

D26A07
Department of Aging

Operating Budget Data

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$25,394	\$23,992	\$24,233	\$241	1.0%
Special Fund	344	329	291	-38	-11.6%
Federal Fund	<u>25,234</u>	<u>26,401</u>	<u>27,798</u>	<u>1,396</u>	<u>5.3%</u>
Total Funds	\$50,972	\$50,722	\$52,322	\$1,600	3.2%

- The fiscal 2009 allowance increases by \$1.6 million, or 3.2%, from the fiscal 2008 working appropriation. However, changes in health insurance budgeting distort the year-to-year comparison. Absent health insurance costs, the budget grows by just under \$1.4 million, or 2.7%.
- The majority of the increase in fiscal 2009 represents the increase in federal grant funding which flows to the area agencies on aging.

Personnel Data

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	59.40	56.40	56.40	0.00
Contractual FTEs	<u>6.00</u>	<u>5.00</u>	<u>7.00</u>	<u>2.00</u>
Total Personnel	65.40	61.40	63.40	2.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	2.21	3.92%
Positions Vacant as of 12/31/07	4.00	7.09%

- Regular positions remain unchanged between fiscal 2008 and 2009. Two new federally funded contractual positions are added for the Nursing Home Diversion Program and the Resource Center Program.

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

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Analysis in Brief

Major Trends

Maintaining Seniors in the Community: The number of seniors served in the community is projected to decline slightly. Conversion of some standard congregate housing units to “individualized” model congregate units has increased the cost of providing this service resulting in fewer seniors being served. Senior care services are also projected to decline slightly in fiscal 2008 and 2009 due to a reduction of funding in these two years compared to the fiscal 2007 actual.

Employment and Training for Seniors: The number of employment participants trained and the percent of seniors placed in jobs has declined steadily since fiscal 2004. The decline is attributed to the ending of a Senior Service America grant and stricter federal income guidelines.

Issues

Court Decision on Eligibility Rules for Older Adults Waiver Program May Have Significant Impact on Waiting List: The final decision in a court case regarding standards for eligibility for Medicaid paid nursing home placements could impact the number of eligibility determinations the area agencies on aging must make for the Maryland Medicaid Assistance Home and Community Waiver for Older Adults Program.

Hold Harmless Funding and Distribution Is Still Discretionary: The fiscal 2009 allowance includes \$442,210 in hold harmless funding for the rural area agencies on aging. Distribution of these funds is discretionary. Language is recommended restricting expenditure of the funds until the department reports on how they will be distributed.

Recommended Actions

1. Add language to the general fund appropriation providing for the distribution of Hold Harmless funding

D26A07
Department of Aging

Operating Budget Analysis

Program Description

The Maryland Department of Aging (MDoA) is responsible for evaluating the need for elderly services and determining the extent to which public and private programs meet those needs. The department establishes priorities for meeting the needs of the elderly with input from the local area agencies on aging (AAAs), seniors, and caregivers. The department promotes healthy lifestyles for older Marylanders, such as good nutrition, exercise, employment, and volunteerism, so that they remain active and engaged in their communities. The key goals of the department are:

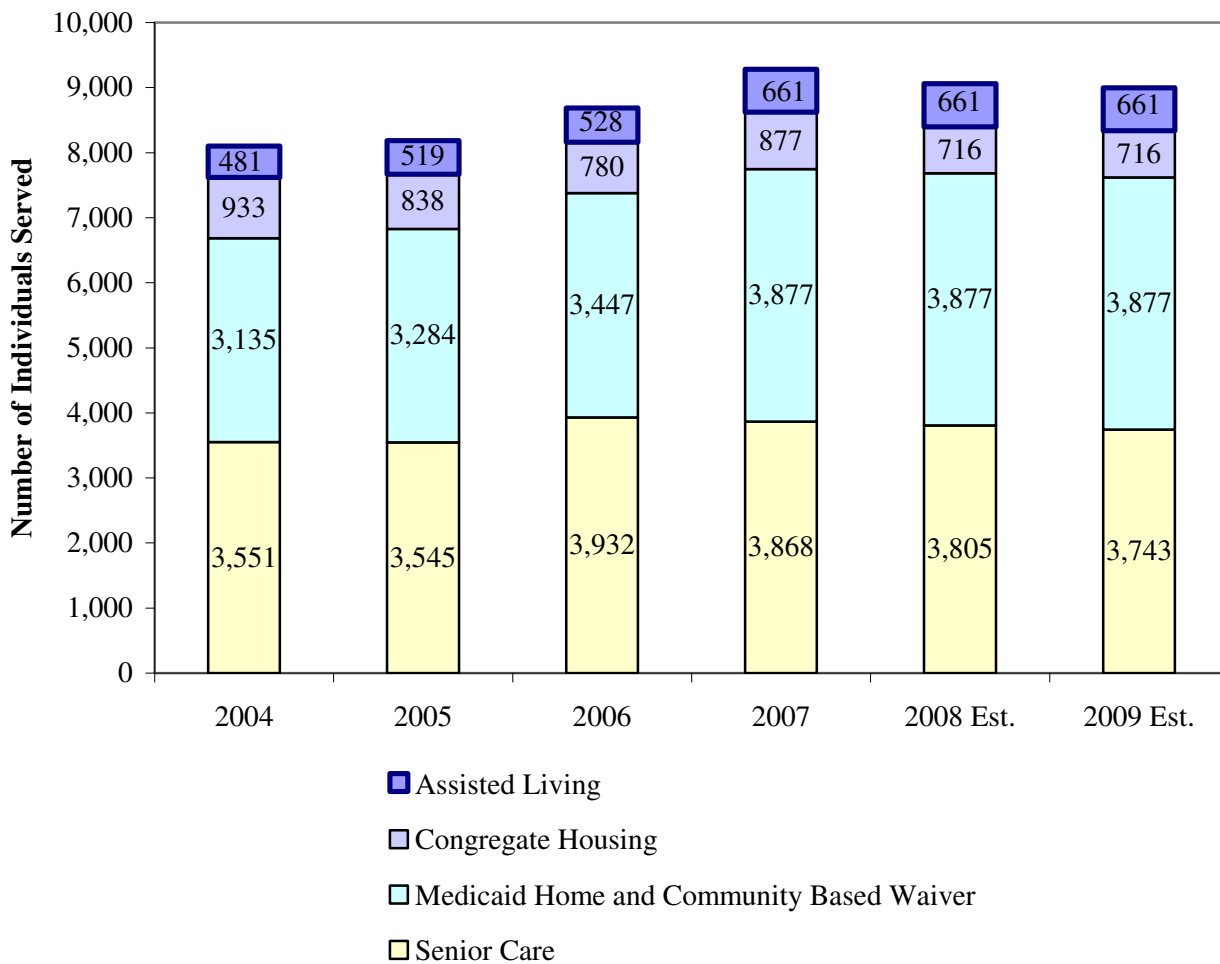
- to enable seniors served by the Aging Network to be maintained in the most appropriate and safest living arrangements within the community for as long as possible;
- to ensure that vulnerable seniors served by the Aging Network are treated with dignity by protecting seniors against abuse, exploitation, and consumer fraud; and
- to promote the well-being of seniors by providing a broad range of employment opportunities.

