

**M00M**  
**Developmental Disabilities Administration**  
**Department of Health and Mental Hygiene**

***Operating Budget Data***

(\$ in Thousands)

	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 06-07</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	\$397,606	\$417,390	\$450,992	\$33,602	8.1%
Special Fund	1,938	3,480	3,676	196	5.6%
Federal Fund	201,136	219,376	238,596	19,220	8.8%
Reimbursable Fund	<u>436</u>	<u>249</u>	<u>103</u>	<u>-146</u>	<u>-58.7%</u>
<b>Total Funds</b>	<b>\$601,117</b>	<b>\$640,495</b>	<b>\$693,367</b>	<b>\$52,872</b>	<b>8.3%</b>

- The fiscal 2007 allowance exceeds the fiscal 2006 working appropriation by \$52.9 million, or 8.3%. The increase is largely due to the inclusion of an additional \$43.0 million for community service enhancements.
- The budget includes \$16.2 million to increase the wages and benefits of direct care service workers employed by community providers; \$10.0 million to reduce the size of the waiting list by extending day, residential, and support services to approximately 1,225 individuals; and \$7.7 million to support employment and day services for transitioning youth.

***Personnel Data***

	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 06-07</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	1,240.15	1,228.15	1,215.15	-13.00
Contractual FTEs	<u>82.28</u>	<u>109.37</u>	<u>114.06</u>	<u>4.69</u>
<b>Total Personnel</b>	<b>1,322.43</b>	<b>1,337.52</b>	<b>1,329.21</b>	<b>-8.31</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	48.24	3.97%
Positions Vacant as of 12/31/05	85.00	6.92%

- The 2007 allowance has 13 fewer positions than fiscal 2006. Ten vacant positions at Potomac Center are abolished, and 3 food service positions are transferred to the Office of Health Care Quality.

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

For further information contact: Stacy A. Collins

Phone: (410) 946-5530

- The budgeted turnover rate for the Developmental Disabilities Administration (DDA) is 3.97%. To meet this turnover rate, DDA on average requires 48.24 vacancies. Currently DDA has 85 vacant positions. The allowance abolishes 10 of those vacancies.

## ***Analysis in Brief***

---

### **Major Trends**

***Funding for Community Services Expands:*** Growth in funding reflects the commitment of State funds to expand the availability of community services and increase wages for employees of private providers. The fiscal 2007 allowance increases community service funds \$43.0 million, or 8.4%.

***Ask Me! Survey Participants Indicate a Moderate Level of Personal Satisfaction:*** DDA surveys individuals receiving community services to determine how satisfied the recipients are with their personal development. The fiscal 2005 data show a decrease in six of eight personal development domains; however, all the domains have shown improvement since fiscal 2002.

### **Issues**

***Report on Means to Quantify Impact of Wage Initiative:*** The 2005 *Joint Chairmen's Report* required the Department of Health and Mental Hygiene to submit a report on the means to quantify the impact of funds appropriated for the purpose of increasing compensation for community direct service workers employed by private providers. The report was unofficially submitted to legislative staff in February 2006.

***Results of the Third Year of the Wage Survey Indicate Progress:*** The results of a Community Services Reimbursement Rate Commission (CSRRC) survey indicate that funds appropriated for the wage initiative in fiscal 2005 increased the salaries of direct care service workers. Data reported by DDA in the annual wage and benefit cost survey support the CSRRC findings.

***Increased Oversight of Group Homes Considered:*** There was considerable legislative interest in group home oversight during the 2005 interim. Some of the proposals to improve oversight would require legislation, others can be accomplished through budget language or other means.

**Recommended Actions**

	<u><b>Funds</b></u>	<u><b>Positions</b></u>
1. Add budget language to require the Department of Health and Mental Hygiene, the Department of Human Resources, and the Department of Juvenile Services to report on retained earnings by group home providers.		
2. Add budget language requiring the Department of Health and Mental Hygiene, the Department of Human Resources, and the Department of Juvenile Services to submit provider audits to the Maryland State Department of Education (MSDE) so that MSDE can incorporate review of the audits into the rate setting process.		
3. Add budget language to require the Department of Health and Mental Hygiene, the Department of Human Resources, and the Department of Juvenile Services to submit a report on proposed minimum direct care spending.		
4. Increase turnover expectancy from 3.97 to 5.00%	\$ 538,679	
5. Reduce funds for a grant to Special Olympics of Maryland	150,000	
6. Delete 1.5 vacant positions.	99,023	1.5
<b>Total Reductions</b>	<b>\$ 787,702</b>	<b>1.5</b>

**Updates**

*Cost of Transportation Services:* DDA has submitted a report describing the rate structure used to compensate private providers for the costs of transportation services.

*M00M – DHMH – Developmental Disabilities Administration*

**M00M**  
**Developmental Disabilities Administration**  
**Department of Health and Mental Hygiene**

## *Operating Budget Analysis*

---

### **Program Description**

A developmental disability is a condition attributable to a mental or physical impairment that results in substantial functional limitations in major life activities and which is likely to continue indefinitely. Examples include autism, blindness, cerebral palsy, deafness, epilepsy, mental retardation, and multiple sclerosis. The Developmental Disabilities Administration (DDA) provides direct services to these individuals in four State residential centers and through funding of a coordinated service delivery system that supports the integration of these individuals into the community. Goals of the administration include:

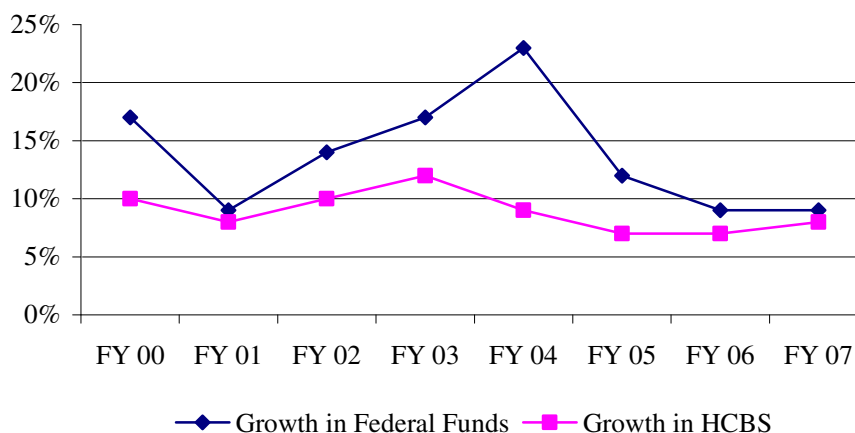
- empowerment of the developmentally disabled and their families;
- integration of individuals with developmental disabilities into community life;
- provision of quality support services that maximize individual growth and development; and
- establishment of a responsible, flexible service system that maximizes available resources.

