

**M00J**  
**Laboratories Administration**  
**Department of Health and Mental Hygiene**

***Operating Budget Data***

(\$ in Thousands)

	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>FY 05-06</b>	<b>% Change</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
General Fund	\$15,858	\$16,752	\$16,209	-\$543	-3.2%
Special Fund	101	80	0	-80	-100.0%
Federal Fund	4,866	3,423	3,250	-173	-5.0%
Reimbursable Fund	<u>727</u>	<u>565</u>	<u>780</u>	<u>215</u>	<u>38.0%</u>
<b>Total Funds</b>	<b>\$21,552</b>	<b>\$20,820</b>	<b>\$20,239</b>	<b>-\$581</b>	<b>-2.8%</b>
Contingent & Back of Bill Reductions			-102	-102	
<b>Adjusted Total</b>	<b>\$21,552</b>	<b>\$20,820</b>	<b>\$20,137</b>	<b>-\$683</b>	<b>-3.3%</b>

- The strategic budgeting initiative reduced the laboratory budget by \$219,000 by eliminating laboratory tests that may be obtained elsewhere or are not a public health issue. One employee will be terminated.

***Personnel Data***

	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>	<b>FY 05-06</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	282.50	278.50	273.50	-5.00
Contractual FTEs	<u>3.34</u>	<u>2.78</u>	<u>2.78</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>285.84</b>	<b>281.28</b>	<b>276.28</b>	<b>-5.00</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	16.41	6.00%
Positions Vacant as of 12/31/04	26.5	9.52%

- Three regular positions were eliminated under the strategic budgeting initiative including one filled position for a public health technician.

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

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## *Analysis in Brief*

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### Major Trends

*Newborn and Childhood Screening:* The vast majority of laboratory tests are for newborn and childhood screening. These tests have increased significantly since fiscal 2001

### Recommended Actions

	<u>Funds</u>
1. Increase turnover expectancy to 7.5%.	\$ 229,462
2. Delete two contractual FTEs in administrative and support services and reassign duties to existing positions.	37,589
<b>Total Reductions</b>	<b>\$ 267,051</b>

**M00J**  
**Laboratories Administration**  
**Department of Health and Mental Hygiene**

***Operating Budget Analysis***

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**Program Description**

The mission of the Laboratories Administration is to promote, protect, and preserve the health of the people of Maryland from the consequences of communicable diseases, environmental factors, and unsafe consumer products through the following measures:

- adopting scientific technology to improve the quality and reliability of laboratory practice in the areas of public health and environmental protection;
- expanding newborn hereditary disorder screening and childhood lead poisoning screening with accuracy and efficiency;
- expanding laboratory emergency preparedness efforts; and
- promoting quality and reliability of laboratory data in support of public health and environmental programs.

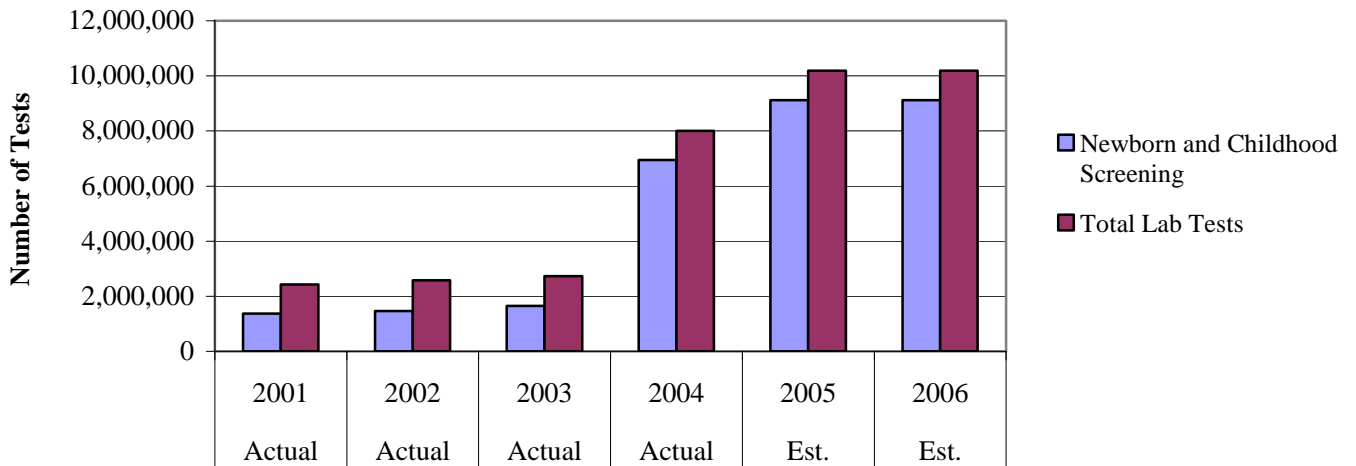
The Department of Health and Mental Hygiene (DHMH) has regional laboratories in the following locations:

- Eastern Shore in Salisbury;
- Southern Maryland in Cheverly; and
- Western Maryland in Cumberland.

**Performance Analysis: Managing for Results**

The vast majority of laboratory tests are newborn and childhood screening tests. **Exhibit 1** shows the growth in newborn and childhood screening tests since fiscal 2001 when newborn and childhood screening tests were 1.6 million out of 2.8 million tests. In fiscal 2004, they were 6.97 million out of 8.1 million tests. Newborn and childhood screening tests are projected to grow to 9.1 million out of 10.3 million tests in fiscal 2005 and 2006. DHMH is eliminating laboratory tests that can be done elsewhere or are not a public health issue.

**Exhibit 1**  
**Department of Health and Mental Hygiene Laboratories Administration**  
**Newborn and Childhood Screening**



Source: Department of Health and Mental Hygiene

**Governor’s Proposed Budget**

**Exhibit 2** indicates the fiscal 2006 allowance decreases \$682,878 of which \$634,972 is in general funds. The allowance eliminates the \$80,000 special fund reimbursement from the Baltimore City Health Department. There is a \$214,947 increase in reimbursable funds for laboratory services billed back to the Department of Human Resources. Four positions are eliminated in the agency strategic reduction plan. The \$30,000 grant to the University of Maryland School of Medicine for prenatal screening for the non-Medicaid uninsured indigent population is continued. This grant was not reflected in the 2005 working appropriation but is included in the 2006 allowance.

**Impact of Contingent Reductions**

The fiscal 2006 allowance reflects the elimination of \$101,652 (subject 0172), the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in budget reconciliation legislation.

**Exhibit 2**  
**Governor's Proposed Budget**  
**Laboratories Administration**  
(\$ in Thousands)

<b>How Much It Grows:</b>	<b><u>General</u> <u>Fund</u></b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Federal</u> <u>Fund</u></b>	<b><u>Reimb.</u> <u>Fund</u></b>	<b><u>Total</u></b>
2005 Working Appropriation	\$16,752	\$80	\$3,423	\$565	\$20,820
2006 Governor's Allowance	16,209	0	3,250	780	20,239
Contingent & Back of Bill Reductions	<u>-91</u>	<u>0</u>	<u>-10</u>	<u>0</u>	<u>-102</u>
<b>Adjusted Allowance</b>	<b>16,117</b>	<b>0</b>	<b>3,240</b>	<b>780</b>	<b>20,137</b>
Amount Change	-\$635	-\$80	-\$183	\$215	-\$683
Percent Change	-3.8%	-100.0%	-5.3%	38.0%	-3.3%

**Where It Goes:**

**Personnel Expenses**

Four positions abolished .....	-\$205
Increments and other compensation.....	87
Employee and retiree health insurance .....	-266
Retirement contribution .....	122
Workers' compensation premium assessment.....	35
Turnover adjustments.....	-137
Other fringe benefit adjustments.....	5

**Other Changes**

Laboratory equipment .....	-265
Data processing .....	-121
Grants .....	30
Insurance Coverage.....	31
Other changes.....	1

**Total** **-\$683**

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

## **Impact of Strategic Budget Reductions**

Reductions in various lab programs results in \$219,000 in savings, including reducing payments to the University of Maryland School of Medicine to provide quad prenatal screening for uninsured or underinsured individuals annually.

