

M001
Chronic Disease Services
 Department of Health and Mental Hygiene

Operating Budget Data

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$39,609	\$38,964	\$40,031	\$1,067	2.7%
Contingent & Back of Bill Reductions	0	0	-620	-620	
Adjusted General Fund	\$39,609	\$38,964	\$39,411	\$447	1.1%
Special Fund	4,395	5,071	5,220	149	2.9%
Contingent & Back of Bill Reductions	0	0	-39	-39	
Adjusted Special Fund	\$4,395	\$5,071	\$5,181	\$110	2.2%
Reimbursable Fund	613	421	635	214	50.7%
Adjusted Reimbursable Fund	\$613	\$421	\$635	\$214	50.7%
Adjusted Grand Total	\$44,618	\$44,456	\$45,227	\$770	1.7%

Note: The fiscal 2011 budget reflects several across-the-board reductions to be allocated by the Administration. For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings.

- The proposed fiscal 2011 budget increases by \$770,000, or 1.7%, over the fiscal 2010 working appropriation.
- General funds represent 58.0% of the total change to the allowance, increasing from fiscal 2010 by \$447,000.
- Special funds increase by \$110,000, or 2.2%, from the fiscal 2010 working appropriation. The reimbursable fund allowance increases by \$214,000, or 50.7%. Reimbursable fund income is available to Western Maryland Hospital Center (WMHC) from the Potomac Center.

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

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Personnel Data

	<u>FY 09 Actual</u>	<u>FY 10 Working</u>	<u>FY 11 Allowance</u>	<u>FY 10-11 Change</u>
Regular Positions	556.05	547.05	539.05	-8.00
Contractual FTEs	<u>19.62</u>	<u>20.54</u>	<u>18.52</u>	<u>-2.02</u>
Total Personnel	575.67	567.59	557.57	-10.02

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	25.44	4.72%
Positions and Percentage Vacant as of 12/31/09	53.50	9.78%

- The allowance contains 8 fewer regular positions. Both Deer Head’s Hospital Center (DHHC) and WMHC lose 4 positions. These reductions include 1 clinical position, 1 compliance position, and 2 administrative positions from WMHC. The reductions at DHHC include 3 clinical positions and 1 administrative position. One position at DHHC is currently filled.
- 2.02 contractual full-time equivalents were eliminated in fiscal 2011 due to the annualization of reductions in services taken by the Board of Public Works (BPW).

Analysis in Brief

Major Trends

Medication Error Rate: Since fiscal 2007, Chronic Disease Services has used a simplified and streamlined reporting procedure to document medication error rates leading to increased reporting compliance. Medication error rates increased dramatically in fiscal 2008 but have declined since that time.

Patient Fall Rate: Both hospitals remain below the internally set benchmark and established guidelines for patient fall rates. The higher fall rates at DHHC are due to a difference in reporting requirements and higher number of ambulatory patients.

Recommended Actions

1. Concur with Governor's allowance.

Updates

New Kidney Dialysis Unit Delayed: The fiscal 2009 *Capital Improvement Program* included funding in fiscal 2010 for the design and funding in fiscal 2011 for the construction of a consolidated kidney dialysis unit. However, delays in the design phase have lead to a delay in the construction start date. Thus, the project will not require construction funds until fiscal 2012.

M001 – DHMH – Chronic Disease Services

M001
Chronic Disease Services
Department of Health and Mental Hygiene

Operating Budget Analysis

Program Description

The State's two chronic hospital centers, Western Maryland Hospital Center (WMHC) and Deer's Head Hospital Center (DHHC), provide specialized services for those in need of complex medical management, comprehensive rehabilitation, long-term care, or dialysis. Specifically, both centers provide:

- chronic care and treatment to patients requiring acute rehabilitation, at a level greater than that available at a nursing home, for management of complex medical issues such as respiratory, coma, traumatic brain injury, spinal cord injury, wound management, dementia, cancer care, and quarantined tuberculosis;
- long-term nursing home care for patients no longer in need of hospital-level care but unable to function in traditional nursing homes; and
- inpatient and outpatient renal dialysis services.

