

M00A0103
Office of Health Care Quality
Department of Health and Mental Hygiene

Operating Budget Data

(\$ in Thousands)

	FY 05	FY 06	FY 07	FY 06-07	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$8,400	\$8,663	\$9,571	\$908	10.5%
Special Fund	341	633	469	-164	-25.9%
Federal Fund	5,011	4,906	5,358	452	9.2%
Reimbursable Fund	<u>30</u>	<u>28</u>	<u>27</u>	<u>-1</u>	<u>-3.4%</u>
Total Funds	\$13,782	\$14,229	\$15,424	\$1,195	8.4%

- The fiscal 2007 allowance exceeds the fiscal 2006 working appropriation by \$1.2 million or 8.4%. The increase is largely due to the addition of seven positions.

Personnel Data

	FY 05	FY 06	FY 07	FY 06-07
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	183.40	187.40	194.40	7.00
Contractual FTEs	<u>4.00</u>	<u>5.40</u>	<u>5.40</u>	<u>0.00</u>
Total Personnel	187.40	192.80	199.80	7.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	10.87	5.59%
Positions Vacant as of 12/31/05	20.00	10.67%

- The fiscal 2006 working appropriation includes the addition of six health facility surveyor positions. The positions were transferred from various units within the Department of Health and Mental Hygiene. This increase was offset by the transfer of one administrative position to the Mental Hygiene Administration.

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

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- The 2007 allowance includes seven more positions than fiscal 2006. There are five new positions and three positions transferred from the Developmental Disabilities Administration. The additional positions include six health facility surveyors and two social workers. One physician position is abolished.
- The budgeted turnover rate for the Office of Health Care Quality (OHCQ) is 5.6%. To meet this turnover rate, OHCQ on average requires 10.87 vacancies. Currently OHCQ has 20 vacant positions; however, 4 were added in the fiscal 2006 budget and 6 were recently transferred to OHCQ.

Analysis in Brief

Major Trends

Growth in the Number of Assisted Living Facilities Projected to Slow: As a result of increased quality standards, the growth in the number of assisted living facilities is expected to moderate in fiscal 2007.

Issues

The Office of Health Care Quality Partially Meets Four of Seven Federally Required Performance Standards: The Centers for Medicare and Medicaid Services annually reviews the Office of Health Care Quality to determine compliance with seven performance standards. OHCQ met three and partially met four of the seven performance standards.

Work Plan Needed to Identify Staffing Shortfalls: OHCQ has not been able to meet all established State and federal survey requirements due to a combination of increased workload and reduced staff levels. A work plan including an analysis of existing staffing levels and current priorities should be submitted annually to the budget committees.

Recommended Actions

1. Adopt committee narrative requesting an annual work plan.

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Office of Health Care Quality
Department of Health and Mental Hygiene

Operating Budget Analysis

Program Description

The role of the Office of Health Care Quality (OHCQ), formerly known as Licensing and Certification, is to regulate certain health care facilities. Twelve types of facilities are regulated: nursing homes, hospitals, ambulatory surgical centers, endoscopic centers, birthing centers, home health agencies, health maintenance organizations, hospice care, physical therapy centers, developmental disability homes and facilities, mental health facilities, and substance abuse treatment facilities. Facilities and services are reviewed on a regular basis for compliance with the Code of Maryland Regulations as well as for compliance with federal regulations in those facilities participating in Medicare and Medicaid.

