1.	Delete funding for grants to nongovernmental programs.	$ 236,037
2.	Delete funding to increase compensation for community direct service workers.	17,787,741
3.	Reduce funding for expansion of community services.	700,000

4.	Reduce general funds for relocation of individuals from the State residential centers.	1,308,533
	Total Reductions	**$ 20,032,311**

M00M

Developmental Disabilities Administration

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 116 individuals from fiscal 2001 to 2005, a 23% reduction. The census at the State residential centers is distributed among four centers, spreading costs over a dwindling population. This shift has caused the average cost of institutionalizing individuals in the State residential centers to increase almost 40% over the last four years.

Exhibit 1
Program Measurement Data
Developmental Disabilities Administration
Fiscal 2001 – 2005

	Actual 2001	Actual 2002	Actual 2003	Est. 2004	Est. 2005	Ann. Chg. 01-03	Ann. Chg. 03-05
State Residential Centers							
Average daily census	508	466	421	402	392	-9.0%	-3.5%
Average cost per resident	$128,809	$141,345	$155,732	$170,038	$178,440	10.0%	7.0%
Community Services							
Community residential services	4,407	4,514	4,529	4,748	4,824	1.4%	3.2%
Individuals served	19,060	20,261	21,458	22,434	23,424	6.1%	4.5%
Percentage of individuals served in the State residential centers	2.60%	2.25%	1.92%	1.76%	1.65%	-13.9%	-7.5%

Source: Department of Health and Mental Hygiene

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 8,702 individuals by the end of fiscal 2005. As a result of this initiative and the process of deinstitutionalization, the number of people served in the community has increased 23% over the last four years, to an estimated 23,424 people in fiscal 2005. The combination of efforts has reduced to less than 2% the proportion of individuals served by DDA in the State residential centers.

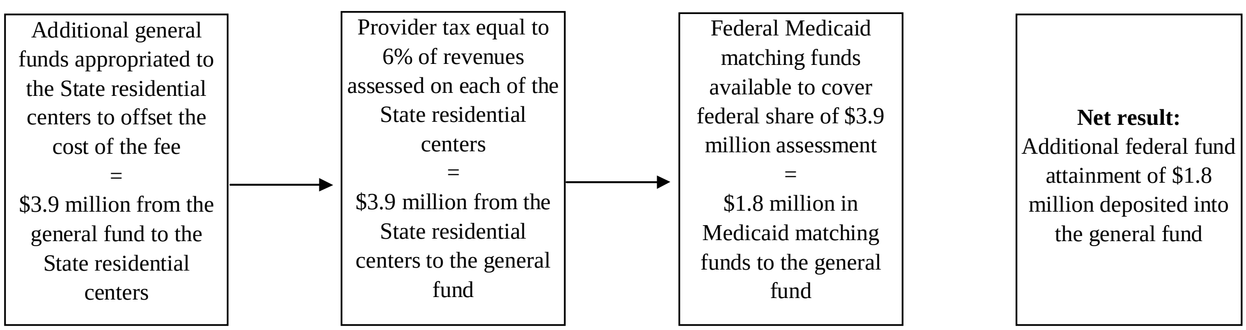
Fiscal 2004 Actions

The fiscal 2004 working appropriation for DDA was reduced by $16.2 million in July 2003 for cost containment. A proposed deficiency appropriation would offset a proposed fee increase at the State residential centers.

Proposed Deficiency

The Department of Health and Mental Hygiene (DHMH) has proposed a fee on all intermediate care facilities for the mentally retarded (ICF-MR). The proposed fee, which amounts to 6% of all operating revenue, applies exclusively to the four State residential centers for the developmentally disabled. The fiscal 2004 general fund deficiency appropriation provides $3.9 million to the centers to offset the cost of the assessment, expected to take effect June 1, 2004. The federal Medicaid program will provide matching funds to cover the federal share of the assessment, an estimated $1.8 million beginning in fiscal 2004. The benefit to the general fund as a result of this fee is detailed in **Exhibit 2**.

Exhibit 2
Proposed ICF-MR Provider Tax



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

Impact of Cost Containment

The administration's fiscal 2004 general fund appropriation was reduced by the Board of Public Works by $16.2 million for cost containment in July 2003. The majority of reductions were made in anticipation of increased federal fund attainment made possible through more aggressive waiver enrollment and expansion of waiver-covered services. Items include:

- an $11.4 million reduction pending expansion of the State's Medicaid waiver. Increased attainment of federal funds results from increasing enrollment in the Medicaid waiver and expansion of waiver services to include individual and family support services. Expanding the waiver to include support services yields indeterminate long-term cost savings, but eligibility for any waiver service qualifies an individual for other more costly waiver-covered services deemed medically necessary.

- a $3.1 million reduction pending reclassification of absences to ‘bed-hold’ days. This change, approved by the Centers for Medicare and Medicaid Services in December 2003, increases federal Medicaid reimbursement for absences retroactive to July 2003.

- an $0.8 million reduction eliminated payments for absences over 35 days for day services. This measure is a continuation of prior cost containment measures and expected to have minimum impact on services currently provided.

- a $0.5 million reduction in funds for operating expenses, with the majority realized from cost savings at the State residential centers. A smaller amount of savings was expected from the budgets for administration and community services.

- a $0.4 million reduction in funds for annualization of fiscal 2003 Waiting List Equity Fund placements. The fund supports the first year of community placement for individuals moving from the State residential centers. A portion of these fiscal 2003 placements were delayed or deferred, reducing the annualized cost in fiscal 2004.

