

D26A07
Department of Aging

Operating Budget Data

(\$ in Thousands)

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$23,944	\$23,761	\$23,380	-\$381	-1.6%
Contingent & Back of Bill Reductions	0	0	-27	-27	
Adjusted General Fund	\$23,944	\$23,761	\$23,353	-\$408	-1.7%
Special Fund	296	290	357	67	23.1%
Contingent & Back of Bill Reductions	0	0	-2	-2	
Adjusted Special Fund	\$296	\$290	\$355	\$65	22.5%
Federal Fund	28,142	27,755	26,405	-1,350	-4.9%
Contingent & Back of Bill Reductions	0	0	-7	-7	
Adjusted Federal Fund	\$28,142	\$27,755	\$26,397	-\$1,358	-4.9%
Adjusted Grand Total	\$52,382	\$51,806	\$50,106	-\$1,700	-3.3%

- The budget as introduced includes a fiscal 2009 special fund deficiency appropriation totaling \$230,612 to offset reductions approved by the Board of Public Works as part of cost containment (\$54,000) and to provide funds for evidence-based health promotion programs (\$176,612). The sources of the special funds are registration fees for the Continuing Care Program and a grant from the Harry and Jeanette Weinberg Foundation.
- The fiscal 2010 allowance decreases \$1.7 million (-3.3%) from the fiscal 2009 working appropriation. This decrease reflects a contingent reduction to the State match for deferred compensation (-\$20,400), an across-the-board reduction to contractual employee funding (-\$10,931), and an across-the-board reduction to contractual services to reflect projected savings from rebidding of contracts (-\$4,901). The decrease does not include unallocated statewide contingent reductions to personnel costs (-\$30.0 million) nor to health insurance subsidies (\$24.6 million) for which Medicare Part D funding may be substituted.

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

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Personnel Data

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>
Regular Positions	56.40	56.40	55.40	-1.00
Contractual FTEs	<u>5.00</u>	<u>7.00</u>	<u>6.00</u>	<u>-1.00</u>
Total Personnel	61.40	63.40	61.40	-2.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.17	3.91%
Positions and Percentage Vacant as of 12/31/08	2.00	3.55%

- Regular positions decrease by one in the fiscal 2010 allowance reflecting the abolishment of an Administrator II position as a general cost saving measure.
- Contractual full-time equivalent positions decrease by one in the fiscal 2010 allowance due to the end of federal discretionary grants.

Analysis in Brief

Major Trends

Maintaining Seniors in the Community: The number of seniors served in the community decreased slightly in fiscal 2008 and is projected to continue declining over the next two years. Declines are most prominent in the Senior Care and Home Delivered Meals programs.

Community-based Services Funding Remains Flat While Percent of Seniors in Need of Services Who Are Served Continues to Decline: Funding for community-based services to seniors is projected to remain essentially unchanged from fiscal 2008 through 2010. Over the same period the proportion of seniors in need of services who will receive services is projected to decline.

Issues

Audit Finding Indicates Failure to Recover Federal Funds in a Timely Manner Resulted in Loss of Interest Income of Approximately \$811,000: The Maryland Department of Aging (MDOA) did not request any reimbursement for federal grant expenditures during fiscal 2007 despite unreimbursed federal grant expenditures totaling \$7.9 million. **MDOA should brief the committees on the steps it has taken to ensure that requests for reimbursement of federal fund expenditures are made in a timely fashion.**

Report on Independent Evaluation of Ombudsman Services Pending: A report requested in the 2008 *Joint Chairmen's Report* on an independent evaluation of Ombudsman services is due by the end of January 2009. **MDOA should brief the committees on the results of the consultant's evaluation.**

Recommended Actions

1. Concur with Governor's allowance.

D26A07 – Department of Aging

D26A07
Department of Aging

Operating Budget Analysis

Program Description

The Maryland Department of Aging (MDOA) has the responsibility of administering community-based long-term care programs and services for older Marylanders, evaluating the services they need, and determining the extent to which public and private programs meet those needs. With input from the local Area Agencies on Aging (AAAs), seniors, and caregivers, the department establishes priorities for meeting the needs of older Marylanders and advocates for frail and vulnerable seniors. 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:

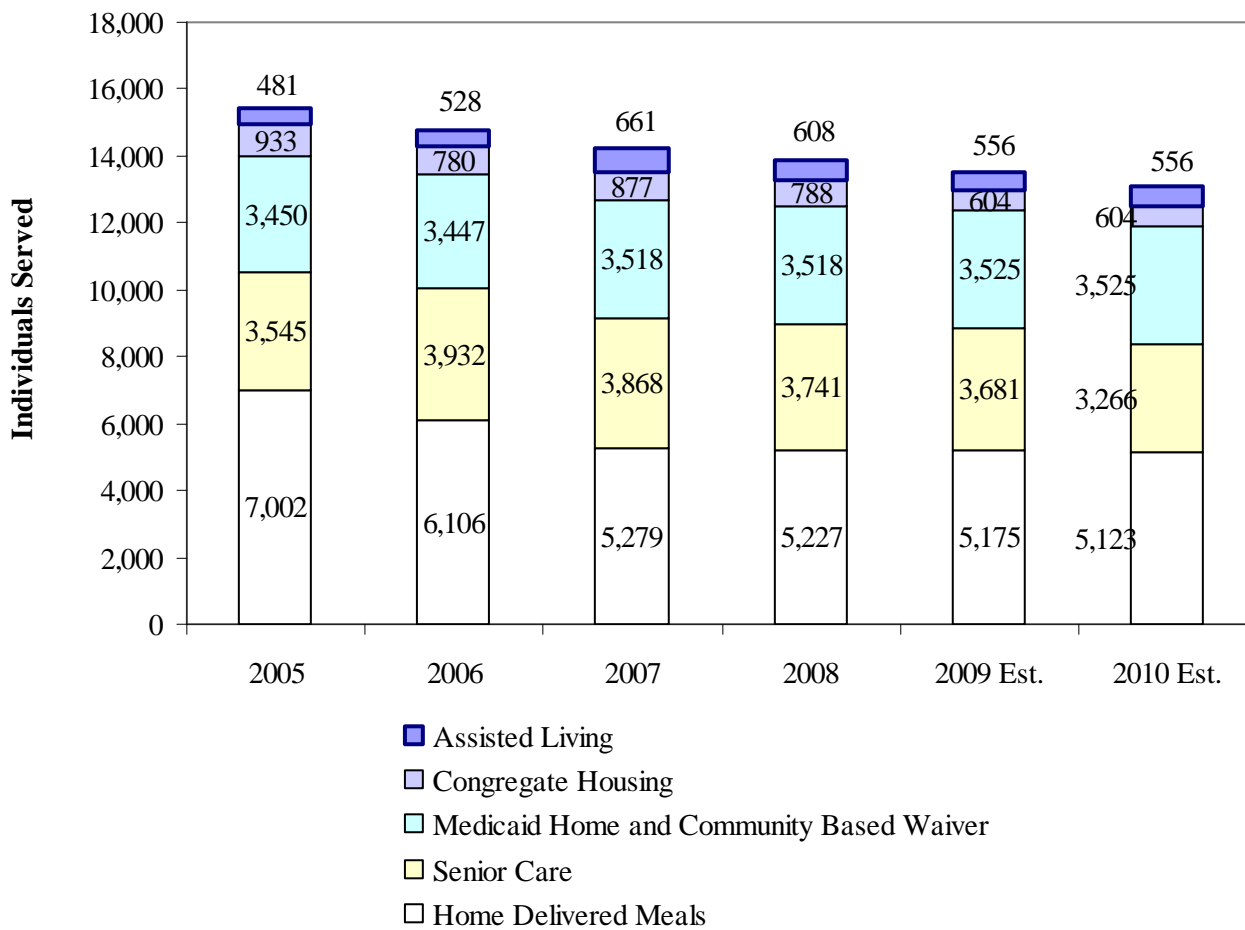
- to enable older Marylanders to remain in their homes with a high quality of life for as long as possible;
- to ensure the rights of older Marylanders and prevent their abuse, neglect, and exploitation; and
- to empower older Marylanders to stay active and healthy.

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 has decreased steadily from fiscal 2005 through 2008 and is projected to continue to decline through fiscal 2010. The programs experiencing the largest declines during this period are Home Delivered Meals and Senior Care.