Performance Analysis: Managing for Results

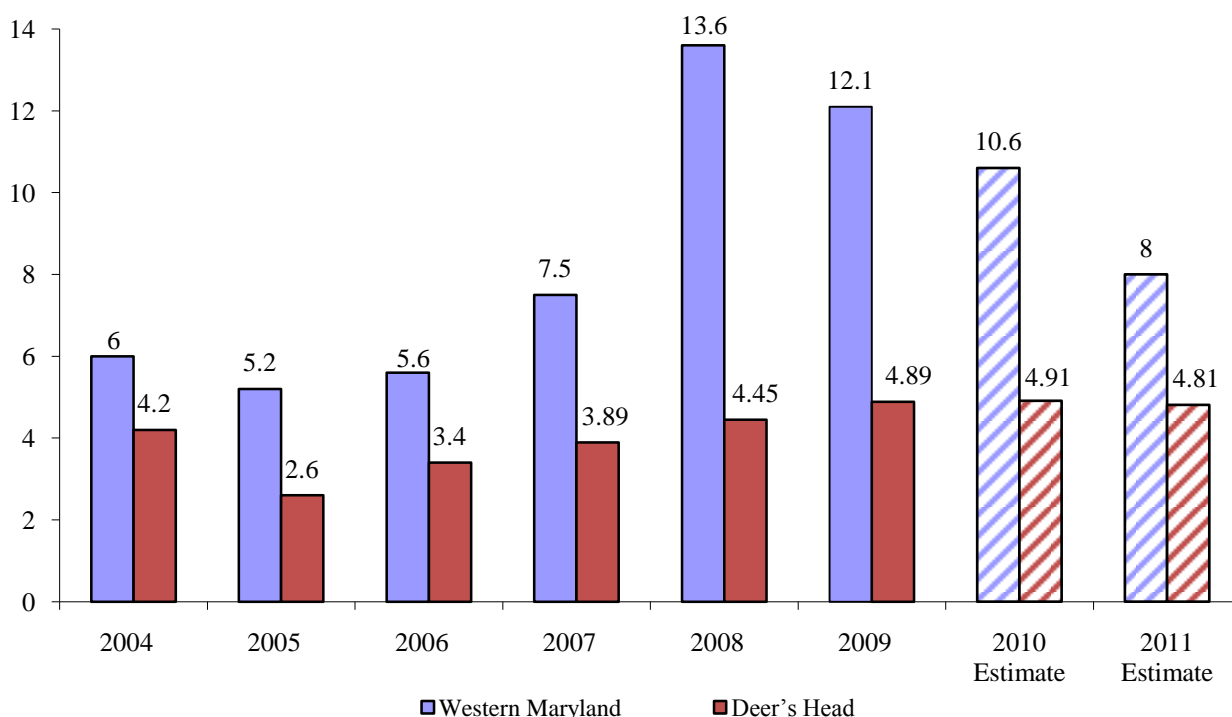
The first goal reported in the Managing for Results data for both WMHC and DHHC is to operate with a "Culture of Safety" to keep patients, residents, and staff members safe in order to aid in the recovery process. This includes keeping patients free from accidents, injuries, and medication errors.

The National Coordinating Council for Medication Error Reporting and Prevention defines a medication error as any preventable event that may cause or lead to inappropriate medication use or patient harm while the medication is in the control of the health care professional, patient, or consumer. Currently, an industry benchmark for medication error rates does not exist. Medication errors are documented by the staff member with firsthand knowledge of the incident.

Exhibit 1 shows the medication error rate per 1,000 patient care days (PCD) at WMHC and DHHC.¹ As the chart shows, there was a dramatic increase in medication errors at WMHC from fiscal 2007 to 2008 and a less dramatic, but steady increase in medication errors at DHHC. During fiscal 2007, WMHC made changes to the format used to report medication errors resulting in a simplified and streamlined reporting procedure. The new format has contributed to greater reporting compliance, a higher number of reports and reported errors, accounting for some of the increase in medication errors. Between fiscal 2008 and 2009, the medication error rate fell at WMHC and increased slightly at DHHC.

¹ Patient care days are calculated by multiplying the average daily population by the number of days in a month.