Governor's Proposed Budget

The fiscal 2005 allowance for DDA increases $45.2 million over the fiscal 2004 working appropriation, an increase of 8%. The growth, detailed in **Exhibits 3** and **4**, is primarily attributable to increases in community services for community direct service wages, annualization of prior year placements, and fiscal 2005 community placements.

Exhibit 3
Developmental Disabilities Administration Budget Growth
Fiscal 2003 – 2005

	FY 03 Actual	FY 04 Working Appropriation	FY 05 Allowance	FY 04-05 % Change
Program direction	$4,517,445	$4,567,334	$4,676,146	2.4%
Community services	454,423,643	484,084,755	527,850,682	9.0%
State Residential Centers				
Rosewood	36,258,261	38,616,575	38,817,969	0.5%
Holly	16,170,841	16,709,647	17,455,027	4.5%
Potomac	8,926,826	9,069,084	9,293,304	2.5%
Brandenburg	4,207,164	3,960,028	4,089,003	3.3%
Subtotal	**$65,563,092**	**$68,355,334**	**$69,655,303**	**1.9%**
Total	**$524,504,180**	**$557,007,423**	**$602,182,131**	**8.1%**

Note: Fiscal 2004 working appropriation includes deficiency appropriation, while the fiscal 2005 allowance reflects elimination of deferred compensation matching funds.

Source: Maryland Operating Budget

Exhibit 4
Governor's Proposed Budget
Developmental Disabilities Administration
($ in Thousands)

	FY 03 Actual	FY 04 Approp.	FY 05 Allowance	FY 04-05 Change	FY 04-05 % Change
General Funds	$376,089	$380,235	$400,161	$19,926	5.2%
FY 2004 Deficiencies	0	3,869	0	-3,869	
Contingent & Back of Bill Reductions	0	0	-336	-336	
Adjusted General Funds	**$376,089**	**$384,104**	**$399,825**	**$15,721**	**4.1%**
Special Funds	$2,637	$3,239	$3,423	$184	5.7%
Federal Funds	$145,324	$169,213	$198,518	$29,305	17.3%
Contingent & Back of Bill Reductions	0	0	-12	-12	
Adjusted Federal Funds	**$145,324**	**$169,213**	**$198,507**	**$29,293**	**17.3%**
Reimbursable Funds	$454	$451	$427	-$24	-5.4%
Adjusted Grand Total	**$524,504**	**$557,007**	**$602,182**	**$45,175**	**8.1%**

Where It Goes:

Personnel Expenses

Net fiscal 2004 cost containment and turnover adjustments	$1,079
Increments and other compensation	816
Workers' compensation premium assessment	636
Addition of nine positions to increase enrollment in Medicaid waiver	360
Reclassification of staff transferred to Jessup	194
Overtime earnings	134
Unemployment compensation	87
Social security	-127
Salary reduction to reflect fiscal 2004 position abolitions	-1,934

Other Changes

Third year of the initiative to increase the wages of community direct service workers, per Chapters 109 and 110, Acts of 2001	17,788
Transitioning youth services	6,791

Where It Goes:

Annualization of fiscal 2004 community services placements	5,326
Emergency placements	5,056
Fiscal 2004 base adjustments, namely inflation in community services costs	3,400
Deinstitutionalization of 42 residents of the State residential centers	2,254
Behavioral support services	1,000
Expansion of community services through placements from the waiting list	700
Grant to Best Buddies International	200
Resource coordination for new waiver enrollees	181
Shared services for Rosewood Center at Jessup	150
Replacement equipment	128
Telephone and communications expenses	85
Funding for the Community Services Rate Reimbursement Commission	73
Other operating changes	798
Total	**$45,175**

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

Personnel Expenses

Personnel expenses increase $1.2 million in the fiscal 2005 allowance. Reductions in cost containment and turnover expectancy contribute $1.1 million of the increase, with the inclusion of increments in the Governor's proposed budget adding another $0.8 million. The administration's workers' compensation assessment is also expected to increase $0.6 million, the result of artificially low premiums in fiscal 2004.

The allowance also includes nine new positions at a cost of $0.4 million. The new positions, eight of which will be located at the administration's four regional offices, will handle the increase in workload associated with expansion of the Medicaid Home and Community Based Services waiver. Additional staff, principally auditors and office services clerks, will be responsible for invoices of federal funds and performance audits to ensure that individuals are receiving negotiated services.

The allowance also includes $0.2 million to reclassify Rosewood Center staff transferred to Jessup at a level consistent with Perkins Center staff (See *Issue 3* for additional information on the proposed transfer). Smaller changes to the allowance increase funds for overtime earnings and unemployment insurance assessments. These increases are offset by a $0.1 million reduction in social security contributions and a $1.9 million reduction in salary expenses to reflect the abolition of 97 vacant positions in fiscal 2004.

Direct Care Wage Increase

The largest increase in the fiscal 2005 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 DHMH to increase rates of reimbursement for community service providers to eliminate the wage disparity over a five-year period. The amount of the fiscal 2005 increase, $17.8 million, is greater than in previous years, as 2003 budget reconciliation language deferred 10% of the amount of the scheduled fiscal 2004 increase until fiscal 2005. The initiative is expected to increase the average hourly wage and fringe benefits of community direct services workers 8.5% in fiscal 2005, from $13.01 to $14.12.

Community Services

Independent of the wage initiative, funding for community services increases $25 million in the fiscal 2005 allowance. The increase is the result of annualization of prior year placements, new placements for individuals on the waiting list, and deinstitutionalization of 42 residents of the State residential centers.

