

STATE OF MARYLAND
BOARD OF PUBLIC WORKS
GOVERNOR'S CONFERENCE ROOM
STATE HOUSE
ANNAPOLIS, MARYLAND

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(301) 766-4868

P R E S E N T

GOVERNOR WILLIAM DONALD SCHAEFER, Presiding;

HONORABLE LOUIS L. GOLDSTEIN, Comptroller;

HONORABLE LUCILLE MAURER, Treasurer;

SANDRA REYNOLD, Secretary, Board of Public
Works;

CHARLES L. BENTON, Secretary, Department of
of Budget and Fiscal Planning;

MARTIN W. WALSH, JR., Secretary, Department
of General Services;

JAMES B. ROWLAND, Assistant to Secretary,
Department of Budget and Fiscal Planning;

MARION J. BOSCHERT, Administrative Assistant,
Board of Public Works.

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P R O C E E D I N G S

GOVERNOR SCHAEFER: The Board of Public Works will come to order. The first thing we'll take up is the reduction of the existing state budget by the amount of \$450,000,000, having already cut 50 out; so it's actually a reduction of 500,000,000.

It's no use my spending a lot of time in recounting the recession that is happening all over the world, in our country, in our state, in our cities. The law requires a balanced budget. It isn't something that we like to do in times of stress and difficulty. We do not have the authority to print money when we no longer have it. We have a state in balance ever since, I guess, the state was formed. It isn't as -- and I will repeat it again. It is not something that you want to do, but you must do.

In doing the \$450,000,000 reduction, we spent a couple months with the secretaries, suggesting to them that every general fund dollar that they have I would like to have them account it, let me know where it is, and we'll come to final decisions.

Now, you must remember that we have reduced this budget -- the Board of Public Works has reduced this budget in the past seven times. We have reduced it so far \$1,100,000,000; and, when we complete this reduction, we will have reduced this budget by \$1,600,000,000. Every cut, every cut that I have proposed, I have received letters saying, "You can't do this. You must restore that." Some of them are most difficult to make, but there is a window within which we can operate. It is very small.

Where many of the people should be today would be in Congress saying to the Congressional people, "Stop mandating programs that the state can't afford unless you give them the money"; our own people mandating programs that we must provide the money for, and in many instances we have to pass it on to the localities.

There is no easy way to do this, and I see people out in the audience that I have talked to over a period of time, who have been in a way mentors of mine, telling me of the difficulties that they have in

surviving in a way; and it's with great difficulty that we make our decisions.

What we did was bring the secretaries in and we said to them, "We must reduce by \$450,000,000, actually 500,000,000." We did not assign a number to any of them, but we just told them, "You must give us all the general funds that you have," because that's the only place that we can make our reductions. In the beginning, they could not believe what I was saying, because they were areas that we had only lightly touched before, and now we were making major reductions in the programs.

We set a figure of 500,000,000. We then talked to every one of the secretaries, and they gave us the sum. We reduced it down to about \$67,000,000 where there was no place further for us to go, but we did it.

There are two plans. One, if we must take every penny from state government, every penny from state government that we can, every penny that we can take from the state government. In many areas, it

destroys departments, destroys bureaus, adversely affects the state employees who, incidentally, have not had a raise for three years. They've had no increments for three years. They've had their medical benefits cut back and have also had furloughs, which was a pay decrease. State employees have held up well in view of all the adversities they've had.

What we're going to do today, we're going to show you first -- and you've already seen it numerous times -- we're going to show you if we have to take the 450,000,000 away from the state, all from the state, not affecting anyone else, but just state programs that allow us to take the money. Then I'm going to make a suggestion on restoring certain sums of money, and then we're going to show you where, if we are authorized, where the money will go if we're given the alternative.

The Board of Public Works must make a decision today, but they're not happy to have to make it, and I'm not happy that I have to present it. After it's presented to the Board of Public Works, there will be certain things that the Legislature must do. The

pressure on them will be just tremendous to put back programs, but every program that's put back this year adds to next year's budget deficit. Now, let me repeat that. Any money that we put back of the \$450,000,000, we will have a budget deficit next year. So, if we put back 50,000,000, instead of next year's deficit being 63,000,000 to start with, it will be 113,000,000, and we'll be right back where we were a couple years ago.

Now, I'll ask Mr. Benton to give us the overall picture, and then I'll ask Mr. Puddester to go into the details of what we will do in the event that we only take the reductions from the state. I will then suggest a plan to put back 200,000,000, and Mr. Puddester and I will then show you where the money will go. All right, Mr. Benton.

MR. BENTON: Thank you, Governor. You have given an excellent overview of the situation that confronts us, and I will not take time to repeat what you have said.

I might just state that the Governor about two months ago recognized the fact that adjustments

would need to be made, that revenues were not coming in as estimated, and we planned this \$500,000,000 reduction.

Fifty million of that was taken by the Board of Public Works about six weeks ago in order to balance the 1992 budget, in which we had a deficit of about that amount. We're now confronted with the \$450,000,000 piece, and we recognize that to take these cuts from state agencies would be devastating. Many state agencies would no longer exist, as well as the pain on the services that would need to be cut would be extremely intense.

Now, since the state general fund budget is allocated about one-third to the subdivisions, about two-thirds to the state, and inasmuch as previous cuts have been made in approximately that ratio, the Governor has asked the counties to come up with a plan to reduce the county budgets by \$150,000,000. Failing to do that, we would have a plan to present to the General Assembly.

So what we're concerned with today is the

\$250,000,000 piece, about two-thirds of the cut to be borne by the state; and, of that \$250,000,000, we would propose to raise a certain amount from fees, the so-called Quick Draw, and so forth, transfers, so that the amount which we would be asking the Board of Public Works to take action in reference to today is approximately \$200,000,000.

Now, we have prepared a detailed analysis showing you where every dollar of this would be taken. The material is here for those who care to take copies. I will at this time, however, ask Mr. Puddester to give a brief overview of where the money is taken. We have with us today Secretary Sabatini and, I believe, other secretaries. We're all here to answer any questions you may have in reference to that which is being proposed. Fred.