Performance Analysis: Managing for Results

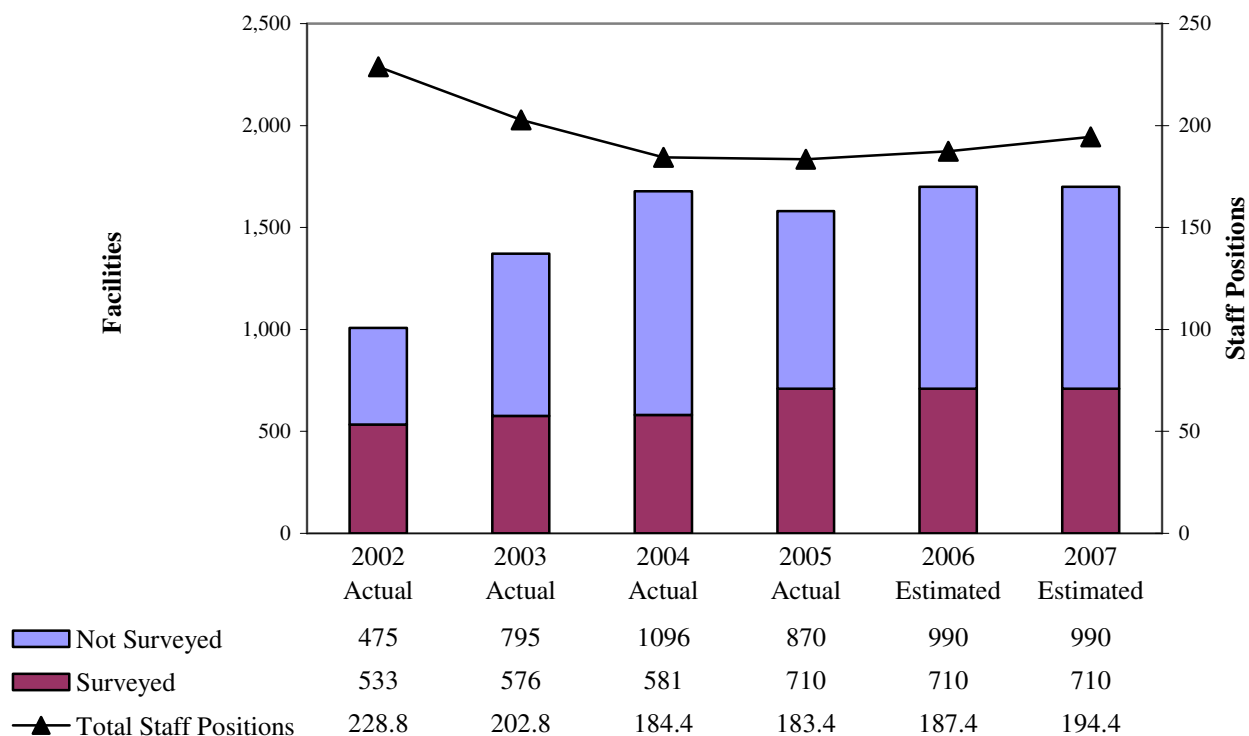
Assisted Living Facilities

State law requires OHCQ to survey each assisted living facility, residence-like homes for the frail or elderly, at least once each year. With the aging of the population and recent emphasis on providing care in community-based settings, the number of licensed assisted living facilities has grown nearly 60% since fiscal 2002, as illustrated in **Exhibit 1**. OHCQ, with limited staff resources, has not been able to sufficiently respond to the growth in this area.

In fiscal 2005 the office completed 45% of licensure surveys in this unit. Although well below the required level, the office increased the number of completed surveys by 129, or 22% over fiscal 2004. Despite staffing constraints, OHCQ has increased the number of completed surveys by introducing efficiencies into the survey process, including better staff utilization and technology improvements. Large facilities are now surveyed with smaller teams, and there is one surveyor dedicated to programs with less than four beds.

In fiscal 2007, OHCQ is expecting the growth in the number of assisted living facilities to slow as a result of increased quality standards. Additionally, the unit added two surveyors in fiscal 2006, and the 2007 allowance proposes to add two more. Consequently, in fiscal 2007, OHCQ should complete a higher percentage of licensure surveys.