Approximately 1,000 people began receiving DDA community services in fiscal 2004. The total cost of these placements, made throughout the course of the fiscal year, will not be realized until fiscal 2005, when services are provided for an entire year. Annualization of these prior year community placements accounts for $5.3 million of the fiscal 2005 increase in community services. The allowance also provides for the following new community placements in fiscal 2005:

- ***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 475 individuals will be served by the $6.8 million in the allowance for these services in fiscal 2005.

- ***Emergencies*****:** The allowance provides $5.1 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 400 individuals will require care on an emergency basis in fiscal 2005.

- ***Waiting List Placements*****:** Despite significant increases in recent community placements, the current waiting list for community services includes more than 11,000 individuals. The fiscal 2005 allowance provides $0.7 million to reduce the size of the waiting list by extending individual and family support services to more than 200 individuals. These placements will be supported with monies from the Waiting List Equity Fund in fiscal 2005.

- ***Deinstitutionalization*:** The allowance provides $2.3 million to move 42 individuals from Rosewood and Potomac Centers to the community. The deinstitutionalization of these current residents will offset fiscal 2005 anticipated admissions at Rosewood Center.

- ***Behavioral Support Services:*** The allowance includes an additional $1.0 million for these services, which include training in behavioral management for providers, additional staff assistance for individuals in crisis, and intermediate respite services for existing community placements. The addition of these funds reflects an increase in demand for these services.

- ***Resource Coordination:*** The allowance includes a $0.2 million expansion for resource coordination, required for all recipients of waiver services under the Medicaid Home and Community Based Services waiver. The increase reflects the expansion of the waiver to include individual and family support services in fiscal 2004.

In addition to these service expansions, the fiscal 2005 allowance provides $3.4 million for inflation in the cost of services currently provided, an increase of less than 1% in the community services budget.

Other Operating Changes

Other changes to the fiscal 2005 allowance include:

- a $0.2 million grant to Best Buddies International to develop on-line pen pal relationships between individuals with and without intellectual disabilities. This grant was deleted by the General Assembly in fiscal 2004 but reappears in the administration's fiscal 2005 allowance.

- $0.15 million for shared services, namely food preparation, related to the relocation of 15 forensic clients from Rosewood Center to a satellite facility located on the grounds of the Clifton T. Perkins Center in Jessup.

- $0.1 million for replacement equipment at the State residential centers. Significant purchases include shower trolleys and electric pallet trucks at Rosewood Center and a stainless steel range hood and a tractor at Holly Center.

The allowance also includes an additional $0.1 million in communications, namely an increase in telephone charges consistent with fiscal 2003 actual spending. The allowance also includes $0.1 million to support the activities of the Community Services Reimbursement Rate Commission.

Impact of Cost Containment

The fiscal 2005 allowance reflects the elimination of $347,298, the appropriation for matching employee deferred compensation contributions up to $600, contingent upon enactment of a provision in budget reconciliation legislation.

Issues

1. Smaller Censuses Prompt Discussion of Facility Closure

It has been the administration's policy to integrate individuals with developmental disabilities into the ordinary life of their communities by providing the resources necessary to support these individuals outside of an institutional setting, a policy supported by Maryland Developmental Disabilities Law. This policy has led to a process of deinstitutionalization that has redirected individuals from the State residential centers for the developmentally disabled to smaller, more integrated community settings.

The administration's emphasis on community placement has been reinforced by the Supreme Court's 1999 ruling on *L.C. & E.W. v. Olmstead* (119 S.Ct. 2176). The court ruled that, according to the Americans with Disabilities Act, individuals must be served in the least restrictive setting appropriate to their needs. The ruling requires states to make reasonable modifications to accommodate the disabled in community settings, without requiring modifications that would fundamentally alter the nature of the services provided. DDA has accelerated the process of deinstitutionalization in response to the Olmstead decision, though it has been a long-standing policy of the administration to serve individuals in the community as circumstances allow.

As a result of deinstitutionalization, the average daily population at the four State residential centers for the developmentally disabled has declined to fewer than 400 residents. The cost of operating and maintaining each of the State's four residential centers has grown disproportionate to the small number served. Closing one of the State residential centers, two of which serve fewer than 100 residents, is consistent with the Supreme Court's Olmstead decision and one of the few opportunities to reduce costs in State residential services.

National Context for Deinstitutionalization

Across the country, states have steadily reduced the number of developmentally disabled individuals served in large institutions. Since 1980, the number of people served in large facilities nationwide has declined two-thirds as the institutionalized population has been redirected to smaller community settings. As detailed in **Exhibit 5**, every state has reduced the number of people served in their large facilities, with nine jurisdictions – Alaska, the District of Columbia, Hawaii, Maine, New Hampshire, New Mexico, Rhode Island, Vermont, and West Virginia – closing their institutions altogether.

The decrease in the number of residents served in large institutional facilities began in the late 1960s as Medicaid legislation excluded residents of facilities with "mental diseases" from federal cost sharing programs. The number of people served in state institutions began to decline, affecting both psychiatric and developmentally disabled residents of these facilities. At the same time, Title XX of the Social Security Act, a social services formula grant program, provided financial incentives for states to create community residential and day programs.