MR. PUDDESTER: Thank you, Secretary Benton, Governor, members of the Board of Public Works. Governor, as you stated, we essentially have two options to deal with this problem. It can all come -- the whole \$450,000,000 can be cut from the state agency

budgets, or there is an alternative.

Let me first talk about the alternatives we face -- you face if we cut the whole 450 out of state agencies. This would require, because we spend much of our money in the budgets of the Health Department, Human Resources, Public Safety, and Higher Education, very large reductions in those four areas. We're talking a magnitude of \$150,000,000 in the budget of the State Health Department. This would require the elimination of the state-only Medicaid program for both our GPA recipients and some other needy citizens. It would require elimination of all emergency placements for our developmentally disabled individuals and, also, cut most of the community programs for those individuals. That's a \$41,000,000 reduction. It would require us to eliminate all state aid to local health departments, the so-called case formula money, and several other reductions: alcohol treatment, family prevention services, in the local health area.

In Higher Education, it would require a cut of \$100,000,000 across the board in education. It

would take 25 percent or about \$22,000,000 from the community colleges, and the rest would come essentially from the University of Maryland System, which would require them to terminate about 1,000 employees.

In the case of Human Resources, it would eliminate what's called the GPA program, the General Public Assistance program. That's the state subsistence allowance for about 23,000 Marylanders, \$200 a month subsistence allowance. That would have to be eliminated, as would public assistance to adults and many of the other social programs that the department runs.

The last big area, Public Safety, would require a \$25,000,000 reduction. This means the secretary -- the state would not be able to open up the prison down in Somerset County on time, we would have to delay that; and that, in the corrections area, we would have to keep about 1,000 positions vacant because we do not have the money to fill them.

Those are the big areas. Throughout the rest of the budget, there are major cutbacks in some

agencies such that their '93 appropriation will be in some agencies 30 percent less than they had just two years ago in fiscal '91. And the whole plan, members of the Board of Public Works, will require us to terminate more than 2,000 state employees.

That is sort of a summary, Governor, if you will, of the \$450,000,000 reduction plan if, indeed, we had to take all the cuts from the state agencies.

GOVERNOR SCHAEFER: Before you go over where we'd put the money back, I think I would make it clear that we proposed no new taxes because that was the sentiment of everyone, no new taxes. The second mandate was to reduce state government, eliminate all waste, eliminate programs that were not necessary, eliminate state employees, who work exceptionally hard and do such a superb job, in my opinion, in order to eliminate \$450,000,000 or \$500,000,000 from the budget. So you have two mandates: no new taxes, and cut back on all the services that are provided by the state to our people. When we did that, it in a way would have been devastating if we had to take it from the state.

Now, what we have -- what we're proposing is a reduction of the money that we've given to local government by \$150,000,000. There were some taxes passed at the last legislative session; 90 percent of it went back to the localities, giving them the money or giving them the authority to raise tax revenues. We would suggest that \$150,000,000 come from local government. Now, I've met with local government and, having been a mayor, I know how very difficult it is, and there's no choice, \$150,000,000.

We're going to obtain \$50,000,000 by fee increases, by transfers within the transportation fund, all of which we don't want to do but will do, and the last is a new lottery game of \$50,000,000. So it's \$200,000,000 that we'll be putting back, we hope, into the state government to eliminate some of the programs.

Now, Fred went over some of the programs, and I asked him to be very brief and he was, but he also maybe skipped over some other things that we would eliminate: kidney dialysis, nursing home eligibility, adult day care, eliminate non-hospital detox. programs,

reduce it by 10,000 short-term treatment programs and alcohol, eliminate most prevention programs for 250,000 family health program recipients, return the college campuses to the year 1989, cap enrollment in the community college; federal public assistance, do away with -- do entirely away with the program, GPA; return all AFDC grants to 1988 level.

With the 200,000,000 that we hope that we will be able to -- that we will get, if it's approved, this is the way we will put the money back; and I'd like you to go into a little more detail on exactly what you'll be putting back.

MR. PUDDISTER: Yes, sir. I think, if we start in the Health Department, if we're successful in getting the restorations, the first priority, Governor, you gave to us was, of course, prevention programs and people programs; and the reductions that are going back in, the restorations that go back into the budget, under the alternative plan the first one would be the DDA cuts, those emergency placements for developmentally disabled individuals, and the community

day programs would go back in, \$41,000,000.

Family health prevention services, these are services to young mothers and children, for about \$15,000,000, would go back into the budget. Medical day care and adult day care, those programs that keep some of our elderly citizens out of more expensive nursing home placements and keep them in the homes, that would be restored for about \$9,000,000. Our alcohol and drug abuse prevention and treatment programs, that would be restored, about \$7,000,000. We have the kidney dialysis program. It's about right now a four or five million dollar program. That would be restored. So that's some detail on the cuts in the Health Department that the money would go back into the budget.

In the case of Human Resources, another large area, the GPA program would be partially restored. It would go up to about 75 percent of the monthly grant to about \$150 a month. That is about the 1988 level for those recipients. We'll put back social services to adults. These are a variety of social service programs

that help some of our disabled individuals. We will put child care referral money back in. This is a program which hooks up families with the child care providers, to get those kids into a child care setting. That would be restored.

In the case of education, Governor, one I didn't state was correctional education. Under the \$450,000,000 plan, correctional education would stop. That amount of money will be restored in the alternative.

In Higher Education, instead of cutting 100,000,000, the reduction will be 25,000,000, a restoration of \$75,000,000. In that restoration will be a complete restoration of the \$20,000,000 cut to community colleges. That money will all be restored. In the case of the University of Maryland, the reduction will be, instead of 65,000,000, 19,000,000, and those 1,000 employees will not have to be laid off.

In the case of Public Safety, instead of a \$25,000,000 reduction, the reduction will be \$10,000,000, and we will be able to open up that prison

down at the Eastern Correctional Institution down in Somerset County.

There will not be 2,100 terminations under the alternative plan. The magnitude of the cuts, the 200,000,000 cuts, is still significant and very debilitating to state programs, but the reduction in terms of individuals to be terminated from state service will be reduced to about 450 from the 2,100 number.

