

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

Operating Budget Data

(\$ in Thousands)

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$8,439	\$9,570	\$9,781	\$211	2.2%
Special Fund	455	472	511	39	8.3%
Federal Fund	5,166	5,309	5,444	135	2.5%
Reimbursable Fund	<u>30</u>	<u>27</u>	<u>0</u>	<u>-27</u>	<u>-100.0%</u>
Total Funds	\$14,089	\$15,378	\$15,736	\$358	2.3%

- The fiscal 2008 allowance is \$358,335 higher than the fiscal 2007 working appropriation. After adjusting for one-time health insurance savings, the allowance represents a \$0.9 million, or 5.8% increase over fiscal 2007.
- The growth in the allowance may largely be explained by personnel changes, including an increase in increments and salaries.

Personnel Data

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>
Regular Positions	187.40	194.40	194.40	0.00
Contractual FTEs	<u>5.69</u>	<u>5.40</u>	<u>5.40</u>	<u>0.00</u>
Total Personnel	193.09	199.80	199.80	0.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	10.69	5.50%
Positions Vacant as of 12/31/06	24.80	12.76%

- Regular and contractual positions remain unchanged.
- The budgeted turnover rate for the Office of Health Care Quality (OHCQ) is 5.50%. To meet this turnover rate, OHCQ on average requires 10.69 vacancies. However, as of December 31, 2006, OHCQ had a vacancy rate of 12.76% with 24.80 vacant positions.

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

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Analysis in Brief

Major Trends

OHCQ Continues to Progress Toward Goals: Despite staffing shortfalls, OHCQ has made progress in achieving its performance goals and objectives by finding creative and more efficient ways to utilize limited resources.

Issues

Work Plan Needed to Identify Staffing Shortfalls: OHCQ has not been able to meet all established State and federal survey requirements. Despite an increase of 14 total surveyor positions during fiscal 2006 and 2007, the office still faces a shortfall of positions. A work plan including an analysis of existing staffing levels and current priorities should be submitted to the budget committees.

Report from Governor's Office for Children Impacts OHCQ: The Governor's Office for Children recently released a *Joint Chairmen's Report* on the appropriate ratio of licensing and monitoring staff needed in group homes for children. The report noted OHCQ as the agency responsible for yearly survey and inspection of children's programs licensed by the Developmental Disabilities Administration and the Mental Hygiene Administration. OHCQ has not been able to meet this requirement.

Recommended Actions

1. Adopt committee narrative requesting a work plan.

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

Operating Budget Analysis

Program Description

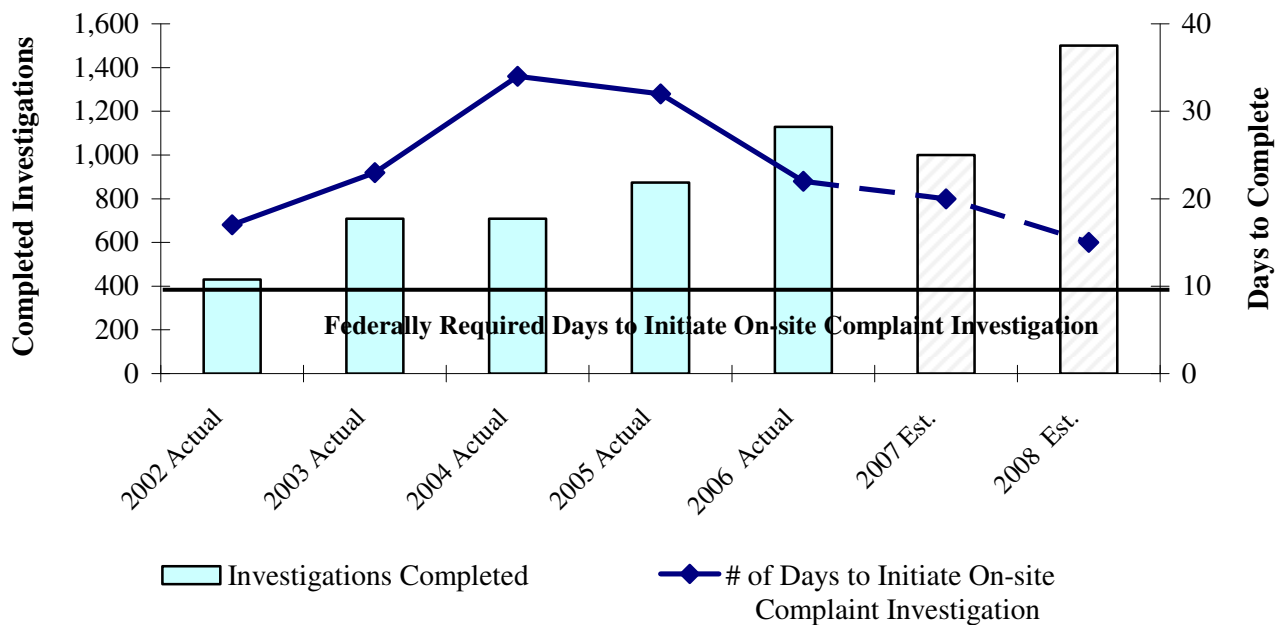
The Office of Health Care Quality (OHCQ) is the agency within the Department of Health and Mental Hygiene mandated by State and federal law to determine compliance with the quality of care and life standards for a variety of health care services and programs. Facilities and services are reviewed on a 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. The types of facilities regulated include 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.