**Exhibit 1
Maintaining Seniors in the Community
Fiscal 2005-2010**

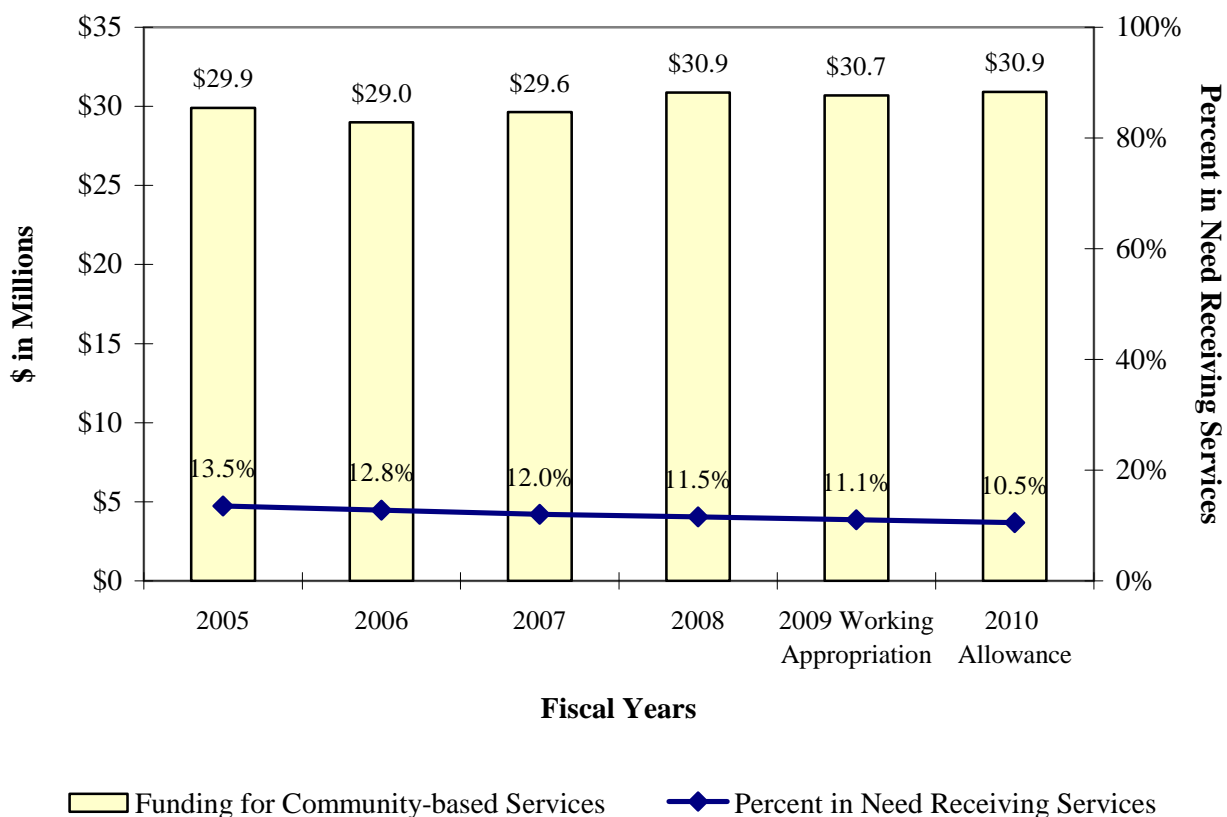


Source: Maryland Department of Aging

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 for fiscal 2005 through 2010. Funding for community-based services has varied from a low of \$29.0 million in fiscal 2006 to a high of \$30.9 million in both fiscal 2008 and the 2010 allowance.

The percentage of seniors in need of services that receive services shows a gradual decline from 13.5% of those in need receiving services in fiscal 2005 to a projected 10.5% in fiscal 2010. This is due to the combination of the cost of services increasing while the budget remains essentially flat and the continued increase in Maryland’s senior population.

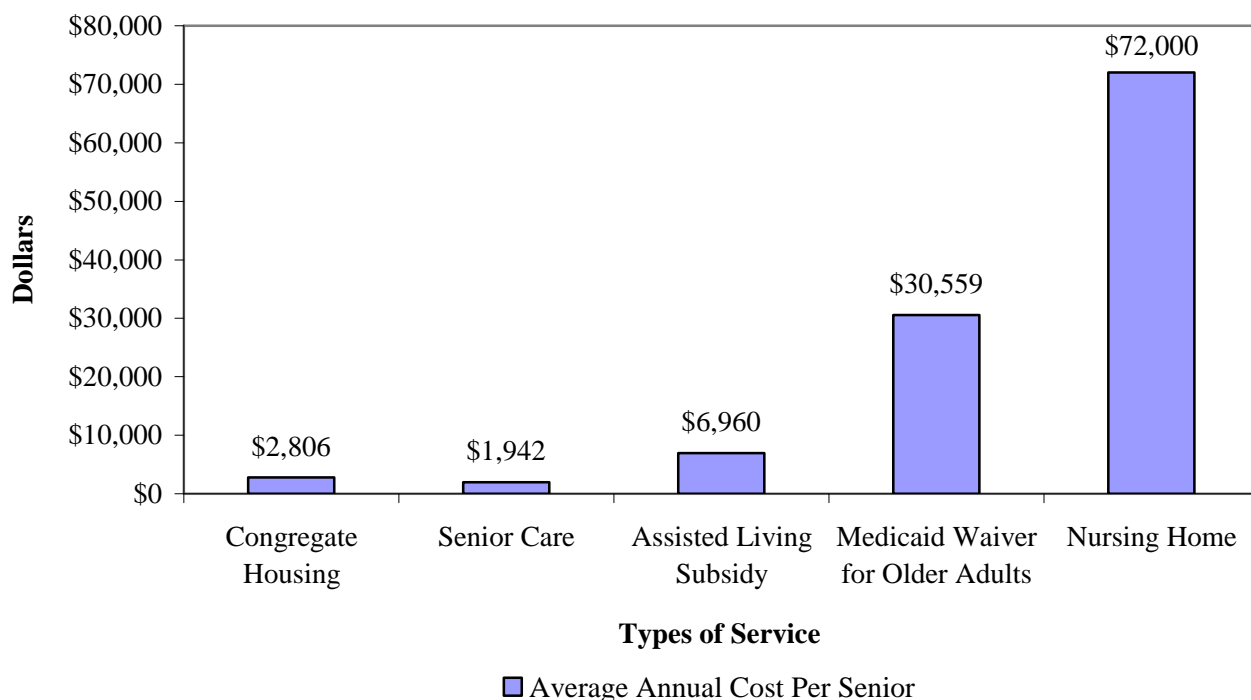
**Exhibit 2
Funding with Percent of Need Fulfilled
Fiscal 2005-2010**



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.

