

**D26A07**  
**Department of Aging**

***Operating Budget Data***

(\$ in Thousands)

|   | <b><u>FY 04</u></b><br><b><u>Actual</u></b> | <b><u>FY 05</u></b><br><b><u>Working</u></b> | <b><u>FY 06</u></b><br><b><u>Allowance</u></b> | <b><u>FY 05-06</u></b><br><b><u>Change</u></b> | <b><u>% Change</u></b><br><b><u>Prior Year</u></b> |
|---|---|--|--|--|--|
| General Fund                            | \$20,609                                    | \$20,655                                     | \$20,111                                       | -\$543   | -2.6%  |
| Special Fund                            | 285   | 769  | 316  | -453   | -58.9%   |
| Federal Fund                            | 26,432                                      | 25,748                                       | 25,992   | 244  | 0.9%   |
| <b>Total Funds</b>                      | <b>\$47,326</b>                             | <b>\$47,172</b>                              | <b>\$46,420</b>                                | <b>-\$753</b>                                  | <b>-1.6%</b>                                       |
| Contingent & Back of Bill<br>Reductions |   |  | -682   | -682   |  |
| <b>Adjusted Total</b>                   | <b>\$47,326</b>                             | <b>\$47,172</b>                              | <b>\$45,738</b>                                | <b>-\$1,435</b>                                | <b>-3.0%</b>                                       |

- The fiscal 2006 allowance decreases by \$1.4 million, or 3%, from the fiscal 2005 working appropriation. Special funds decrease by 58.9% because in fiscal 2006 hold harmless funds to rural jurisdictions are in general funds, while general funds decrease by only 2.6% and federal funds decrease by 0.9%.
- Contingent reductions for senior centers (\$500,000), appropriations to local area agencies on aging (\$162,725), and deferred compensation contributions (\$19,254) account for \$682,000 of this decrease.

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

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## ***Personnel Data***

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|                        | <b><u>FY 04</u></b>  | <b><u>FY 05</u></b>   | <b><u>FY 06</u></b>     | <b><u>FY 05-06</u></b> |
|------------------------|----------------------|-----------------------|-------------------------|------------------------|
|                        | <b><u>Actual</u></b> | <b><u>Working</u></b> | <b><u>Allowance</u></b> | <b><u>Change</u></b>   |
| Regular Positions      | 56.00                | 56.00                 | 56.00                   | 0.00                   |
| Contractual FTEs       | 14.00                | 6.50                  | 5.50                    | -1.00                  |
| <b>Total Personnel</b> | <b>70.00</b>         | <b>62.50</b>          | <b>61.50</b>            | <b>-1.00</b>           |

### ***Vacancy Data: Regular Positions***

|                                   |      |        |
|-----------------------------------|------|--------|
| Turnover, Excluding New Positions | 1.86 | 3.33%  |
| Positions Vacant as of 12/31/04   | 6.00 | 10.71% |

- The fiscal 2006 allowance contains no changes to the number of regular positions and a reduction of one contractual position in the senior employment program.
- The vacancy rate on December 31, 2004, was 10.71%, which is significantly higher than the budgeted turnover rate. However, there are 2 current vacancies and no positions that have been vacant for longer than 12 months.

## ***Analysis in Brief***

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### **Major Trends**

***Performance Is Declining in Two of the Department's Three Goals:*** Performance is declining in the department's efforts to maintain seniors in the community due to funding decreases. The number of seniors receiving Assisted Living and Congregate Housing services is declining, as well as the percent of Maryland seniors in need of services who are receiving them. The number of participants trained by the senior employment program is also declining due to discontinuation of significant grant funding.

***Flat Performance in Protecting Seniors Against Abuse:*** The number of complaints, including abuse complaints, investigated and closed by Ombudsmen remains relatively flat from fiscal 2003 to the fiscal 2006 estimate. The number of advocacy educational training presentations to the public also remains level.

## Issues

**Fund Distribution Pursuant to the Federal Older Americans Act:** During the 2004 legislative session, the Maryland Department of Aging acted to change the funding formulas by which the department distributes funds to local Area Agencies on Aging under the federal Older Americans Act, in order to provide special considerations to rural jurisdictions. The budget committees adopted narrative expressing their intent that the department continue to allocate these funds based on formulas already in existence prior to the proposed change. In the Budget and Reconciliation and Financing Act of 2004, special funds were made available to hold rural counties harmless for fiscal 2005 and 2006.

## Recommended Actions

|   | <u>Funds</u>    |
|---|-----------------|
| 1. Add language requiring distribution of Older Americans Act funds pursuant to existing formulas and phasing out hold harmless funds with a reduction of \$81,363. |                 |
| 2. Begin phase-out of hold harmless grant supplementing federal Older Americans Act funds.  | \$81,363        |
| 3. Add language to the Senior Centers Operating Fund general fund appropriation restricting \$200,000 to the Assisted Living Subsidy program.                       |                 |
| 4. Add language to the Senior Centers Operating Fund general fund appropriation restricting \$150,000 to the Congregate Housing program.                            |                 |
| <b>Total Reductions</b>   | <b>\$81,363</b> |

## Updates

**Medicaid Waiver for Older Adults:** The Governor’s proposed Medicaid budget includes \$2 million to expand the Waiver for Older Adults by an additional 175 people. This will bring the number of waiver program slots up from 3,135 in fiscal 2005 to 3,310 in fiscal 2006. A legislative audit report cites numerous issues with the waiver program that are included in **Appendix 2**.