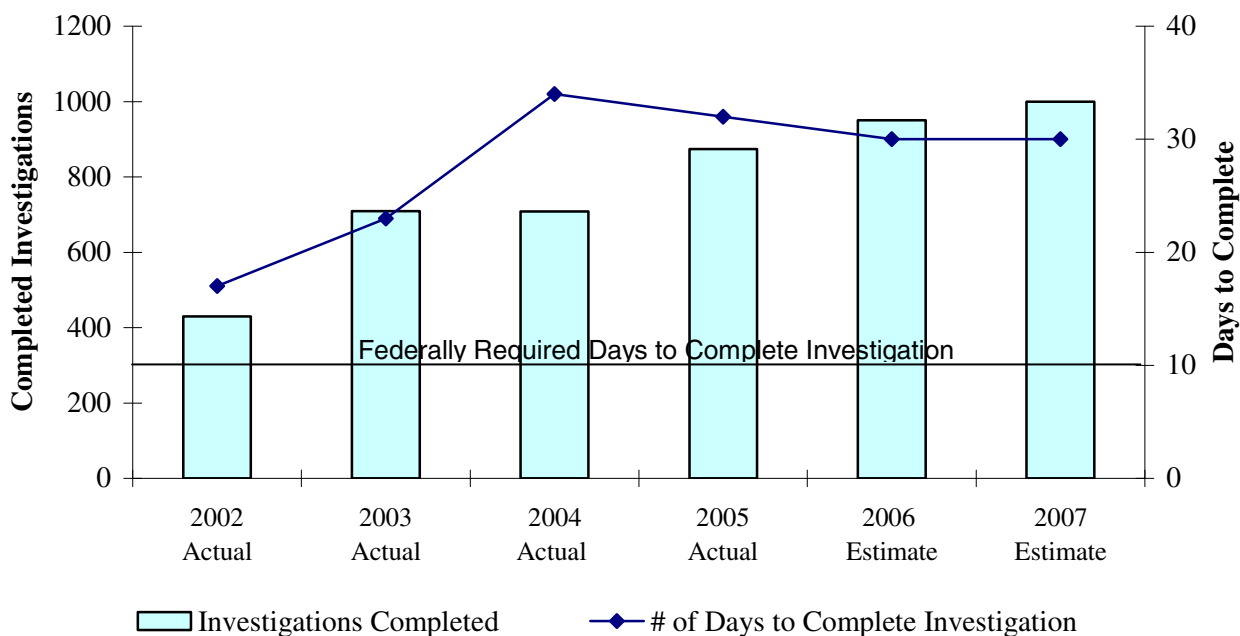
**Exhibit 1
Survey of Assisted Living Facilities
Fiscal 2002 – 2007**



Source: Department of Health and Mental Hygiene

Federal regulations require complaint investigations alleging actual harm be completed in 10 working days. However, as shown in **Exhibit 2**, in fiscal 2004, the average number of days to complete an investigation in a nursing home facility was 34 days, well above the federal requirement. In fiscal 2005, OHCQ improved its performance to an average 32 days by streamlining the complaint in-take process. In fiscal 2006, OHCQ is projecting to again decrease the number of days to 30, aided by the addition of two surveyor positions. Continued failure to comply with the federal regulations could result in reduced federal reimbursement.

**Exhibit 2
Nursing Home Complaint Investigations
Fiscal 2002 – 2007**



Source: Department of Health and Mental Hygiene

Governor's Proposed Budget

As shown in **Exhibit 3**, the fiscal 2007 allowance increases funding \$1.2 million over the fiscal 2006 working appropriation, an increase of 8.4%. The increase is primarily due to rising employee and retiree health insurance costs and additional personnel.