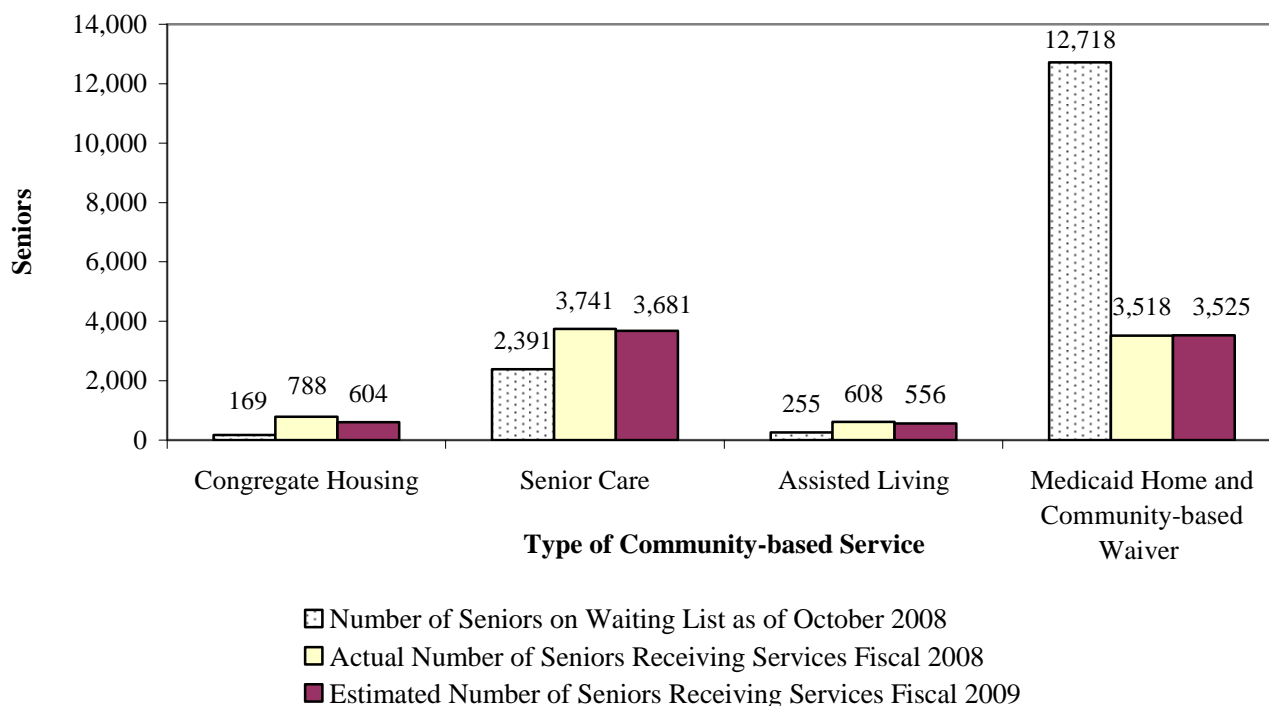
Exhibit 3
Cost of Community-based Services v. Nursing Home Care
Fiscal 2008



Source: Maryland Department of Aging; Department of Legislative Services

Exhibit 4 shows the number of individuals on the waiting list as of October 2008 juxtaposed with the number of individuals being served in fiscal 2008 and 2009 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 2009, the Senior Care waiting list is the largest at 65%, followed by the Assisted Living program at 46%, and the Congregate Housing program at 28%.