Exhibit 5
Changes in National Institutional Capacity
1980 – 2002

	Number in Large Facilities 1980	Number in Large Facilities 2002	% Census Change 1980 - 2002	Total Large Facilities 2002
Alabama	1,651	506	-69	4
Alaska	86	0	-100	0
Arizona	672	156	-77	1
Arkansas	1,550	1,192	-23	6
California	8,812	3,726	-58	7
Colorado	1,353	102	-93	2
Connecticut	2,944	885	-70	7
Delaware	518	198	-62	1
District of Columbia	775	0	-100	0
Florida	3,750	1,351	-64	7
Georgia	2,535	1,400	-45	8
Hawaii	432	0	-100	0
Idaho	379	110	-71	1
Illinois	6,067	3,160	-48	9
Indiana	2,592	686	-74	6
Iowa	1,225	676	-45	2
Kansas	1,327	376	-72	2
Kentucky	907	607	-33	3
Louisiana	2,914	1,680	-42	9
Maine	460	0	-100	0
Maryland	**2,527**	**434**	**-83**	**4**
Massachusetts	4,531	1,194	-74	6
Michigan	4,888	179	-96	1
Minnesota	2,692	36	-99	1
Mississippi	1,660	1,360	-18	5
Missouri	2,257	1,189	-47	10
Montana	316	120	-62	2
Nebraska	707	394	-44	1

	Number in Large Facilities 1980	Number in Large Facilities 2002	% Census Change 1980 - 2002	Total Large Facilities 2002
Nevada	148	131	-11	2
New Hampshire	578	0	-100	0
New Jersey	7,262	3,365	-54	7
New Mexico	500	0	-100	0
New York	15,140	2,293	-85	55
North Carolina	3,102	1,885	-39	5
North Dakota	1,056	144	-86	1
Ohio	5,045	1,954	-61	12
Oklahoma	1,818	350	-81	2
Oregon	1,724	52	-97	1
Pennsylvania	7,290	1,652	-77	6
Rhode Island	681	0	-100	0
South Carolina	3,043	1,040	-66	5
South Dakota	678	189	-72	1
Tennessee	2,074	820	-60	3
Texas	10,320	5,150	-50	13
Utah	778	231	-70	1
Vermont	331	0	-100	0
Virginia	3,575	1,609	-55	5
Washington	2,231	838	-62	5
West Virginia	563	0	-100	0
Wisconsin	2,151	815	-62	3
Wyoming	473	108	-77	1
U.S. Total	**131,088**	**44,343**	**-66**	**233**

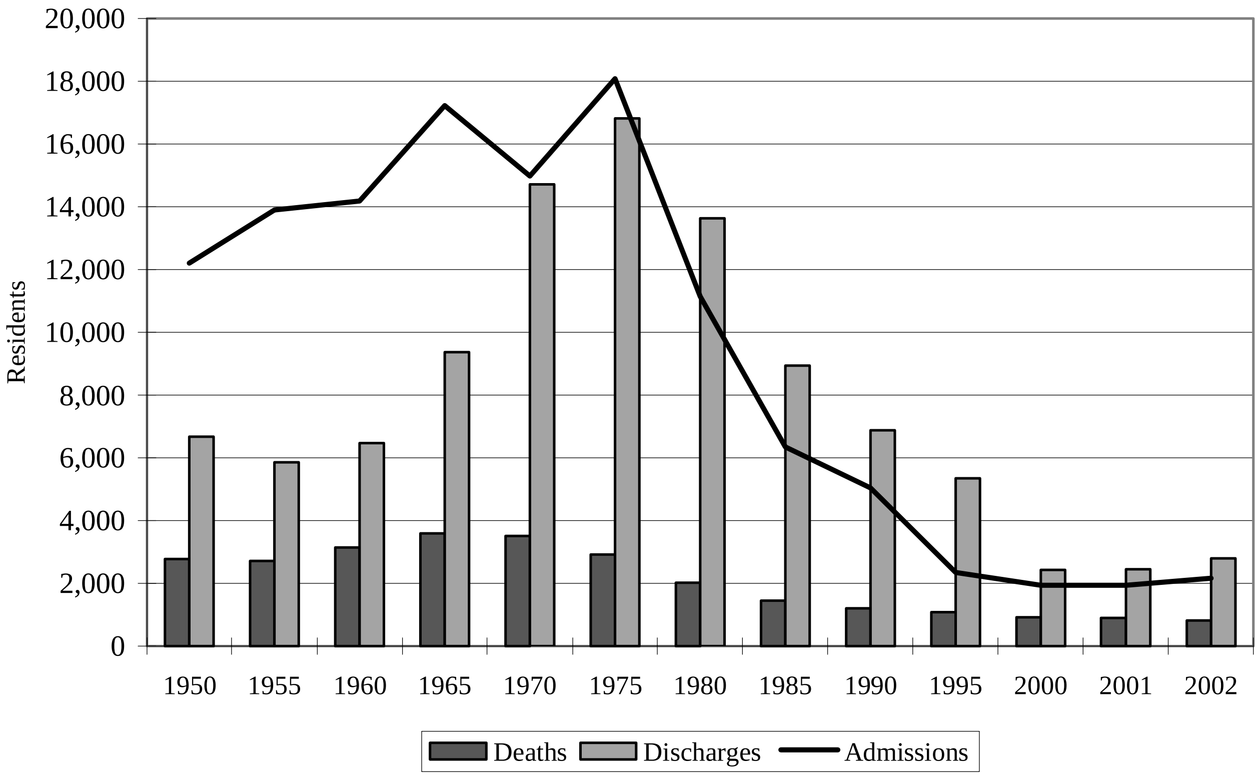
Note: Large facility defined as 16 or more residents.

