



MDH ATTENDEES: Laura Herrera Scott, MD, MPH, Secretary
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Available For Questions: TBD

Maryland Department of Health (MDH) Office of Secretary
Fiscal Year 2026 Operating Budget
Response to Department of Legislative Services Analysis

House Appropriations Committee
Health and Social Services Subcommittee
Delegate Emily Shetty
February 13, 2025

Senate Budget and Taxation Committee
Health and Human Services Subcommittee
Senator Cory McCray
February 17, 2025

The Department thanks the Governor, the Department of Budget and Management (DBM), and the Budget Committees for their support. We thank the Department of Legislative Services for its insightful budget analysis.

MDH and the Department of Budget and Management (DBM) should comment on the process to populate and submit MFR performance data and how both agencies will ensure accurate data reporting in the future (p. 9).

The MDH process for populating the MFR performance data involves the various MDH programs inputting their data into the MFR templates provided by the Department of Budget and Management (DBM), internal review and verification of the data's accuracy by the deputy secretaries, and MDH leadership review and approval for proposed new MFR goals and measures. MDH then submits the completed MFR templates, with reported data, to DBM.

Recognizing the need for greater oversight of the MFR data, MDH is acting now to realign staff resources to the Department's Data Office, which will be charged with a secondary review and address any data anomalies with the program before the MFR performance data is shared with DBM.

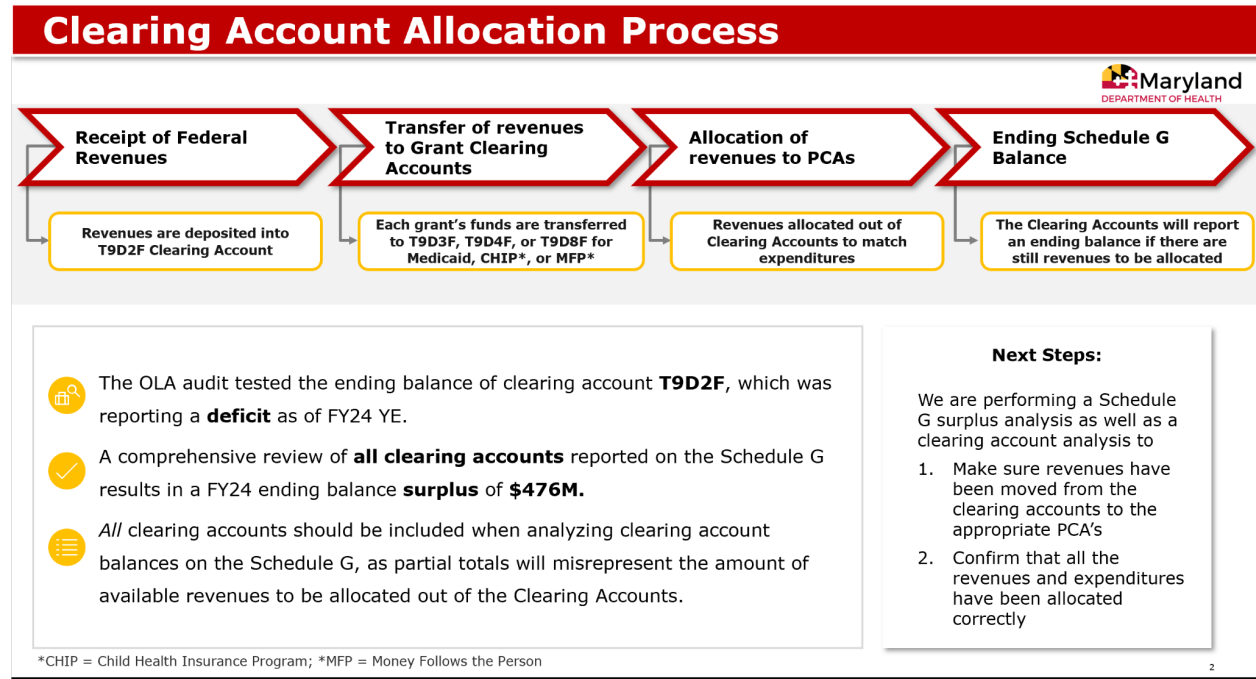
DLS recommends adopting committee narrative requiring MDH to submit a report with information on bed capacity and patients' length of stay at Perkins (p. 19).

The Department concurs with the DLS recommendation.

MDH should comment on the steps that it plans to take to address the findings included in the latest fiscal 2024 closeout analysis by OLA (p. 24).

Concerning Finding 1: This is a similar finding to what was noted during the two preceding Closeout Audits for fiscal years 2022 and 2023. We are working with our partners at Deloitte to reconcile the Schedule G. Currently the team is working on DDA and the Medicaid clearing accounts. We anticipate the finding to be resolved by the close of FY25. Of the 10 positive samples that OLA selected, MDH was able to support the revenue accrual for both Medicaid samples. The additional samples were either DDA or the clearing accounts, which as previously mentioned, are our current focus.

The following graphic illustrates the Medicaid clearing account allocation process and why it is critical to analyze all balance when reporting any shortfall or surplus. There is not a shortfall in Medicaid reimbursements as of June 30, 2024, but rather a \$476M surplus to be allocated out of the clearing accounts.



- Deloitte performed 20 Medicaid and DDA reconciliations between the Payment Management System (PMS), overall Clearing Account, MMIS, and Financial Management Information System (FMIS) to confirm revenue received has been correctly allocated within FMIS. These reconciliations required reviewing ~49M transactions and covered 28 fiscal quarters.
- Deloitte created 18 business process documents and three automated workbooks, which have aided with standardizing current business processes, reduction of repetitive tasks by 3-4 hours per week, enhancement of operational efficiency, and improvement of quality control.
- We are continuing to focus on confirming the accuracy of federal reimbursement claims through the MMIS and FMIS to CMS-64 reconciliation, clearing allocation variance adjustments through Weekly and Quarterly drawdown and Clearing Account reconciliations, as well as analyzing the Schedule G surplus amounts.

MDH is working to ensure that all year-end revenue transactions are properly supported. The reconciliations, as noted above, as well as regular reviews by program owners to confirm that the recorded revenues and expenditures are accurate and complete, have increased the overall accuracy of the revenues and expenditure balances, which are key inputs into the year-end revenue accrual entry that is calculated through an automated script. To validate that the automated script is calculating the year-end revenue accrual correctly and consistently, the Deloitte team will be manually reperforming the year-end revenue accrual calculation and comparing it to the accrual entry from the automated script.

Concerning Finding 2, MDH reported unprovided for general fund payables and other potential general fund liabilities totaling approximately \$273.6 million as of June 30, 2024. Funding is provided in the fiscal year 2026 budget to address the disallowed DDA claims, and fiscal year 2025 deficiency funding is included in the Governor's Allowance to support unprovided for Medicaid payments.

OLA suggests a potential liability for unspent MFP funds, that must be spent by September 30, 2025. However, the MFP demonstration grant was renewed until September 30, 2027 by the Consolidated Appropriation Act, 2023, passed in December 2022. MDH anticipates spending the enhanced funding before the extended deadline.

Finally, we note that Finding 7 from the Fiscal Year 2023 Closeout Audit – MDH did not properly report unrecoverable federal funds totaling up to \$8.8 million to GAD – was resolved.