### **Performance Analysis: Managing for Results**

Managing for Results data in **Exhibit 1** reflect the priority DDA has placed on integrating individuals with developmental disabilities into community life, reinforced by the Supreme Court's ruling in *L.C. v. Olmstead*. The court ruled that, according to the Americans with Disabilities Act, no person may be required to live in an institution if able to live in the community with appropriate support. DDA accelerated the process of deinstitutionalization in response to the court's ruling, though the administration had been moving individuals from the State residential centers to the community for nearly 20 years.

The data in Exhibit 1 shows the percentage increase in funding for home- and community-based services each year since fiscal 2000. Increases have been driven by the waiting list initiative, an initiative intended to provide a service for everyone on the waiting list for community services as of January 1, 1998. The initiative ended in fiscal 2003, though community services have continued to expand since that time. As of January 1, 2006, there were 15,498 individuals waiting for one or more of three basis services (residential, day, and support services). The fiscal 2007 allowance includes \$10.0 million to provide 1,225 individuals on the waiting list with one or more community services. Another factor in the growth in funds has been the wage initiative. An average of \$16 million has been provided each year since fiscal 2003 to increase the wages of community direct service workers employed by private providers. Fiscal 2007 is the last year of the wage initiative. The overlap of the waiting list and wage initiatives in fiscal 2003 resulted in a 12% increase in community services funding in that year.

**Exhibit 1**  
**Growth in Funds for Community Services**  
**Fiscal 2000 – 2007**



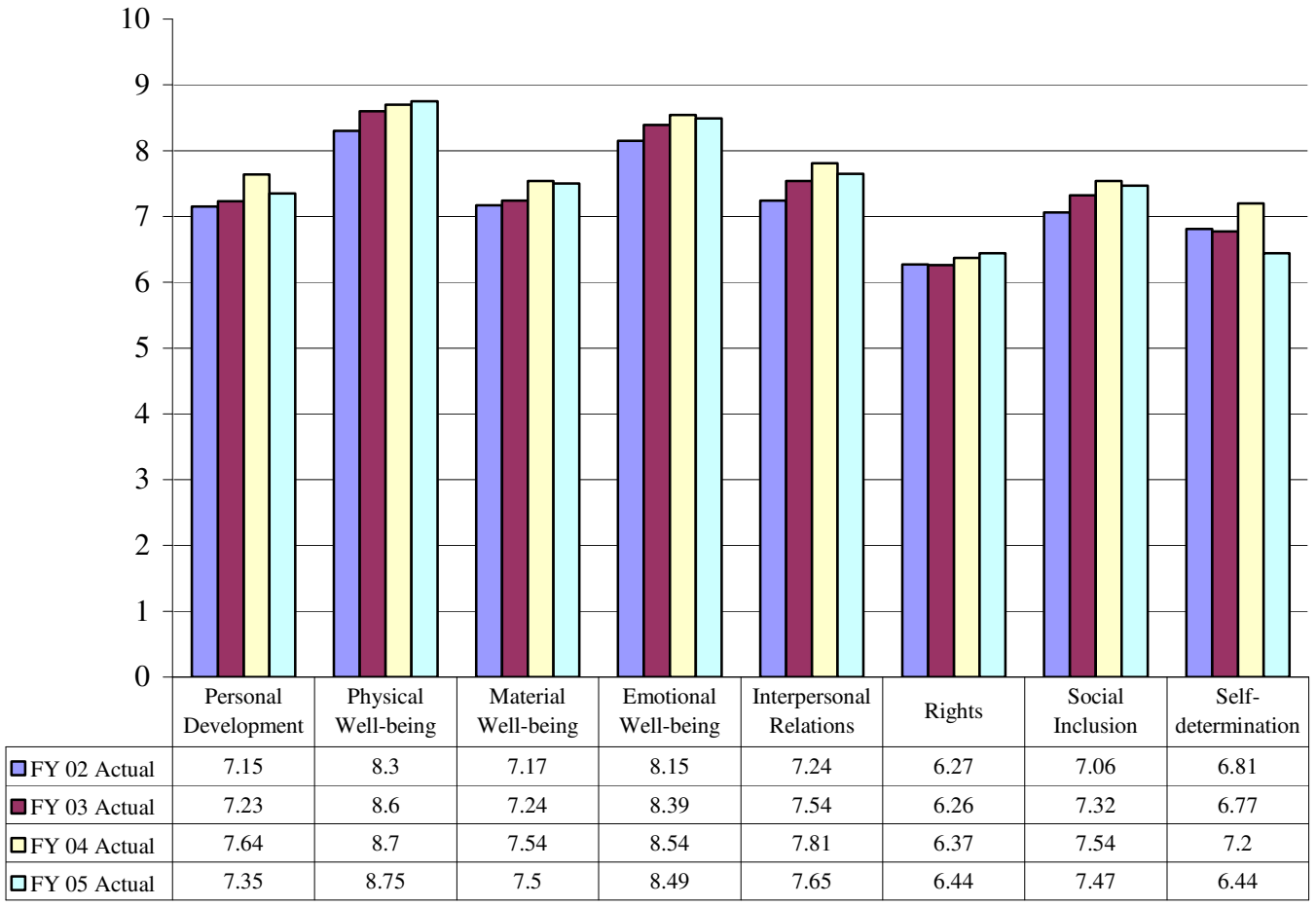
HCBS = Home- and Community-based Services

Source: Maryland Operating Budget

Growth in federal funds has increased at a rate greater than the total increase in funds for community services. This reflects an effort by the administration to maximize available federal funds, achieved in a variety of ways. Growth in federal funds reflects, in part, efforts to expand availability of and enrollment in federal waiver programs, supported by regulations that require all eligible individuals to enroll in the waiver. DDA continues to review the status of those individuals who are not in the waiver but receiving services, and in fiscal 2005, converted approximately 1,401 individuals into the waiver. As of January 2006, 9,858 individuals are enrolled, an 8% increase over January 2005. More recently DDA has implemented strategies to reduce federal fund loss due to consumers being disenrolled until their annual redeterminations are completed. In fiscal 2007, federal funds are expected to cover nearly 40% of the cost of community services, a total of \$238 million.