Performance Analysis: Managing for Results

Nursing Homes

One of OHCQ's performance measures is to minimize delays in handling on-site complaint investigations in nursing homes. Federal regulations require on-site complaint investigations alleging actual harm be initiated within 10 working days. As shown in **Exhibit 1**, it took OHCQ an average of 32 days to complete an on-site complaint investigation in a nursing home facility in fiscal 2005, which is well above the federal requirement. OHCQ was able to improve its average to 22 days in fiscal 2006, aided by a streamlined complaint in-take process as well as the addition of two new surveyor positions. OHCQ anticipates it will be able to initiate on-site complaint investigations within 15 days by June 30, 2008, coming closer to the federal requirement but not yet reaching it. Despite these improvements, continued failure to meet the federal requirement could result in reduced federal reimbursement.

**Exhibit 1
Goal 3: Nursing Home Complaint Investigations
Fiscal 2002-2008**

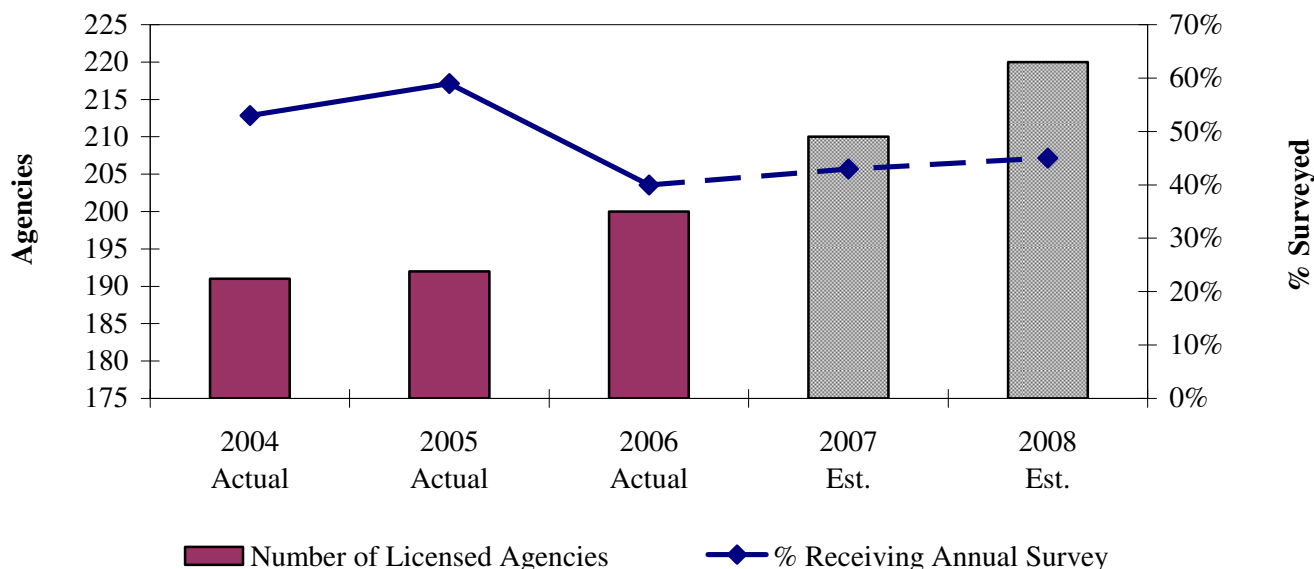


Source: Department of Health and Mental Hygiene

Developmental Disabilities Licensure

State law requires OHCQ to inspect each site or office operated by a licensee at least once every year. At the end of fiscal 2006, there were 200 licensed Developmental Disabilities Agencies and 2,651 sites. As displayed in **Exhibit 2**, the Developmental Disabilities Licensure Unit performed 40% of the required re-licensure surveys of agencies providing services to individuals with developmental disabilities. OHCQ projects it will slightly increase the percentage of surveys it performs over the next two years, achieving 45% in fiscal 2008. However, this percentage is still far below the requirement of surveying all sites annually. According to the 2006 OHCQ Annual Report and Staffing Analysis, OHCQ has 27 surveyors in the Developmental Disabilities Licensure Unit and would need an additional 22 surveyors in order to meet its statutory requirement. **The office should comment on how it plans to achieve this requirement.**

Exhibit 2
Goal 4: Survey of Developmental Disabilities Agencies
Fiscal 2004-2008



Source: Department of Health and Mental Hygiene

Governor’s Proposed Budget

As detailed in **Exhibit 3**, the Office of Health Care Quality’s budget increases \$358,335, or 2.3% in the allowance over the fiscal 2007 working appropriation, with general fund support increasing \$210,937, federal fund support increasing \$135,152, special fund support increasing \$39,395, and reimbursable funds decreasing \$27,149. However, the use of one-time health insurance savings to fund retiree health insurance premiums is masking the actual cost of the allowance. OHCQ’s underlying costs are increasing by \$0.9 million, or 5.8%.

Personnel