Many other programs, Governor, members of the Board of Public Works, aging, senior care, housing and nutrition, you know, throughout the government, rental allowance programs in the housing area, environmental programs in MDE, Department of the Environment, the whole host of other restorations that we are able to accomplish if we can go with the alternative plan.

GOVERNOR SCHAEFER: Okay. That is our two plans. We are recommending the second plan, which is a reduction of about 250,000,000, with a restoration by cutting local government and by increasing some fees and by the institution of a new lottery. That's it.

I think we have people who would like to be heard. We have a list of people who would like to be heard; but, before I ask them to appear before us, I'd ask the Comptroller and the Treasurer if they have any comments at this time or whether they'd rather wait until we've heard all the testimony.

MR. GOLDSTEIN: I'll be very brief, Governor. I think Mr. Benton and Mr. Puddester along with you have outlined the problem, and the thing is how do we have a solution to it, and the solution is easier maybe than the problem if everybody acts together as a team, local governments, state government and all the different groups that are being affected by these cuts. During the '80s, everybody has been used to getting, receiving. Now, with the national recession -- it is a recession or maybe depression; a lot of people don't want to say it's a depression, and it will get a little worse before it gets better, in my opinion, in the next several months. Everybody has got to give a little bit. If everybody gives a little bit, with local government, state government, all these different

agencies, we can come out by June 30, 1993 with a balanced budget and retain our triple "A" credit rating, so we can keep on providing the services of government that's been going on since 1634. Maryland is not a new government; it's an old government. It's older than the federal government, but many of our problems today is because of the federal government. They mandate certain programs. After a while, they cut the money off; and, once you give somebody something, you try and take it away, then all hell breaks loose.

And we have many people here today who want to talk on that subject. So I'd like to wait and see what we can do. Maybe we can restore some of these programs, and the outline that you've given, how we're going to make up the money, so many of these programs can be restored. If people will be patient and work as a team and be cooperative, I think we can accomplish our goals.

MS. MAURER: Briefly, while we talk about restoration, the fact is we're cutting, and cutting into what amounts to the quality of our community life,

our civilized life as a state, but we have no choice. When people don't want to recognize that they have obligations to their brothers and sisters in community, that presents us with enormous problems.

I will have an amendment to offer when we conclude it, and I will have comments afterwards.

GOVERNOR SCHAEFER: Okay. Thank you.

MR. PUDESTER: Thank you, Governor.

GOVERNOR SCHAEFER: The first one on the list is Shirley Pulliam from Case Monitor Network.

MS. PULLIAM: Good morning, Governor and members of the Board. I'm Shirley Nathan Pulliam and a registered nurse, case monitor for Baltimore City. I'm representing the Case Monitors Network.

As nurses, we are attuned to the pain, the suffering and the needs of our patients. As you're aware, Maryland has one of the highest cancer rates in the nation. Many of our patients have cancer, cardiovascular disease and stroke, AIDS, diabetes. Some are quadriplegic, paraplegic. Some are blind and retarded. These types of illness makes it almost

impossible for them to perform activities of daily living that comes quite easy for you and I, such as bathing, feeding, dressing. Many are incontinent of urine and stool. Someone has to change them, feed them and prepare a meal, do their shopping and their laundry.

We've heard that these patients will be picked up in other programs. There are no other alternative programs that can absorb this population. The In-Home AIDS program or IHAS have a waiting list of over 700, and it takes about 18 months for people to get on the list. The senior care program also has a waiting list, and neither of these programs provides the care, the continuity of care, that personal care does.

Seventy-six of the patient population in Baltimore City are female. Twenty-four percent are male. Thirty-seven percent are widows. Thirty-five percent are single. Sixteen percent are divorced or separated. Sixty-five percent of these are 65 years and older. Seventy-one percent of these are females

over 65. Forty-five percent of them live alone with no support systems at all. Eighteen percent of them live with the providers of care, and 26 percent live with working family member or frail elderlies.

Many of us as nurses are unable -- would really love the members of this panel or this Board, I should say, to visit some of our patients' homes, to see the conditions in which they live before you could even make the decision. I would love for you to see my 104-year-old patient who her 80-year-old frail daughter tries to take care of when the provider is not present.

Providers are paid 10 or 20 dollars a day to provide the care for the services mentioned. For those that are critically ill, the state pays only \$12.50 per day for 24 hours' coverage. There is nowhere else you could get care this cheap. Hundreds of providers -- I would say exactly 2,500 of these providers would be -- which are considered the working poor, are heads of household, will be without jobs, will be back on the welfare roll, the welfare roll that is already bursting at its seams. It is almost impossible. Many of them

have small children.

We understand that you have to balance the budget deficit, but to cut the program would be more costly to the state in the near future, and I mean the very near future. So I humbly ask you, Governor, not to cut the program at the risk of the lives of the poor, the needy, the suffering, and the disabled. We as Americans should believe that health care in any form is a right and not a privilege, and this would be really malignant neglect if this occurs. Thank you very much.

GOVERNOR SCHAEFER: Thank you.

(Applause.)

GOVERNOR SCHAEFER: If you want to applaud, it's okay, but it just takes time. That takes away from someone else's testimony. So, if you would just cooperate with us and let us hear the testimony without applause, I'd appreciate it. John Stuban, HIV AIDS Commission.

MR. STUBAN: Hello, Governor. Hello, fellow Democratic delegates to the National Convention. We

expected to have more access to this meeting, and so we brought a bus load of people down. Downstairs they told us it was limited, so they said I could have four escorts or supporters, who I would just like to introduce, if I may.

First of all, I'm John Stuban. I'm HIV-positive. I've been living with AIDS for 10 years and all of that, and very active in the movement. This is Sharon. Sharon, just one word you'd like to say, just one?

MS. JONES: I'm the mother of six, and I have a lot of friends and family that have passed from AIDS. And, also, the budget cuts, I need that real bad also. I have six kids, and it's hard.

MR. STUBAN: Mike Gresdo, who's a person living with hemophilia and AIDS. Ellen Chase, a woman who's -- a mother who's living with HIV and has young children. And David Shippee is the executive director of Chase Breskin Clinic in Baltimore, the largest free clinic, I would suspect, in the State of Maryland. They serve on a regular basis at least 800 patients.