Beginning in fiscal 2002, DDA begin surveying individuals receiving community services funded by DDA to determine how satisfied the recipients are with their personal development. The Ask ME! Survey presented in **Exhibit 2** allows people with developmental disabilities to indicate how satisfied they are in eight personal domain areas by answering questions related to each domain. Each person is shown a set of three faces and asked to identify a face that best describes how they feel about a question: a face with a smile indicates a favorable response; a face with no smile or no frown indicates a neutral response or “not sure,” depending on the question; and a face with a frown indicates an unfavorable response. The replies are converted into a scale of 0 to 10 with 0 indicating unfavorable responses on all items, 5 indicating all neutral or equal number of favorable and unfavorable responses, and 10 indicating favorable responses on all items within a domain area. The fiscal 2005 data show a decrease from fiscal 2004 in six of the eight personal development domains; however, all the domains have shown improvement since fiscal 2002.

**Exhibit 2**  
**Ask ME! Survey Results**  
**Fiscal 2002 – 2005**



Source: Developmental Disabilities Administration

*M00M – DHMH – Developmental Disabilities Administration*

Although personal satisfaction is an important indication of how well people are feeling about themselves and their development, the performance measure is limited in its capacity to provide information on the quality of care. Furthermore, the Community Services Managing for Results Performance Measures contain a significant amount of information measuring access to care, but very little data measuring quality of care. **DDA should comment on why the MFR does not provide more quality measures.**

## **Governor's Proposed Budget**

The fiscal 2007 allowance for DDA increases \$52.9 million over the fiscal 2006 working appropriation, an increase of 8.3%. The growth, detailed in **Exhibits 3** and **4**, is primarily attributable to increases in community services for community direct service wages, annualization of prior year placements, and fiscal 2007 community placements.

---

**Exhibit 3**  
**Developmental Disabilities Administration – Budget Growth**  
**Fiscal 2005 – 2007**

	<b><u>FY 05</u></b> <b><u>Actual</u></b>	<b><u>FY 06 Working</u></b> <b><u>Appropriation</u></b>	<b><u>FY 07</u></b> <b><u>Allowance</u></b>	<b><u>FY 06 – 07</u></b> <b><u>% Change</u></b>
Program direction	\$4,842,186	\$4,812,052	\$5,821,847	21.0%
Community services	526,137,956	565,020,000	612,759,311	8.4%
<b>State Residential Centers</b>				
Rosewood	39,815,784	39,500,117	41,875,191	6.0%
Holly	17,323,073	17,343,792	18,759,266	8.2%
Potomac	8,918,399	9,557,829	9,600,328	0.4%
Brandenburg	4,079,122	4,260,756	4,550,857	6.8%
<b>Subtotal</b>	<b>\$70,136,378</b>	<b>\$70,662,494</b>	<b>\$74,785,642</b>	<b>5.8%</b>
<b>Total</b>	<b>\$601,116,520</b>	<b>\$640,494,546</b>	<b>\$693,366,800</b>	<b>8.3%</b>

Source: Maryland Operating Budget

---

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

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
2006 Working Appropriation	\$417,390	\$3,480	\$219,376	\$249	\$640,495
2007 Governor's Allowance	<u>450,992</u>	<u>3,676</u>	<u>238,596</u>	<u>103</u>	<u>693,367</u>
Amount Change	\$33,602	\$196	\$19,220	-\$146	\$52,872
Percent Change	8.1%	5.6%	8.8%	-58.7%	8.3%
<b>Where It Goes:</b>					
<b>Personnel Expenses</b>					
Fiscal 2006 understated health insurance base .....					\$1,992
Employee and retiree health insurance .....					1,746
Increments and other compensation .....					1,189
Turnover adjustments .....					817
Contributions to employee retirement system .....					459
Workers' compensation premium assessment.....					278
Deferred compensation.....					113
10 abolished and 3 transferred positions in fiscal 2007 .....					-390
Overtime .....					-353
Other changes including fiscal 2006 transfers .....					-174
<b>Other Changes</b>					
Fifth year of the initiative to increase wages of community direct service workers, per Chapters 109 and 110, Acts of 2001.....					16,240
Fiscal 2007 waiting list funding.....					10,000
Transitioning youth services.....					7,689
Federal fund adjustment to reflect service expansions .....					4,279
Annualization of fiscal 2006 community service placements .....					2,975
Emergency Placements .....					2,698
Waiting List Equity Fund – Expansion of services through placements from the waiting list .....					1,231
Enhancement to increase provider transportation reimbursement.....					1,754
Written plan per Chapter 396 Acts of 2005.....					413
Utility costs at the State residential centers .....					319
Grant to the Special Olympics of Maryland increases by 200% .....					200

*M00M – DHMH – Developmental Disabilities Administration*

Certified Medicine Aid usage .....	104
Shared services at Finan Center.....	21
Potomac and Brandenburg accreditation surveys – three-year cycle .....	18
Police protection contract .....	-209
Insurance costs at the State residential centers .....	-204
Food costs at the State residential centers .....	-137
Licensed Practical Nurse usage .....	-112
Housekeeping costs at the State residential centers.....	-89
Other operating changes .....	5
<b>Total</b>	<b>\$52,872</b>

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

---

## **Personnel Expenses**

The allowance includes an additional \$5.7 million in personnel expense. The increase is largely due to a \$3.7 million increase in health care costs, reflecting higher premiums and an understated fiscal 2006 base. The inclusion of increments further increases personnel expenditures by \$1.2 million. Increases are offset by fiscal 2006 and 2007 position reductions and a decrease in overtime costs.

## **Direct Care Wage Increase**

The largest increase in the fiscal 2007 allowance provides for wage increases for direct care service workers employed by community providers. Concern that direct care staff employed by private providers were not being compensated at the rate of comparable employees in State residential centers led to the development of an initiative to eliminate the wage disparity. Chapters 109 and 110, Acts of 2001 require the Department of Health and Mental Hygiene (DHMH) to increase rates of reimbursement for community service providers to eliminate the wage disparity over a five-year period. The fiscal 2007 allowance provides \$16.2 million for the fifth and final year of this initiative.