Performance Analysis: Managing for Results

Maintaining Seniors in the Community

Exhibit 1 shows the performance data for the Maryland Department of Aging's goal to enable seniors to be maintained in the most appropriate and safest living arrangements within the community for as long as possible. The total number of seniors receiving community-based support services through the Maryland Department of Aging programs increased from fiscal 2004 to 2007 with most of the growth occurring in the Medicaid Home and Community Based Waiver and Senior Care Populations. From fiscal 2007 to 2009, a decrease from 877 to 716 in the number of seniors served is anticipated in the Senior Care and Congregate Housing programs. The decrease in Congregate Housing is credited to conversion of some standard congregate housing sites to individualized congregate model sites which have a higher subsidy and per capita cost which decreases the number of participants that may be served.

Exhibit 1
Maintaining Seniors in the Community
Fiscal 2004-2009

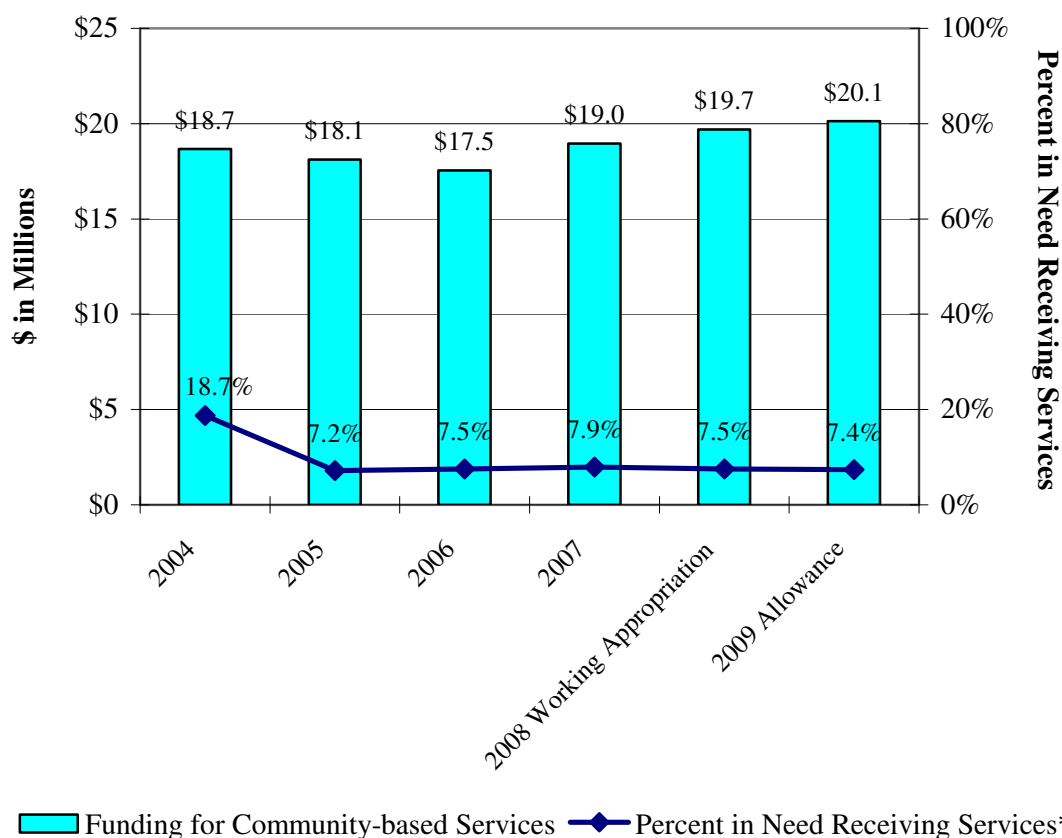


Source: Maryland Department of Aging

Exhibit 2 shows the funding for the community-based services juxtaposed with the percentage of seniors in need of those services that are receiving those services. From fiscal 2004 through 2006, the funding for community-based services decreased gradually. Since then, funding has gradually increased.