Personnel costs are shown as changing \$217,000 in Exhibit 3, but the actual increase to the costs of personnel is \$0.6 million. A portion of employee health insurance costs are funded with health insurance savings from previous fiscal years. Therefore, the funds are not included in the fiscal 2008 allowance.

Other changes are primarily driven by an increase in increments and salary increases.

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

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2007 Working Appropriation	\$9,570	\$472	\$5,309	\$27	\$15,378
2008 Governor’s Allowance	<u>9,781</u>	<u>511</u>	<u>5,444</u>	<u>0</u>	<u>15,736</u>
Amount Change	\$211	\$39	\$135	-\$27	\$358
Percent Change	2.2%	8.3%	2.5%	-100.0%	2.3%

Where It Goes:

Personnel Expenses

Salary increments and other compensation	\$320
Retirement changes	198
Turnover adjustments	63
Health insurance costs decline due to one-time savings.....	-364

Operating Expenses

Fuel, insurance, and maintenance costs as well as replacement of motor vehicles.....	62
Increase in rent	56
Costs associated with Nurse Aid Registry/Nurse Aide Training and Competency Evaluation Program which are not covered by Medicare or Medicaid	50
Contractual expenses associated with computer financing plan.....	31
Grants awarded to provider and advocacy groups to conduct studies benefiting nursing home residents	25
Annual systems software maintenance and upgrades.....	9
Contract with Office of the Fire Marshal to perform Life Safety Code Surveys	8
Decrease in travel costs due to cost containment	-51
Office equipment.....	-15
Costs associated with contractual positions	-12
Printing costs based on actual expenses	-10
Other.....	-12

Total **\$358**

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

Operating Expenses

Operating expenses grow by \$141,000 and are detailed in Exhibit 3. However, some notable increases include (1) \$62,000 in motor vehicle expenses, the majority to replace seven older vehicles used for traveling to survey sites; (2) \$56,000 in rent payments paid to lease facilities at Spring Grove Hospital Center; and (3) costs incurred by the Maryland Board of Nursing for the Nurse Aid Registry/Nurse Aide Training and Competency Evaluation Program on behalf of OHCQ, a portion of which cannot be covered by Medicaid.

State licensing fees are proposed for providers in both the Developmental Disabilities and Mental Health programs. The Developmental Disabilities licensure fee would be \$250 per year for each of 2,217 units, whereas the Mental Health fee would be \$500 per year for each of the 227 licensed providers and \$100 per year for each of the 160 approved providers. The fees will generate \$683,750 of revenue for the general fund. The fees will not fund additional OHCQ staff to provide oversight of the providers.