## **Community Services**

Independent of the wage initiative, funding for community services increases \$26.8 million in the fiscal 2007 allowance. The increase is primarily the result of a new waiting list initiative, emergency placements, and supported employment and day services for transitioning youth.

*M00M – DHMH – Developmental Disabilities Administration*

Approximately 511 people began receiving DDA community services in fiscal 2006. The total cost of these placements, made throughout the course of the fiscal year, will not be realized until fiscal 2007, when services are provided for an entire year. Annualization of these prior year community placements accounts for \$3.0 million of the fiscal 2007 increase in community services. The allowance also provides for the following new community placements in fiscal 2007:

- ***Waiting List Placements:*** Despite significant increases in recent community placements, the current waiting list for community services includes nearly 15,500 individuals. Approximately 10,283 individuals on the waiting list are not receiving any services; the remaining individuals are receiving some services but have requested approximately 7,868 additional services. The fiscal 2007 allowance provides \$10.0 million to reduce the size of the waiting list by extending 3,945 services to 1,225 individuals.
- ***Transitioning Youth:*** This program funds supported employment and day services for students with developmental disabilities graduating from the school system. Eligibility for these services is independent of the severity of the individual's situation or the need for immediate service. An additional 497 individuals will be served by the \$7.7 million in the allowance for these services in fiscal 2007.
- ***Emergencies:*** The allowance provides \$2.7 million for emergency residential services. The funds will serve individuals in immediate need of service due to the severity of their condition or health of their caregiver. DDA expects 84 individuals will be served on an emergency basis in fiscal 2007.
- ***Waiting List Placements Supported by Waiting List Equity Fund:*** The current waiting list for community services includes nearly 15,500 individuals. The fiscal 2007 allowance provides \$1.2 million to provide services to individuals on the waiting list who have the oldest caregivers. Residential services will be extended to 40 individuals. These placements will be supported with monies from the Waiting List Equity Fund in fiscal 2007.
- ***Written Plan:*** Chapter 396, Acts of 2005 added a requirement that a resource coordinator participate in the development of a written plan of habilitation for each individual residing in a DDA state residential center. The allowance includes \$412,800 to provide a written plan for 320 individuals living at the Rosewood, Holly, Potomac, and Brandenburg residential centers.
- ***Transportation Services:*** The allowance includes \$1.8 million to increase provider reimbursements for transportation costs. Committee narrative included in the 2005 *Joint Chairmen's Report* directed DDA to provide a report on the amount included in the rate structure to compensate private providers for the cost of transportation. According to the report, DDA's fiscal 2004 reimbursement fell short of actual provider costs by approximately \$0.9 million.

*M00M – DHMH – Developmental Disabilities Administration*

The federal fiscal 2007 allowance also increases an additional \$4.3 million to reflect anticipated service expansions and increases in medical acuity.

**Other Operating Changes**

Non-personnel operating expenses at State residential centers decrease \$0.3 million. Significant changes to the centers budget include a \$0.3 million increase in utility costs offset by a \$0.2 million decrease in police services. Rosewood Center reclassified vacant jobs and hired police officers into those positions. Other changes include a \$0.2 million decrease in insurance costs and a \$0.1 million reduction in food costs primarily due to reductions in census at Potomac Center.

## ***Issues***

---

### **1. Report on Means to Quantify Impact of Wage Initiative**

Due to conflicting results presented in the wage surveys submitted during the 2005 session by the Community Service Reimbursement Rate Commission (CSRRC) and DDA, the committees were unable to determine if the funding for the wage initiative was having its intended effect. Responding to this concern, the General Assembly added language to the budget bill restricting \$2.0 million of DDA's fiscal 2006 appropriation until the department reported on a means to quantify the impact of funds appropriated for the purposes of increasing compensation for community direct service workers employed by private providers. The report was unofficially submitted to legislative staff in February 2006.

#### **Background**

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

Direct-service workers employed by private providers are not compensated according to the State pay scale, creating disparities in wages relative to equivalent State positions. Chapters 109 and 110, Acts of 2001 require DHMH to increase the rate of reimbursement to community providers in order to eliminate the wage disparity over a five-year period (fiscal 2003 – 2007). As required by law, the department has collaborated with CSRRC to survey providers in order to determine the magnitude of the disparity; annual appropriations for the initiative are based on the results of these annual surveys.

#### **Methods to Ensure Accurate Data Collection**

The CSRRC, in cooperation with DDA, has surveyed community service providers to determine employee wages since fiscal 2000. Wage surveys are taken every February and include two levels of direct-care workers and one supervisory level. Data from the 2003 and 2004 surveys did not indicate that wages were increasing at the pace expected. Therefore, in response, DDA initiated additional reporting requirements in 2003, 2004, and 2005 including:

- requiring providers to also respond to an annual expenditure survey as opposed to just reporting wages for a single February pay-period (fiscal 2003);
- requiring independent Certified Public Accountant certification of survey data (fiscal 2004); and

- simplifying the survey to include one category of direct-care worker instead to two (fiscal 2005). Additionally in fiscal 2005, DDA and the CSRRC started gathering data on the wages and hours paid on an annual basis as opposed to just reporting the total annual expenditures used to increase wages and benefits. In fiscal 2005, DDA used this data as a check and balance against the single February pay-period numbers. February 2006 will be the last time wage data is collected on a single pay-period basis.

Collecting hourly wage data on an annual basis should reduce data anomalies created by events such as snowstorms and holidays that may increase overtime costs during a single pay-period. Annual data will also capture all raises no matter when they are awarded during the year. DDA believes these steps have accurately quantified the impact of the funds appropriated for the wage initiative since fiscal 2004.

Since the beginning of the wage initiative the fringe benefit package for direct-care workers has remained constant and below the current State fringe benefit percentage. DDA advises that comparing the fringe benefit packages offered by the providers' and the State is problematic due to fact that the providers do not pay into a State Retirement and Pension System. Additionally health insurance rates for some providers are lower then the rate paid by the State. Furthermore, 25% of the providers' budgets are financed by other payers diluting the amount of money allocated to increase benefits under the wage initiative. DDA recommends that in the future, wage equalization allocations be used entirely to increase wages of direct-care workers and not for increasing fringe benefits.