Source: Residential Services for Persons with Developmental Disabilities: Status and Trends through 2002

The census of state institutions was further affected in the early 1980s as a result of the federal Home and Community Based Services waiver. The waiver provides matching funds to states for services such as case management, supported employment, residential and day habilitation, and physical and behavioral therapy. Greater federal scrutiny of institutional living conditions, encouraged by several successful lawsuits, concurrently led to higher demands on facility staff and resources. The population of developmentally disabled individuals in state institutions declined nearly 40% during the 1980s as states reduced their institutional census in response to these factors.

Today, the institutionalized population continues to decline nationwide, though the rate of reduction has slowed somewhat in recent years as several states have already closed many or all of their residential centers. As displayed in **Exhibit 6**, both discharges from and admissions to large state institutions are currently less than half their 1990 levels. With fewer residents, the cost of institutionalization has increased significantly as fixed costs are averaged among fewer residents. In fiscal 2002 the national average per resident cost for institutionalized care was $125,750.

Exhibit 6
National Movement Patterns in State Institutions
1950 – 2002



Source: Residential Services for Persons with Development Disabilities: Status and Trends through 2002

State Context for Deinstitutionalization

The State of Maryland has significantly decreased the number of State residential centers it operates as well as the number of individuals served in these facilities. The administration previously maintained nine residential centers as well as two buildings on hospital campuses to provide institutional care. Since 1985, the administration has closed five of these residential centers for the developmentally disabled and both hospital-based programs.

Great Oaks Center was the last residential center closed by the administration. Great Oaks Center was identified for closure for a number of reasons, among them escalating costs, staff recruitment and retention difficulties, and allegations of inadequate treatment. At the time closure was announced in December 1994, operating costs were twice that at other residential centers and turnover exceeded 30%.

Great Oaks closed its doors in fiscal 1996. In the last year of operation, 134 individuals were living at Great Oaks Center, the majority of whom were placed in the community in the months immediately prior to closure. Despite concerns that placements would not occur with sufficient time to close the facility in fiscal 1996, the last resident left Great Oaks Center on May 8, 1996. To mitigate the disruption to residents of Great Oaks Center during the transition, the administration worked closely with private providers to improve service coordination and ensure that sufficient funds were available to provide services to individuals in the community.

Many of the employees of Great Oaks Center were able to secure employment in other divisions of the department. Half of the 323 individuals employed at Great Oaks Center at the beginning of fiscal 1996 accepted employment in other areas of the department, 60 of them at Rosewood Center. Many of the 160 employees laid off as a result of the closure were eligible for extended benefits coverage as a result of the State's workforce reduction efforts.

The Board of Public Works declared the 150-acre site surplus property in 1996, allowing for sale of the property in October of that year. The State negotiated the sale of the property to Senior Campus Living for $9.1 million. As required by law, $6.8 million of the purchase price was deposited into the State's Community Services Trust Fund. The remainder of the proceeds was dedicated to development of an alternate site for the University of Maryland's Turfgrass Research Facility, which operated on the grounds of Great Oaks Center.

The Current Status of Services in Maryland

The number of people served by DDA in Maryland's State residential centers has declined 84% since 1980 as the State has moved the majority of people served in the centers to community-based residential settings. As a result of this effort and recent initiatives to increase the availability of community services, fewer than 2% of people currently served by the administration reside in the State residential centers. 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. Changes in census and cost at these facilities are detailed in **Exhibit 7**.

Exhibit 7
State Residential Center Census and Average Cost per Resident
Fiscal 1990 and 2005

	FY 1990	FY 2005
Rosewood Center		
Census	543	207
Average cost per resident	$80,463	$187,526
Holly Center		
Census	186	106
Average cost per resident	$62,456	$164,671
Potomac Center		
Census	122	57
Average cost per resident	$53,593	$163,040
Brandenburg Center		
Census	52	22
Average cost per resident	$46,755	$185,864

Source: Maryland State Budget Fiscal Year 2005, Maryland State Budget Fiscal Year 1992

It is the policy of the administration that all individuals currently residing in State facilities can be served in the community if provided with the correct services. Individuals in the State residential centers are considered ready to move to the community 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 State has developed funding mechanisms that guarantee that monies from the downsizing or closure of State facilities are redirected to the community. Proceeds from the sale of surplus DDA property and equipment are deposited into the Community Services Trust Fund, maintained by the Treasurer. Investment earnings from the fund accrue to the Waiting List Equity Fund, a continuous, non-lapsing fund designed to ensure that the net average cost of providing services in an institutional setting follows individuals to the community. Disbursements from the fund are used to provide services for individuals leaving State residential centers, with excess funds used to reduce the waiting list for community services. In fiscal 2003 an additional 14 people were served with $0.3 million from this fund.

Department Submits Recommendations for Closure

Fiscal 2004 budget bill language required the department to submit a report to the budget committees identifying one of the State residential centers for closure in fiscal 2005. The language also required the department to develop plans to provide services to residents of the center in the community or an alternate State facility. The department used several criteria in assessing the potential impacts of facility closure, falling generally in two categories:

- ***Effect on Residents and Staff:*** Availability of provider and community resources in close proximity to the facility and the availability of alternate employment for displaced staff.

- ***Use of Facilities:*** Effect of closure on other tenants on facility grounds, security and maintenance costs, and potential for sale or redevelopment.

Given these considerations, the department identified Rosewood Center as the best candidate for closure. The report noted the availability of residential providers, medical care, and alternate employment opportunities in the area. Closure of Rosewood Center would also have the greatest potential for maintaining services in close proximity to individuals' families. The report also noted that Rosewood Center is the oldest and most expensive of the facilities to operate and that the facility has the greatest potential for sale or redevelopment.