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**Department of Aging**

***Operating Budget Analysis***

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**Program Description**

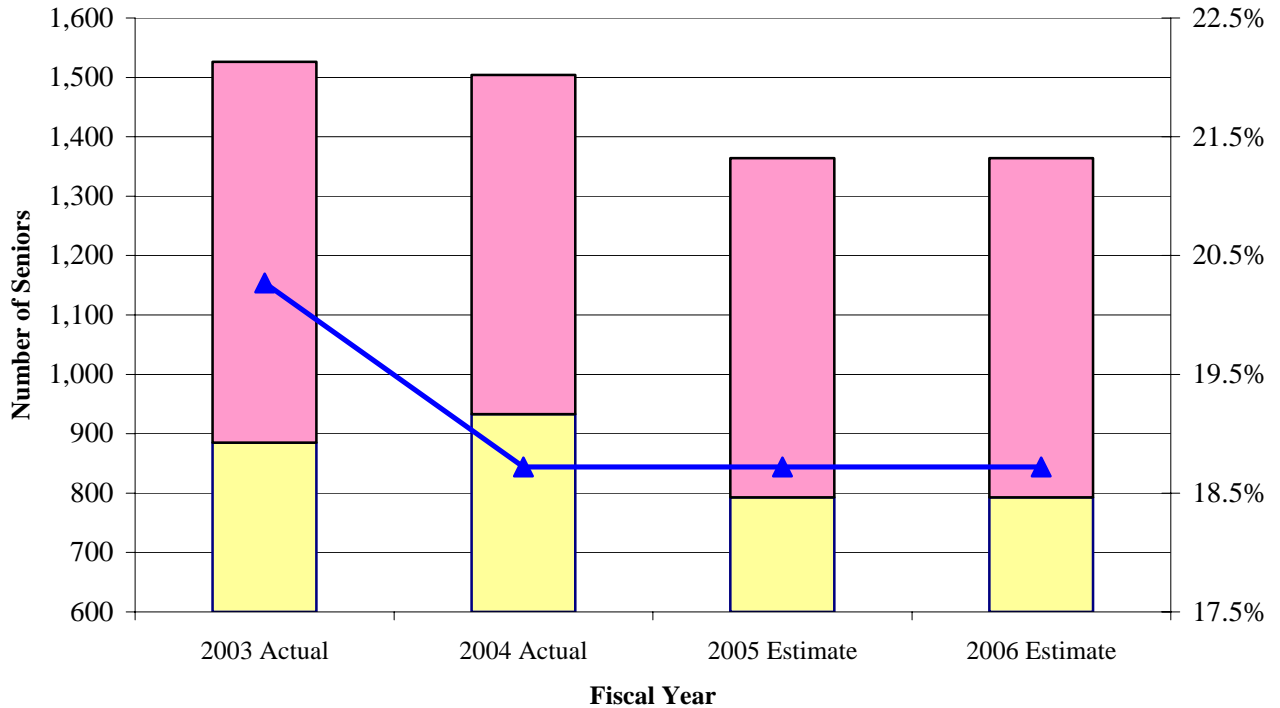
The Department of Aging (MDOA) is responsible for administering community-based long-term care programs and services for the elderly, evaluating the services the elderly need and determining the extent to which public and private programs meet those needs. With input from the local Area Agencies on Aging (AAAs), seniors, and caregivers, the department establishes priorities for meeting the needs of the elderly, and advocates for the frailest and most vulnerable seniors who have no one to speak for them. The department promotes healthy lifestyles for older Marylanders, such as good nutrition, exercise, employment, and volunteerism, so that they remain active and engaged in their communities. The key goals of the department are:

- to provide assisted living and in-home community services in fiscal 2006 to at least 18% of those in need of such services to remain in the community;
- to 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; and
- to promote the well being of seniors by providing a broad range of employment opportunities.

**Performance Analysis: Managing for Results**

**Exhibit 1** shows Managing for Results (MFR) performance data for MDOA's goal to enable seniors to be maintained in the most appropriate and safest living arrangements within the community for as long as possible. The total number of seniors receiving Assisted Living or Congregate Housing services through MDOA programs has decreased since 2003 and is expected to continue to decrease through fiscal 2006. The number of seniors receiving Congregate Housing services declines because the Baltimore City Housing Authority, which is a major provider of these services, decreased the number of sites following a reduction in funds from the U.S. Department of Housing and Urban Development. The number of seniors receiving Assisted Living services also decreases because funding for this program was reduced while the cost of providing services increased. Thus, the percent of Maryland seniors in need of community-based services who are actually receiving them decreases from fiscal 2003 and is expected to stay low through fiscal 2006.

**Exhibit 1  
Managing for Results  
Maintaining Seniors in the Community  
Fiscal 2003 – 2006**

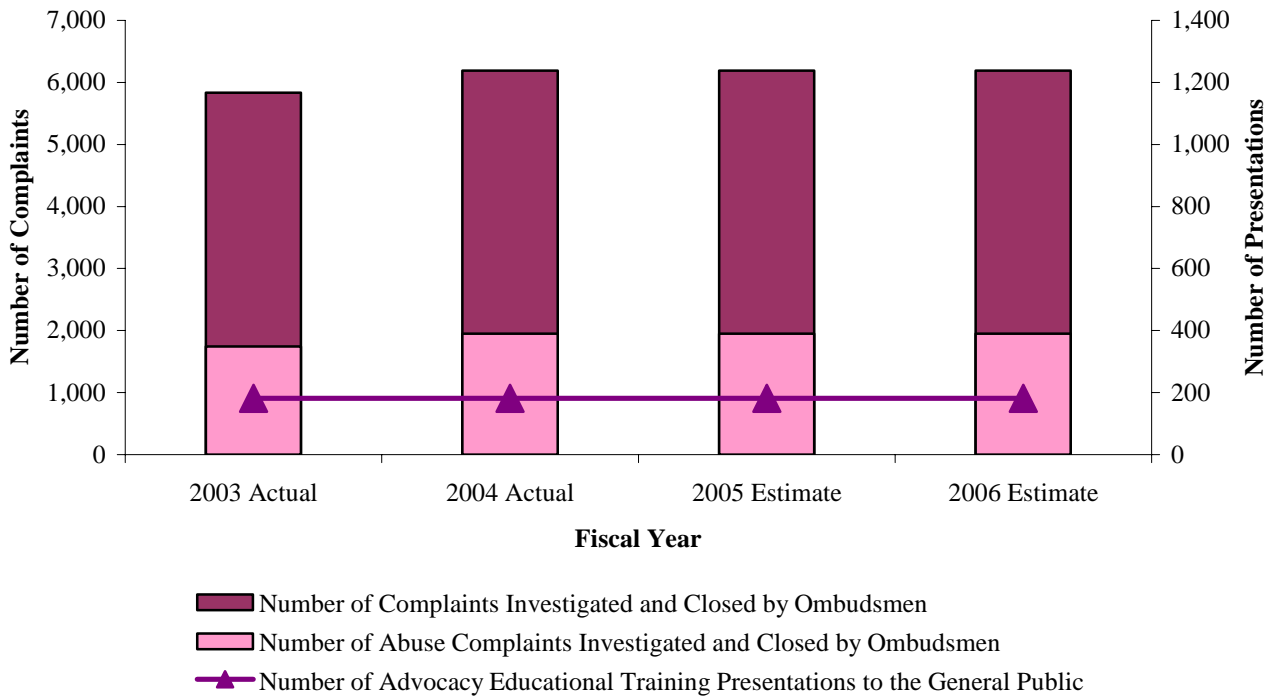


- Number of Seniors in Assisted Living Group Homes Receiving Services Subsidized by the Department
- Number of Seniors in Senior Apartments Supported by Congregate Housing Services Programs
- ▲ Percent of Maryland's Population Over 50 in Need of Community-based Support Services Receiving Services Financed by the Department

Source: Maryland Department of Aging

**Exhibit 2** portrays MDOA’s relative success at achieving its goal to ensure that seniors are treated with dignity and protected against abuse, exploitation, and consumer fraud. The chart shows the number of abuse complaints investigated and closed by Ombudsman, compared with the total number of complaints investigated and closed by Ombudsman. Both measures rise slightly from fiscal 2003 to 2004 but are expected to stay stagnant through fiscal 2006, as the cost of providing services increases while funding remains level. The number of advocacy educational training presentations made to the general public is not expected to change from fiscal 2003 through 2006 because resources are not expected to increase.