They do preventive education and testing as well as primary care, counseling, et cetera, for the community. Thank you.

We all know what the concerns and problems are here. We're talking about people's lives. We're talking about daily existence, et cetera. I'm not going to go into the details in terms of we need this program or we need that program.

I'm going to express some concerns of the community, and a lot of this is my opinion, personal opinion, but some of it isn't. The perception in the community is that a lot of these cuts are being based on the vulnerability and the lack of resources that a lot of these people have to address bodies like this. That is problematic because we brought a bus load of those people down here to speak to you, and our access has been denied. I know that, for the last few days, there has been knowledge and awareness that there were people coming down here, and I think this compares to the access of medical care. Even though people have medical assistance cards, in some cases it's very

difficult to get appropriate care, especially when it comes to HIV or hemophilia, those kind of things; and these people have traditionally confronted access problems, and I think it may be continuing.

Mr. Comptroller, you said that you would like us to work as a team. There's nothing I would like more but to work as a team, but who's invited us into the clubhouse? How many community people do you have involved in the negotiations and the discussions and the evaluations as to what kind of cuts are necessary, feasible, realistic, et cetera? From the HIV point of view, I would ask -- I would challenge the question answered: How many HIV-infected people are involved in the inner workings, making these decisions or recommendations?

I think that, if you plan to serve the community, you're committed to serve the community adequately. It would be nice if the community could give you some input as to what that's all about.

I'm really glad to be here, and I hope we can work together. I really do, but there are other

alternatives we may have to result to, if poor, vulnerable, hungry, suffering, indefensible peoples are treated humanely -- or inhumanely. But it's a pleasure. Thank you.

GOVERNOR SCHAEFER: Thank you, John. Lori Peters, handicapped.

MS. PETERS: Governor and members of the Board, my name is Lori Peters, and I was hospitalized for 20 years, and I lived in a nursing home for a year. I am living on my own, and I live in an apartment, and I moved in nine months ago. A personal care provider comes in to help me dress, bathe, clean and cook three days a week. Without her, I would be unable to do this.

I just received an award from you four months ago for my independence of living. I am very appreciative about getting the award. You know, I do not want to go back into a nursing home or in a hospital, if possible. But, with the program being cut, I am afraid that I will, you know, go back into a nursing home.

I like being out on my own. I've got a chance to be with different other people. I've just been to a conference in West Virginia, talking to other disabled people about being out on their own and talking about my illness, and I really had, you know, a great time.

I feel very badly because the people down there really looked up to me because of my handicap and, you know, being out on my own. Now that this program is going to be cut, I feel like I have lied to them, and I'm afraid that they will not have the opportunity to get out and be on their own. Thank you.

GOVERNOR SCHAEFER: Thank you, Lori. Lois Sheet, provider. Lois, Lois Sheet. Lois -- she's a provider.

(No response.)

GOVERNOR SCHAEFER: Frank Pinter, Maryland Center for Independent Living.

MR. PINTER: Governor Schaefer, Comptroller Goldstein, Treasurer Maurer, members of the Board of Public Works. My name is Frank Pinter. I am the

executive director of the Maryland Center for Independent Living. Our mandate is to work with people with severe disabilities, who wish to live independently. The philosophy of Independent Living Centers nationwide is that people should be able to make their own choices and decisions that affect their lives.

The Maryland Center for Independent Living is opposed to the elimination of the Medicaid personal care program. The termination of this program will have devastating effects to the people affected. The severely disabled people who receive the benefit of attendant care through this program have no other support system in place. Without their attendant, they will be forced to live in a nursing home or in an institution. It is reprehensible to think that these people should suffer such a cruel twist of fate as to have no other alternative but to be institutionalized.

The ending of this program is against the very concept of independent living. With attendant care, people with severe disabilities can live in the

community. They can purchase goods and services, pay taxes to help keep people, their attendant for example, employed. They can contribute to the community at large by participating in the activities available. Their presence by itself demonstrates the will of human spirit and the ability to succeed. To pull these people out of the community and put them away in a warehouse setting will only serve to destroy their spirit and further segregate them from the mainstream of life. This is against the spirit of the Americans with Disabilities Act of 1990 and is against all ethical principles.

It is ironic that these proposed cuts come just nine months ahead of a federal mandate which requires the state to have in place the very program that it is trying to eliminate. The savings to the state is extremely minimal and very short-lived. The shortsightedness of this decision has long-range consequences. These consequences are not to be borne by the state, however; they are to be borne by the people affected.

Nursing homes and institutions are not equipped to accept several hundred to several thousand people overnight. It is well known that nursing homes have waiting lists that can be as long as six to eight months. People who require attendant care, however, cannot wait this long. They cannot wait even a day. Without care, they will die. It is as simple as that.

The Maryland Center for Independent Living urges you not to cut the Medicaid personal care program. We urge you, instead, to continue to fund this program.

GOVERNOR SCHAEFER: James Churchville.

MR. CHURCHVILLE: I had "good morning" on that, but good afternoon, Governor. How are you today. My name is James Churchville, and I'm a recipient in the Medicaid personal care program.

Every day I get out of bed at seven o'clock with the help of my provider, and he helps me with shaving, bathing, dressing, feeding, my laundry, keeping things clean. And I'm also working and going to school to become a taxpaying citizen, and that's my

job and my goal is to become a taxpaying citizen. That's what I want to be. I don't want to be a burden. I want to be a producer, just like I was before my injury.

I'm going to Montgomery College every day with his help. I'm up, I'm out of the door, I'm off to school, I'm back, I study, I'm going to the library. I'm enjoying life once again. In a few years, I'll have my degree, and I'll be back in the business where I hope to be pursuing a craft.

And, like the gentleman said before me, if there's going to be a federal mandate that the personal care attendant program be nationwide, I think that maybe Maryland should take this as an opportunity to pave the way so that other states can look at us and say, "Hey, Maryland has done it. How do they do it? Let's go talk to Governor Schaefer and his staff. How do they accomplish their goals? How do they make these people have better lives through this personal care attendant program?"