Through the wage survey process, DDA identifies and sanctions providers who do not use the funds as required by law; however, the department lacks clear authority to recover wage initiative funds once disbursed. DDA advises that it intends to try to recover misspent funds and will alter current regulations if it is unsuccessful. **DDA should comment on the findings of the report including the accuracy of the data collected to support the annual appropriation for the wage initiative.**

## **2. Results of the Third Year of the Wage Survey Indicate Progress**

As required by law, CSRRC in cooperation with DDA annually surveys community services providers to determine if the funds appropriated under the wage initiative are reducing the wage disparity between the direct-service workers employed by private providers and the equivalent State positions. The results of the fiscal 2005 wage surveys are summarized below.

### **CSRRC Wage Survey**

CSRRC sent the 2005 wage survey to 118 private providers of community services requesting information on wages paid during a single February 2005 pay period. State law requires providers to comply with requests for wage survey information and establishes penalties for non-compliance. As discussed earlier, beginning in 2004, DDA policy further required all responses to be certified by providers' independent accountants. Once submitted, private consultants and DDA staff assembled the data and followed up with providers as necessary to verify the information provided for both

fiscal 2005 and the years prior. To eliminate inconsistencies in the way providers classified categories of workers from year to year, the fiscal 2005 survey combined the two worker classifications (aid and service worker) into one category – direct care worker. Although this may provide more accurate data, it makes comparisons between the 2005 report and prior year reports more difficult.

Fiscal 2005 wage survey data, detailed in **Exhibit 5**, are based on the responses of 114 of 118 providers contracting with DDA. The results of the survey indicate that the funds appropriated for the wage initiative in fiscal 2005 increased direct care worker wages 61 cents to \$10.36 per hour, or 6.3% higher than fiscal 2004. A wage rate of \$10.36 per hour is approximately 90% of the State pay scale for a comparable employee in a State residential center with 44 months tenure. In addition, turnover has decreased from approximately 50% prior to the start of the wage initiative to 34% in fiscal 2005.

---

**Exhibit 5**  
**Employment Data for Direct Care Staff Employed by Private Providers**  
**Fiscal 2001 – 2005**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Change</u> <u>FY 01-05</u>	<u>Change</u> <u>FY 04-05</u>
<b>Direct Care Worker</b>							
Average hourly wage <sup>1</sup>	\$8.96	\$9.31	\$9.69	\$9.75	\$10.36	15.6%	6.3%

<sup>1</sup> Mean wage for all community direct-support workers

Source: Community Services Reimbursement Rate Commission

---

However, the value of fringe benefits for these employees has remained constant at approximately 20% of annual salary, as measured by the survey. This amount is substantially below the current State fringe benefit percentage of 30.4%.

### **DDA Survey Data**

Data reported by DDA's annual wage and benefit cost survey support the findings in the CSRRC report. The data, based on the responses of 107 providers, indicate that \$11.2 million of the \$16.2 million appropriated for direct care workers in fiscal 2005 was used to increase salaries, with another \$2.2 million distributed as bonuses. The data further indicate an additional \$5.2 million was used to increase fringe benefits estimated at 21.3% of total wages.

**DDA should comment on the likelihood of eliminating the wage disparity between direct care workers and equivalent State positions by fiscal 2007 as required by law.**

### **3. Increased Oversight of Group Homes Considered**

#### **Background**

For many years, concerns have been raised relating to the licensing, monitoring, and funding of group homes, also known as residential child care programs or community-based homes for children. In 2005 the Senate Budget and Taxation Committee; the House Health and Government Operations Committee; and the Joint Committee on Children, Youth, and Families held briefings on the issue, again bringing the issue of State oversight of group homes to the forefront.

#### **Overview of Group Homes**

In fiscal 2004, Maryland placed 26,263 children in out-of-home placements at a cost of \$622 million. Group homes represent one form of out-of-home placements, with an average of 2,690 children residing in group homes each day at an annual cost of \$167 million. Group homes offer home-like settings that provide structure and 24-hour supervision, basic care, social work, and health care services. Many group homes utilize community-based ancillary services and enroll children in the local school system. Depending on the facility and the level of intensity of services, group home placements cost between \$34,000 and \$119,000 per child annually.

#### **State Oversight of Group Homes**

Three State agencies are involved in the licensure, monitoring, and placement of children in group homes: the Department of Health and Mental Hygiene (DHMH), the Department of Human Resources (DHR), and the Department of Juvenile Services (DJS). Each agency licenses, monitors, and places children in group homes according to individual agency standards. DHMH licenses and monitors 167 facilities (34%) but places less than 1% of the children in group homes. DHR licenses and monitors 305 facilities (62%) and places approximately 80% of the children in group homes. DJS licenses 20 facilities (4%) and places approximately 19% of the children in group homes. DJS monitors all facilities in which it places children (124).

#### **Licensing and Monitoring**

To become licensed as a group home, an applicant begins at the Governor's Office for Children (formerly the Governor's Office for Children, Youth, and Families), which serves as a "single point of entry" and refers applicants to the appropriate agency. Licenses are issued for two years and must be obtained for each facility. The licensing agencies monitor group homes by reviewing records, inspecting the facility, and interviewing staff and residents. When a child is placed in a group home, a caseworker from the placing agency (e.g., the local Department of Social Services caseworker for DHR) is assigned to that child and is responsible for visiting the child regularly to monitor the child's progress and the appropriateness of the placement.

If licensing violations are found in group homes, corrective action plans and sanctions are implemented. In fiscal 2004, DHR issued 14 sanctions, including closing 6 facilities, and placed 73 providers (41%) under corrective action plans. DHMH issued 10 sanctions, including the revocation of 1 license, the surrender of 3 licenses, and 6 intermediate sanctions or consent agreements. DJS implemented four moratoriums on placement at facilities with which it contracts, but does not license.

## **Rate Setting and Financial Oversight**

Rates for group homes are set by the Interagency Rates Committee (IRC), which is staffed by the Maryland State Department of Education (MSDE). Group homes are assigned to a category based on service intensity, detailed budget submissions are reviewed to identify allowable costs, and programs are compared to other providers in the same category and designated as “preferred” or “nonpreferred” based on their relative costs. The IRC establishes a per diem rate for each group home that is paid by all agencies that contract for beds with that home.

The main financial oversight of group homes is the requirement that providers submit annual independent audits to their licensing agencies. However, these audits are reviewed by licensing and monitoring staff rather than the IRC and do not factor into the development of the homes’ rates.