**Exhibit 1
Medication Error Rate
Per 1,000 Patient Care Days
Fiscal 2004-2011 Estimate**



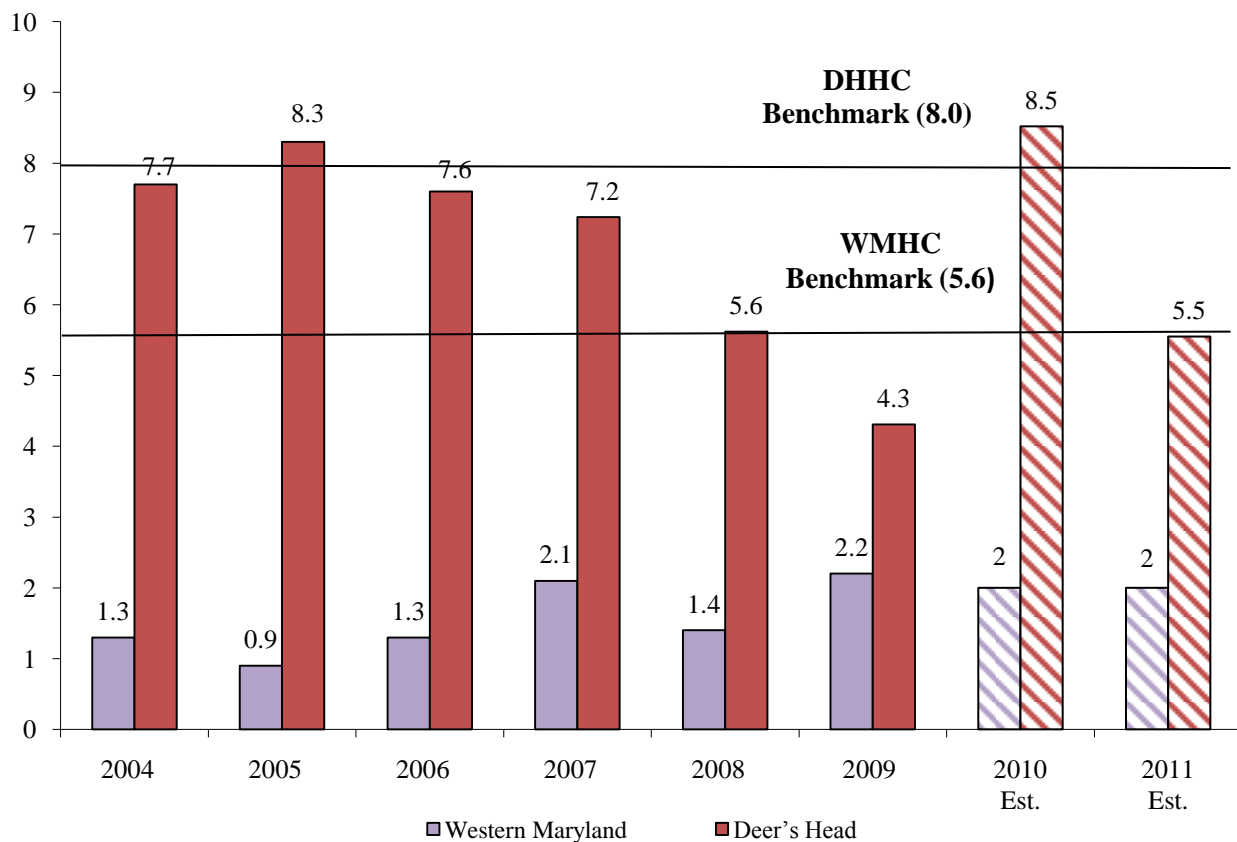
Source: Department of Health and Mental Hygiene

There is a marked difference between the populations at WMHC and DHHC, which helps to explain the difference in medication error rates. The higher medication error rates at WMHC are due to more chronic hospital patients and fewer nursing home patients as compared to DHHC. Chronic hospital patients are typically sicker and require more medications, which leads to more opportunities for errors.

Medication errors are reviewed monthly at WMHC and quarterly at DHHC to identify trends and to establish or revise policies and procedures as needed. Medication errors are also reviewed annually by the Office of Health Care Quality to evaluate staff competency and compliance with pertinent regulations.

The other principal measure of safety at the chronic hospitals is the rate of falls per 1,000 PCDs, illustrated in **Exhibit 2**. A “fall” is defined as an occurrence when a patient hits the floor, from any height, for any reason. Nurses assess patients for fall potential on admission and at established intervals using a fall assessment tool called the Morse Fall Scale. This tool is used to score patients on criteria related to fall risk potential which includes the level of consciousness/mental status, history of falls, vision status, gait or balance, blood pressure, medications, and predisposing diseases. Use of the Morse Fall Scale also helps to initiate fall prevention interventions. Precautions include using bed and wheelchair alarms, adjusting bed heights, establishing a clutter free environment, and placing a falling leaf sign outside of a patient’s room as a reminder to the staff.