**Exhibit 4
Number Served Versus the Waiting List
Fiscal 2008-2009**



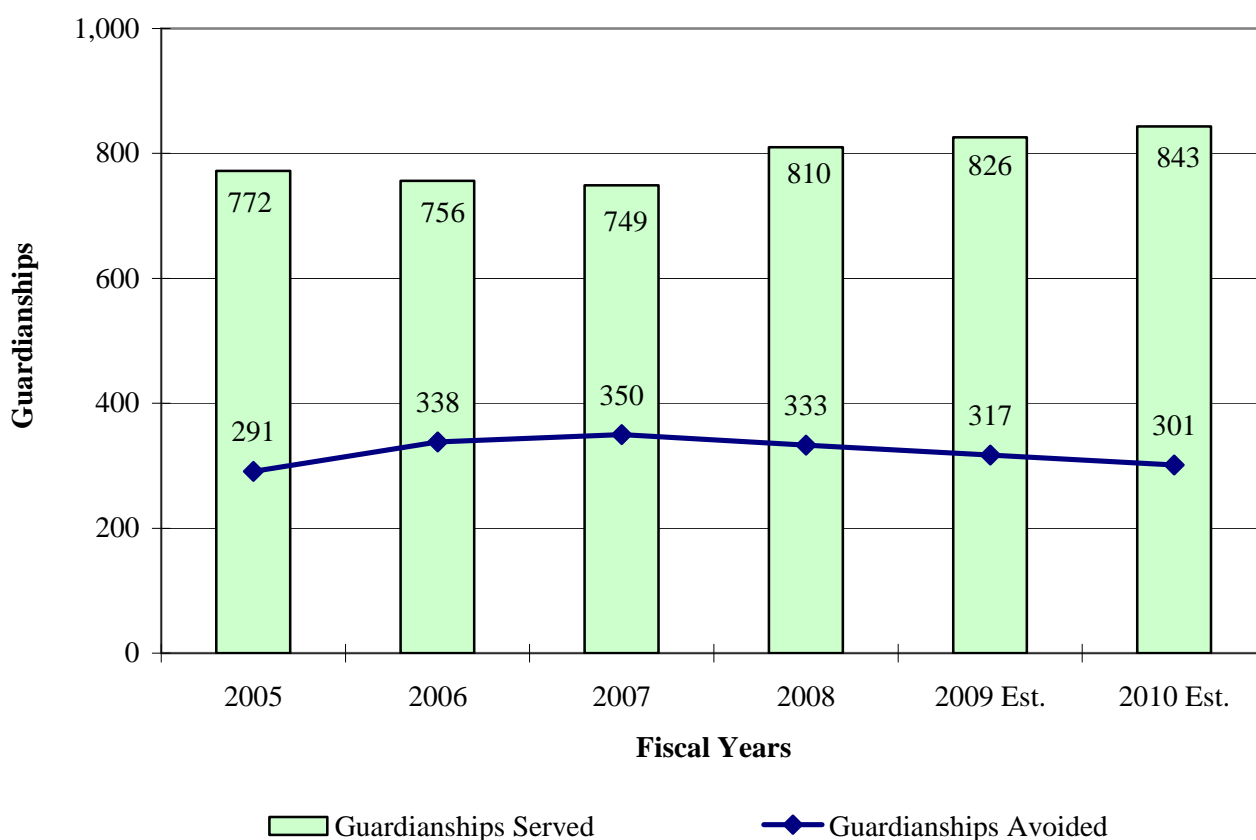
Source: Maryland Department of Aging

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 number of guardianships served increased sharply in fiscal 2008 and the number of guardianships avoided decreased slightly in that year. The projected trends indicate continued increases in guardianships served and decreasing guardianships avoided. 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. **The department should comment on the factors that are driving these trends.**

Exhibit 5
Public Guardianship Activities
Fiscal 2005-2010

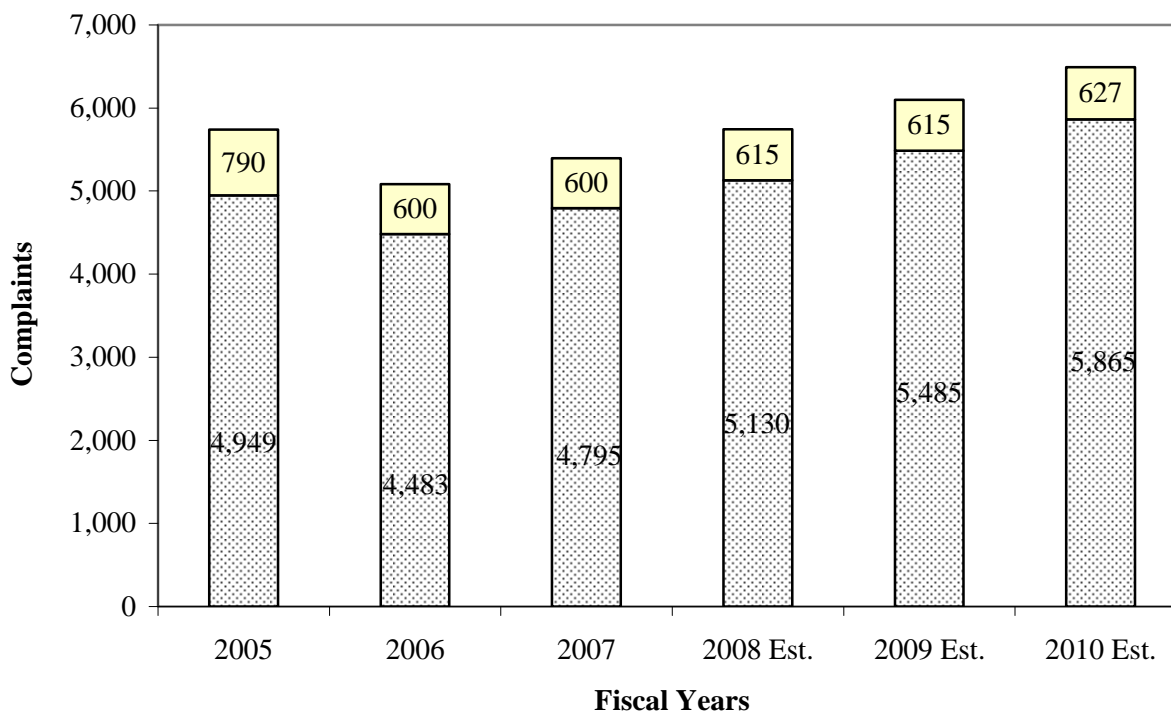


Source: Maryland Department of Aging

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. Investigations of complaints have risen steadily since fiscal 2006 while investigations of abuse have risen slowly during this period.

Exhibit 6
Investigations Closed
Fiscal 2005-2010



- Number of Abuse Cases Investigated and Closed by Ombudsman
- ▨ Number of Complaints Investigated and Closed by Ombudsman