Exhibit 3
Governor's Proposed Budget
DHMH Office of Health Care Quality
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
2006 Working Appropriation	\$8,663	\$633	\$4,906	\$28	\$14,229
2007 Governor's Allowance	<u>9,571</u>	<u>469</u>	<u>5,358</u>	<u>27</u>	<u>15,424</u>
Amount Change	\$908	-\$164	\$452	-\$1	\$1,195
Percent Change	10.5%	-25.9%	9.2%	-3.4%	8.4%

Where It Goes:

Personnel Expenses

Fiscal 2006 understated health insurance base	\$390
8 additional surveyor positions, 5 new and 3 transfers	330
Employee and retiree health insurance	271
Increments and other compensation	217
Salary increase to reflect fiscal 2006 transferred positions	168
Contributions to employee retirement system	99
One abolished position	-109
Workers' compensation premium assessment	-56
Other adjustments to salary	-4

Other Changes

Contract to perform life safety code surveys	39
Travel.....	33
Motor vehicles	17
Fixed expenses.....	15
Computer equipment to improve patient safety.....	-17
Grants to provider and advocacy groups	-150
Organ and Tissue Donation Awareness Fund	-50
Other	2

Total **\$1,195**

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

Personnel Expenses

The fiscal 2007 allowance increases \$1.3 million for personnel expenses. The increase is driven in part by a \$0.7 million increase in employee healthcare costs, reflecting higher premiums and an understated fiscal 2006 base. The allowance also includes increases of \$0.2 million for increments and \$0.1 million for contributions to the employee retirement system. Offsetting these increases is a \$56,447 reduction in the workers' compensation premium assessment.

The Governor's proposed budget adds eight positions to various units as shown in **Exhibit 4**. The additional positions add \$0.3 million to the allowance and include six health facility surveyors and two social workers. The social workers will be performing survey work in the ambulatory care unit. The allowance also reflects an additional \$0.2 million to recognize the transfer of six surveyor positions in fiscal 2006, offset by the reduction of one administrative position transferred to the Mental Hygiene Administration. As shown in Exhibit 4, a staff shortfall of 39.7 positions remains after the addition of the 8 surveyors in fiscal 2007.

Exhibit 4 OHCQ Staff Requirements by Unit Fiscal 2006 and 2007

	<u>Surveyors Required</u>	<u>Actual Surveyors</u>	<u>Difference</u>	<u>Additional Fiscal 2006 Positions</u>	<u>New Fiscal 2007 Positions</u>	<u>Difference</u>
Assisted Living	39.95	17.00	-22.95	2	3	-17.95
Nursing Homes	43.64	31.00	-12.64	2	2	-8.64
Ambulatory Care	25.27	6.00	-19.27	2	2	-15.27
Hospitals and HMOs	5.84 ¹	7.00	1.16	0	1	2.16
Total	114.7	61	-56.2	6	8	-39.7

¹ A rise in the number of sentinel events reported, likely due to training provided by OHCQ, is projected to increase the surveyors required in the hospital unit beyond 5.84 in fiscal 2007.

Source: Office of Health Care Quality; Department of Legislative Services

The workplan submitted by OHCQ during the 2005 session indicated a shortage of 11 surveyors in the Developmental Disabilities unit. The office should comment on why none of the additional 14 surveyors will be added to this unit.

Operating Expenses

Operating expenses decrease \$109,128 in the fiscal 2007 allowance. The decrease is largely due to a \$150,000 reduction in grants to provider and advocacy groups, financed from nursing home civil monetary penalty fees. Grant expenditures from the Organ and Tissue Donator Awareness Fund also decrease by \$50,000 due to vacancies on the advisory board. Additional savings of \$17,016 are the net result of fiscal 2006 equipment purchases to increase patient safety.

These savings are offset by a \$32,688 increase in travel due to increased survey activity in the assisted living and nursing home units and higher mileage reimbursement rates. The allowance also includes an increase of \$39,380 to hire staff at the Office of the Fire Marshall to perform life safety code surveys (LSC). OHCQ currently contracts the office to perform the surveys, but there are no staff specifically dedicated to these efforts. Other adjustments include increases of \$17,108 to finance higher fuel costs and replace a vehicle and \$15,712 for additional fixed expenses to accommodate the new staff.