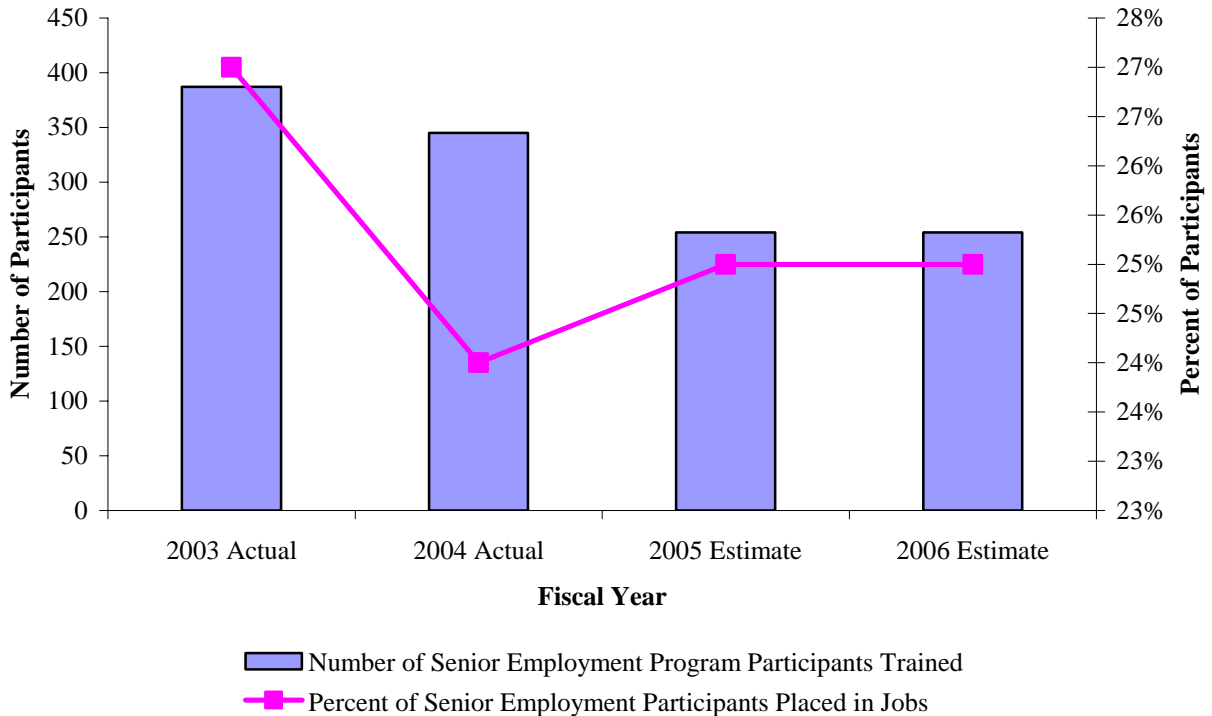
**Exhibit 2**  
**Managing for Results**  
**Ensuring Seniors are Treated with Dignity and Protected Against Abuse**  
**Fiscal 2003 – 2006**



Source: Maryland Department of Aging

**Exhibit 3** contains performance data for MDOA’s goal to promote the well being of seniors by providing a broad range of employment opportunities. The number of seniors trained in the senior employment program decreased significantly from fiscal 2003 and is expected to continue to decrease significantly in fiscal 2005 and stay low in fiscal 2006. The significant drop in the number of seniors trained is due to the discontinuation of the Senior Service America grant, which had supplemented the direct grant from the U.S. Department of Labor, mostly to Baltimore City. Senior Service America no longer provides grants to state governments, but MDOA anticipates that the loss of this grant will not affect this program significantly in the future. Despite the drop in the number of program participants trained and a corresponding drop in the percent of program participants placed in jobs, the percent placed in jobs is nonetheless expected to increase again for fiscal 2005 and 2006. This expected increase is due to the department’s standard increase in estimated performance, but MDOA actually expects that it will not meet this estimate due to new regulations and requirements in this program.

**Exhibit 3**  
**Managing for Results**  
**Providing Seniors with Employment Opportunities**  
**Fiscal 2003 – 2006**



Source: Maryland Department of Aging

**Governor's Proposed Budget**

The major changes in the fiscal 2006 allowance from the fiscal 2005 working appropriation are detailed in **Exhibit 4** and discussed below.

**Exhibit 4**  
**Governor's Proposed Budget**  
**Department of Aging**  
**(\$ in Thousands)**

| <b>How Much It Grows:</b>            | <b><u>General Fund</u></b> | <b><u>Special Fund</u></b> | <b><u>Federal Fund</u></b> | <b><u>Total</u></b> |
|--------------------------------------|----------------------------|----------------------------|----------------------------|---------------------|
| 2005 Working Appropriation           | \$20,655                   | \$769                      | \$25,748                   | \$47,172            |
| 2006 Governor's Allowance            | 20,111                     | 316                        | 25,992                     | 46,420              |
| Contingent & Back of Bill Reductions | <u>-675</u>                | <u>-2</u>                  | <u>-5</u>                  | <u>-682</u>         |
| <b>Adjusted Allowance</b>            | <b>\$19,437</b>            | <b>\$314</b>               | <b>\$25,987</b>            | <b>\$45,738</b>     |
| Amount Change                        | -\$1,218                   | -\$455                     | \$239                      | -\$1,435            |
| Percent Change                       | -5.9%                      | -59.2%                     | 0.9%                       | -3.0%               |

**Where It Goes:**

**Personnel Expenses**

|   |       |
|---|-------|
| Increments and other compensation .....     | \$103 |
| Retirement contribution cost increase ..... | 9     |
| Turnover adjustments .....                  | -11   |
| Employee and retiree health insurance ..... | -124  |

**Maintaining Seniors in the Community**

|   |      |
|---|------|
| Increase in federal funds for Medicaid Waiver .....                                     | 305  |
| General fund reduction in Senior Centers Operating Fund contingent upon legislation ... | -500 |
| 8.5% decrease in aid to AAAs for Assisted Living Subsidy – general funds.....           | -200 |
| 8.9% decrease in aid to AAAs for Congregate Housing – general funds.....                | -150 |