Rosewood Center currently serves 209 individuals, 50 of whom are referred to the center by order of the court. Due to the nature of the forensic population, plans have been developed to serve these individuals at a more secure facility on the grounds of Clifton T. Perkins Center in Jessup. As these individuals are not candidates for community placement, however, Rosewood Center will need to continue to serve these residents until an alternate facility is constructed. Given this and the estimated $7.5 million cost of closure, the department has recommended postponing indefinitely closure of any of the State facilities.

Both Brandenburg and Potomac Centers, with the small size of their resident populations and overlapping service areas, would appear to be candidates for closure. The department has recommended against immediate closure of either facility, citing relatively low provider capacity, and relatively high unemployment in the Western Maryland area. Based on department estimates, it costs an additional $28,000 to $36,000 annually to serve each resident in these facilities rather than in the community. Although certain costs are associated with facility closure, including relocation of DDA regional offices and possible reductions to federal financial participation payments, the small census and administration position on deinstitutionalization make continued operation of both of these facilities unsustainable in the long-term.

The fiscal 2005 allowance includes $2.3 million to move 42 individuals to the community from the State residential centers. Targeting these dollars to the residents of Brandenburg Center might allow for closure of the facility by fiscal 2006. The center's location on the grounds of the Finan Center would also minimize facility closure expenses, as the structure and property would revert to the Mental Hygiene Administration. Residential services would be available at the Potomac Center, also located in the Western Maryland region, for those who would prefer to continue to be served in a State-run facility.

The department should comment on the feasibility of closing Brandenburg Center through a process of targeted deinstitutionalization in fiscal 2005, including an estimate of the cost of closing the facility. The department should also comment on a reasonable minimum client census threshold for continued operation of a State residential center.

2. Inconsistencies Exist in Wage Initiative Data

DDA provides direct services to individuals with developmental disabilities in four State residential centers and through funding of a coordinated service delivery system of community services. As the State has shifted emphasis to a community-based system, the administration has increasingly become a purchaser, rather than a provider, of services for the developmentally disabled, contracting with private providers to offer services in supported living arrangements and residential settings.

Direct care workers employed by private providers are not compensated according to the State pay scale, creating disparities in wages relative to equivalent State positions. Chapters 109 and 110, Acts of 2001 require DHMH to increase the rate of reimbursement to community providers in order to eliminate the wage disparity over a five-year period. As required by law, the department has collaborated with the Community Services Reimbursement Rate Commission (CSRRC) to survey providers in order to determine the magnitude of the disparity; annual appropriations for the initiative are based on the results of these annual surveys.

Survey Methodology and Results

State law requires private providers to comply with requests for wage survey information and establishes penalties for non-compliance. Private consultants collected the data and followed up with providers as necessary to verify the information provided. Despite these measures, the accuracy of the data is uncertain. Corrections have been made to prior year data, altering the reported increase in wages from fiscal 2002 to 2003. Inconsistencies also exist in the reported data; for instance, significant reductions in the rate of turnover for service workers appear concurrently with reductions in their average length of tenure.

In fiscal 2003 funds were appropriated to resolve 20% of the total disparity amount. The administration estimated that the additional funds would increase the total value of direct care wages and fringe benefits 8%. Data generated by the CSRRC show moderate increases in average wages but relative constancy in the value of fringe benefits. Wage data, detailed in **Exhibit 8**, indicate that the base hourly rate for an aide increased to $9.40 while the base hourly rate for a service worker increased to $9.92. The value of fringe benefits for these employees has remained constant at 20% of annual salary, as measured by the survey.

Exhibit 8
Employment Data for Direct Care Staff Employed by Private Providers
Fiscal 2001 – 2003

	FY 2001	FY 2002	FY 2003	Change FY 02-03
Aide				
Average hourly rate	$8.64	$8.99	$9.40	4.6%
Turnover	48%	45%	42%	-6.7%
Average tenure (in months)	26	39	30	-23.1%
Service Worker				
Average hourly rate	$9.15	$9.43	$9.92	5.2%
Turnover	35%	44%	24%	-45.5%
Average tenure (in months)	29	45	40	-11.1%

Source: Community Services Reimbursement Rate Commission

Inconsistencies Compromise Results

State law requires that all increases in the rate of reimbursement resulting from the wage initiative be used to increase the compensation of community direct care workers. Based on the results of the survey, it is still unclear what percentage of total funds was passed on to direct care staff. The Department of Legislative Services' (DLS) Office of Legislative Audits (OLA) sampled survey results and found 3 of 10 sets of reported salary data showed that wages did not meet DDA hourly minimums. OLA also found that much of the reported data was not substantiated by the administration.

Obtaining timely and accurate information from providers has been a recurring issue in preparing the CSRRC analysis. Many providers responded to the wage survey months after the reporting deadline and only after repeated requests for information. This delay, combined with the need to follow up on inconsistencies in reported data, postponed the commission's analysis of survey results. The administration has reported similar difficulties in collecting fringe benefit data. Inconsistencies in the size and profile of providers responding to survey requests have created irreconcilable differences in certain response results, such as reported tenure and turnover data, making it difficult to draw conclusions across years.

The value of fringe benefits has also been difficult to assess. The initiative was intended to increase compensation of community direct service workers; however, the amount intended for fringe benefits is unclear. Although providers have increased the amount dedicated to benefits, increases in health insurance costs and employee contributions make the value of these increases difficult to quantify. Private providers, in certain instances, have also reported purchasing more cost-efficient health plans than those purchased by the State, making the target unclear.