Issues

1. Work Plan Needed to Identify Staffing Shortfalls

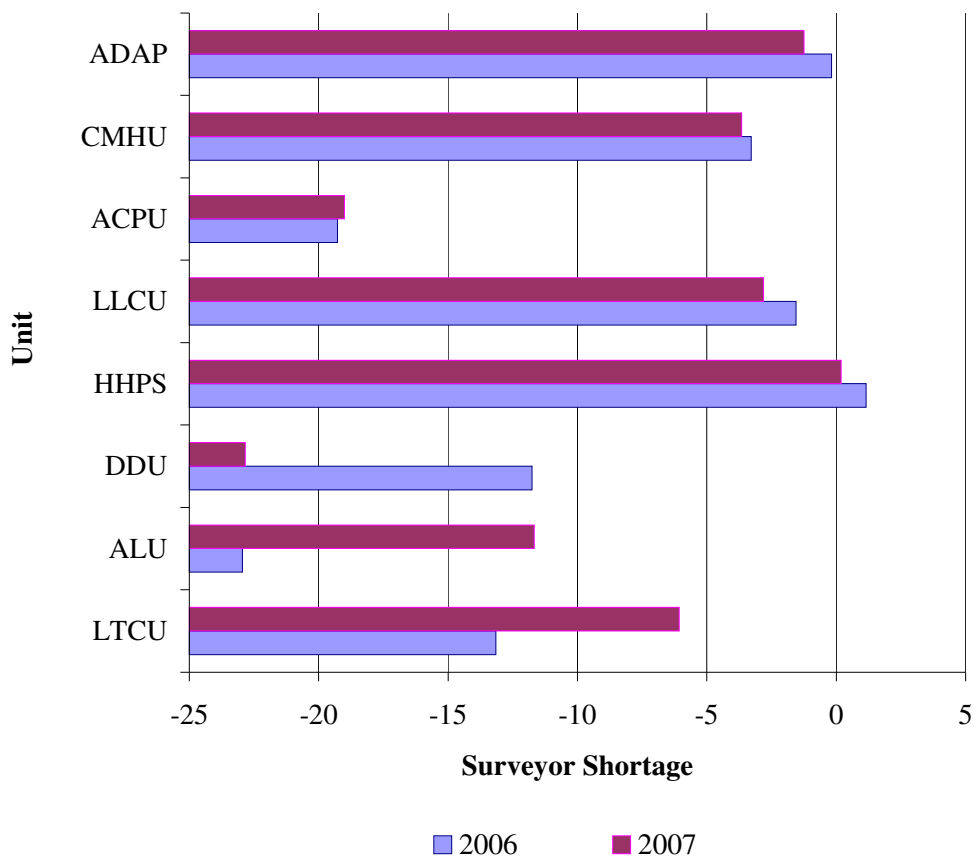
OHCQ has struggled to meet all established State and federal inspection and survey requirements, mostly as a result of increased workload and continual staffing shortages. The fiscal 2007 staffing analysis provided by OHCQ states that during fiscal 2006 and 2007, the office gained 14 total surveyor positions and has been able to decrease its staffing shortfall from nearly 71 positions in fiscal 2006 to 67 positions in fiscal 2007.

The fiscal 2007 staffing analysis notes that the shortfall in positions listed above is reflective of the shortfall in surveyor staff only and does not include staffing levels for those staff that provide support for the survey activity. The analysis provided by OHCQ also details a shift in the distribution of staffing shortages from fiscal 2006. As shown in **Exhibit 4**, staff deficits have been reduced in the Nursing Home and Assisted Living Units, but shortages have increased significantly in areas such as Developmental Disabilities.

OHCQ should continue to examine its workload and priorities in order to ensure staff are placed in areas where they are needed most. The office should continue active recruitment efforts to fill position vacancies.

In order to continually measure OHCQ staff requirements and identify problems in need of management, the Department of Legislative Services recommends committee narrative requiring OHCQ to 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.

Exhibit 4
Comparison of Fiscal 2006 and 2007 Staffing Analysis



ACPU: Ambulatory Care Programs Unit
ADAP: Alcohol and Drug Abuse Programs
ALU: Assisted Living Unit
CHMU: Community Mental Health Unit
DDU: Developmental Disabilities Unit
HHPS: Hospital, Health Maintenance Organizations, and Patient Safety
LLCU: Laboratory Licensing and Certification Unit
LTCU: Long-term Care Unit

Source: Department of Health and Mental Hygiene

2. Report from Governor’s Office for Children Impacts OHCQ

The Governor’s Office for Children recently released a *Joint Chairmen’s Report* on the appropriate ratio of licensing and monitoring staff needed in group homes for children. The report noted OHCQ as the agency responsible for survey and inspection of children’s programs licensed by the Developmental Disabilities Administration and the Mental Hygiene Administration. As noted within its performance measures, the office is required to complete yearly surveys of these facilities. OHCQ has not been able to meet this requirement.