Exhibit 2
Patient Fall Rate Per 1,000 Patient Care Days
Fiscal 2004-2011



DHHC: Deer’s Head Hospital Center
 WMHC: Western Maryland Hospital Center

Note: DHHC fiscal 2010 estimate was calculated at the end of fiscal 2008 based on the fiscal 2006 and 2007 data. It is likely that the actual rate will be below the estimate.

Source: Department of Health and Mental Hygiene

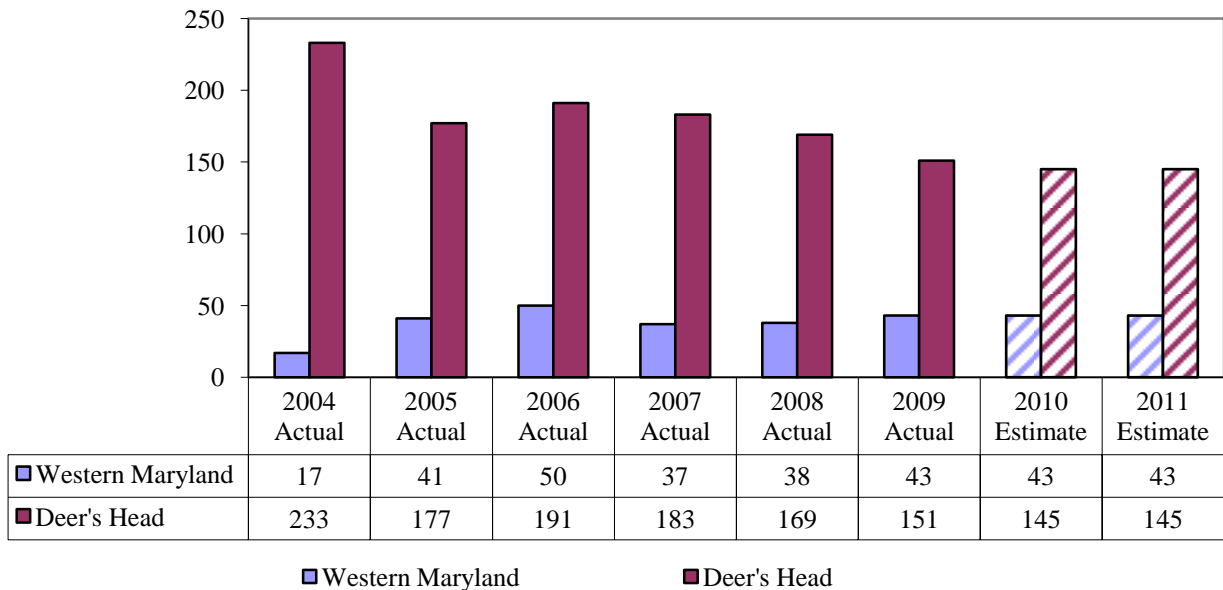
M001 – DHMH – Chronic Disease Services

As shown in Exhibit 2, between fiscal 2004 and 2009, the fall rate at WMHC has remained well below the internal historical rate of 5.6 falls per 1,000 PCDs. At DHHC, the fall rate has fluctuated above and below the internal historical benchmark of 8.0 falls per 1,000 PCDs since fiscal 2004, ranging from a high of 8.3 in fiscal 2005 to a low of 4.3 in fiscal 2009. The higher fall rates at DHHC are due to a difference in reporting requirements and a higher number of ambulatory patients.

Although no universally accepted national benchmark exists for fall rates, a range between 11.0 to 24.9 falls per 1,000 PCDs is generally accepted. The fall rate at both hospitals remains well below this range. To reduce fall rates, patient safety is discussed at regular intervals or immediately if a patient demonstrates a change in condition.

Besides rehabilitation and skilled nursing services offered at WMHC and DHHC, a major component of care offered to patients is renal dialysis services. Both inpatient and outpatient renal dialysis is offered at the chronic hospitals. **Exhibit 3** shows the total number of patients treated between fiscal 2004 and 2009.