**Other Program Changes**

|  |      |
|--|------|
| Federal fund grants to AAAs for National Family Caregivers Support Program.....              | 194  |
| Ombudsman/Elder Abuse program federal fund aid to AAAs.....                                  | 128  |
| Refugee and Entrant Assistance aid to AAAs .....   | 10   |
| Resource Center Program aid to AAAs.....   | -13  |
| Information Technology (IT) general fund grants to AAAs.....                                 | -23  |
| Elimination of senior employment program.....  | -384 |
| Information and Assistance Program aid to AAAs – 2.3% decrease .....                         | -149 |
| General fund reduction in Older Americans Act distributions contingent upon legislation..... | -163 |
| Nutrition Program general fund grants to AAAs – 4.2% decrease.....                           | -497 |

**Other Changes**

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**Where It Goes:**

|   |                 |
|---|-----------------|
| Telecommunications charges from the Department of Budget and Management ..... | 28              |
| Other contractual charges to reflect actual costs in fiscal 2004.....         | 44              |
| Supplies and materials for program implementation .....                       | 20              |
| Disaster Relief grant aid to AAAs .....                                       | -40             |
| Other .....   | -22             |
| <b>Total</b>  | <b>-\$1,435</b> |

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

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**Personnel**

Increments and other compensation account for an increase of \$103,000 from the fiscal 2005 working appropriation, while health insurance reductions create a decrease of \$124,000. The elimination of the senior employment program grant, which was operated by the department, causes a net decrease in personnel of \$321,000.

**Distribution of Funds under Older Americans Act**

Pursuant to the Budget Reconciliation and Financing Act of 2004, (2004 BRFA), the fiscal 2006 allowance includes a general fund appropriation of \$442,210 to supplement federal grants to local agencies under the Older Americans Act. These funds are intended to hold rural jurisdictions harmless under new census figures. The fiscal 2006 budget bill also includes language reducing this appropriation by \$162,725 contingent upon the enactment of legislation reducing the required appropriation. Details are discussed further in the Issues section of this analysis.

**Senior Centers Operating Fund**

As required by Section 2 of Chapter 635, of the 2000 Laws of Maryland, the Governor’s fiscal 2006 allowance includes a \$500,000 general fund appropriation for the Senior Centers Operating Fund. However, the Governor’s allowance also includes a general fund reduction of \$500,000 contingent upon the enactment of legislation reducing the mandated amount of funds for the Senior Centers Operating Fund. A provision in the Budget Reconciliation and Financing Act of 2005 (2005 BRFA) would eliminate the requirement that the Governor include \$500,000 in the annual budget bill for this fund.

The impact of this reduction would be to eliminate health promotion, fitness, and computer programs, services, and equipment purchase at various senior centers. The original intended purpose of the Senior Centers Operating Fund was to demonstrate that new practices, such as fitness and computer centers, could improve the quality of life for senior center participants. Historically, at least half of the funds were targeted to poorer jurisdictions.

## **Maintaining Seniors in the Community**

The Governor's proposed Medicaid budget includes \$2 million to expand the Medicaid waiver program by an additional 175 people. \$305,000 in additional federal funds will be used to administer the increase in the program. Meanwhile, funds decrease in the Assisted Living Subsidy program by \$200,000 and Congregate Housing by \$150,000.

## **Other Program Changes**

The Nutrition Program and the Information and Assistance Program will experience significant funding decreases in fiscal 2006, while funds for Senior Care and the Ombudsman/Elder Abuse programs increase significantly. Other changes in the budget include smaller changes in program grants and operational expenses.

## **Impact of Strategic Budget Reductions**

### **Nutrition**

MDOA estimates that the reduction in the Nutrition Program will result in approximately 76,000 fewer meals to more than 800 people, after federal and local funds supplement the remaining funds. Future federal funding for this program will decrease, as federal funding is based on the number of meals served in the previous year.

### **Assisted Living Subsidy**

MDOA estimates that 30 current program participants will lose their subsidy on July 1, 2005, and that 15 of those will immediately transfer into a nursing home facility. MDOA estimates that from this \$200,000 reduction, ensuing Medicaid costs of nursing home care will increase by \$690,000, half of which would come from State resources. **Department of Legislative Services (DLS) notes that increased State Medicaid costs for nursing home placements will more than offset the savings from reducing the assisted living subsidy. MDOA should comment on the rationale for the reduction.**

### **Congregate Housing**

MDOA estimates that 63 current program participants will lose their subsidy on July 1, 2005, and that 16 will immediately transfer into a nursing home facility. MDOA estimates that from this \$150,000 reduction, ensuing Medicaid costs of nursing home care will increase by \$736,000, half of which would come from State resources. MDOA also expects three or four senior housing sites to completely discontinue their Congregate Housing programs. **DLS notes that State savings in the MDOA budget from reducing support for congregate housing are more than offset by higher Medicaid costs. MDOA should comment on the rationale for the reduction.**

### **Information and Assistance**

MDOA reports that Washington County AAA will eliminate one crisis management position.

### **Medicaid Waiver for Older Adults**

Although total funds for this program increase by \$305,000, general funds are reduced by \$96,000. MDOA reports that when considering the loss of matching federal funds, the general fund reduction of \$96,000 actually equates to a \$192,000 loss of funds. MDOA reports that higher ratios of clients to case managers and increased risk of citations for non-compliance could lead to further loss of federal funds.

## *Issues*

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### **1. Fund Distribution Pursuant to the Federal Older Americans Act**

#### **Background**

During the 2004 legislative session, the Maryland Department of Aging acted to change the funding formulas by which the department distributes funds to local Area Agencies on Aging under the federal Older Americans Act, in order to utilize the most recent 2000 census data and provide special consideration to rural jurisdictions. The budget committees adopted narrative expressing the intent to allocate these funds based on formulas already in existence prior to the proposed change. Therefore, the fiscal 2005 allocation to jurisdictions did change to reflect the most recent 2000 census data, but it did not give special consideration to rural jurisdictions. In the 2004 BRFA, \$442,210 in special funds from the Spinal Cord Injury Fund was made available to protect some rural jurisdictions and hold them harmless for fiscal 2005 and 2006. The 2004 BRFA required the Governor to include a general fund appropriation for fiscal 2006 of not less than \$442,210 to supplement federal grants to local agencies under the Older Americans Act. The 2004 BRFA also required the Governor to submit proposed legislation during the 2005 legislative session that specifies a formula for distributing federal funds under the Older Americans Act beginning in fiscal 2007.