The percentage of seniors in need of services that receive services dropped significantly from fiscal 2004 to 2005. This decrease was caused because the assessment of need fulfilled in fiscal 2005 used updated census data, and the population of 50+ used for this measure increased significantly from fiscal 1990 to 2000. In fiscal 2007, the Maryland Department of Aging provided community-based services to 7.9% of the seniors in need of those services.

Exhibit 2
Funding with Percent of Need Fulfilled
Fiscal 2004-2009

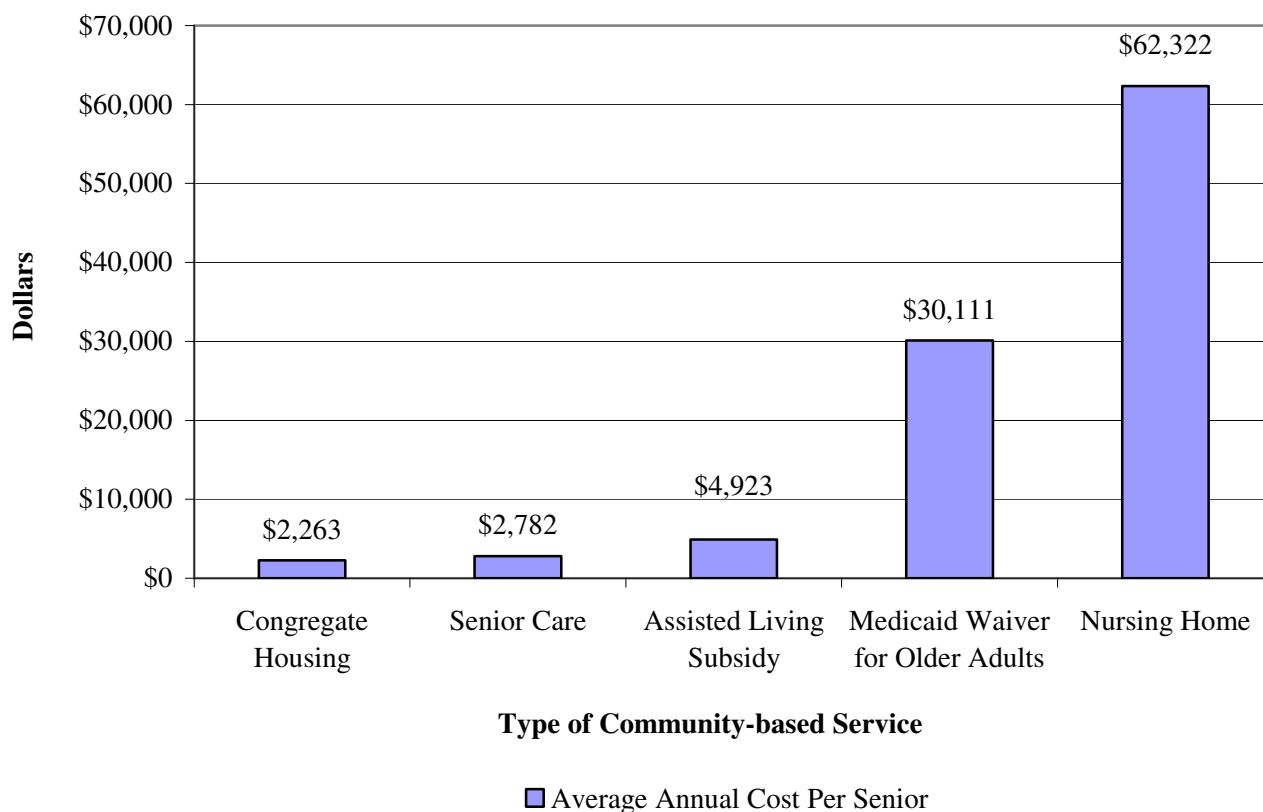


* The decrease in the percent in need receiving services from fiscal 2004 to 2005 is caused by the use of the updated census information in fiscal 2005.

Source: Maryland Department of Aging

Community-based services are considered to be a cost-effective investment for the State because many of the people who receive community-based services would require nursing home services if the community-based services were not available. As shown in **Exhibit 3**, the cost for nursing homes is more than double the cost of the Medicaid Home and Community Based Waiver for Older Adults (Medicaid Waiver for Older Adults), which is the most expensive community-based service provided by the Maryland Department of Aging.