- This action reduces payments by \$30,000 for these lab tests, which are not public health tests, requiring the University of Maryland School of Medicine to seek reimbursement from the individuals tested.
- The reduction would allow labs to continue to subsidize tests for the non-Medicaid uninsured indigent population at an expense of approximately \$30,000.

Eliminating hematology testing not used to monitor HIV will provide a savings of approximately \$5,000. These tests are not considered public health tests and are routinely performed by commercial and hospital labs.

Routine microbiology tests for urine, wounds, throats, and other similar tests were eliminated. These tests are not considered public health tests, but rather personal health tests. Savings are estimated at \$20,000 in supply costs. Private physicians, local health department clinics, and State hospitals will have to absorb the cost by using commercial laboratories for these tests.

Various routine tests (complement fixation, immunohematology, Rh) that are either obsolete or are routine personal health tests that current lab customers may have performed by commercial and hospital labs were eliminated. This reduction will result in the layoff of one public health lab technician with estimated savings of \$53,000.

Distributing the food chemistry lab for samples that come from DHMH's Office of Food Protection or from local health departments to other lab units will continue to allow these samples to be tested.

- These samples are for cases of suspected tampering, adulteration, quality or label content verification. Eliminating this lab would save \$96,000.
- Drugs are submitted by the Division of Drug Control for testing for suspected cases of tampering or adulteration. Most testing is for methadone clinics. Eliminating this lab's single pharmacist would save \$68,000 but would still require that Drug Control samples be tested at a cost of approximately \$10,000.
- These actions result in the elimination of three regular positions.

## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Increase turnover expectancy to 7.5%. There are currently 26.5 positions vacant for a vacancy rate of 9.52%. The fiscal 2006 budget eliminates four regular positions and \$214,000. This reduction will increase turnover to 7.5% for the remaining positions.	\$ 229,462	GF
2. Delete two contractual FTEs in administrative and support services and reassign duties to existing positions. The Administrative Aide to handle the correspondence of the Laboratory Director and the Public Health Lab Assistant position to sort glassware, outfit containers, and prepare specimen mailing kits could be reassigned to existing laboratory staff.	37,589	GF
<b>Total General Fund Reductions</b>	<b>\$ 267,051</b>	

## *Current and Prior Year Budgets*

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$16,260	\$86	\$3,524	\$582	\$20,452
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-103	24	1,514	161	1,596
Cost Containment	-300	0	0	0	-300
Reversions and Cancellations	0	-9	-171	-16	-196
<b>Actual Expenditures</b>	<b>\$15,857</b>	<b>\$101</b>	<b>\$4,867</b>	<b>\$727</b>	<b>\$21,552</b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$16,034	\$80	\$3,423	\$565	\$20,102
Budget Amendments	718	0	0	0	718
<b>Working Appropriation</b>	<b>\$16,752</b>	<b>\$80</b>	<b>\$3,423</b>	<b>\$565</b>	<b>\$20,820</b>

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

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### **Fiscal 2004**

There were two general fund budget amendments that reduced the 2004 appropriation. The first amendment realigned DHMH budgets (\$70,408) for health benefits and telecommunications. The second (\$32,223) reflected cost savings in the laboratories.

### *M00J – DHMH – Laboratories Administration*

The \$24,000 special fund amendment reflects laboratory tests for gonorrhea received from the Baltimore City Health Department.

DHMH received \$8,372,317 from the Centers for Disease Control (CDC) for prevention, investigation and technical assistance and \$1,366,836 from the Federal Byrne Memorial State and Law Enforcement Assistance grant. DHMH distributed \$864,634 of the CDC funds to the laboratories and \$649,379 for laboratory security and renovations.