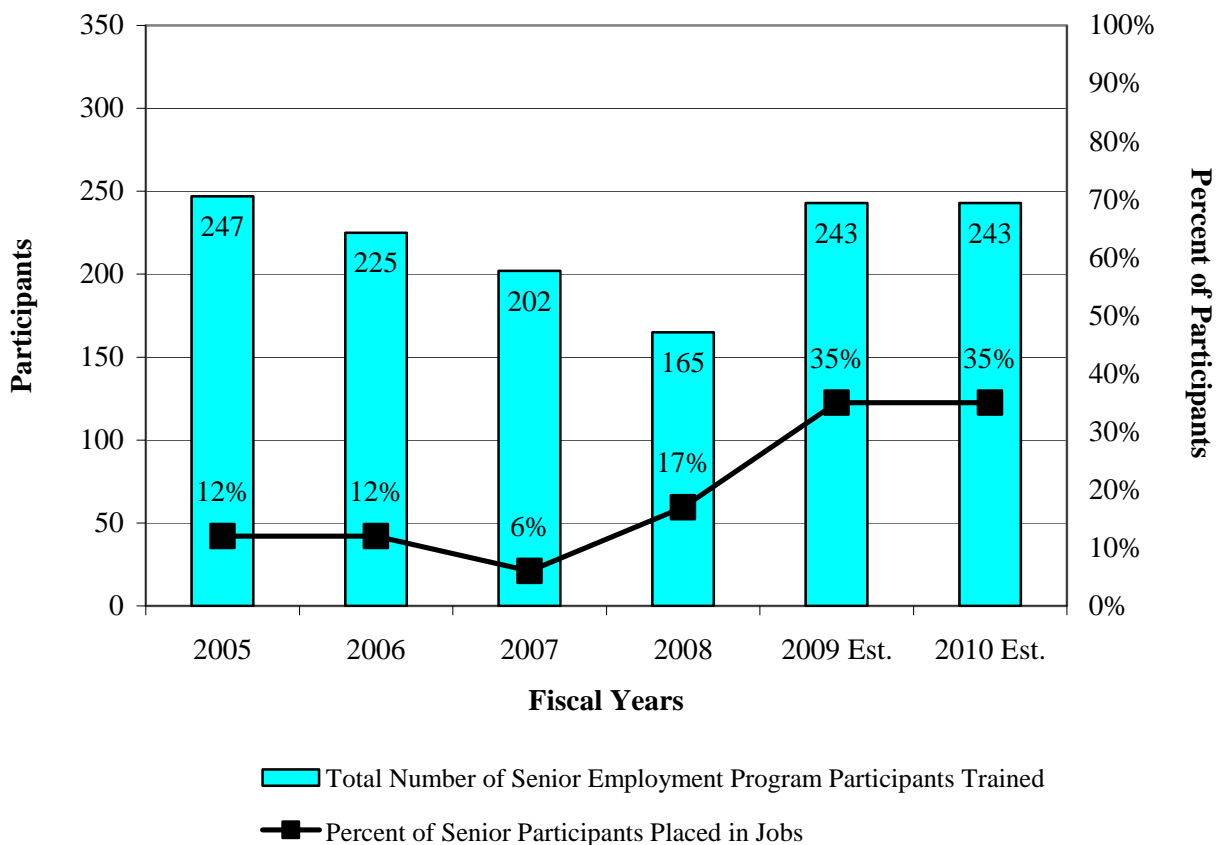
Source: Maryland Department of Aging

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 market 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. Since fiscal 2005 the number of seniors being trained and placed in jobs decreased steadily due to stringent federal income guidelines and the increase in the minimum wage. The increase in fiscal 2009 reflects new federal program goals and the development of a program performance improvement plan.

Exhibit 7
Employment and Training for Seniors
Fiscal 2005-2010



Source: Maryland Department of Aging

Fiscal 2009 Actions

Proposed Deficiency

The budget as introduced includes a fiscal 2009 special fund deficiency appropriation totaling \$230,612 to offset reductions approved by the Board of Public Works as part of cost containment (\$54,000) and to provide funds for evidence-based health promotion programs (\$176,612). The sources of the special funds are registration fees for the Continuing Care Program and a grant from the Harry and Jeanette Weinberg Foundation.

Impact of Cost Containment

Cost containment actions taken by the Board of Public Works through October 2008 reduced the fiscal 2009 budget for the Department of Aging by \$476,754. Cost containment decreases comprise:

- a reduction to Senior Housing Programs by approximately 6%, from \$5.1 to \$4.8 million to reflect historical spending (\$290,000 general);
- a reduction of 5% in Senior Information and Assistance as a cost savings measure (\$40,500 general);
- a reduction in information technology grants to local Area Agencies on Aging (\$28,062 general);
- a fund swap with special funds for certain administrative costs (\$54,000 general);
- the Other Post Employment Benefits (OPEB) funding (\$30,396 general); and
- health insurance subsidies to be paid for with nonbudgeted funds (\$23,202 general, \$1,426 special, \$9,168 federal).

In addition, the estimated general fund savings resulting from employee furloughs is \$27,435. These funds are to be withdrawn in a future Board of Public Works action.

Proposed Budget

As illustrated in **Exhibit 8**, the fiscal 2010 allowance for the Department of Aging decreases by \$1.7 million. Personnel items relating primarily to health insurance, annualization of increments, and retirement costs increase the budget by a net \$69,000 while the remaining costs for administration of the department decrease by \$319,000. Program grant funding provided to AAAs decreases a net of \$1.4 million. This comprises increases in federal formula and one-time funding of

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

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
2009 Working Appropriation	\$23,761	\$290	\$27,755	\$51,806
2010 Allowance	<u>23,380</u>	<u>357</u>	<u>26,405</u>	<u>50,142</u>
Amount Change	-\$381	\$67	-\$1,350	-\$1,664
Percent Change	-1.6%	23.1%	-4.9%	-3.2%
 Contingent Reductions	 -\$27	 -\$2	 -\$7	 -\$36
Adjusted Change	-\$408	\$65	-\$1,358	-\$1,700
Adjusted Percent Change	-1.7%	22.5%	-4.9%	-3.3%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$101
Annualize increments	44
Retirement contribution	40
Accrued leave payout	19
Deferred compensation match contingent on legislation.....	-20
Other Post Employment Benefits funding	-55
Abolished Administrator II position	-55
Other fringe benefit adjustments	-5