And the \$25 a day that I receive for the

gentlemen, he's there, he's paid for his help, and it's just going to prove that there are some people out there. It's tough to find -- it's hard to find people that are committed to do this close-knit work, helping me out in such a personal way.

And I just want to get an education and become a taxpaying citizen, and a lot of other people do also at Montgomery College and county colleges throughout the State of Maryland. I hope there won't be any cuts that will eliminate me from even attending that in the future. So we're going to have to take that under advisement. I am on Social Security disability and going from there.

I would like to take the time to thank you for listening to me today. A lot of people ahead of me had a lot to say, also. I won't say it all. So, from my heart, I hope you take it into consideration that we keep funding this program at least until a lot of us can get back on our feet, per se, or roll out the door into a normal life once again. Thank you. Have a nice day.

GOVERNOR SCHAEFER: Thank you, James. That was fine. Linda Vane, parent of handicapped individual, Linda Vane. Is Linda Vane here?

MS. VANE: Governor, Board, ladies and gentlemen, my name is Linda Vane. From a marriage of 12 years, I have a four-year-old and a set of infant twins. I'm married to a diabetic husband of 22 years. This past year he's had very poor health. He's been hospitalized a couple of times. I am employed; I work full time. I feel I have to hang onto my job because I don't know when my husband will be unable to carry the load of providing the family with an income.

I also have a 19-year-old son from a former marriage, Dan Kepplinger, who has cerebral palsy. Dan lives on his own. He relies on the personal care attendant program to come in and assist me with taking care of him. I cannot do it alone, you know, as I have so many other things to do.

It costs the state \$50 a week to assist me to take care of Dan. If he had to go into an institution, it would cost upwards of \$130 a day. The personal care

program is very important. Not only does it allow Dan to live in a community that he has lived in since he was born, it also provides employment for other Marylanders. Without the program -- or cutting out the program, I feel like we have a double-whammy situation possibility of having unemployed Marylanders plus possible recipients being institutionalized. Which is more cost effective? Fifty dollars a week to assist me to take care of my son at home, or \$130 a day in an institution? Thank you.

GOVERNOR SCHAEFER: Reverend Chidebelu from Noah's Crisis Center.

REV. CHIDEBELU: Good morning, Governor and staff. My name is Reverend Chidebelu. I am a lobbyist in Congress for Noah's Ark Crisis Center, but I'm also a personal care provider for the State of Maryland.

We will by request of the Governor state to Congress the mandates of programs that we can't afford on the state level to be revived if possible.

I'm here in concern of my clients who are elderly and to where the cuts have already deeply hurt

those who are over the age of 79 and can't afford necessarily to pay for hospital bills -- not hospital bills, but visits to the doctors and so forth. Diapers, underpads, these things now, Medical Assistance does not cover.

We also look at the issue in regards to our police department, when we have those who are schizophrenic, who are on medication to try to control these behaviors that they have, the split personalities that they have, and endangerment. They can come to our community.

You say de-institutionalize, de-institution, so the institutions could not be here. When we are an alternative to an institution, and the institutions are no longer in motion, they're no longer operating, then where are these people to go, the thousands that will be homeless, the thousands that are mentally ill, the thousands that are elderly and cannot provide services for themselves?

The personal care providers program, level one, two and three, without the level one, two and

three and without personal care, adequate care cannot be given to these persons. We have cut the budget. How are we cutting the budget and saving money if we're going to completely across the board create either persons being incarcerated, which costs way more, and everybody knows that it does, to incarcerate anyone.

Nursing home cost is three times as much. Institutional we already stated. Safety for our police department we've already stated. Thank you.

MR. GOLDSTEIN: Thank you.

GOVERNOR SCHAEFER: Mrs. Williams, nurse, personal care and basic needs.

MS. WILLIAMS: Good afternoon, Honorable Governor Schaefer, members of the Board. My name is Sara Williams, a nurse with the personal care program for Baltimore City and Baltimore County.

My country 'tis of thee, land of liberties and freedoms. The recipients in the personal care program, Governor Schaefer, is asking you primarily for liberties and freedoms, those liberties and freedoms of being able to get up in the morning knowing that they

will be able to be bathed, have body removal -- waste removed from them; they're incontinent of bowels and bladders. They're able to get off on their way during the day, knowing that they're fed, their basic needs are met during the day.

We're not asking for much, Governor Schaefer, just the things that mean so little to you and I, because these are things that we are able to do daily. We're asking, we're pleading with you, if we want to look around and think in terms of dollars and cents, please let's not put a need or a tax just on basic needs. Let's look around and let's say these are all things we somehow take for granted. Let's just for one second switch places with them. It's very simple.

We're God-given people here, and with our hearts, minds and soul, think, we don't need to balance a budget with the expense of deleting basic needs. I thank you.

GOVERNOR SCHAEFER: Thank you.

(Applause.)

GOVERNOR SCHAEFER: That ends those who have

asked --

MS. REYNOLD: Governor, we have one more, Carolyn Burridge. Is Carolyn Burridge here?

GOVERNOR SCHAEFER: We don't have anybody.

MS. MAURER: On our sheets.

MS. REYNOLD: One last write-in candidate.

MS. BURRIDGE: Thank you. Governor Schaefer, Mr. Comptroller, and Madam Treasurer, my name is Carolyn Burridge. I'm a government relations consultant, and I'm here representing Yellow Transportation, one of the largest medical providers of non-emergency transportation in the state. In fact, I would like to introduce the chairman of the board of Yellow Transportation, George Joseph.

GOVERNOR SCHAEFER: Hi, Mr. Joseph. How are you today.

MS. BURRIDGE: Elimination of non-emergency transportation is in both Plan A and Plan B. I'd like to make three brief points to ask your considerations to replace the funding for the loss of non-emergency transportation.

First, let me put this in perspective. Non-emergency transportation represents less than one percent of the one billion dollar medical assistance budget. The state's share of non-emergency transportation comes to less than \$8,000,000.

Why is non-emergency transportation important? Providers like Yellow Transportation provide the medical transportation for persons like Lori and Dan from whom you heard earlier. Clearly, what value are the programs in the Department of Health and Mental Hygiene regarding medical assistance if you simply cannot transport or get people there to take advantage of what programs are left even with the budget cuts.