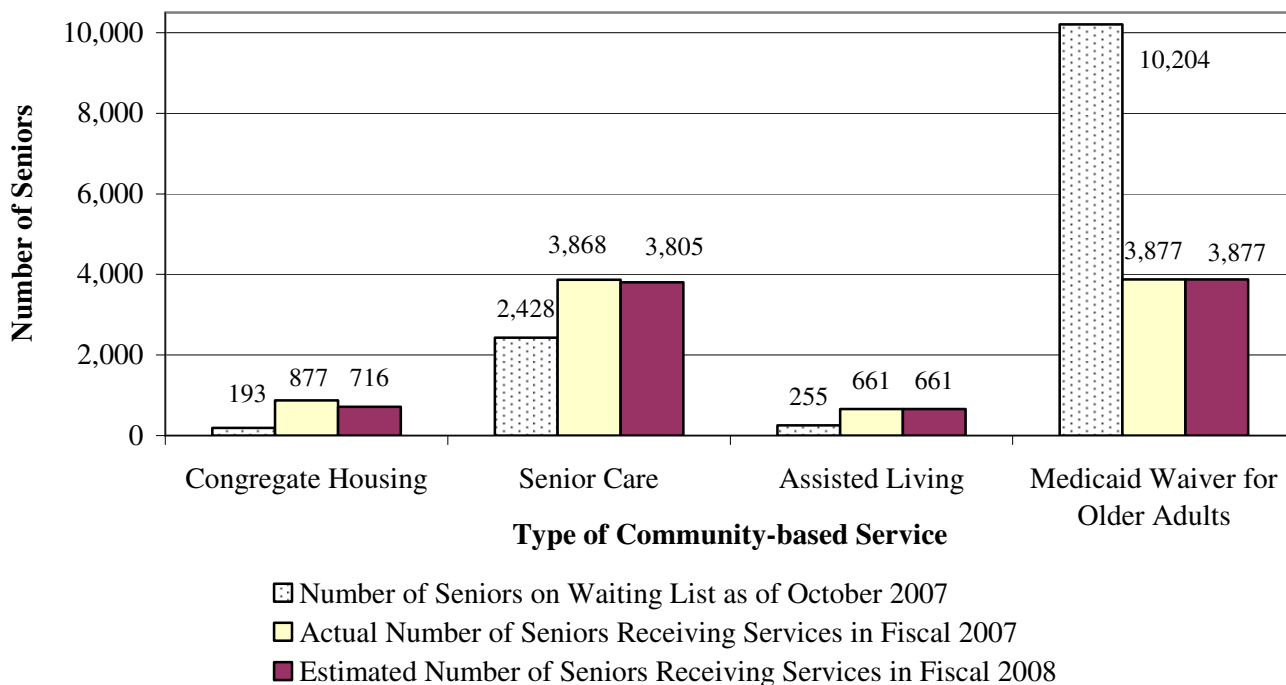
Exhibit 3
Cost of Community-based Services
Fiscal 2007



Source: Maryland Department of Aging

Exhibit 4 shows the number of individuals on the waiting list as of October 2007 juxtaposed with the number of individuals being served in fiscal 2007 and 2008 for each of the four community-based services. The Medicaid Waiver for Older Adults is capped at 2,900 slots at any one point in time which explains the large waiting list. Of the remaining programs, when viewed as a percent of the people to be served in fiscal 2008, the Senior Care waiting list is the largest at 64%, followed by the Assisted Living program at 39%, and the Congregate Housing program at 27%.