Administration

Increased rent paid to the Department of General Services.....	12
Decreased printing and office supplies	-16
Decrease in Department of General Services paid telecommunications	-16
Suspend use of temporary employment agency services.....	-34
Contractual employment reduction due to phasing out of discretionary grants	-83
Decreased contractual services – one-time consultant studies	-182

Where It Goes

Program Grants to Area Agencies on Aging

Increased federal formula funding for Ombudsman/Elder Abuse and Nutrition.....	322
One-time increase for Low-income Subsidy Part D outreach and enrollment	110
Decreased federal grant for National Family Caregiver Support Program.....	-75
Reduction to Senior Community Employment Program	-191
Nutrition Services Incentive Program – decrease due to decreased meal counts previous year....	-228
Elimination of hold harmless funding	-442
Phase out of discretionary grants for Alzheimer’s Disease Demonstration Project, Maryland Access Point, Legal Services, Evidence-based Health Promotion, and Nursing Home Diversion Programs	-879
Other Changes	-\$66
Total	-\$1,700

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

\$432,000 offset by decreases in federal funding due to the phase-out of discretionary and demonstration project grants (-\$879,000), a decrease in the formula funding for the Nutrition Services Incentive Program due to a decrease in meals last year (-\$228,000), and elimination of the hold harmless funding that has gone to rural jurisdictions and Baltimore City to help compensate for funding lost under the formula due to aging population decreases (-\$442,000). In most cases the phase out of federal discretionary grants will not impact services because MDOA used these grants for one-time expenditures such as systems development, software purchases, and assessment tools. The exception to this is the end of the Alzheimer’s Disease Demonstration project the federal funds for which were used for counseling, training, and support of caregivers. MDOA is applying for additional federal grants and hopes to be able to offer these services again in the future.

Federal stimulus legislation being considered by Congress includes \$200 million for elderly nutrition services including Meals on Wheels and Congregate Meals. **The department should comment on the potential funding for Maryland, including any restrictions or requirements that may be attached.**

Impact of Cost Containment

As cost containment measures, the budget as introduced includes a number of reductions contingent on legislation. The elimination of the State match for deferred compensation (-\$20,400), an across-the-board reduction to contractual employee funding (-\$10,931), and an across-the-board reduction to contractual services to reflect projected savings from rebidding of contracts (-\$4,901). Not included in the budget change calculations are the following statewide cost containment contingent reductions:

- Section 22 – a reduction in personnel expenses (-\$30.0 million); and
- Section 20 – a reduction to budgeted health insurance costs (\$26.4 million).

Exhibit 9 shows the distribution of the reduction due to elimination of Hold Harmless funding in the fiscal 2010 allowance.

Exhibit 9
Jurisdictions Losing Hold Harmless Funding in Fiscal 2010

<u>Area Agency on Aging</u>	<u>Amount</u>
Allegany	\$80,373
Baltimore City	113,654
MAC, Inc.	179,242
Queen Anne's	13,025
Upper Shore Aging, Inc.	36,419
Washington	19,497
Total	\$442,210

Source: Department of Legislative Services

Issues

1. Audit Finding Indicates Failure to Recover Federal Funds in a Timely Manner Resulted in Loss of Interest Income of Approximately \$811,000

The fiscal compliance audit of MDOA, released June 2008, includes a finding that delays on the part of MDOA in requesting reimbursement of federal fund expenditures resulted in a loss of interest to the State of approximately \$811,000. The audit indicates that no requests for federal fund reimbursements were made during fiscal 2007 despite accumulation of unreimbursed federal fund grant expenditures as of June 30, 2006, totaling \$7.9 million. **MDOA should brief the committees on the steps it has taken to ensure that requests for reimbursement of federal fund expenditures are made in a timely fashion.**

2. Report on Independent Evaluation of Ombudsman Services Pending

Testimony received by the budget committees during consideration of the fiscal 2009 MDOA budget indicated that Ombudsman services were inconsistent among local jurisdictions. MDOA indicated its intention to have an independent evaluation of the Ombudsman function completed by an outside consultant. By committee narrative, the budget committees requested that MDOA provide a copy of the consultant report prior to the 2009 budget hearing process. In December 2008 MDOA requested an extension on providing the report until the end of January 2009 to give the consultant sufficient time to complete its evaluation. As of the writing of this analysis, a copy of the consultants report has not been provided. **MDOA should brief the committees on the results of the consultant's evaluation.**

Recommended Actions

1. Concur with Governor's allowance.

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 2008					
Legislative Appropriation	\$24,199	\$324	\$26,401	\$0	\$50,925
Deficiency Appropriation	0	0	1,766	0	1,766
Budget Amendments	42	5	0	0	47
Cost Containment	-250	0	0	0	-250
Reversions and Cancellations	-48	-33	-25	0	-106
Actual Expenditures	\$23,944	\$296	\$28,142	\$0	\$52,382
Fiscal 2009					
Legislative Appropriation	\$24,187	\$286	\$27,764	\$0	\$52,237
Cost Containment	-466	-1	-9	0	-477
Budget Amendments	41	6	0	0	46
Working Appropriation	\$23,761	\$290	\$27,755	\$0	\$51,806

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

Fiscal 2008

The fiscal 2008 budget for the Department of Aging closed out \$1.5 million higher than the legislative appropriation. A federal fund deficiency appropriation, reflecting increased federal grants, added \$1.8 million, and budget amendments for a general salary increase added \$42,260 general funds and \$5,025 special funds. General funds were reduced by \$250,000 as part of the cost containment actions, and the savings were achieved through elimination of three positions (a Program Manager for Development, an Account Supervisor for the Continuing Care Retirement Communities Program, and a Human Services Specialist). Reversions and cancellations totaled \$105,638 and resulted from general administrative savings.