Of additional concern, it appears that a certain amount of the increase has been provided to employees as a bonus, rather than a salary adjustment, compromising efforts to permanently increase the salaries of direct care service workers.

The wage survey is the only instrument currently available to determine whether funds have been used to increase salaries as intended. The survey is also the only mechanism to determine the amount of the remaining disparity. The Governor's proposed fiscal 2005 budget includes an increase of $17.8 million for direct care wages to lower the disparity to 40% of its original amount. Without verifiable data, the impact of the initiative on direct care compensation and retention can not be adequately quantified.

The department should comment on means to improve accuracy and consistency in provider data. The department should also comment on enforcement of statutory reporting requirements. Given these problems and the State's financial outlook, DLS recommends delaying the next installment of the wage initiative.

3. Relocation Likely for Forensic Population at 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 one of the State residential centers to accept new residents, most of whom are referred to the center by order of the court. The forensic population includes approximately 50 residents, nearly one-quarter of all individuals served at Rosewood Center. The center has been admitting an average of 15 court-ordered individuals each year, compromising attempts to reduce the census.

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.

- The cottages at Rosewood Center do not include features sufficient to provide security for the forensic population. Several schools are located adjacent to Rosewood Center and a proposal under consideration 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.

The fiscal 2004 through 2008 *Capital Improvement Plan* (CIP) included $7.7 million to renovate Roberts and Jackson cottages, housing the facility's forensic residents. Funds were provided to segregate residents in single bedrooms with private bathrooms to reduce contact and the possibility of incident between residents. The project also included funds to install exterior door alarms and secure bathroom fixtures.

A May 2003 escape of a forensic client caused the administration to reconsider the adequacy of current and proposed security measures at Rosewood Center. The department has developed a new proposal to construct a secure facility for court-committed individuals on the grounds of Clifton T. Perkins Hospital Center in Jessup. Perkins Center is a mixed medium- and maximum-security hospital operated by the Mental Hygiene Administration that houses court-ordered individuals found not criminally responsible or incompetent to stand trial due to mental illness. With the move, the department intends to consolidate operations relating to court evaluation.

Construction of a new facility would improve on the security features originally included in the department's fiscal 2004 capital request for renovations at Roberts and Jackson Cottages at Rosewood Center. The department's plans would accommodate clients in single bedrooms and private bathrooms with kitchen and living areas shared among groups of three residents. The dormitory would include maximum-security features such as video-surveillance monitors, electronic locks, personal alarms, and tamper-proof fixtures. These security features would be supplemented by a 950-foot security fence and outdoor security lighting and surveillance. The fiscal 2005 through 2009 CIP includes plans to construct such a 54-bed facility on the campus of the Perkins Center in fiscal 2008.

Pending construction of a new building, the department planned to move up to 15 individuals to an unused building on the Perkins Center campus. The facility would be an extension of the Rosewood Center, licensed as an intermediate care facility for the mentally retarded and staffed by DDA personnel. This plan has been postponed pending a court order that requires these individuals to undergo individual transfer hearings to determine if they may be served in a more restrictive setting. These hearings are anticipated to begin in the coming months.

Certain improvements have been made at Rosewood Center to accommodate the forensic population until these residents can be transferred to a new unit in Jessup. Residents are not allowed unescorted and staff has received additional training in providing care to this population. The administration has also installed a fence around open recreational areas and hired additional security personnel. The fiscal 2005 allowance includes $0.2 million to classify staff transferred to Jessup at levels consistent with staff at Perkins Center. The allowance also includes $0.15 million for shared services, primarily for food services, for residents transferred to Jessup.

The department should comment on the status of the proposed relocation of forensic residents of Rosewood Center.

Recommended Actions

		Amount Reduction	
1.	Delete funding for a $36,037 grant to Special Olympics and a $200,000 grant to Best Buddies International. The General Assembly deleted funding for Best Buddies International in fiscal 2004; this action would maintain efforts to reduce non-essential spending in the State budget.	$ 236,037	GF
2.	Delete funding for the third 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 2005. This initiative should be deferred until the State's financial situation improves.	12,273,541 5,514,200	GF FF
3.	Reduce funding for expansion of community services. Monies for this purpose, available from the Waiting List Equity Fund, should be used to defray the cost of providing community-based services to the estimated 42 individuals moving from the State residential centers in fiscal 2005. This action would still leave funding for expansion of transitioning youth and emergency services.	700,000	SF
4.	Reduce general funds for relocation of individuals from the State residential centers. The Waiting List Equity Fund, designed to provide community-based services for individuals leaving the State residential centers, will have an estimated balance of $608,533 at the end of fiscal 2005 available for this purpose. An additional $700,000 of these funds would be available pending reductions to proposed expansion of community services.	1,308,533	GF
	Total Reductions	**$ 20,032,311**	
	Total General Fund Reductions	**$ 13,818,111**	
	Total Special Fund Reductions	**$ 700,000**	
	Total Federal Fund Reductions	**$ 5,514,200**	

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
Developmental Disabilities Administration
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2003					
Legislative Appropriation	$376,297	$4,038	$143,300	$580	$524,215
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	485	34	3,762	20	4,301
Cost Containment	-693	0	0	0	-693
Reversions and Cancellations	0	-1,435	-1,739	-145	-3,319
Actual Expenditures	**$376,089**	**$2,637**	**$145,324**	**$454**	**$524,504**
Fiscal 2004					
Legislative Appropriation	$396,412	$3,185	$154,693	$451	$554,741
Deficiency Appropriation	3,869	0	0	0	$3,869
Cost Containment	-16,177	0	0	0	-16,177
Budget Amendments	0	54	14,521	0	14,575
Working Appropriation	**$384,104**	**$3,239**	**$169,213**	**$451**	**$557,007**

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

Fiscal 2003

The general fund appropriation increased $0.6 million to cover increased costs associated with Community Supported Living Arrangement Services and provider training, offset by a $0.1 million reduction at the State residential centers due to increased turnover. Cost containment reduced the general fund appropriation by $0.7 million; the majority of cost saving was achieved through the abolition of vacant positions at the State residential centers. The appropriation was further reduced by $25,131 to realign health insurance expenditures among departmental units.