The report also observes that OHCQ does not have surveyors assigned exclusively to conduct complaint investigations, inspections, or surveys of children’s programs. While the report also notes children’s programs represent a small segment of the programs licensed to serve those with developmental disabilities and mental illness, they account for a significant amount of the monitoring, sanctions, and licensure actions, which take increasing amounts of time away from survey activities in order to prepare surveyors for court.

The report estimates OHCQ would need 2.72 full-time equivalent positions dedicated to conduct surveys and inspections of children’s programs. However, as noted in OHCQ’s staffing analysis, the office is already experiencing staffing shortfalls in its Developmental Disabilities Unit.

The office should comment on how it plans to address the survey needs of children’s programs and how it may include this information in its work plan for the committees.

Recommended Actions

1. Adopt the following narrative:

Work Plan Addressing Staffing Levels and Current Priorities: The Office of Health Care Quality (OHCQ) should 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
Work Plan	OHCQ	November 1, 2007

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 2006					
Legislative Appropriation	\$8,565	\$633	\$4,886	\$28	\$14,112
Deficiency Appropriation	0	0	0	0	\$0
Budget Amendments	-126	0	380	3	\$257
Reversions and Cancellations	0	-178	-100	-1	-\$279
Actual Expenditures	\$8,439	\$455	\$5,166	\$30	\$14,090
Fiscal 2007					
Legislative Appropriation	\$9,426	\$465	\$5,309	\$27	\$15,227
Budget Amendments	144	7	0	0	151
Working Appropriation	\$9,570	\$472	\$5,309	\$27	\$15,378

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

Fiscal 2006

The general fund appropriation decreased \$0.1 million. Of that amount, \$0.3 million was reduced to cover operating deficits in other units of the department; funds were available due to higher than anticipated turnover rates. This decrease was offset by a \$0.1 million increase to recognize the fiscal 2006 cost-of-living adjustment (COLA) and a \$60,366 increase to accurately reflect health insurance costs.

The special fund appropriation decreased \$0.2 million primarily due to the cancellation of \$0.1 million in civil monetary penalties and the cancellation of \$50,000 from the Organ and Tissue Donor Awareness Fund (OTDA). Grants from OTDA were not awarded due to vacancies on the Organ and Tissue Donator Advisory Council.

The federal fund appropriation increased \$0.3 million due to the availability of funds from the Centers for Medicare and Medicaid Services. The majority of increased funds supported salary and health insurance costs for health facility surveyors, with a small amount of the increase used to support a contract for a lab scientist surveyor and to purchase computer equipment. Funds were cancelled due to higher than anticipated turnover rates and reduced in-state travel.

Fiscal 2007

The fiscal 2007 general fund appropriation was increased \$0.1 million, and the special fund appropriation was increased \$6,572 to recognize the fiscal 2007 COLA.

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

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	187.40	194.40	194.40	0	0%
02 Contractual	5.69	5.40	5.40	0	0%
Total Positions	193.09	199.80	199.80	0	0%
Objects					
01 Salaries and Wages	\$ 11,974,039	\$ 13,155,116	\$ 13,372,222	\$ 217,106	1.7%
02 Technical and Spec. Fees	198,549	205,945	195,039	-10,906	-5.3%
03 Communication	70,554	76,033	76,078	45	0.1%
04 Travel	286,009	360,907	310,141	-50,766	-14.1%
07 Motor Vehicles	112,797	111,873	173,699	61,826	55.3%
08 Contractual Services	935,098	970,909	1,058,440	87,531	9.0%
09 Supplies and Materials	101,024	75,768	77,614	1,846	2.4%
10 Equip – Replacement	24,107	19,078	15,756	-3,322	-17.4%
11 Equip – Additional	43,515	37,584	13,313	-24,271	-64.6%
12 Grants, Subsidies, and Contributions	45,830	50,000	75,000	25,000	50.0%
13 Fixed Charges	297,894	314,704	368,950	54,246	17.2%
Total Objects	\$ 14,089,416	\$ 15,377,917	\$ 15,736,252	\$ 358,335	2.3%
Funds					
01 General Fund	\$ 8,439,058	\$ 9,570,341	\$ 9,781,278	\$ 210,937	2.2%
03 Special Fund	454,964	471,908	511,303	39,395	8.3%
05 Federal Fund	5,165,882	5,308,519	5,443,671	135,152	2.5%
09 Reimbursable Fund	29,512	27,149	0	-27,149	-100.0%
Total Funds	\$ 14,089,416	\$ 15,377,917	\$ 15,736,252	\$ 358,335	2.3%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.