## **Shortcomings of the Current System**

To support the interim study of group homes, DLS conducted a review of licensing, monitoring, and contracting practices relating to group homes, noting three major observations. First, the State is not a smart purchaser of group home services. Referral practices and provider rates are not standardized nor guided by performance data. Second, there is insufficient financial oversight of group homes. The rate setting process does not include review of audits or actual spending patterns, licensing agencies do not compare budgets submitted by providers to actual spending patterns, and group homes are not required to spend a minimum amount of funding on direct care. Finally, the licensing and monitoring process is disjointed. There is no single agency guiding the system, and there are inconsistent practices and a lack of communication among agencies. There is no single point of entry for complaints about group homes, and, particularly for DHR, there is tension between the dual roles of enforcing licensing standards and maintaining adequate placement capacity. The licensing and monitoring agencies have also found it difficult to perform the requisite number of inspections due to an insufficient number of staff.

## **Personnel Added**

The fiscal 2007 allowance for DHR includes 5 new positions for the licensing and monitoring function. This would bring the number of monitoring staff in DHR to 13 from the current 8. DHR has also announced that the licensing and monitoring unit is being moved from SSA to the Office of the Secretary in order to provide separation between the programmatic and enforcement efforts of the department. This move should reduce the potential conflicts that can arise between the competing goals of enforcing laws and regulations governing the operation of group homes and maintaining placement capacity.

DJS has announced that it will transfer six additional positions to its licensing and monitoring unit upon closure of the Hickey School. These will more than double the number of monitoring staff in the department from the current five.

Although DHMH has added an additional six surveyors (monitors) to the Office of Health Care Quality (OHCQ) via transfers in fiscal 2006 and is anticipating five new positions in and three additional transfers to OHCQ in fiscal 2007, none of these new positions are currently expected to be added to the Developmental Disabilities unit which monitors the residential programs licensed by the department.

## **Recommendations**

Based on these observations, DLS offers the following options for improving oversight of group homes. The recommendations are divided between those that would require legislation and those which could be accomplished by adding language to the budget bill. For those items that can be accomplished through budget bill language, the recommended language is included in the Recommended Actions section of this analysis.

### **Legislation**

Options for improving oversight of group homes that would require legislation include:

- consolidating licensing and monitoring of group homes within a single agency. If this is done within an existing agency, it should be placed in the DHMH's OHCQ and minimum staffing requirements should be codified so that understaffing does not become a problem;
- requiring DHR, DHMH, and DJS to collect and disseminate performance data from group homes;
- addressing the need to develop additional capacity for group home placements in underserved areas by establishing a single group home capital grant/loan program.

### **Budget Bill Language**

Budget bill language is included in the Recommended Actions section to:

- require DHR, DHMH, and DJS to report on earnings retained by providers;
- require copies of all provider audits to be submitted to MSDE and used in setting rates; and
- request a report from DHR, DHMH, and DJS on the appropriate percentage of dollars that should be expended on direct care and the feasibility of requiring group homes to spend a minimum percentage of State dollars on direct care; and
- request a report from DHR, MSDE, and DJS on a methodology for incorporating performance-based incentives into the fiscal 2008 rates for group homes.

**DHMH should brief the committee on its efforts to improve the licensure and oversight of group homes.**

## Recommended Actions

---

1. Add the following language:

SECTION XX. AND BE IT FURTHER ENACTED, That \$100,000 of the general fund appropriation for M00A01.01 – Executive Direction, and \$100,000 of the general fund appropriation for N00A01.01 – Office of the Secretary, and \$100,000 of the general fund appropriation for V00D01.01 – Office of the Secretary may not be expended until:

- (1) the Department of Health and Mental Hygiene, the Department of Human Resources, and the Department of Juvenile Services submit a report to the budget committees and the Interagency Rates Committee in the Maryland State Department of Education by January 31, 2007, listing by provider, the amount and percentage of annual funding paid to licensed child residential group home providers in Maryland that was retained by the provider at the end of the previous fiscal year; and
- (2) the budget committees have reviewed and commented on the report or 45 days have elapsed from the date the committees received the report.

It is the intent of the General Assembly that the departments should submit this report on an annual basis.

**Explanation:** In order to improve oversight of group homes for children and ensure that provider rates are being set properly, it is important for the State to monitor the amount of earnings providers retain each year. This language restricts funding in the budgets of the Department of Health and Mental Hygiene, the Department of Human Resources, and the Department of Juvenile Services until the departments provide a report on retained earnings to the budget committees and the Interagency Rate Committee.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Report on earnings retained by child residential group home providers	DHMH, DHR and DJS	January 31, 2007

2. Add the following language:

SECTION XX. AND BE IT FURTHER ENACTED, That \$100,000 of the general fund appropriation for M00A01.01 – Executive Direction, and \$100,000 of the general fund appropriation for N00A01.01 – Office of the Secretary, and \$100,000 of the general fund appropriation for V00D01.01 – Office of the Secretary may not be expended until:

*M00M – DHMH – Developmental Disabilities Administration*

- (1) the Department of Health and Mental Hygiene, the Department of Human Resources, and the Department of Juvenile Services submit a copy of each independent audit of rate contracts for fiscal 2006 for licensed child residential group homes in Maryland to the Interagency Rates Committee in the Maryland State Department of Education by January 31, 2007;
- (2) the Maryland State Department of Education submits a report by March 31, 2007 to the budget committees certifying receipt of the audits and listing the providers from which audit reports were not received; and
- (3) the budget committees have reviewed and commented on the report or 45 days have elapsed from the date the committees received the report.

The Maryland State Department of Education shall incorporate review of these audits into the annual rate-setting process for group homes licensed in Maryland by checking the audit results against reported budget data that were used to develop the rates. It is the intent of the General Assembly that the departments submit audit reports to the Interagency Rates Committee on an annual basis.