To eliminate non-emergency transportation is like building a hospital or doctors' offices on a remote island. It is, in effect, to say preventive care does not matter.

This morning, I spoke to Dr. Charles O'Donovan, who happens to be my family practitioner, but his office is located in the inner city, in

downtown Baltimore; and he pointed out that two of the major medical complications that develop, that would clearly come under non-emergency transportation, among children are untreated ear infections which, if left untreated, can certainly create loss of hearing or meningitis as well as asthma problems.

Well, my third point is, where are we going to get the 8,000,000? And, on that, we offer a solution. One year ago, Yellow Transportation went on its own to the Department of Health and Mental Hygiene, and we have had discussions over the past years and showed how, by privatizing the current program, we could save the state \$2,000,000. In fact, some figures were between two and three, but I'm going to be conservative.

We also have suggested, and we do suggest, that a provider user fee be instituted among ourselves and others who transport persons or who receive persons and provide medical care. We believe that that could create another \$3,000,000.

And, finally, there's an administrative

change, and I don't have the technical details on it, but we have checked and rechecked and feel comfortable that, with a change of something from "day hab." to "medical day hab.," we could generate another \$3,000,000. We believe we have the solution to come up with the \$8,000,000 that the state currently puts out for non-emergency transportation.

We thank you for your time and your consideration.

GOVERNOR SCHAEFER: Thank you, Carolyn. The only problem is that we've been in this difficulty for some time, and now that we're right down to the very end, people come up with solutions. We will look at that solution on privatizing. I'm favorable to that. And the users fee, I've tried that once before, and it was not well received. And the "day hab.," we'll have to look at that and see what we can do.

That's the list of all those that were listed for a speech or statement. All those that want us to make these cuts, let me hear from them. Let me hear from the ones who say, "No new taxes, no new fees; cut

back on budget; that all the people that we provide services for really aren't needed." Where are they today? Why aren't they here making a statement? You know where they are? They're some place else, being interviewed on waste in state government. Was any testimony here today on waste? I don't think it was. I think it's sort of heart rendering.

Well, Lori -- I believe it was Lori who came forward -- no, Linda. I gave an award to Linda. Now, the very program that --

THE AUDIENCE: Lori.

GOVERNOR SCHAEFER: Whoever it was, whoever I gave it to, comes now and says, "You're cutting the program out." Where were all of you last January, and this is not an admonition, but where were you, because this was not something that started overnight. We had warnings of it two years ago. You don't want to hear that, but that's part of it.

Well, we've heard the testimony, and I think Lucy said she wanted to make some remarks. The Comptroller and the Treasurer want to make some

suggested amendments.

MS. MAURER: Could we have Secretary Sabatini just --

GOVERNOR SCHAEFER: Nelson Sabatini.

MS. MAURER: I'm sure you don't enjoy proposing this any more than we do having to consider it.

MR. SABATINI: Absolutely right.

MS. MAURER: But how are you planning to make sure to the extent possible that services were continued?

MR. SABATINI: What we are hoping to do to the extent possible is by working -- we have already been in contact with and are working with various service organizations, local governments, and charitable organizations, to see if we can to the extent possible establish some kind of a safety net program that will be available on an ad hoc basis to deal with extraordinary problems. It would be a Band-Aid approach. It would not be an ongoing, guaranteed, programmatic approach to fill the gap for these two

services that, I think, were adequately described here. They are important services. They are not frivolous services.

MS. MAURER: They're not only important, but they sacrifice in the short term, and for the long term -- the long term for short-term results. And I would propose that we have the cuts in personal care and transportation cut in half, transfer the money into a grant program that you could work with the volunteers, the social service groups, to cover where the communities themselves can't do it. In short, the community would be the first resort, and the state to the extent of only cutting it in half would be able to cover that.

I don't perceive that to be for emergency services, but, rather, the effort is in the local community first, and then the state picks up. And, with the privatization, if that works, that would be even more of the cut made up. And I would move that, Governor.

MR. SABATINI: My comment, my only comment on

that, Madam Treasurer, is that, in doing that, we all have to recognize that reducing a cut by 50 percent, in moving in that direction, the other 50 percent is going to have to be funded. We can't do something without paying for it. And we could look at other areas, in other parts of the department, for alternative cuts after having cut \$282,000,000 out of the department's budget through round seven. The alternatives may well be -- in most probability will not be any more palatable than what we have proposed.

I mean, I think that we are -- I am not going through an exercise of cutting the budget because I enjoy doing it, and --

MS. MAURER: We're not here for --

MR. SABATINI: I understand that, but I think that one of the things we all have to recognize is that, after having gone through what we've gone through over the last two years, there is not -- I mean, any cut that is made is going to be distressing, difficult and painful.

MS. MAURER: The other choices are just as

hard. You may not have people in treatment programs, such as for addictions. But we have to make some choices, and that's the choice I'm making to propose to the Board.

MR. GOLDSTEIN: I'd like to elaborate a little further on what the Treasurer just said. Transportation, especially in the rural areas, Eastern Shore, Southern Maryland, Western Maryland, is different from transportation in the urban or suburban area where you have public transportation, taxicabs, and different sorts of transportation that you don't have in the areas beyond the 20- or 30-mile limit of these great urban/suburban centers we have in Maryland.

And what I would propose based on what this lovely lady just said here, Carolyn, she had three ways of raising the \$8,000,000. Is that correct?

MS. BURRIDGE: That's correct.

MR. GOLDSTEIN: And I think that's the solution. Would you work with the secretary of --

MS. BURRIDGE: Yes, I would.

MR. SABATINI: I would be happy to work with

the industry to resolve these things. And I have not seen them. I do have to point out that it's very easy to come before the group and say, "I have a solution. It's very simple." And why haven't they thought of that before? Well, we have thought about provider tax and the provider fee. It's very clear that under federal law the provider fee is not applicable to transportation services. So a nice, good idea, but unfortunately it can't work.

MR. GOLDSTEIN: I don't think this lady would come here and make that statement. She's a very responsible public relations expert.

MR. SABATINI: I understand that, sir.