Exhibit 3
Renal Dialysis Patients
Fiscal 2004-2011



Source: Department of Health and Mental Hygiene

As the number of patients has generally decreased at both hospitals from fiscal 2006 to 2009, the cost to serve those individuals has increased. Factors that increase the cost include the cost of medicine, lower Medicare reimbursement rates, and the necessity for longer treatment times due to larger patients.

Fiscal 2010 Actions

Impact of Cost Containment

Since the beginning of fiscal 2010, the legislative appropriation has been reduced by \$1.7 million, due to actions taken by the Board of Public Works (BPW) to reduce overall State spending. The general fund working appropriation for WMHC was reduced by \$0.9 million during the three rounds of cost containment. These reductions included savings as a result of a lower average daily population, and other operating reductions including fuel and utilities. The working appropriation for DHHC was reduced by \$766,136 in general funds and \$29,685 in federal funds. This includes the elimination of six positions and operating expense reductions including eliminating the in-house laundry service. Both of the State-run chronic disease hospitals participated in the statewide furlough; however, employees who provide direct care were exempt.

Proposed Budget

The Governor's proposed fiscal budget, as shown in **Exhibit 4**, increases by \$770,000, or 1.7%. General funds increase by \$447,000, or 1.1%, from fiscal 2010. Special funds increase by \$110,000, or 2.2%, and the reimbursable fund allowance increases by \$214,000, or 50.7%.

Impact of Cost Containment

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services (DLS) has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings.

Exhibit 4
Proposed Budget
DHMH – Chronic Disease Services
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
2010 Working Appropriation	\$38,964	\$5,071	\$421	\$44,456
2011 Allowance	<u>40,031</u>	<u>5,220</u>	<u>635</u>	<u>45,886</u>
Amount Change	\$1,067	\$149	\$214	\$1,429
Percent Change	2.7%	2.9%	50.7%	3.2%
 Contingent Reductions	 -\$620	 -\$39	 \$0	 -\$659
Adjusted Change	\$447	\$110	\$214	\$770
Adjusted Percent Change	1.1%	2.2%	50.7%	1.7%
 Where It Goes:				
Personnel Expenses				
Employee and retiree health insurance including estimated Section 19 reductions to health insurance.....				\$414
Employees Retirement System				382
Turnover adjustments.....				103
Workers' compensation premium assessment including estimated Sections 21 and 23 reductions				36
Salary expenses including estimated Section 18 furlough reduction				-62
Abolished positions.....				-442
Other Changes				
Outpatient services including ambulance transportation and specialist consultations.....				199
Increase in medicine and drug expenditures at both hospitals				121
Other				19
Total				\$770

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

Personnel

The fiscal 2011 allowance includes 8 fewer regular positions. Each hospital lost 4 regular positions. Seven of these positions are vacant and 1 is currently filled.

Accounting for Back of the Bill reductions, personnel expenditures increase by \$431,000. Funds for health insurance for both employees and retirees, after Back of the Bill estimated reductions, increase by \$414,000. The appropriation for the retirement system increases by \$382,000. Both of these increases are attributed to increasing health insurance and retirement rates for all agencies. These increases are offset by reductions of \$442,000 for eight abolished positions and reductions to increments after accounting for the fiscal 2011 furlough.