Issues

1. The Office of Health Care Quality Partially Meets Four of Seven Federally Required Performance Standards

OHCQ is the State’s health care facility licensing and certification agent. Through licensing, a facility gains the authority to operate or do business in the State; through certification, a facility obtains the right to participate in the Medicare and Medicaid programs. OHCQ uses State and federal regulations, which set forth minimum standards for provisions of care and conducts surveys to determine compliance. Working under contract with the Centers for Medicare and Medicaid Services (CMS), OHCQ conducts federal certification work for nursing homes, hospitals, residential treatment centers, outpatient facilities, and laboratories. OHCQ is annually audited by CMS to determine compliance with seven performance standards. In the most recent audit, covering federal fiscal year (FFY) 2005, OHCQ partially met four of the seven performance standards as shown in **Exhibit 5**. Continued failure to comply with federal regulations could result in reduced federal reimbursement.

Exhibit 5
Office of Health Care Quality
Federal Performance Standard Draft Audit
FFY 2005

<u>Standard</u>	<u>Federal Criterion</u>	<u>Result</u>
Timeliness	12 months between surveys, no surveys exceeding 15.9 months; at least 10% of surveys conducted during “off hours”.	Partially Met
Timeliness of Adverse Action Procedures	Timely processing; adheres to enforcement timeframes.	Partially Met
Timeliness and Quality of Complaint Investigations	Maintains and follows guidelines for the prioritization of all complaints.	Partially Met
Timeliness and Accuracy of Data Entry	Certification kits are entered into federal system on a timely basis; data is entered into federal system correctly.	Partially Met
Documentation	All deficiencies in accordance with principles of documentation.	Met
Quality of Investigations and Decision Making	Surveys are satisfactorily conducted, using federal standards, protocols, and procedures, policies and systems.	Met
Budget Analysis	Employs acceptable process for charging federal programs.	Met

Source: Office of Health Care Quality

Reasons for partially meeting some performance standards included the inability to complete surveys and complaint investigations in a timely manner. CMS requires an overall average of 12 months between nursing home surveys, with no survey exceeding a 15.9 months. In FFY 2005, surveys of two nursing homes exceeded that time period. CMS also requires investigation of any actual harm complaint within 10 working days. The average time for completion of these complaints was 32 days. Also, LSC surveys were not completed in a timely manner. CMS requires LSC surveys to be completed within 60 days of a nursing home survey. OHCQ was cited for not completing 17 LSC surveys in FFY 2004 and 28 LSC in FFY 2005 in the mandated time period. OHCQ contracts with the Office of the Fire Marshal to perform the surveys, but there are no staff specifically dedicated to these efforts. The 2007 budget includes an additional \$39,380 to hire dedicated staff at the fire marshal's office to perform the LSC surveys. This action, as well as the addition of six surveyor positions in fiscal 2006 and the proposed addition of eight surveyor positions in fiscal 2007 should mitigate to some extent the difficulty in meeting the performance standards.

The office should comment on the impact the additional positions will have on OHCQ's ability to comply with federal regulations.

2. Work Plan Needed to Identify Staffing Shortfalls

Due to a combination of increased workload and reduced staff levels, OHCQ has not been able to meet all established State and federal survey requirements. The fiscal 2006 appropriation includes 6 additional surveyors, and the fiscal 2007 allowance is proposing 8 additional surveyors. The addition of 14 surveyors should assist the department to meet a greater number of State and federal survey requirements. However, it is difficult to assess the impact the new surveyors will have without a work plan identifying staffing needs. OHCQ is currently completing the fiscal 2006 and 2007 work plan, however, the plan was not available at the time of this writing.

In order to quantify OHCQ staff requirements and to identify problems in need of management, the Department of Legislative Service recommends committee narrative requiring OHCQ to annually submit to the budget committees a work plan including an analysis of existing staffing levels and current priorities. The work plan should also include a labor/hour data analysis for all survey activity.

Recommended Actions

1. Adopt the following narrative:

Work Plan Addressing Staffing Levels and Current Priorities: The Office of Health Care Quality (OHCQ) should annually submit to the committees a work plan including an analysis of existing staffing levels and current priorities. The work plan should also include a labor/hour data analysis for all survey activity.