### **Fiscal 2005**

There were four general fund budget amendments for a net of \$718,241 addition to the Laboratories Administration:

- \$200,598 increase for the statewide salary increase that provided every employee with a \$752 increase.
- \$69,918 increase to reallocate Department of Budget and Management general fund position cuts; DHMH reallocated the reduction to projects that actually had positions cut. The labs had no positions cut.
- \$39,639 reduction to transfer a position from the Laboratories Administration to the Maryland Office of Minority Health and Disparities.
- \$487,364 for an Annual Salary Review that increased pay for lab scientists.

## ***Audit Findings***

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Audit Period for Last Audit:	July 1, 2000 – August 4, 2003
Issue Date:	June 2004
Number of Findings:	3
Number of Repeat Findings:	0
% of Repeat Findings:	n/a
Rating: (if applicable)	

**Finding 1:** The administration had not established adequate control over accounts receivable.

**Finding 2:** Proper rates were not always used for laboratory test service billings and the related invoices were not always prepared timely.

**Finding 3:** Internal control over controlled dangerous substance permits and related fees was not adequate.

**Object/Fund Difference Report  
DHMH – Laboratories Administration**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	282.50	278.50	273.50	-5.00	-1.8%
02 Contractual	3.34	2.78	2.78	0	0%
<b>Total Positions</b>	<b>285.84</b>	<b>281.28</b>	<b>276.28</b>	<b>-5.00</b>	<b>-1.8%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 13,503,021	\$ 14,829,486	\$ 14,572,218	-\$ 257,268	-1.7%
02 Technical & Spec Fees	110,140	114,749	95,740	-19,009	-16.6%
03 Communication	137,617	125,342	135,749	10,407	8.3%
04 Travel	18,686	19,834	25,435	5,601	28.2%
07 Motor Vehicles	22,638	15,899	24,286	8,387	52.8%
08 Contractual Services	1,640,616	786,316	766,490	-19,826	-2.5%
09 Supplies & Materials	4,530,217	4,020,738	4,032,585	11,847	0.3%
10 Equip - Replacement	549,118	344,692	177,675	-167,017	-48.5%
11 Equip - Additional	700,761	495,000	280,500	-214,500	-43.3%
12 Grants, Subsidies, and Contributions	284,404	0	30,000	30,000	N/A
13 Fixed Charges	54,534	67,722	97,874	30,152	44.5%
<b>Total Objects</b>	<b>\$ 21,551,752</b>	<b>\$ 20,819,778</b>	<b>\$ 20,238,552</b>	<b>-\$ 581,226</b>	<b>-2.8%</b>
<b>Funds</b>					
01 General Fund	\$ 15,857,784	\$ 16,752,099	\$ 16,208,604	-\$ 543,495	-3.2%
03 Special Fund	100,854	80,000	0	-80,000	-100.0%
05 Federal Fund	4,866,312	3,422,546	3,249,868	-172,678	-5.0%
09 Reimbursable Fund	726,802	565,133	780,080	214,947	38.0%
<b>Total Funds</b>	<b>\$ 21,551,752</b>	<b>\$ 20,819,778</b>	<b>\$ 20,238,552</b>	<b>-\$ 581,226</b>	<b>-2.8%</b>