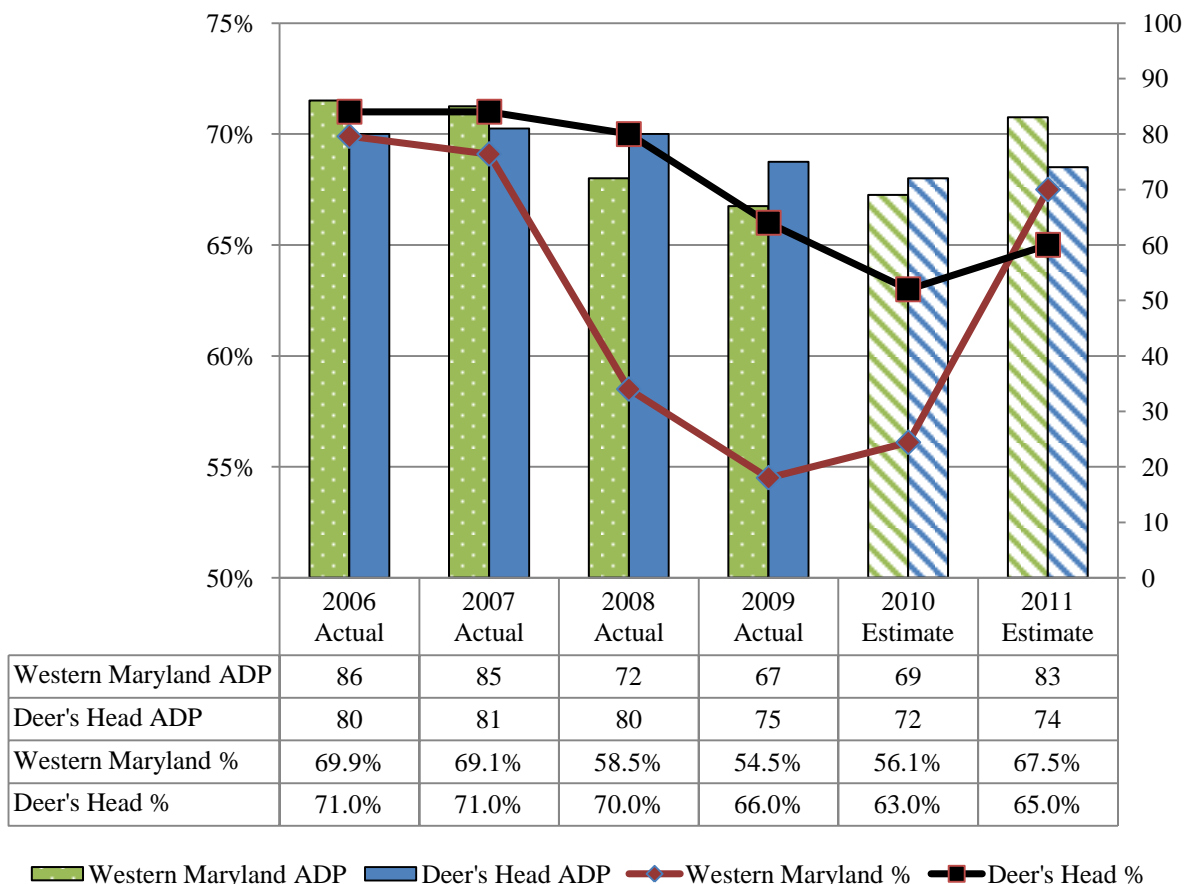
Other changes

Operating expenditures, excluding personnel costs, increase by \$339,000. Patient care costs constitute the majority of this increase. The agency attributes this to the increasing acuity of patients; treatment is becoming more complex and, therefore, expensive. Outpatient expenditures, which include the cost to transport patients, short hospital stays, and specialist consultations, increase by \$199,000. The other component of patient care that is driving increases in the budget is the cost of medicine, which is increasing by \$121,000.

Hospital Admissions Reduced Since Fiscal 2008

Both hospitals have reduced the number of patients admitted beginning in fiscal 2008. **Exhibit 5** shows the occupancy percent (lines) and average daily population (bars) for both WMHC and DHHC. The agency attributes the decline, beginning in fiscal 2008, to the cost of patient care increasing at a greater rate than available funding for patient care items, such as medicine, and budget cuts including position reductions. DHHC also attributes some of the decline to an asbestos project requiring the closure of portions of the hospital during the work. The reduced admissions have continued through fiscal 2009, coinciding with cost containment. Both hospitals are estimating higher average daily population and occupancy percent in fiscal 2011 due to reallocation of funds, even during cost containment, and at DHHC due to the completion of the asbestos program.

**Exhibit 5
Occupancy Percentage and Average Daily Population
Fiscal 2006-2011**



ADP: average daily population

Source: Department of Health and Mental Hygiene

Combined, the fiscal 2010 general fund appropriations to DHHC and WMHC have been reduced by \$1.7 million. As a result of these reductions, DHHC closed the in-house laundry services and is now contracting with Eastern Correctional Institute for this service. WMHC has eliminated the switchboard function in the facility.

Since the beginning of fiscal 2009, 27.25 positions have been abolished from the chronic disease facilities, including the 8.0 fewer regular positions in the fiscal 2011 allowance. These positions are both clinical and administrative. **Exhibit 6** shows the abolished positions categorized into clinical, administrative, and facility/other.