**Exhibit 4
Number Served Versus the Waiting List
Fiscal 2007-2008**



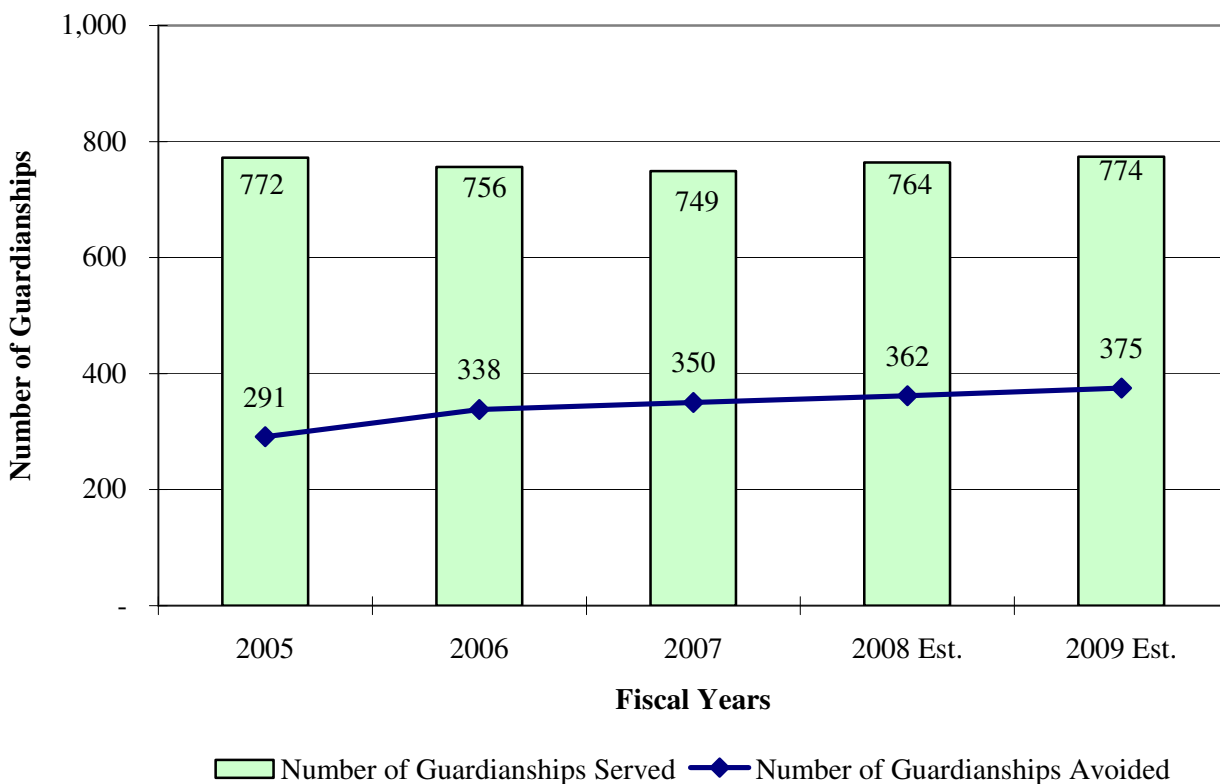
Source: Maryland Department of Aging

Public Guardianship Activities

In the absence of a suitable guardian, the Maryland Department of Aging or the local AAA may be appointed as a public guardian for persons ages 65 and older who have been declared by the courts to be incapable of making their own decisions. Guardians may be required to determine appropriate living arrangements, oversee the provision of services, or consent to medical treatment for persons under their guardianship.

Exhibit 5 shows that the Maryland Department of Aging’s guardianship activities have remained relatively level over the five years, but the number of cases avoided has increased. In order to avoid guardianship cases, the Maryland Department of Aging works with the local Department of Social Services, hospital discharge staff, and other petitioners to find family members or other interested people who would be willing to be the guardians.

Exhibit 5
Public Guardianship Activities
Fiscal 2005-2009

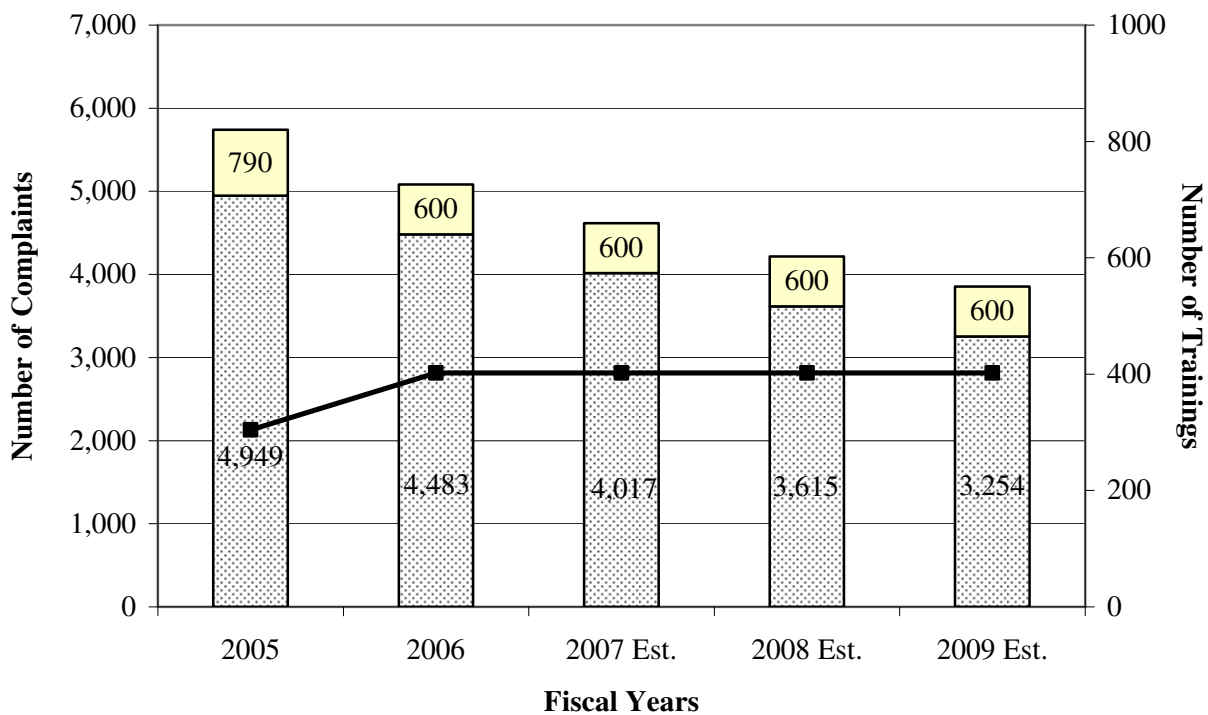


Source: Maryland Department of Aging

Ensuring Seniors Are Treated with Dignity

Exhibit 6 portrays the Maryland Department of Aging’s relative success at achieving its goal to ensure that seniors are treated with dignity and protected against abuse, exploitation, and consumer fraud. The exhibit shows the total number of abuse cases and complaints investigated and closed by ombudsmen. Effective half way through fiscal 2005, a new mandate by the Centers for Medicare and Medicaid Services directed nursing homes to report abuse, neglect, exploitation, and injuries of unknown origin directly to the Department of Health and Mental Hygiene which resulted in a decline in complaints sent to ombudsmen. Exhibit 6 also shows that the number of educational training presentations made to the general public is expected to remain relatively stable.