#### **Fiscal 2006 Budget**

The fiscal 2006 budget bill (HB 150/SB 125) includes a \$442,210 general fund appropriation, as required by the 2004 BRFA, but it also includes a \$162,725 general fund reduction contingent upon enactment of legislation to reduce the required appropriation. A provision in the 2005 budget reconciliation legislation would reduce the general fund appropriation the Governor is required to include in the fiscal 2006 allowance to \$279,485 (a \$162,725 reduction). Please refer to **Exhibit 5** for a summary.

**Exhibit 6** demonstrates how the Older Americans Act funds were allocated in fiscal 2005 and how they would be allocated in fiscal 2006 if the 2005 budget reconciliation legislation provision is enacted. During the 2005 legislative session, the Administration intends to submit legislation that specifies a funding formula, as required by the 2004 BRFA. However, it is unknown whether this legislation proposes to apply to the fiscal 2006 allocation or only the fiscal 2007 allocation as required by the 2004 BRFA. There is no way to tell how the funds would be allocated under the MDOA legislation, as it has not yet been released. If neither the 2005 provision nor the MDOA legislation is enacted, funds will be distributed as they were in fiscal 2005. **MDOA should brief the committees on its plans to allocate funds in fiscal 2006 and 2007.**

**Exhibit 5  
Legislation Relating to Fund Distribution  
Under the Federal Older Americans Act**

**2004 BRFA**

Required \$442,210 to hold rural counties harmless in fiscal 2005 and 2006

Authorized transfer of \$442,210 in special funds to hold rural counties harmless in fiscal 2005

Required the Governor to include \$442,210 in general funds to hold rural counties harmless in the fiscal 2006 allowance

Required the Governor to submit proposed legislation during the 2005 legislative session that specifies a funding formula beginning in fiscal 2007

**2006 Budget Bill**

Includes \$442,210 general fund appropriation to hold rural counties harmless

Includes general fund reduction of \$162,725 contingent upon enactment of legislation (2005 BRFA) to reduce the required appropriation

**2005 Budget  
Reconciliaton Legislation**

Reduces the general fund appropriation the Governor is required to include in the fiscal 2006 allowance to \$279,485 (\$162,725 reduction)

Source: Department of Legislative Services

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**Exhibit 6  
Distribution of Hold Harmless Funds  
Fiscal 2004 – 2006**

| <u>Jurisdiction</u>  | <u>Fiscal 2004<br/>Allocation*</u> | <u>Fiscal 2005<br/>Allocation</u> | <u>Fiscal 2006<br/>Allocation under<br/>2005 Budget<br/>Reconciliation<br/>Legislation</u> | <u>Change from<br/>Fiscal 2005</u> | <u>% Change from<br/>Fiscal 2005</u> |
|--|------------------------------------|-----------------------------------|--|------------------------------------|--------------------------------------|
| Baltimore City   | \$4,737,024                        | \$4,042,482                       | \$4,042,482  |                                    |                                      |
| Baltimore County   | 2,210,175                          | 2,299,568                         | 2,299,568  |                                    |                                      |
| Montgomery   | 1,589,596                          | 2,103,985                         | 2,103,985  |                                    |                                      |
| Prince George's  | 1,434,291                          | 1,697,244                         | 1,697,244  |                                    |                                      |
| MAC Inc. – Dorchester,<br>Somerset, Wicomico,<br>and Worcester | 1,045,312                          | 1,045,312                         | 984,873  | -\$60,439                          | -5.8%                                |
| Anne Arundel   | 969,815                            | 1,063,994                         | 1,063,994  |                                    |                                      |
| Washington   | 521,140                            | 521,140                           | 492,282  | -28,858                            | -5.5%                                |
| USA – Caroline, Kent,<br>and Talbot                            | 504,037                            | 504,077                           | 468,053  | -36,024                            | -7.1%                                |
| Harford  | 440,694                            | 483,566                           | 483,566  |                                    |                                      |
| Allegany   | 433,033                            | 433,033                           | 416,378  | -16,655                            | -3.8%                                |
| Frederick  | 387,064                            | 387,064                           | 383,405  | -3,659                             | -0.9%                                |
| Howard   | 324,655                            | 430,313                           | 430,313  |                                    |                                      |
| Carroll  | 314,280                            | 314,280                           | 313,245  | -1,035                             | -0.3%                                |
| Charles  | 231,281                            | 257,011                           | 257,011  |                                    |                                      |
| Cecil  | 212,765                            | 212,765                           | 206,329  | -6,436                             | -3.0%                                |
| St. Mary's   | 202,071                            | 202,071                           | 201,552  | -519                               | -0.3%                                |
| Queen Anne's   | 160,093                            | 160,093                           | 150,993  | -9,100                             | -5.7%                                |
| Garrett  | 144,068                            | 144,309                           | 144,309  |                                    |                                      |
| Calvert  | 143,011                            | 144,309                           | 144,309  |                                    |                                      |
|  | <b>\$16,004,405</b>                | <b>\$16,446,616</b>               | <b>\$16,283,891</b>  | <b>-\$162,725</b>                  | <b>-0.1%</b>                         |

\*Uses 1990 Census Data.

MAC Inc. = Maintenance of Aged Community, Inc.

Source: Department of Legislative Services

## Recommended Actions

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1. Add the following language:

Provided that Older Americans Act funds shall be distributed to local jurisdictions in the same manner as they were in fiscal 2005, unless the General Assembly alters these formulas by enactment of legislation during the 2005 legislative session. Further provided that the funds to hold rural jurisdictions harmless begin to be phased out during fiscal 2006 by reducing the hold harmless funds by \$81,363. The remaining hold harmless funds shall be distributed among rural jurisdictions in the same proportion as they were in fiscal 2005.

**Explanation:** During 2004, the budget committees adopted narrative expressing their intent that funds be distributed under the Older Americans Act pursuant to formulas already in existence, with the exception of the Title III Family Caregiver Program formula which could be changed to reflect an increase in age criteria. The use of new 2000 census data caused rural jurisdictions and Baltimore City to lose significant funding under existing formulas. The General Assembly enacted legislation authorizing \$442,210 to be allocated to hold rural jurisdictions harmless during fiscal 2005 and requiring the Governor to include \$442,210 in the fiscal 2006 allowance to hold rural jurisdictions harmless. In the fiscal 2006 allowance, the Governor proposed reducing this amount by \$162,725, contingent upon budget reconciliation legislation. This reduction, which is half of the Governor's proposed contingent reduction, begins to phase out the hold harmless funds.

- |  | <b><u>Amount<br/>Reduction</u></b> |    |
|--|------------------------------------|----|
| 2. Begin the phase-out of the hold harmless grant supplementing federal Older Americans Act funds. | \$ 81,363                          | GF |
| 3. Add the following language:   |                                    |    |

Further provided that \$200,000 of this appropriation may not be expended for any program or purpose except that the funds may be transferred for use in the Assisted Living Subsidy program to provide subsidies to maintain seniors in their communities.