Special funds in the amount of $33,893, generated by leasing space to Wor-Wic Community College, were used to cover the cost of maintenance of those facilities. Special funds were cancelled because reversion of prior year grant funds did not meet expectations.

The federal fund appropriation was increased $3.8 million to recognize higher-than-anticipated attainment of Medicaid revenue for supported employment community services. Federal funds were cancelled as appropriations exceeded actual attainment.

Reimbursable funds were cancelled because DDA did not incur reimbursable fund expenses in fiscal 2003.

Fiscal 2004

Fiscal 2004 cost containment reduced the general fund appropriation $16.2 million. Savings were primarily achieved by increasing federal fund recovery from waiver claims and reclassifying absences in residential services, obviating the need for general funds. The administration increased federal fund recovery by $14.5 million as a result of these measures.

Object/Fund Difference Report
DHMH – Developmental Disabilities Administration

Object/Fund	FY03 Actual	FY04 Working Appropriation	FY05 Allowance	FY04 - FY05 Amount Change	Percent Change
Positions					
01 Regular	1346.45	1249.15	1258.15	9.00	0.7%
02 Contractual	49.32	92.15	91.19	-0.96	-1.0%
Total Positions	**1395.77**	**1341.30**	**1349.34**	**8.04**	**0.6%**
Objects					
01 Salaries and Wages	$ 61,435,764	$ 60,931,497	$ 62,524,794	$ 1,593,297	2.6%
02 Technical & Spec Fees	2,662,400	3,623,773	3,688,348	64,575	1.8%
03 Communication	433,955	333,602	418,364	84,762	25.4%
04 Travel	56,913	36,134	52,936	16,802	46.5%
06 Fuel & Utilities	1,585,500	2,072,880	2,062,828	-10,052	-0.5%
07 Motor Vehicles	298,249	272,235	279,568	7,333	2.7%
08 Contractual Services	454,193,941	482,755,746	530,037,845	47,282,099	9.8%
09 Supplies & Materials	2,683,730	2,578,287	2,486,486	-91,801	-3.6%
10 Equip - Replacement	486,367	147,655	275,319	127,664	86.5%
11 Equip - Additional	101,290	14,650	40,074	25,424	173.5%
12 Grants, Subsidies, Contracts	239,083	47,812	249,797	201,985	422.5%
13 Fixed Charges	326,988	323,982	413,070	89,088	27.5%
Total Objects	**$ 524,504,180**	**$ 553,138,253**	**$ 602,529,429**	**$ 49,391,176**	**8.9%**
Funds					
01 General Fund	$ 376,088,800	$ 380,234,956	$ 400,161,143	$ 19,926,187	5.2%
03 Special Fund	2,636,992	3,238,714	3,423,149	184,435	5.7%
05 Federal Fund	145,323,998	169,213,428	198,518,380	29,304,952	17.3%
09 Reimbursable Fund	454,390	451,155	426,757	-24,398	-5.4%
Total Funds	**$ 524,504,180**	**$ 553,138,253**	**$ 602,529,429**	**$ 49,391,176**	**8.9%**

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

Fiscal Summary
DHMH – Developmental Disabilities Administration

Unit/Program	FY03 Actual	FY04 Legislative Appropriation	FY04 Working Appropriation	FY03 - FY04 % Change	FY05 Allowance	FY04 - FY05 % Change
01 Developmental Disabilities Administration	$ 458,941,088	$ 489,873,789	$ 488,652,089	6.5%	$ 532,581,075	9.0%
02 Rosewood Center	36,258,261	36,530,731	36,430,731	0.5%	38,967,944	7.0%
05 Holly Center	16,170,841	15,854,920	15,763,818	-2.5%	17,528,947	11.2%
07 Potomac Center	8,926,826	8,674,740	8,555,740	-4.2%	9,337,409	9.1%
09 Joseph D. Brandenburg Center	4,207,164	3,805,875	3,735,875	-11.2%	4,114,054	10.1%
Total Expenditures	**$ 524,504,180**	**$ 554,740,055**	**$ 553,138,253**	**5.5%**	**$ 602,529,429**	**8.9%**
General Fund	$ 376,088,800	$ 396,411,566	$ 380,234,956	1.1%	$ 400,161,143	5.2%
Special Fund	2,636,992	3,184,816	3,238,714	22.8%	3,423,149	5.7%
Federal Fund	145,323,998	154,692,518	169,213,428	16.4%	198,518,380	17.3%
Total Appropriations	**$ 524,049,790**	**$ 554,288,900**	**$ 552,687,098**	**5.5%**	**$ 602,102,672**	**8.9%**
Reimbursable Fund	$ 454,390	$ 451,155	$ 451,155	-0.7%	$ 426,757	-5.4%
Total Funds	**$ 524,504,180**	**$ 554,740,055**	**$ 553,138,253**	**5.5%**	**$ 602,529,429**	**8.9%**

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

Appendix 3