Exhibit 6
Investigations Closed and Educational Trainings
Fiscal 2005-2009



- Number of Abuse Cases Investigated and Closed by Ombudsman
- Number of Complaints Investigated and Closed by Ombudsman
- Number of Educational Training Presentations to the General Public

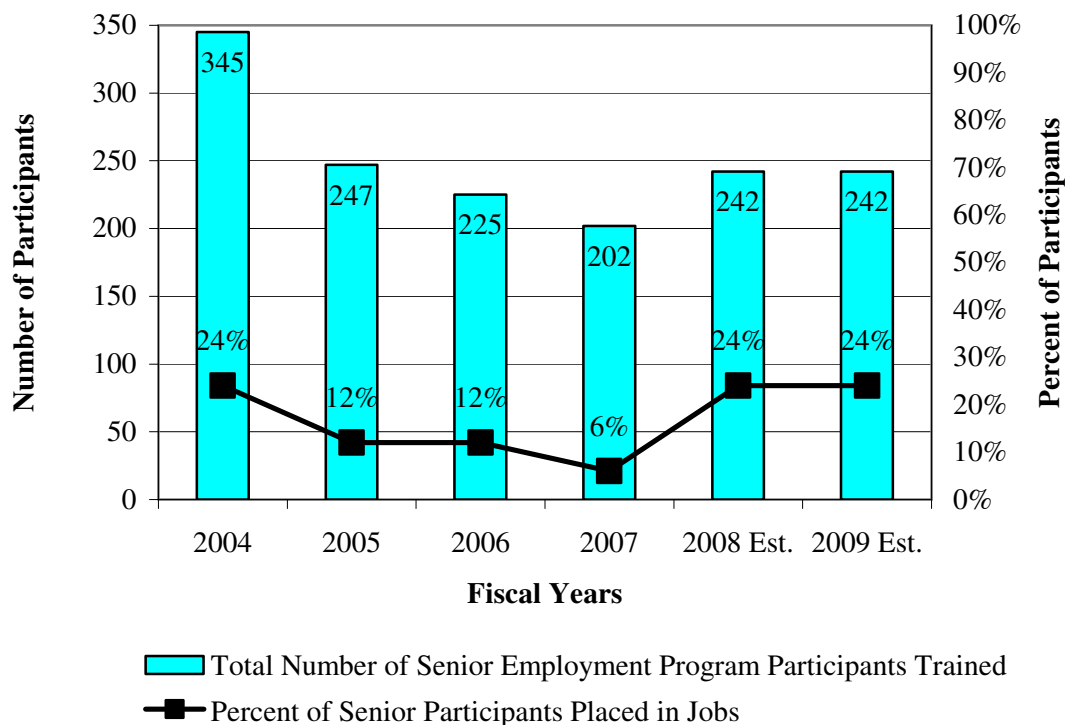
Source: Maryland Department of Aging

Employment and Training for Seniors

The Maryland Department of Aging provides training and employment to eligible older workers through participating nonprofit organizations and government entities that provide community services. Participants update and enhance their skills through training provided by the nonprofit organization or the government entity. During the training period, seniors receive minimum wage for 20 hours of work per week that is funded by the U.S. Department of Labor. Then, some participants are placed in regular positions and paid the prevailing wage.

Exhibit 7 shows the number of seniors trained through the program each year and the percentage of those trained that are placed in a job. In fiscal 2005, the percentage of participants being placed in a job and the number of participants being trained decreased significantly due to discontinuation of the Service America, Inc., grant. Since then, the number of seniors being trained decreased slightly due to stringent federal income guidelines and the increase in the minimum wage. The fiscal 2008 and 2009 estimates of the percent of seniors placed in jobs represent the goal of the U.S. Department of Labor, and as a grantee of the Senior Community Service Employment Program, the Maryland Department of Aging is expected to attempt to reach that level. **The department should brief the committees on efforts it is making to reverse the downward trend in these measures.**

**Exhibit 7
Employment and Training for Seniors
Fiscal 2004-2009**



Source: Maryland Department of Aging

Fiscal 2008 Actions

Impact of Cost Containment

The Department of Aging eliminated three vacant positions and funding of \$250,000 as part of the fiscal 2008 cost containment actions taken by the Board of Public Works. The three positions were Program Manager for Development, Account Supervisor for the Continuing Care Retirement Communities program, and a Human Services Specialist.

Governor’s Proposed Budget

As shown in **Exhibit 8**, the fiscal 2009 allowance increases by \$1.6 million, or 3.2%, from the fiscal 2008 working appropriation. However, changes in health insurance budgeting distort the year-to-year comparison. Absent health insurance costs, the budget grows by just under \$1.4 million, or 2.7%. Other than personnel related changes, the budgetary changes for the Department of Aging reflect changes in federal grant levels among the various programs.