**Explanation:** The fiscal 2006 allowance contains a \$200,000 reduction, or 8% decrease in the Assisted Living Subsidy program. This program is designed to maintain seniors in assisted living facilities in their communities. The Department of Aging estimates that, with the \$200,000 reduction, 30 program participants will lose their subsidy on July 1, 2005, and that 15 of those will immediately transfer into a nursing home facility. The Department of Aging estimates that from the \$200,000 reduction in the fiscal 2006 budget allowance, ensuing Medicaid costs of nursing home care would increase by \$690,000, half of which would come from State resources. The Governor's fiscal 2006 allowance proposed a

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\$500,000 reduction to the Senior Centers Operating Fund, but this language would instead restrict \$200,000 of the appropriation for the Senior Centers Operating Fund to the Assisted Living Subsidy program.

4. Add the following language:

Further provided that \$150,000 of this appropriation may not be expended for any program or purpose except that the funds may be transferred for use in the Congregate Housing program to maintain seniors in their communities.

**Explanation:** The fiscal 2006 allowance contains a \$150,000 reduction, or 8.9% decrease in the Congregate Housing program. The Department of Aging estimates that with the \$150,000 reduction, 63 program participants will lose their subsidy on July 1, 2005 and that 16 will immediately transfer into a nursing home facility. The Department of Aging estimates that from the \$150,000 reduction in the fiscal 2006 budget allowance, ensuing Medicaid costs of nursing home care will increase by \$736,000, half of which would come from State resources. The Department of Aging also expects 3 or 4 senior housing sites to completely discontinue their Congregate Housing programs. The Governor’s fiscal 2006 allowance proposed a \$500,000 reduction to the Senior Centers Operating Fund, but this language would instead restrict \$150,000 of the appropriation for the Senior Centers Operating Fund to the Congregate Housing program.

**Total General Fund Reductions**

**\$ 81,363**

## ***Updates***

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### **1. Medicaid Waiver for Older Adults**

#### **Background**

The Maryland Department of Health and Mental Hygiene (DHMH) is responsible for administering the Medicaid program in Maryland. The Federal Social Security Act gives states the option of requesting waivers of certain federal requirements so that they can develop community-based alternatives to placing Medicaid-eligible individuals in hospitals, nursing facilities, or institutions, as would normally be required by federal regulations. The waiver program allows older adults to remain in a community setting, even though their advanced age or disability would warrant placement in a long-term care facility. The waiver program allows services that would typically be covered by Medicaid only in a nursing facility to be provided to seniors in their own homes or assisted living facility. MDOA administers the waiver program, while DHMH is responsible for providing oversight and monitoring the quality of care provided.

#### **Waiver Enrollment**

During fiscal 2005, the waiver program was at its enrollment capacity of 3,135 seniors. The Governor's proposed Medicaid budget includes \$2 million to expand the Waiver for Older Adults by an additional 175 people, to 3,310 participants. Residents in a nursing home for 30 days can apply for the program despite the current enrollment cap. Since the program's inception, 400 individuals have utilized the waiver program to transition from a nursing facility back into the community. There are over 5,000 individuals on the waiting list for this program.

#### **Legislative Audit**

In May 2004, the Office of Legislative Audits (OLA) issued a Performance Audit Report of this and another waiver program administered by the Department of Human Resources and concluded that "opportunities exist to improve the cost efficiency of service delivery and to enhance accountability and fiscal controls." Some findings related to MDOA, and some related to the Department of Human Resources and DHMH. OLA made the following findings relating to MDOA:

- case management services could be consolidated;
- adequate supporting documentation was not required to verify certain provider claims;
- service delivery and cost neutrality of participant care were not effectively monitored;
- eligibility determinations for applicants were not processed timely;

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- annual required eligibility re-determinations for waiver recipients were not properly completed or processed timely;
- required criminal background checks were not always documented for personal care aides; and
- MDOA did not have adequate complaint resolution procedures.

More details regarding the audit report are contained in **Appendix 2**.

**MDOA should brief the committees on the future of the waiver program and the steps it is taking to rectify the audit findings.**

## *Current and Prior Year Budgets*

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| <b>Current and Prior Year Budgets<br/>Department of Aging<br/>(\$ in Thousands)</b> |                                |                                |                                |                               |                     |
|---|--------------------------------|--------------------------------|--------------------------------|-------------------------------|---------------------|
|   | <b><u>General<br/>Fund</u></b> | <b><u>Special<br/>Fund</u></b> | <b><u>Federal<br/>Fund</u></b> | <b><u>Reimb.<br/>Fund</u></b> | <b><u>Total</u></b> |
| <b>Fiscal 2004</b>  |                                |                                |                                |                               |                     |
| Legislative<br>Appropriation  | \$22,147                       | \$232                          | \$25,980                       | \$0                           | \$48,358            |
| Deficiency<br>Appropriation   | 0                              | 0                              | 0                              | 0                             | 0                   |
| Budget<br>Amendments  | -4                             | 69                             | 755                            | 0                             | 819                 |
| Cost<br>Containment   | -1,426                         | 0                              | 0                              | 0                             | -1,426              |
| Reversions and<br>Cancellations   | -108                           | -15                            | -303                           | 0                             | -425                |
| <b>Actual<br/>Expenditures</b>  | <b>\$20,609</b>                | <b>\$285</b>                   | <b>\$26,432</b>                | <b>\$0</b>                    | <b>\$47,326</b>     |
| <b>Fiscal 2005</b>  |                                |                                |                                |                               |                     |
| Legislative<br>Appropriation  | \$20,624                       | \$257                          | \$25,575                       | \$0                           | \$46,455            |
| Budget<br>Amendments  | 31                             | 513                            | 173                            | 0                             | 717                 |
| <b>Working<br/>Appropriation</b>  | <b>\$20,655</b>                | <b>\$769</b>                   | <b>\$25,748</b>                | <b>\$0</b>                    | <b>\$47,172</b>     |

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

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## **Fiscal 2004**

In fiscal 2004 the Department of Aging spent \$1.0 million less than was originally appropriated. The federal fund appropriation increased by \$755,000 due to increased grants from the U.S. Department of Health and Human Services (HHS) Special fund appropriation increased by \$69,000, of which \$55,000 was carried over from fiscal 2003, and \$14,000 was to support a new grant for Evidence-Based Health Promotion. These increases were offset by a reduction of \$1.4 million for cost containment and reversions of \$108,000 in general funds due to savings from employee turnover and unspent funds by the local area agencies on aging. \$303,000 in federal funds also remained unspent due to over-budgeting.