**Explanation:** In order to improve oversight of group homes for children and ensure that provider rates are being set properly, it is important that the audits submitted by the providers at the end of each year be evaluated against the budgets that were submitted by the providers the previous year as part of the rate application process and that the results of this comparison be taken into consideration when the new rates are developed. This language restricts funding in the budgets of the Department of Health and Mental Hygiene, the Department of Human Resources, and the Department of Juvenile Services until the departments provide the audits to the Interagency Rates Committee (IRC). It also requires the IRC to certify the receipt of the audits and to incorporate the review of the audits into the annual rate setting process.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report certifying receipt of provider audits and list of audits not received	MSDE	March 31, 2007

3. Add the following language:

SECTION XX. AND BE IT FURTHER ENACTED, That \$100,000 of the general fund appropriation for M00A01.01 – Executive Direction, and \$100,000 of the general fund appropriation for N00A01.01 – Office of the Secretary, and \$100,000 of the general fund appropriation for V00D01.01 – Office of the Secretary may not be expended until:

*M00M – DHMH – Developmental Disabilities Administration*

- (1) the Department of Health and Mental Hygiene, the Department of Human Resources, and the Department of Juvenile Services submit a report to the budget committees by October 1, 2006, that reports on the percentage of dollars currently paid to licensed child residential group homes that is spent on direct care and that proposes a minimum percentage of the per diem funds paid to child residential group home providers in Maryland that should be spent on the direct care of residents. The report shall also discuss the feasibility of requiring licensed child residential group homes in Maryland to spend a minimum percentage of the per diem funds on the direct care of residents and the recommended method (by statute, regulation or other means) such a requirement would be instituted; and
- (2) the budget committees have reviewed and commented on the report or 45 days have elapsed from the date the report was received by the committees.

**Explanation:** Currently there is no minimum amount of the State funds received by providers of child residential group homes that must be spent on the direct care of the residents. This language restricts funds in the Department of Health and Mental Hygiene, the Department of Human Resources, and the Department of Juvenile Services until the departments submit a report identifying what the minimum percentage should be for direct care spending and the feasibility of establishing a minimum direct care spending requirement.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Report on minimum direct care spending	DHMH, DHR, and DJS	October 1, 2006

		<u><b>Amount Reduction</b></u>		<u><b>Position Reduction</b></u>
4.	Increase turnover expectancy to 5.00%. Fiscal 2007 turnover expectancy is budgeted at 3.97% which is below the current 6.92% vacancy rate. This action will still allow the department to fill 12 vacancies in fiscal 2007.	\$ 517,132	GF	
		\$ 21,547	FF	
5.	Reduce funds for a grant to the Special Olympics of Maryland. The amount of this grant increases 200% between fiscal 2006 and 2007. An appropriation of \$150,037 remains, \$50,000 more than the fiscal 2006 allocation.	150,000	GF	
6.	Delete 1.5 vacant positions. The positions include a Physical Therapist (PIN 046359) and a Speech Pathologist (PIN 025545). Both positions have been vacant for longer than one year.	99,023	GF	1.5

*M00M – DHMH – Developmental Disabilities Administration*

<b>Total Reductions</b>	<b>\$ 787,702</b>	<b>1.5</b>
<b>Total General Fund Reductions</b>	<b>\$ 766,155</b>	
<b>Total Federal Fund Reductions</b>	<b>\$ 21,547</b>	

## Updates

---

### 1. Cost of Transportation Services

Committee narrative included in the 2005 *Joint Chairmen's Report* directed DDA to provide a report on the amount included in the rate structure to compensate private providers for the cost of transportation. The committees also directed DDA to report on whether the current rate structure is adequate in compensating providers for transportation costs. This report was submitted to the committees in November 2005.

#### Transportation Reimbursement

DDA reimburses providers for transportation costs using two systems: the Fee-Payment-System (FPS) which reimburses providers for a day of service; and the Community Supported Living Arrangements Payment System, an hourly rate system that pays for all direct and indirect costs, including transportation. The method of reimbursement depends on the service provided. DDA reimburses providers for four services including day habilitation, supported employment, residential, and community supported living arrangements (CSLA).

Day habilitation and supported employment services are reimbursed using a transportation cost center which is included in FPS. In fiscal 2004, the most recent data available, the transportation cost center provided funding of \$9.06 per individual per attendance day. The flat rate funding, which had remained relatively unchanged over a number of years, was based on the prior Prospective Payment System. For these two services, DDA reimbursed providers approximately \$20.3 million including \$1.2 million for supplemental services. Supplemental services are preauthorized services that directly benefit the consumer and are not covered by the rates. Conversely, providers reported spending approximately \$21.2 million. Included in the provider cost is \$479,274 recorded as employee travel and not included in the transportation cost center; however, this amount is also captured by the administrative and general cost centers. Accordingly, DDA's reimbursement fell short of actual provider costs by approximately \$0.4 million.

The reimbursement structure for residential and CSLA services does not have a separate transportation cost center. Instead, DDA pays an hourly rate for direct-support staff time. The costs of transportation and employee travel expenses are included in the hourly rate. Since transportation costs were not broken out as part of the rate, DDA was not able to compare provider revenue for transportation with expenses. However, since fiscal 2003 approximately \$64 million, through the wage initiative, has been provided to increase direct care worker salaries and fringe benefits for all staff. The additional funding increased the transportation cost center from \$9.06 in fiscal 2004 to \$9.20 per individual per attendance day in fiscal 2006 due to increases in fringe benefits for drivers.

#### Conclusion

In fiscal 2004, DDA's reimbursement of transportation costs fell short by approximately \$400,000. In fiscal 2007 the allowance includes an additional \$1.7 million to bolster transportation reimbursement. Since fiscal 2003, DDA has included a more detailed transportation cost section in the annual cost reports completed by the providers for all services. This data will be used to determine future steps needed to reimburse individual transportation costs.

## ***Current and Prior Year Budgets***

---

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$398,712	\$3,323	\$198,507	\$427	\$600,969
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-1,106	138	3,647	25	2,704
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	-1,523	-1,018	-16	-2,557
<b>Actual Expenditures</b>	<b>\$397,606</b>	<b>\$1,938</b>	<b>\$201,136</b>	<b>\$436</b>	<b>\$601,117</b>
<b>Fiscal 2006</b>					
Legislative Appropriation	\$416,690	\$3,480	\$219,376	\$439	\$639,985
Budget Amendments	700	0	0	-190	510
<b>Working Appropriation</b>	<b>\$417,390</b>	<b>\$3,480</b>	<b>\$219,376</b>	<b>\$249</b>	<b>\$640,495</b>

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

## **Fiscal 2005**

The general fund appropriation decreased overall by \$1.1 million, which is comprised of the following increases and decreases. Of that amount \$2.4 million was reduced to cover operating deficits in other units of the department; funds were primarily available due to decreased expenditures because of increased federal fund participation and higher-than-anticipated turnover rates. Funds were further reduced \$0.4 million to realign health insurance expenditures among departmental units. These decreases were offset by a \$1.0 million increase to recognize the fiscal 2005 cost-of-living adjustment (COLA); a \$0.6 million increase to cover overtime and contractual salaries; and a \$0.1 million increase to realign funds among departmental units to accurately reflect position cap reductions.