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

**Fiscal Summary  
DHMH Laboratories Administration**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>\$ Change</u>	<u>FY05 - FY06 % Change</u>
0000 Unknown Title	\$ 0	\$ 0	\$ 0	\$ 0	0%
J401 Executive Direction	729,278	486,731	416,749	-69,982	-14.4%
J402 Administrative and Support Services	2,332,457	2,191,501	2,437,198	245,697	11.2%
J403 Laboratory Safety and Quality Assurance	176,179	273,413	270,102	-3,311	-1.2%
J412 Emerging Infections	211,754	142,338	194,530	52,192	36.7%
J415 Epidemiology and Laboratory Capacity	465,514	383,029	360,098	-22,931	-6.0%
J420 Microbiology	1,606,280	1,913,573	1,843,268	-70,305	-3.7%
J421 Virology-M A Reimbursement	1,984,800	2,285,674	2,110,786	-174,888	-7.7%
J422 Biochemistry	2,366,841	2,242,617	2,356,224	113,607	5.1%
J423 Clinical Laboratories	1,052,742	1,343,360	1,229,197	-114,163	-8.5%
J425 Childhood Lead Poisoning Prevention	23,690	23,700	20,000	-3,700	-15.6%
J427 Chlamydia Control	647,050	456,919	457,633	714	0.2%
J429 Retrovirus Lab Prevention (FF)	716,653	633,828	616,323	-17,505	-2.8%
J430 HIV Viral Load Test	327,360	360,000	299,000	-61,000	-16.9%
J431 Hiv Drug Resistant Strains	84,449	218,047	96,172	-121,875	-55.9%
J440 Environmental Microbiology	1,177,571	1,204,191	1,180,558	-23,633	-2.0%
J441 Environmental Chemistry	2,796,394	3,037,406	2,770,077	-267,329	-8.8%
J442 Radiation Chemistry	11,117	20,069	19,267	-802	-4.0%
J443 Water Laboratory	129,565	114,950	152,907	37,957	33.0%
J444 Air Quality Control (FF)	43,750	48,750	49,000	250	0.5%
J445 Hazardous And Toxic Wastes	123,816	119,988	65,499	-54,489	-45.4%
J446 Chemical Stockpile Emergency Preparedness (CSEPP)	134,660	0	0	0	0%
J451 Eastern Shore Regional Laboratory	783,512	818,440	777,568	-40,872	-5.0%
J452 Cheverly	292,660	337,721	383,822	46,101	13.7%
J453 Cumberland	408,364	366,317	412,717	46,400	12.7%
J480 Drug Control	630,157	604,344	614,750	10,406	1.7%
J494 Unknown Title	77,955	84,647	186,221	101,574	120.0%
J496 Bioterrorism Preparedness and Response CDC	1,344,743	1,108,225	918,886	-189,339	-17.1%
J497 Emergency Response Preparedness DOJ	872,441	0	0	0	0%
<b>Total Expenditures</b>	<b>\$ 21,551,752</b>	<b>\$ 20,819,778</b>	<b>\$ 20,238,552</b>	<b>-\$ 581,226</b>	<b>-2.8%</b>
General Fund	\$ 15,857,784	\$ 16,752,099	\$ 16,208,604	-\$ 543,495	-3.2%
Special Fund	100,854	80,000	0	-80,000	-100.0%
Federal Fund	4,866,312	3,422,546	3,249,868	-172,678	-5.0%
<b>Total Appropriations</b>	<b>\$ 20,824,950</b>	<b>\$ 20,254,645</b>	<b>\$ 19,458,472</b>	<b>-\$ 796,173</b>	<b>-3.9%</b>
Reimbursable Fund	\$ 726,802	\$ 565,133	\$ 780,080	\$ 214,947	38.0%
<b>Total Funds</b>	<b>\$ 21,551,752</b>	<b>\$ 20,819,778</b>	<b>\$ 20,238,552</b>	<b>-\$ 581,226</b>	<b>-2.8%</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>Program Code</u>	<u>Total Funds</u>	<u>General Funds</u>	<u>Impact of Action</u>
Eliminate funding for routine laboratory tests	M00J0201	\$108,277	\$108,277	Hospitals and other labs can provide the services. Eliminates one regular position.
Eliminate some lab tests for food and drugs	M00J0201	110,782	110,782	Some of test are obsolete or can be performed by other labs. Eliminates 3 regular positions.
Maximize payments from other revenue resources	M00J0201	211,00	211,000	Bill agencies for services.