## **Fiscal 2005**

The fiscal 2005 working appropriation increased \$717,000 over the legislative appropriation. General funds increased by \$31,000 for cost-of-living adjustments. Special funds increased by \$513,000; pursuant to BRFA 2004, \$442,210 is from the Spinal Cord Injury Fund to hold rural counties harmless from fund distributions under the Older Americans Act, and \$71,000 is carried over from fiscal 2004 to support the Continuing Care Retirement Communities Program. Federal funds increased by \$173,000 – \$133,000 was a supplemental grant from HHS Centers for Medicare and Medicaid Services for the Senior Health Insurance Program and \$40,000 was a federal grant from HHS for Hurricane Isabel disaster relief to be distributed to Eastern Shore AAAs.

## ***Audit Findings – Department of Aging***

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|                              |                                       |
|------------------------------|---------------------------------------|
| Audit Period for Last Audit: | September 14, 1998 – November 4, 2001 |
| Issue Date:                  | April 2002                            |
| Number of Findings:          | 5                                     |
| Number of Repeat Findings:   | 3                                     |
| % of Repeat Findings:        | 60%                                   |
| Rating: (if applicable)      | NA                                    |

***Finding 1:*** Federal reimbursement requests were not submitted as soon as allowable under the grant terms, resulting in approximately \$102,000 in lost interest income.

***Finding 2:*** Annual financial reviews were not performed for fiscal 2000 and 2001 grants as required by the department's policy.

***Finding 3:*** Proper controls were not established over the processing of purchasing and disbursement transactions.

***Finding 4:*** Controls over collections were inadequate to ensure that all receipts were deposited.

***Finding 5:*** Internal controls over the department's payroll were not sufficient.

\*Bold denotes item repeated in full or part from preceding audit report.

## ***Audit Findings – Medicaid Waiver Programs***

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|                              |                        |
|------------------------------|------------------------|
| Audit Period for Last Audit: | April 2001 – June 2003 |
| Issue Date:                  | May 2004               |
| Number of Findings:          | 9                      |
| Number of Repeat Findings:   | NA                     |
| % of Repeat Findings:        | NA                     |
| Rating: (if applicable)      | NA                     |

- Finding 1:** Department of Human Resources (DHR) paid case managers approximately \$264,700 in fees for individuals who were not receiving waiver services, unnecessarily increasing program costs.
- Finding 2:** Case management services could be consolidated to improve cost efficiency.
- Finding 3:** Adequate supporting documentation was not required, and periodic audits were not conducted to verify the accuracy of certain provider claims paid for both waiver programs.
- Finding 4:** DHR and MDOA were not effectively monitoring the hours of care provided or the “cost neutrality” of participant care.
- Finding 5:** Eligibility determinations for applicants to both waiver programs were not processed timely, and comprehensive plans of service were not received timely or properly completed.
- Finding 6:** Annual required eligibility redeterminations for the Older Adults Waiver recipients were not properly completed or processed timely.
- Finding 7:** Required criminal background checks were not always documented for personal care aides currently providing services to recipients of the Older Adults Waiver.
- Finding 8:** MDOA did not have adequate provider complaint resolution procedures.
- Finding 9:** The quality of care provided to recipients of the Waiver for Adults with Physical Disabilities was not monitored by DHMH.

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

| <u>Object/Fund</u>                      | <u>FY04<br/>Actual</u> | <u>FY05<br/>Working<br/>Appropriation</u> | <u>FY06<br/>Allowance</u> | <u>FY05 - FY06<br/>Amount Change</u> | <u>Percent<br/>Change</u> |
|---|------------------------|---|---------------------------|--------------------------------------|---------------------------|
| <b>Positions</b>                        |                        |   |                           |                                      |                           |
| 01 Regular                              | 56.00                  | 56.00                                     | 56.00                     | 0                                    | 0%                        |
| 02 Contractual                          | 14.00                  | 6.50                                      | 5.50                      | -1.00                                | -15.4%                    |
| <b>Total Positions</b>                  | <b>70.00</b>           | <b>62.50</b>                              | <b>61.50</b>              | <b>-1.00</b>                         | <b>-1.6%</b>              |
| <b>Objects</b>                          |                        |   |                           |                                      |                           |
| 01 Salaries and Wages                   | \$ 4,534,410           | \$ 4,921,796                              | \$ 4,597,454              | -\$ 324,342                          | -6.6%                     |
| 02 Technical & Spec Fees                | 340,024                | 240,007                                   | 195,957                   | -44,050                              | -18.4%                    |
| 03 Communication                        | 47,278                 | 77,831                                    | 93,106                    | 15,275                               | 19.6%                     |
| 04 Travel                               | 71,383                 | 65,301                                    | 70,000                    | 4,699                                | 7.2%                      |
| 07 Motor Vehicles                       | 4,479                  | 5,241                                     | 4,100                     | -1,141                               | -21.8%                    |
| 08 Contractual Services                 | 146,224                | 208,317                                   | 213,635                   | 5,318                                | 2.6%                      |
| 09 Supplies & Materials                 | 250,659                | 42,050                                    | 62,020                    | 19,970                               | 47.5%                     |
| 10 Equip - Replacement                  | 37,730                 | 18,029                                    | 14,600                    | -3,429                               | -19.0%                    |
| 12 Grants, Subsidies, and Contributions | 41,799,530             | 41,496,780                                | 41,066,979                | -429,801                             | -1.0%                     |
| 13 Fixed Charges                        | 91,173                 | 95,390                                    | 98,689                    | 3,299                                | 3.5%                      |
| 14 Land & Structures                    | 3,283                  | 1,500                                     | 3,000                     | 1,500                                | 100.0%                    |
| <b>Total Objects</b>                    | <b>\$ 47,326,173</b>   | <b>\$ 47,172,242</b>                      | <b>\$ 46,419,540</b>      | <b>-\$ 752,702</b>                   | <b>-1.6%</b>              |
| <b>Funds</b>                            |                        |   |                           |                                      |                           |
| 01 General Fund                         | \$ 20,609,233          | \$ 20,654,733                             | \$ 20,111,439             | -\$ 543,294                          | -2.6%                     |
| 03 Special Fund                         | 285,007                | 769,360                                   | 315,944                   | -453,416                             | -58.9%                    |
| 05 Federal Fund                         | 26,431,933             | 25,748,149                                | 25,992,157                | 244,008                              | 0.9%                      |
| <b>Total Funds</b>                      | <b>\$ 47,326,173</b>   | <b>\$ 47,172,242</b>                      | <b>\$ 46,419,540</b>      | <b>-\$ 752,702</b>                   | <b>-1.6%</b>              |