Exhibit 8
Governor’s Proposed Budget
Department of Aging
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2008 Working Appropriation	\$23,992	\$329	\$26,401	\$50,722
2009 Governor’s Allowance	<u>24,233</u>	<u>291</u>	<u>27,798</u>	<u>52,322</u>
Amount Change	\$241	-\$38	\$1,396	\$1,600
Percent Change	1.0%	-11.6%	5.3%	3.2%

Where It Goes:**Personnel Expenses**

Increments and other compensation.....	\$172
Health Insurance – reduce long-term Other Post Employment Benefits liability	170
Additional assistance.....	139
Health Insurance – pay-as-you-go costs	57
Social Security and retirement contributions	37
Reduced overtime	-12
Increase turnover rate from 3.53% to 3.92%	-22
Decreased unemployment insurance and workers' compensation charges	-45
Other fringe benefit adjustments.....	-4

Other Changes

Nutrition services federal grant – increased transportation and food preparation costs.....	467
Money Follows the Person funding for case management services in the Older Adults Waiver program	400
Nursing Home Diversion contractual position and grant annualization	283
Senior Community Service Employment Program – inflation and living wage.....	279
Senior Care and National Family Caregiver federal grant – increase in respite services	38
Information and Assistance federal grant ends	-24
Maryland Office for New Americans federal grant ends.....	-51
Health insurance counseling decrease.....	-53
Maryland Access Point federal grant ends.....	-254
Other	23

Total **\$1,600**

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

Issues

1. Court Decision on Eligibility Rules for Older Adults Waiver Program May Have Significant Impact on Waiting List

In an opinion dated November 27, 2007, the Maryland Court of Special Appeals ruled in the case *Department of Health And Mental Hygiene v. Ida Brown* that the standards Maryland uses for determining eligibility for services through the Maryland Medicaid Assistance Home and Community Waiver for Older Adults Program (“Older Adults Waiver Program”) are more restrictive than federal law and, therefore, cannot be sustained.

The Older Adults Waiver Program provides funding for community-based services to seniors who would otherwise end up in nursing homes. Eligibility determinations for the program are actually made by the area agencies on aging on behalf of the Department of Health and Mental Hygiene (DHMH). Funding for personnel and administrative costs associated with the eligibility process is provided in the budget of MDoA. Participation in the program is capped at 2,900 participants at any one point in time. According to MDoA, there were 10,204 seniors on the Older Adults Waiver program waiting list as of October 2007, and an estimated 3,877 seniors will be served in the program in fiscal 2008. As is shown in Exhibit 3, it is much more cost effective to provide services through the Older Adults Waiver program with an average cost per senior in fiscal 2007 of \$30,111 than through nursing homes which averaged \$62,332 in the same year.

DHMH is considering the option of appealing to the Court of Appeals for a final ruling on this case. An unfavorable ruling for DHMH would have little immediate impact on the Older Adults Waiver program itself. Since the number of participants in the waiver is capped, relaxing the eligibility requirements would mean that a greater percentage of the people at the top of the waiting list would be certified as eligible, and thus the rate at which a person at the bottom of the waiting list moves up the list would lengthen. An unfavorable ruling would have a bigger impact on the Medicaid paid nursing home placements since, as an entitlement, there is no cap on enrollment – anyone who meets the qualifications of the program must be served. Given the cost differential between nursing home placements and the Older Adults Waiver, however, it is likely that should eligibility standards be relaxed an increase in the waiver limit would be sought. **The department should brief the committees on what actions, if any, the department is taking to prepare for that eventuality.**

2. Hold Harmless Funding and Distribution Is Still Discretionary

The federal Older Americans Act (OAA) provides funding for services to seniors and their caregivers. In fiscal 2008, Maryland received \$17.7 million in OAA funds. These funds were distributed according to the formula that has been in use since the 1990 Census to Maryland’s 19 AAAs which serve the State’s 24 local jurisdictions. When the formula was updated with population numbers from the 2000 Census, six rural AAAs and Baltimore City lost funding. In the 2004 Budget Reconciliation and Financing Act (BFRA), the General Assembly authorized for fiscal 2005 and

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required for fiscal 2006 a general fund appropriation of \$442,210 to hold rural jurisdictions harmless compared to the fiscal 2004 allocations. This hold harmless funding has been included each year since and is again included in the fiscal 2009 allowance.

The 2004 BFRA also required the Governor to submit proposed legislation during the 2005 legislative session to specify a new funding formula for federal funds under OAA. Although legislation was introduced, it did not pass, and the distribution of OAA funding continues under the old formula. There is no statutory requirement, however, for how the hold harmless funding is to be distributed. **It is, therefore, recommended that the hold harmless funding be restricted until the Department of Aging reports to the budget committees on the proposed distribution of these funds.**

Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that:

- (1) \$442,210 of this appropriation for “Hold Harmless” shall be allocated as follows:

<u>Area Agency on Aging</u>	<u>Hold Harmless Allocation</u>
<u>Allegany</u>	<u>\$80,373</u>
<u>Baltimore City</u>	<u>113,654</u>
<u>MAC, Inc.</u>	<u>179,242</u>
<u>Queen Anne’s</u>	<u>13,025</u>
<u>Upper Shore Aging, Inc.</u>	<u>36,419</u>
<u>Washington</u>	<u>19,497</u>

- (2) Notwithstanding paragraph (1), if the amount of Older American Act funding received by the Department of Aging for State Fiscal Year 2009 exceeds the amount of Older American Act funding received by the department for State Fiscal Year 2008, the amounts shown for each area agency on aging listed above, except Baltimore City, may be reduced by an amount equal to the amount of additional Older American Act funding credited to that area agency on aging based on the allocation of the additional Older American Act funding received in State Fiscal Year 2009.
- (3) The amount of Hold Harmless funding reduced pursuant to paragraph (2) shall be credited to the Baltimore City Area Office on Aging.