MR. GOLDSTEIN: Represents the chemical industry, and she always asks me how is my chemistry. Well, my chemistry is pretty good here this morning, but I don't know if it will be good after this.

MR. SABATINI: I would be happy to work with any group or anybody to try to find alternatives, but I think that the alternatives and to come and say, "We have a solution," have to be done in a very responsible

way, so that we don't mislead people, saying, "We found an easy solution," and give the impression that we haven't explored and tried to find them ourselves.

MR. GOLDSTEIN: Well, my question is will you work with this lovely lady and her group?

MR. SABATINI: Yes. The answer is yes.

MR. GOLDSTEIN: And we know -- my own personal experience, I've had two sick ladies in my household since June -- well, one since June, the other since July, and I know I've had to take time off and forget all about my own activities and take them to the hospital. Like last Tuesday a week ago, I had to take my wife up to Baltimore. Had to wait several months to get the appointments, because all these doctors go on their sabbaticals, go on their vacations and travel all over the world; then you have to wait until September, after Labor Day, to get appointments. So I had to go to Baltimore, five hours, drive up there and wait for Doctor A, Doctor B, Doctor C, then bring my lovely wife home. And my daughter, who broke her leg, was supposed to get the work on Tuesday. Went there. Well, he

couldn't find an operating room, "Come back next Tuesday." So, I mean, I've had this experience, so I know what these wonderful people are testifying to.

It's so important, that personal care and transportation, and I believe with the budget you've got, almost a billion dollars, that you can transfer some monies without violating the Medicare or Medicaid program from the federal government and find a solution to these two things.

I mean, I know everything is important, but I think I've gotten more -- here's a whole lot of letters here. There's another bunch of letters. And personal calls, I've received more calls and more letters on this one subject than anything I've done in my whole career and public life. It affects people's lives.

MR. SABATINI: I can assure, Mr. Comptroller, that we will work with any group to try to find a reasonable, responsible solution to this problem. I can promise you that.

MR. GOLDSTEIN: So I'll be very happy to second the motion based on that background. Thank you.

GOVERNOR SCHAEFER: You know, I would like to do all those things, and I guess it's -- I've got to make the tough ones. You know, it tears at your heart to see some of the people that are your friends come before you and say, "If I don't get the service" -- for instance, when James came, he said, "Just give me a break. Let me finish my college, and I'll become productive," and I know he will. But, if you approve this, and it will be undoubtedly approved, I will ask the Board where do I get the money. Do I add it onto the locals? And we can't just say to Nelson, "Nelson, go find it." He's already cut his budget by \$267,000,000, and I wonder if --

MR. SABATINI: Two eighty.

GOVERNOR SCHAEFER: Two eighty.

MR. SABATINI: Two eighty.

GOVERNOR SCHAEFER: Two hundred and eighty million dollars so far. And, remember, every program that's in the budget, someone wanted it. It wasn't put there just for the sake of putting it there. It was because there was a need. There was a need for the

elderly, the people in this program that we're talking about today. I know it keeps people in their home, no question about it.

But you've got to give me the alternative and not just say, "We want to put back five" or whatever the amount of money is. Where do we find the other money? We've racked our brains to try to find it. We can do it, but when we do it, someone else is going to be affected by the reduction, whether it's in the treatment of addicts or reduction of the education program or whether it's taking more money from education or not hiring guards at the penitentiary, whatever it might be.

So, while I'm certainly not going to oppose this, I think it's the right thing to do, where do we find the money?

MS. MAURER: Addictions.

GOVERNOR SCHAEFER: Addictions.

MS. MAURER: What's the amount left for addictions? Nelson, what's the amount left in the budget for addiction treatment?

MR. SABATINI: There is approximately \$24,000,000 in general funds. That's an annualized number; so it's three-quarters of that.

MS. MAURER: I would suggest that we take it from the addictions budget, that part of it that least affects the number of people in treatment, because this is not employees. This is -- well, I know, Nelson, you believe that drugs are affecting our whole society, and it's so important to bring under control, but there has to be someone else in the community that believes it also. We can't do everything.

So I would suggest, Governor -- I don't know whether you'd go along with it or not -- that it come from the addictions and affecting as little as possible the number of people in treatment.

GOVERNOR SCHAEFER: As I understand the motion, you're moving that we restore half the funds in the personal care program and half the funds in the transportation program and that we take the money from the addictions program, drug addiction program. Is that the motion?

MS. MAURER: Yes, unless Nelson comes up with a proposal by budget amendment to take it from elsewhere.

GOVERNOR SCHAEFER: Okay. Louie?

MR. GOLDSTEIN: Well, Governor, if you refer to Item A-12-EX, page 20B on the Department of Budget and Fiscal Planning, our distinguished secretary of Health and Mental Hygiene is asking for \$103,700,000 to take care of programs that may happen. And I quote, "To the extent necessary to maintain continuity of service, the department will take over existing agreements for the remainder of the fiscal year; competitive procurements will be made wherever possible." The reason for the request, "In most subdivisions, these services are currently being provided by the local health departments. Given the new budget restrictions, it is possible that local health departments may choose not to continue the provisions of these services. In that event, an alternate vendor must be expeditiously selected to assure continuity of services to mental health clients.

Interruptions --" and so on.

So I think we've got enough information here in this other item on the agenda to take care of the program that we were just talking about, as the case may be.

MR. PUDESTER: Mr. Comptroller, that is not -- that's existing programs that are in the budget, and it's just an expedited procurement item so we can continue to keep the continuity of care. That is not money -- if those monies are cut, the programs end, and those are not additional funds that we have available. We have to cut.

MR. GOLDSTEIN: How is this personal care and transportation involved in this Item 12-EX? Is it involved there also?

MR. PUDESTER: That item involves all the range of services provided by the Health Department that they fund through local governments, the whole range of services.

MR. GOLDSTEIN: Well, isn't transportation part of the local government in some cases?

MR. PUDDERSTER: I do not believe so.

MR. GOLDSTEIN: And personal care, some parts of the local government?

MR. PUDDERSTER: No, those are directly to individuals who take care of those people.

MR. GOLDSTEIN: That don't come under local health department programs at all; it's all state?