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary  
Department of Aging**

| <u>Program/Unit</u>              | <u>FY04<br/>Actual</u> | <u>FY05<br/>Wrk Approp</u> | <u>FY06<br/>Allowance</u> | <u>Change</u>      | <u>FY05 - FY06<br/>% Change</u> |
|----------------------------------|------------------------|----------------------------|---------------------------|--------------------|---------------------------------|
| 01 General Administration        | \$ 46,926,173          | \$ 46,672,242              | \$ 45,919,540             | -\$ 752,702        | -1.6%                           |
| 02 Senior Centers Operating Fund | 400,000                | 500,000                    | 500,000                   | 0                  | 0%                              |
| <b>Total Expenditures</b>        | <b>\$ 47,326,173</b>   | <b>\$ 47,172,242</b>       | <b>\$ 46,419,540</b>      | <b>-\$ 752,702</b> | <b>-1.6%</b>                    |
| General Fund                     | \$ 20,609,233          | \$ 20,654,733              | \$ 20,111,439             | -\$ 543,294        | -2.6%                           |
| Special Fund                     | 285,007                | 769,360                    | 315,944                   | -453,416           | -58.9%                          |
| Federal Fund                     | 26,431,933             | 25,748,149                 | 25,992,157                | 244,008            | 0.9%                            |
| <b>Total Appropriations</b>      | <b>\$ 47,326,173</b>   | <b>\$ 47,172,242</b>       | <b>\$ 46,419,540</b>      | <b>-\$ 752,702</b> | <b>-1.6%</b>                    |

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal 2006 Cost Containment Actions  
As Submitted by the Agency  
Estimated Fiscal 2006 Savings  
Compared to Fiscal 2005**

| <u>Cost Saving Action/Efficiency Measure</u>         | <u>Total Funds</u> | <u>General Funds</u> | <u>Special Funds</u> | <u>Positions Reduced</u> | <u>Impact of Action</u> |
|--|--------------------|----------------------|----------------------|--------------------------|-------------------------|
| Administration                                       | -\$307,900         | \$23,484             | -\$11,206            | 1                        |                         |
| Support to MAC                                       |                    | ---                  |                      |                          |                         |
| Ombudsman/Elder Abuse                                | 128,481            | ---                  |                      |                          |                         |
| Public Guardianship                                  | ---                | ---                  |                      |                          |                         |
| Senior Care  | 193,627            | ---                  |                      |                          |                         |
| Health Insurance Counseling                          | -15,000            | ---                  |                      |                          |                         |
| Health Promotion                                     | 2,176              | ---                  |                      |                          |                         |
| Info and Assistance                                  | -148,963           | -21,575              |                      |                          |                         |
| Innovations in Aging                                 | ---                | ---                  |                      |                          |                         |
| Nutrition  | -496,636           | -518,879             |                      |                          |                         |
| Assisted Living Subsidy                              | -200,000           | -200,000             |                      |                          |                         |
| Congregate Housing Services Program (CHSP)           | -150,000           | -150,000             |                      |                          |                         |
| Medicaid Waiver                                      | 305,349            | -95,762              |                      |                          |                         |
| IT Grant   | -22,800            | -22,800              |                      |                          |                         |
| Hold Harmless  | ---                | ---                  |                      |                          |                         |
| Curbing Abuse in Medicare and Medicaid               | 2,440              | ---                  |                      |                          |                         |
| Refugee and Entrant Assistance                       | 9,615              | ---                  |                      |                          |                         |
| Alzheimer's Disease Demonstration Project            | ---                | ---                  |                      |                          |                         |
| Project Safe   | ---                | ---                  |                      |                          |                         |
| Performance, Outcomes, Measurement Project           | ---                | ---                  |                      |                          |                         |
| Service Accessibility for the Elderly/Public Housing | ---                | ---                  |                      |                          |                         |
| Resource Center Program                              | -13,090            | ---                  |                      |                          |                         |
| Disaster Relief                                      | -40,000            | ---                  |                      |                          |                         |
| Senior Wellness                                      | ---                | ---                  |                      |                          |                         |
| Healthy Aging Project Grant                          | ---                | ---                  |                      |                          |                         |
| Elder-Friendly Community of Baltimore                | ---                | ---                  |                      |                          |                         |
| Evidence-based Health Promotion                      | ---                | ---                  |                      |                          |                         |
| Hold Harmless  | ---                | ---                  |                      |                          |                         |
| <b>Total</b>   | <b>-\$752,701</b>  | <b>-\$985,532</b>    | <b>-\$11,206</b>     |                          |                         |

Notes:

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**Senior Nutrition Impact of Action**

The reduction of \$518,579 will result in about 76,000 fewer meals to more than 800 people. Federal funding in subsequent years will decrease as a result of the fewer meals served. Federal funding is based on the number of meals served in the prior year.

**Senior I&A Impact of Action**

Washington County will eliminate one crisis management position.

**Assisted Living Subsidy**

We estimate that 30 current subsidy beneficiaries will lose their subsidy on July 1, of those we estimate that 50% (15) will transfer to a nursing home immediately. At an average annual Medicaid cost of nursing home care of \$54,000, less an \$8,000 average resident contribution toward the cost of care, Medicaid would be expected to spend an additional \$690,000 on their care, half of which will come from State resources.

**Congregate Housing**

We estimate that 63 current CHSP participants will lose their subsidy on July 1 resulting in three or four senior housing sites having to discontinue the program completely. It is estimated that 25% of those who lose CHSP services (16) will transfer to a nursing home within 12 months. At an average annual Medicaid cost of nursing home care of \$54,000, less an \$8000 average resident contribution toward the cost of care, Medicaid would be expected to spend an additional \$736,000 on their care, half of which will come from State resources

**Medicaid Waiver**

The \$95,762 reduction in local case management and administrative support for the Medicaid Waiver for Older Adults in fiscal 2006 reflects the drop in census experienced by some AAAs as a result of the cap on new enrollments, effective May 2003. When lost opportunities to earn federal matching funds are considered, a \$95,762 reduction in State funds equals a loss of \$191,524. Other AAAs have seen an increase in their caseload due to a reconfiguration of cases as attrition slots are filled up to a stable daily census of 2,800 participants. Those AAAs with rising caseloads are experiencing higher ratios of clients to case managers and are at increased risk of being cited for compliance problems which could further jeopardize the amount of federal matching funds the State may be eligible to receive.

**IT**

No funding for software upgrades and related needs.

**Efficiency Measures for Assisted Living Subsidy and Congregate Housing**

1. Monitoring of expenditures more closely.
2. Shifting of funds from under spent AAAs to those with waiting lists or deficits.
3. AAAs began reducing program census through attrition during fiscal 2005 to minimize the number of people whose services would be disrupted by anticipated budget cuts in fiscal 2006.