Explanation: Hold Harmless funding is included in the budget to ensure rural area agencies on aging receive funding at least equal to the amount of Older American Act funding they received prior to the update of the funding distribution formula to use the 2000 Census population figures. Increases in Older American Act funding has allowed some of the hold harmless funding to be distributed to Baltimore City which was not held harmless when the formula was updated. This language provides for the same distribution of the hold harmless funding in fiscal 2009 as occurred in fiscal 2008 but allows these amounts to be reduced to the extent additional Older American Act funding is received by these area agencies on aging. The funds freed up by such increases in Older American Act funding are to be credited to the Baltimore City Area Agency on Aging.

Current and Prior Year Budgets

Current and Prior Year Budgets Department of Aging (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$25,763	\$389	\$25,643	\$0	\$51,795
Deficiency Appropriation	0	0	538	0	538
Budget Amendments	-2	4	0	0	2
Reversions and Cancellations	-367	-49	-947	0	-1,363
Actual Expenditures	\$25,394	\$344	\$0	\$0	\$50,972
Fiscal 2008					
Legislative Appropriation	\$24,199	\$324	\$26,401	\$0	\$50,925
Cost Containment	-250	0	0	0	-250
Budget Amendments	42	5	0	0	47
Working Appropriation	\$23,992	\$329	\$26,401	\$0	\$50,722

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

Fiscal 2007

The fiscal 2007 budget for the Department of Aging closed out \$822,621 lower than the legislative appropriation. Increases for federal fund deficiencies approved during the 2007 legislative session (\$538,047) and budget amendments for the general salary increase (\$42,852) were offset by decreases through budget amendments for cost containment (\$39,905) and a transfer to the Department of Budget and Management to help pay for a salary study (\$590) and by decreases resulting from the end of year reversion of general funds (\$366,874) and the cancellation of special (\$48,884) and federal funds (\$947,267). The cost containment reduction represented excess health insurance funding identified in the budget. The general fund cancellation represents general savings reverted as part of the cost containment effort. The special fund cancellation resulted from less than anticipated revenue from the Continuing Care Retirement Communities Program, and the federal fund cancellation represents lower than anticipated expenditures of federal grants.

Fiscal 2008

The fiscal 2008 working appropriation is \$202,715 lower than the legislative appropriation. Increases through budget amendment for the general salary increase (\$47,285) were offset by the cost containment withdrawal (\$250,000) made by the Board of Public Works in June 2007. The cost containment action abolished three positions a Program Manager for Development, an Account Supervisor for the Continuing Care Retirement Communities program, and a Human Services Specialist.

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

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	59.40	56.40	56.40	0	0%
02 Contractual	6.00	5.00	7.00	2.00	40.0%
Total Positions	65.40	61.40	63.40	2.00	3.3%
Objects					
01 Salaries and Wages	\$ 4,971,246	\$ 4,962,305	\$ 5,454,011	\$ 491,706	9.9%
02 Technical and Spec. Fees	121,359	155,749	281,420	125,671	80.7%
03 Communication	64,165	87,260	92,299	5,039	5.8%
04 Travel	76,719	47,377	45,377	-2,000	-4.2%
07 Motor Vehicles	16,569	9,769	-1,307	-11,076	-113.4%
08 Contractual Services	421,194	294,597	342,429	47,832	16.2%
09 Supplies and Materials	47,605	45,774	42,370	-3,404	-7.4%
10 Equip. – Replacement	12,259	19,891	8,946	-10,945	-55.0%
12 Grants, Subsidies, and Contributions	45,135,598	44,989,372	45,938,973	949,601	2.1%
13 Fixed Charges	104,706	109,406	116,582	7,176	6.6%
14 Land and Structures	663	500	500	0	0%
Total Objects	\$ 50,972,083	\$ 50,722,000	\$ 52,321,600	\$ 1,599,600	3.2%
Funds					
01 General Fund	\$ 25,394,451	\$ 23,991,649	\$ 24,232,912	\$ 241,263	1.0%
03 Special Fund	344,118	329,026	290,964	-38,062	-11.6%
05 Federal Fund	25,233,514	26,401,325	27,797,724	1,396,399	5.3%
Total Funds	\$ 50,972,083	\$ 50,722,000	\$ 52,321,600	\$ 1,599,600	3.2%

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary
Department of Aging**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
01 General Administration	\$ 50,472,083	\$ 50,222,000	\$ 51,821,600	\$ 1,599,600	3.2%
02 Senior Centers Operating Fund	500,000	500,000	500,000	0	0%
Total Expenditures	\$ 50,972,083	\$ 50,722,000	\$ 52,321,600	\$ 1,599,600	3.2%
General Fund	\$ 25,394,451	\$ 23,991,649	\$ 24,232,912	\$ 241,263	1.0%
Special Fund	344,118	329,026	290,964	-38,062	-11.6%
Federal Fund	25,233,514	26,401,325	27,797,724	1,396,399	5.3%
Total Appropriations	\$ 50,972,083	\$ 50,722,000	\$ 52,321,600	\$ 1,599,600	3.2%

Note: The fiscal 2008 appropriation does not include deficiencies.