The special fund appropriation increased \$0.1 million, reflecting increased donations and tenant income. The additional funds were used for intramural activities and utilities. The increase was offset by a \$1.5 million cancellation due to less spending in the prior year account than appropriated.

The federal appropriation increased \$3.6 million as a result of increased attainment of Medicaid matching funds. Increases were available due to increased enrollment in the Medicaid waiver and higher-than-anticipated Medical Waiver eligible activities. The majority of increased funds supported community day habilitation services, with a small amount of the increase used for an emergency preparedness coordinator position. Funds were cancelled due to less Medical Assistance funding in the Community Services program than anticipated.

## **Fiscal 2006**

The general fund appropriation was increased by \$0.7 million to recognize the fiscal 2006 COLA. Reimbursable funds decrease \$0.2 million, largely due to the discontinuation of the Deer's Head Center (DHC) food contract. Effective August 1, 2005, DHC will no longer purchase patient meals from Holly Center.

## ***Audit Findings***

---

### **Holly Center**

Audit Period for Last Audit:	October 15, 2001 – July 31, 2005
Issue Date:	September 2005
Number of Findings:	1
Number of Repeat Findings:	1
% of Repeat Findings:	100%
Rating: (if applicable)	n/a

**Finding 1:**    **The center lacked adequate controls over its materials and supplies inventories.**

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

### **Thomas B. Finan Hospital Center and Joseph D. Brandenburg Center**

Audit Period for Last Audit:	November 13, 2001 – May 31, 2005
Issue Date:	September 2005
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	100%
Rating: (if applicable)	n/a

**Finding 1:**    The center had not established procedures to verify the propriety of vendor payments made for dietary services.

**Object/Fund Difference Report  
DHMH Developmental Disabilities Administration**

<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>
<b>Positions</b>					
01 Regular	1240.15	1228.15	1215.15	-13.00	-1.1%
02 Contractual	82.28	109.37	114.06	4.69	4.3%
<b>Total Positions</b>	<b>1322.43</b>	<b>1337.52</b>	<b>1329.21</b>	<b>-8.31</b>	<b>-0.6%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 61,988,302	\$ 62,690,343	\$ 68,366,923	\$ 5,676,580	9.1%
02 Technical & Spec Fees	2,826,064	3,653,239	3,790,737	137,498	3.8%
03 Communication	323,104	348,193	350,304	2,111	0.6%
04 Travel	48,568	56,925	58,224	1,299	2.3%
06 Fuel & Utilities	2,290,977	2,206,192	2,526,207	320,015	14.5%
07 Motor Vehicles	427,625	355,991	393,386	37,395	10.5%
08 Contractual Services	529,817,157	567,823,659	614,561,826	46,738,167	8.2%
09 Supplies & Materials	2,443,200	2,370,001	2,315,110	-54,891	-2.3%
10 Equip - Replacement	389,492	251,811	238,800	-13,011	-5.2%
11 Equip - Additional	99,780	15,899	33,523	17,624	110.8%
12 Grants, Subsidies, and Contributions	53,130	120,339	319,748	199,409	165.7%
13 Fixed Charges	409,121	601,954	412,012	-189,942	-31.6%
<b>Total Objects</b>	<b>\$ 601,116,520</b>	<b>\$ 640,494,546</b>	<b>\$ 693,366,800</b>	<b>\$ 52,872,254</b>	<b>8.3%</b>
<b>Funds</b>					
01 General Fund	\$ 397,606,285	\$ 417,390,084	\$ 450,991,779	\$ 33,601,695	8.1%
03 Special Fund	1,938,202	3,480,287	3,676,238	195,951	5.6%
05 Federal Fund	201,136,100	219,375,663	238,596,159	19,220,496	8.8%
09 Reimbursable Fund	435,933	248,512	102,624	-145,888	-58.7%
<b>Total Funds</b>	<b>\$ 601,116,520</b>	<b>\$ 640,494,546</b>	<b>\$ 693,366,800</b>	<b>\$ 52,872,254</b>	<b>8.3%</b>

**Fiscal Summary**  
**DHMH Developmental Disabilities Administration**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Program Direction	\$ 4,842,186	\$ 4,812,052	\$ 5,821,847	\$ 1,009,795	21.0%
02 Community Services	526,137,956	565,020,000	612,759,311	47,739,311	8.4%
01 Rosewood Center	39,815,784	39,500,117	41,875,191	2,375,074	6.0%
01 Holly Center	17,323,073	17,343,792	18,759,266	1,415,474	8.2%
01 Potomac Center	8,918,399	9,557,829	9,600,328	42,499	0.4%
01 Joseph D. Brandenburg Center	4,079,122	4,260,756	4,550,857	290,101	6.8%
<b>Total Expenditures</b>	<b>\$ 601,116,520</b>	<b>\$ 640,494,546</b>	<b>\$ 693,366,800</b>	<b>\$ 52,872,254</b>	<b>8.3%</b>
General Fund	\$ 397,606,285	\$ 417,390,084	\$ 450,991,779	\$ 33,601,695	8.1%
Special Fund	1,938,202	3,480,287	3,676,238	195,951	5.6%
Federal Fund	201,136,100	219,375,663	238,596,159	19,220,496	8.8%
<b>Total Appropriations</b>	<b>\$ 600,680,587</b>	<b>\$ 640,246,034</b>	<b>\$ 693,264,176</b>	<b>\$ 53,018,142</b>	<b>8.3%</b>
Reimbursable Fund	\$ 435,933	\$ 248,512	\$ 102,624	-\$ 145,888	-58.7%
<b>Total Funds</b>	<b>\$ 601,116,520</b>	<b>\$ 640,494,546</b>	<b>\$ 693,366,800</b>	<b>\$ 52,872,254</b>	<b>8.3%</b>

M00M – DHMH – Developmental Disabilities Administration