Fiscal 2009

The fiscal 2009 working appropriation is \$430,652 lower than the legislative appropriation. Reductions totaling \$476,754 due to cost containment actions are partially offset by increases via budget amendment for a general salary increase (\$40,540 general funds, \$5,562 special funds).

Cost containment decreases comprise:

- a reduction to Senior Housing Programs by approximately 6%, from \$5.1 to \$4.8 million to reflect historical spending (\$290,000 general);
- a reduction of 5% in Senior Information and Assistance as a cost savings measure (\$40,500 general);
- a reduction in information technology grants to local Area Agencies on Aging (\$28,062 general);
- a fund swap with special funds for certain administrative costs (\$54,000 general);
- the OPEB funding (\$30,396 general); and
- health insurance subsidies to be paid for with nonbudgeted funds (\$23,202 general, \$1,426 special, \$9,168 federal).

Audit Findings

Audit Period for Last Audit:	January 12, 2005 – October 31, 2007
Issue Date:	June 2008
Number of Findings:	10
Number of Repeat Findings:	5
% of Repeat Findings:	50%
Rating: (if applicable)	n/a

- Finding 1:*** MDOA was not adequately monitoring the cost neutrality of participant care and provider compliance with the plans of care developed for Waiver for Older Adults Program participants.
- Finding 2:*** MDOA did not effectively monitor the timeliness of program eligibility determinations and redeterminations.
- Finding 3:*** Adequate internal control had not been established over the processing of provider payments.
- Finding 4:*** MDOA audits of AAAs were not always performed timely, and audits of AAAs and providers were not always adequately documented.
- Finding 5:*** Federal fund expenditures were not recovered in a timely manner, resulting in a loss of interest income to the State of approximately \$811,000.
- Finding 6:*** Annual financial reviews were not completed timely for fiscal 2005 through 2007, as required by MDOA policy.
- Finding 7:*** MDOA did not adequately review the program monitoring activities delegated to the AAAs for certain State grants.
- Finding 8:*** The controls for authenticating users of the claims billing application were inadequate.
- Finding 9:*** Critical backup tapes were not stored at a secure offsite location.
- Finding 10:*** Independent verifications were not performed to ensure that all recorded collections were subsequently deposited, and controls over the recording of collections in the State’s accounting records were not adequate.

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

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

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	56.40	56.40	55.40	-1.00	-1.8%
02 Contractual	5.00	7.00	6.00	-1.00	-14.3%
Total Positions	61.40	63.40	61.40	-2.00	-3.2%
Objects					
01 Salaries and Wages	\$ 4,973,145	\$ 5,297,125	\$ 5,449,069	\$ 151,944	2.9%
02 Technical and Spec. Fees	180,075	281,420	171,561	-109,859	-39.0%
03 Communication	91,076	92,299	75,632	-16,667	-18.1%
04 Travel	65,025	45,377	44,077	-1,300	-2.9%
07 Motor Vehicles	20,295	-1,307	6,156	7,463	-571.0%
08 Contractual Services	533,702	342,429	144,969	-197,460	-57.7%
09 Supplies and Materials	65,663	42,370	37,007	-5,363	-12.7%
10 Equipment – Replacement	23,903	8,946	8,946	0	0%
12 Grants, Subsidies, and Contributions	46,319,723	45,580,411	44,078,337	-1,502,074	-3.3%
13 Fixed Charges	109,539	114,582	125,772	11,190	9.8%
14 Land and Structures	0	2,500	500	-2,000	-80.0%
Total Objects	\$ 52,382,146	\$ 51,806,152	\$ 50,142,026	-\$ 1,664,126	-3.2%
Funds					
01 General Fund	\$ 23,944,025	\$ 23,761,213	\$ 23,380,471	-\$ 380,742	-1.6%
03 Special Fund	295,917	289,823	356,731	66,908	23.1%
05 Federal Fund	28,142,204	27,755,116	26,404,824	-1,350,292	-4.9%
Total Funds	\$ 52,382,146	\$ 51,806,152	\$ 50,142,026	-\$ 1,664,126	-3.2%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Fiscal Summary
Department of Aging**

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk Approp</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
01 General Administration	\$ 51,921,223	\$ 51,306,152	\$ 49,642,026	-\$ 1,664,126	-3.2%
02 Senior Centers Operating Fund	460,923	500,000	500,000	0	0%
Total Expenditures	\$ 52,382,146	\$ 51,806,152	\$ 50,142,026	-\$ 1,664,126	-3.2%
General Fund	\$ 23,944,025	\$ 23,761,213	\$ 23,380,471	-\$ 380,742	-1.6%
Special Fund	295,917	289,823	356,731	66,908	23.1%
Federal Fund	28,142,204	27,755,116	26,404,824	-1,350,292	-4.9%
Total Appropriations	\$ 52,382,146	\$ 51,806,152	\$ 50,142,026	-\$ 1,664,126	-3.2%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.