Information Request	Author	Due Date
Annual Work Plan	OHCQ	November 1, 2006

Current and Prior Year Budgets

Current and Prior Year Budgets Office of Health Care Quality (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2005					
Legislative Appropriation	\$8,380	\$572	\$4,809	\$68	\$13,829
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	20	50	350	0	420
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	-281	-148	-38	-467
Actual Expenditures	\$8,400	\$341	\$5,011	\$30	\$13,782
Fiscal 2006					
Legislative Appropriation	\$8,565	\$633	\$4,886	\$28	\$14,112
Budget Amendments	97	0	20	0	117
Working Appropriation	\$8,662	\$633	\$4,906	\$28	\$14,229

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

Fiscal 2005

The general fund appropriation increased \$20,000 due to a \$0.1 million increase to recognize the fiscal 2005 cost-of-living adjustment offset by a reduction to realign health insurance funds among departmental units.

The special fund appropriation increased \$50,000 to recognize the availability of additional funds in the Organ and Tissue Donation Awareness Fund. \$2,000 was used to purchase three resource manuals, and the remaining funds were cancelled due to grants not awarded as a result of vacancies on the Organ and Tissue Donator Advisory Council. Civil monetary penalties totaling \$0.2 million were also cancelled.

The federal fund appropriation increased \$0.4 million due to the availability of funds from the Centers for Medicare and Medicaid Services. Funds were used to develop a standardized core curriculum to instruct nursing surveyors in investigative techniques for allegations of abuse and neglect. Funds were cancelled due to a delay in the recruitment of a nurse surveyor position, reduced in-state travel, and the abolishment of a contractual position in the mental hygiene unit.

The reimbursable fund appropriation decreased \$38,002 due to a position transfer.

Fiscal 2006

The general fund appropriation was increased \$0.1 million to recognize the fiscal 2006 cost-of-living adjustment.

Audit Findings

Audit Period for Last Audit:	July 1, 2000 – July 9, 2003
Issue Date:	August 2004
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	N/A

Finding 1: The OHCQ had not inspected various health care facilities as required.

**Object/Fund Difference Report
DHMH Office of Health Care Quality**

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	183.40	187.40	194.40	7.00	3.7%
02 Contractual	4.00	5.40	5.40	0	0%
Total Positions	187.40	192.80	199.80	7.00	3.6%
Objects					
01 Salaries and Wages	\$ 11,455,890	\$ 11,915,871	\$ 13,222,191	\$ 1,306,320	11.0%
02 Technical & Spec Fees	191,363	201,848	205,655	3,807	1.9%
03 Communication	70,257	74,351	75,933	1,582	2.1%
04 Travel	280,948	318,409	351,097	32,688	10.3%
07 Motor Vehicles	125,465	94,765	111,873	17,108	18.1%
08 Contractual Services	1,249,717	992,794	959,269	-33,525	-3.4%
09 Supplies & Materials	69,406	80,831	77,068	-3,763	-4.7%
10 Equip - Replacement	6,783	8,703	19,078	10,375	119.2%
11 Equip - Additional	32,318	42,411	37,584	-4,827	-11.4%
12 Grants, Subsidies, and Contributions	0	200,000	50,000	-150,000	-75.0%
13 Fixed Charges	300,234	298,992	314,704	15,712	5.3%
Total Objects	\$ 13,782,381	\$ 14,228,975	\$ 15,424,452	\$ 1,195,477	8.4%
Funds					
01 General Fund	\$ 8,400,134	\$ 8,662,571	\$ 9,570,755	\$ 908,184	10.5%
03 Special Fund	340,910	632,572	469,035	-163,537	-25.9%
05 Federal Fund	5,011,073	4,905,720	5,357,513	451,793	9.2%
09 Reimbursable Fund	30,264	28,112	27,149	-963	-3.4%
Total Funds	\$ 13,782,381	\$ 14,228,975	\$ 15,424,452	\$ 1,195,477	8.4%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.