



STATE OF MARYLAND

DHMH

Maryland Department of Health and Mental Hygiene

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**Testimony of Dr. Joshua M. Sharfstein,
Secretary, Department of Health and Mental Hygiene**

Before the Senate Finance and Budget and Taxation Committees

**Concerning the FY 2010 Budget Reversion by the Developmental Disabilities
Administration**

November 30, 2011

Introduction

Thank you for the opportunity to testify on the Developmental Disabilities Administration (DDA) and its FY 2010 budget reversion.

Given the significant unmet needs among Marylanders with developmental disabilities, it is critical that DDA use available resources wisely and fully. We very much regret the problems that led to the FY 2010 budget reversion. In this testimony, I will provide some basic background information about DDA, and then discuss three key questions:

- How did this happen?
- How can we prevent such a problem from happening again?
- And how do we make this right?

Background

DDA is an agency within the Department of Health and Mental Hygiene that provides funding for a wide range of services for thousands of individuals with developmental disabilities each year. Supported services include residential care, employment, day programs, care coordination, and respite care. The agency pays for these services under a federal Medicaid waiver and through state-only funding. The FY 2012 budget for DDA is \$800 million – including \$455 million in state general funds. This represents an increase of more than \$40 million from FY 2011 in total funding.

DDA expects to support services for approximately 25,000 individuals in FY 2012, which reflects the highest number ever in Maryland.

It has been evident for many years that our system of services for individuals with disabilities fails to meet the needs of all Marylanders with developmental disabilities. The state's waiting list is now divided into three categories:

- Crisis Resolution. This category includes individuals who are in harm's way in their current living situation. There are 81 individuals in this category as of November 21, 2011.
- Crisis Prevention. This category includes individuals with an urgent need for services, who may be at risk of harm within a year or have a caregiver over the age of 65. There are 1,181 individuals in this category as of November 21, 2011.
- Current Request. This category includes people with a demonstrated need for services. There are 5,433 individuals in this category as of November 21, 2011.

In addition to these three categories, DDA tracks individuals who may have a future need for services. 2,732 individuals are in this category as of November 22, 2011.

Because of the fact that the needs exceed available resources, it is of vital importance that the DDA make use of all available resources – both state and federal.

The Budget Reversion

Throughout FY 2011, fiscal projections that were produced by DDA fiscal staff and submitted to DHMH Administration indicated that our expenses were in line with our revenues. At the end of the fiscal year, however, we learned that there was an approximately \$38 million surplus in the budget. (We later determined at the end of the FY 2011 budget closeout that the actual surplus amount was \$34.4 million).

Of this amount, \$25.6 million was determined to be state funding from the FY 2010 budget that needed to revert back to the general fund. The balance of \$8.8 million was moved forward into FY 2012.

How Did This Happen?

Soon after we learned of the possible budget surplus, we asked the Inspector General of the Department of Health and Mental Hygiene to investigate. In an October report, the Inspector General commented both on the proximate and the underlying causes of the problem.

First, the Inspector General confirmed the budget reversion and raised a number of important questions about how it came to pass. Specifically, the Inspector General questioned the process within DDA for determining expenses that could be charged back to the prior fiscal year (thereby avoiding a surplus). The Inspector General recommended that further work be done to understand the basis for the reverted dollars and to assess whether additional Fiscal Year 2010 expenditures should have been properly charged to Fiscal Year 2011.

We intend to follow this recommendation and hire an external firm to investigate the reversion and provide a report.

Second, the Inspector General also commented on underlying weaknesses in DDA's financial accounting system.

Unlike other agencies, DDA estimates payments in advance and then reconciles at the end of the year. The Inspector General found that communication between the regional offices and central office is poorly coordinated, and few processes are automated. A combination of these weaknesses appears to have masked the underspending of the budget.

How Can We Prevent Such a Problem from Happening Again?

Fixing this problem requires addressing the underlying weaknesses in the DDA accounting system. The Inspector General recommended that DDA consider options for a new billing, payment, and reconciliation system – including the option of contracting with an administrative services organization for provider payments.

We intend to contract with a consultant to help us to evaluate options to restructure DDA's financial operation and, if appropriate, help us design an appropriate procurement.