Exhibit 6
Positions Eliminated in Fiscal 2009-2011 Allowance

	<u>Fiscal 2009</u>	<u>Fiscal 2010</u> <u>Working</u>	<u>Fiscal 2011</u> <u>Allowance</u>	<u>Total</u>
Starting	566.3	556.05	547.05	
Clinical	-3.25		-4	-7.25
Administrative	-2.5	-3	-4	-9.5
Facility/Other Services	-4.5	-6		-10.5
Total	-10.25	-9	-8	-27.25
Ending	556.05	547.05	539.05	

Source: Department of Health and Mental Hygiene; Department of Legislative Services

The chronic disease hospitals care for patients that private providers are unwilling to accept. Given that budget constraints are expected to continue through fiscal 2011, the agency should comment on whether it is realistic to expect ADP and occupancy percent to increase. Further the agency should comment on whether the facilities, as they are currently operating, are serving their target population in the most efficient manner.

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. New Kidney Dialysis Unit Delayed

The 2009 *Capital Improvement Program* (CIP) included funding in fiscal 2010 for design of a consolidated kidney dialysis unit (KDU) at Deer’s Head Hospital center. The current KDU at DHHC has several problems including failure to meet regulatory space requirements, lack of privacy creating noncompliance with federal regulations, and insufficient sight lines for staff oversight of treatment.

The 2009 CIP also projected funding in fiscal 2011 for construction of the new KDU. Construction was scheduled to begin in December 2010. However, due to delays in the design phase, construction will not begin until May 2011. Due to the delay, the project will not require funds in fiscal 2011. The 2010 CIP includes \$6 million in construction funds in fiscal 2012.

Current and Prior Year Budgets

Current and Prior Year Budgets DHMH – Chronic Disease Services (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2009					
Legislative Appropriation	\$40,725	\$4,782	\$0	\$587	\$46,094
Deficiency Appropriation	27	243	0	0	270
Budget Amendments	671	42	0	31	744
Cost Containment	-1,812	-20	0	0	-1,833
Reversions and Cancellations	0	-652	0	-5	-657
Actual Expenditures	\$39,609	\$4,395	\$0	\$613	\$44,618
Fiscal 2010					
Legislative Appropriation	\$40,664	\$5,101	\$0	\$421	\$46,186
Cost Containment	-1,700	-30	0	0	-1,730
Budget Amendments	0	0	0	0	0
Working Appropriation	\$38,964	\$5,071	\$0	\$421	\$44,456

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

Fiscal 2009

In fiscal 2009, the budget for the Chronic Disease Services closed at \$44.6 million, a decrease of \$1.5 million below the original legislative appropriation. The majority of the decrease is due to cost containment actions taken by BPW, offset only slightly by a deficiency appropriation and budget amendments.

A deficiency appropriation in fiscal 2009 added \$27,000 in general funds and \$243,000 in special funds to the budget of Chronic Disease Services. Additionally, budget amendments throughout the year increased the budget by \$0.7 million total funds. General fund amendments increased the budget due to an increase for cost-of-living adjustments (COLA) (\$477,151); an increase in personnel expenses for nurse retention bonuses previously budgeted in DHMH's Office of the Secretary (\$47,410); an increase for an annual salary review adjustments for laboratory scientists at WMHC and DHHC (\$15,997); increases for additional funds needed at WMHC due to outpatient medical care (\$102,185), physical therapy (\$97,000), and ambulance services (\$5,027); increases for additional funds needed at DHHC due to demand for lab supplies (\$74,529) and patient food (\$27,699); increase for additional funds needed to cover health insurance costs at DHHC (\$148,155); and a decrease to redistribute surplus health insurance funds to other agencies within DHMH (-\$324,479). The special fund appropriation was increased for a COLA (\$42,421), and the reimbursable fund appropriation was increased to cover the costs of dietary services provided to the Potomac Center (\$31,175).

Three cost containment actions taken by BPW account for a \$1.8 million decrease in fiscal 2009. First, cost containment actions approved by BPW in June 2008 reduced the general fund appropriation by \$276,463 and the special fund appropriation by \$16,264 for fiscal 2009 for personnel expenses. Next, in October 2008, actions taken by BPW reduced the budget by an additional \$1.4 million in general funds that eliminated 10.25 full-time equivalent positions, reduced Other Post Employment Benefit funding and health insurance costs, and reduced funding for fuel and utilities at DHHC. Last, in March 2009, the budget was further reduced by \$134,856 general funds and \$3,590 special funds to account for furloughs imposed on all State employees.