In the meantime, we have made important changes. We now have a new acting CFO for DDA. And we are putting into place a range of policies to provide additional structure and oversight of DDA spending.

DHMH's central fiscal staff are closely reviewing DDA's quarterly expenditures by requiring DDA fiscal staff to provide evidence of actual expenditures by individual and service provider. These forecasts will be shared with the State's Department of Budget and Management. There will also be an extra level of review for any journal entries in FY 2012 that would shift costs back to FY 2011.

We will provide quarterly updates to the legislature on our progress.

How Do We Make This Right?

This incident focuses our attention again on the importance of adequate resources to support critical services for Marylanders with developmental disabilities.

Making this right means, in part, that we must understand what happened and prevent this kind of situation from happening again.

It also means we must work together to access all available resources – state and federal—to support as many Marylanders in need as we can. This means spending more resources, and doing so strategically. We will not be satisfied until all individuals with disabilities in Maryland have access to the services they need.

Today, we are announcing four important steps in FY 2012, to both provide urgent assistance to individuals, families, and providers in Maryland and to maximize available

resources for the future. These new initiatives are based in part on input we have already received from individuals with disabilities, experts, providers, and advocates. At a town hall meeting later this evening, we will be discussing these steps and hearing other possible ideas for FY 13 with developmental disabilities stakeholders.

The four steps are:

First, DDA will provide urgent assistance to individuals at imminent risk of a crisis. Over the last several months, we have developed a plan with stakeholders to provide individually tailored services of short duration to individuals on the Crisis Prevention part of the waiting list. This one-time support, at \$10,000 per individual, can help fix a home, provide respite, and prevent a crisis. However, we had expected to have sufficient funding serve only about one-third of the individuals on this list. We will now plan to extend this support to everyone on the Crisis Prevention list this year. We expect this expansion will cost at least \$7 million in general funds in FY 2012.

Second, DDA will create a parallel initiative to support the infrastructure of providers of services to individuals with developmental disabilities. We have heard that providers have urgent needs for key items such as equipment, vans, and information technology. We will work with providers to develop an equitable approach to supporting necessary investments, and we will coordinate with our Medicaid program to seek a way to accomplish this goal that obtains a federal match. We anticipate dedicating \$6 million in general funds to this initiative.

Third, we will provide extra support for care coordination this year, with the goal of transitioning this grant-funded service to a new billable approach that brings in a federal match. Such a plan could bring in as much as \$10 million in additional federal funds every year. We will invest an additional \$1 million to help existing providers prepare for this transition, which we expect to take place in Fiscal Year 2014.

Fourth, we will hire a consultant to work with DDA and our stakeholders to develop a “supports only” federal waiver. Such a waiver will allow Maryland to obtain a federal match on our funding for a wide range of services now funded through state money alone. We anticipate such a waiver could bring as much as \$5 million in additional federal funds every year.

In addition to these FY 2012 activities, we are still developing our FY2013 budget. Later today, Frank Kirkland and I will be attending a town hall meeting with the developmental disabilities community, and we’ll be asking for additional input and ideas from them.

We expect the FY 2013 budget to continue our progress towards a more effective and efficient service system for individuals with disabilities in our state. And as we develop these ideas for service expansions and for strengthening the provider infrastructure, we will pay special attention to assuring integrity and quality in these services.

New Management at DDA

I would like to conclude by introducing the new management at DDA that will oversee these and many more steps forward. Mr. Frank Kirkland began in his position in August with tremendous enthusiasm and experience from many years of work in West Virginia and New Jersey. He is especially passionate about expanding access to employment opportunities and self-directed services for individuals with developmental disabilities.

He has hit the ground running. By collaborating closely with the Developmental Disabilities Council and other stakeholders, Frank has overseen a fair and responsive process to spend the \$15 million in alcohol tax funding this fiscal year.

He has also reached across DHMH to improve access to medical care for individuals with disabilities. Recently, our Medicaid program changed its rules to make it easier for employed individuals with disabilities to purchase Medicaid coverage and remain covered. We thank Secretary Cathy Raggio for bringing the need for these policy changes to our attention.

The Administration and the Department will be providing all possible support to Frank and his team as we move forward.

Thank you for the opportunity to testify today. We appreciate your interest and welcome your input.