Finally, approximately \$650,000 in special fund appropriation and \$4,600 in reimbursable fund appropriation was cancelled in fiscal 2009. Of that amount, \$0.6 million in special funds was cancelled from the kidney dialysis unit at Deer's Head due to lower than anticipated collections from the unit. From Western Maryland, approximately \$28,000 in special funds was cancelled and about \$4,600 reimbursable funds were cancelled due to lower than anticipated expenditures.

Fiscal 2010

The fiscal 2010 appropriation has been reduced by \$1.7 million, due to actions taken by BPW to reduce overall State spending. The general fund working appropriation for WMHC was reduced by \$0.9 million during the three rounds of cost containment. These reductions reflected a lower average daily population, and included positions and other operating reductions. The working appropriation for DHHC was reduced by \$766,136 in general funds and \$29,685 in federal funds.

M001 – DHMH – Chronic Disease Services

This includes the elimination of six positions, and operating expense reductions. Both of the State-run chronic disease hospitals participated in the statewide furlough.

**Object/Fund Difference Report
DHMH – Chronic Disease Services**

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	556.05	547.05	539.05	-8.00	-1.5%
02 Contractual	19.62	20.54	18.52	-2.02	-9.8%
Total Positions	575.67	567.59	557.57	-10.02	-1.8%
Objects					
01 Salaries and Wages	\$ 32,439,985	\$ 32,742,775	\$ 33,873,573	\$ 1,130,798	3.5%
02 Technical and Spec. Fees	1,138,679	947,981	1,057,202	109,221	11.5%
03 Communication	124,696	134,498	120,392	-14,106	-10.5%
04 Travel	24,516	18,842	6,724	-12,118	-64.3%
06 Fuel and Utilities	1,328,757	1,442,902	1,369,141	-73,761	-5.1%
07 Motor Vehicles	49,918	49,445	50,144	699	1.4%
08 Contractual Services	2,985,626	2,752,714	2,951,324	198,610	7.2%
09 Supplies and Materials	6,280,112	6,153,762	6,252,425	98,663	1.6%
10 Equipment – Replacement	129,720	108,671	101,259	-7,412	-6.8%
11 Equipment – Additional	22,016	14,422	13,623	-799	-5.5%
12 Grants, Subsidies, and Contributions	2,214	10,000	6,190	-3,810	-38.1%
13 Fixed Charges	91,664	80,267	83,666	3,399	4.2%
Total Objects	\$ 44,617,903	\$ 44,456,279	\$ 45,885,663	\$ 1,429,384	3.2%
Funds					
01 General Fund	\$ 39,609,396	\$ 38,964,011	\$ 40,030,698	\$ 1,066,687	2.7%
03 Special Fund	4,395,367	5,071,053	5,220,179	149,126	2.9%
09 Reimbursable Fund	613,140	421,215	634,786	213,571	50.7%
Total Funds	\$ 44,617,903	\$ 44,456,279	\$ 45,885,663	\$ 1,429,384	3.2%

Note: The fiscal 2010 appropriation does not include deficiencies.

Fiscal Summary
DHMH – Chronic Disease Services

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
03 Western Maryland Center	\$ 22,563,011	\$ 21,760,652	\$ 23,311,917	\$ 1,551,265	7.1%
04 Deer's Head Center	22,054,892	22,695,627	22,573,746	-121,881	-0.5%
Total Expenditures	\$ 44,617,903	\$ 44,456,279	\$ 45,885,663	\$ 1,429,384	3.2%
General Fund	\$ 39,609,396	\$ 38,964,011	\$ 40,030,698	\$ 1,066,687	2.7%
Special Fund	4,395,367	5,071,053	5,220,179	149,126	2.9%
Total Appropriations	\$ 44,004,763	\$ 44,035,064	\$ 45,250,877	\$ 1,215,813	2.8%
Reimbursable Fund	\$ 613,140	\$ 421,215	\$ 634,786	\$ 213,571	50.7%
Total Funds	\$ 44,617,903	\$ 44,456,279	\$ 45,885,663	\$ 1,429,384	3.2%

Note: The fiscal 2010 appropriation does not include deficiencies.