MR. PUDDERSTER: Yes. But what we have there is a technical item in case we have the local governments backing off from health contracts, so we can step in to make sure we have continuity of care for those individuals. It's not additional money or additional spending. It's just there for us to --

MR. GOLDSTEIN: Well, where is this 103,000,000 going to come from?

MR. PUDDERSTER: It's in the budget right now.

MR. GOLDSTEIN: It's in the budget right now?

MR. PUDDERSTER: Correct.

MR. GOLDSTEIN: Well, could some of that money be by budget amendment transferred?

MR. PUDDERSTER: I think, as Secretary

Sabatini put it best, yes, but something else has to be cut.

MR. GOLDSTEIN: Well, I mean, it's \$103,700,000, a lot of money, and we're only talking about, what, seven or eight million dollars here.

MR. PUDESTER: Mr. Comptroller, the Health Department's budget is --

MR. GOLDSTEIN: We're only talking about less than one percent.

MR. PUDESTER: The Health Department's budget is a couple billion dollars, sir, but --

MR. PUDESTER: I understand that, sir, but you're talking about less than one percent out of \$103,700,000. That's the point I'm making.

MR. PUDESTER: I understand, but it's \$5,000,000 --

MR. PUDESTER: I mean, I know you may not take it all from here, but with the program this lady has mentioned of raising 8,000,000 and the volunteers from different communities, I think you can find the money without impairing any of these programs listed in

Item 12-EX.

GOVERNOR SCHAEFER: No, you won't find it without impairing the programs. I haven't said a word on this, but every program you're talking about will be impaired, every one; and it just isn't a matter of moving 11 and 12 million dollars around and not affecting someone else. Remember, we have cut this budget \$1,100,000,000 so far, and this will add another 500,000,000. So we'll have reduced it by \$1,600,000,000, and we've taken everything out before we cut any people programs. No people programs were hit very hard in the first five, and they were quietly done. There was no one here. Just done. All of a sudden, there's nothing left but hitting people programs, and the way we put the 200,000,000 back was, number one, people programs, prevention programs, education, and public safety.

So you can say it's a small amount, but \$11,000,000 is not a small amount. It's a very large sum to transfer; and, when you take it from one, you hurt that program. And I have no objection to taking

it from the program, and this is a program that I personally -- all you have to do is see the people that testified and your heart just breaks, but it's a tough one.

And I have no objections to the amendment. I have no objections -- I do have objection to taking it away from the addictions program. If that's the will, I'm perfectly willing to do it, but it will affect you. You can't say that \$11,000,000 doesn't hurt. It does. It's a large sum of money when you don't have any money to take away.

And the locals, you know, the locals who got most of the state money, they got most of the state money and they're not able to find 150,000,000 among all of them; and the amount of money that we give to the local subdivisions is quite a bit. They're having difficulty getting that small amount.

MS. MAURER: And it increased last year in the budget for this year.

MR. PUDESTER: Correct.

MS. MAURER: Governor, would the wording be

correct if we said from addictions or from other programs in the department that met with the approval of the Budget and Fiscal Planning and the Governor?

GOVERNOR SCHAEFER: Well, what we want to do -- and you and the Comptroller, I think you're absolutely right. You want to try to save parts of the program because you think it's right. The other side of the story is, as James brought to our attention, in January or October -- when's that particular mandate?

MR. SABATINI: October 1, 1994.

GOVERNOR SCHAEFER: On October 1, 1994, it becomes a mandatory program that we must put the money in; and, if the budget isn't in better shape then, it's another mandate from the federal government for which they will pay no money. They will pay nothing and say, "Here you are, provide it." And that's not fair, it's just not fair.

All right. You heard the motion, and it's been seconded by the Comptroller. All in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

GOVERNOR SCHAEFER: All opposed?

BOARD MEMBERS: (No response.)

GOVERNOR SCHAEFER: Motion is carried.

MR. GOLDSTEIN: Thank you.

MS. MAURER: Now we have to vote on the package, and I understand that this is the 240,000,000 cut overall, not the "doomsday."

MR. PUDDESTER: Correct.

GOVERNOR SCHAEFER: That's right. You're right. This is the alternative.

MS. MAURER: Well, I -- Louie, do you want to make the motion?

MR. GOLDSTEIN: Go ahead.

GOVERNOR SCHAEFER: I'll make the motion for you, so we won't put you in any spot. I'll make a motion that we accept the alternative as presented by Mr. Puddester, which reduces the budget by 240,000,000, restores 200,000,000 of the 450,000,000 that we've outlined today.

MS. MAURER: Well, I don't want to vote on it that way, because we didn't, Governor, discuss or

review what the alternatives were. In my view, we want -- I agree with the 150 is the Legislature's problem to work with the counties.

What I would suggest -- I have the temerity to suggest is that we're voting on the 240,000,000 cut with it understood that 150,000,000 will come from the Legislature by way of legislation affecting cuts in the local government, which we ourselves cannot do.

GOVERNOR SCHAEFER: Then you leave it 100,000,000 short.

MS. MAURER: No. The 100,000,000 is from revenues.

MR. PUDDISTER: We still have the lottery and the transfers.

MS. MAURER: Yeah, the lottery and the transfers.

GOVERNOR SCHAEFER: Well, you're still 100,000,000 short.

MS. MAURER: We don't vote upon the revenue part.

MR. PUDDISTER: The Governor is correct. I

mean, the cut here will be a certain amount, will be short. We need to have the other pieces --

MS. MAURER: In place, the Keno and --

MR. PUDDISTER: Local aid reductions.

GOVERNOR SCHAEFER: Transfers.

MS. MAURER: -- and the transfers. If you want to include that in your motion, I'm willing to do that.

GOVERNOR SCHAEFER: You can make the motion. I don't care how we make the motion so long as we have 240 plus another 150 -- another 200,000,000, but to balance it out to 450 plus the 50.

MR. PUDDISTER: Correct.

GOVERNOR SCHAEFER: I don't mind how we do it.

MR. PUDDISTER: That's how the item is put together before you.

MS. MAURER: Well, Fred, when I talked to you, you said we were going to -- I specifically asked whether it was going to be the 240 and the concept of 150, but I don't want to vote now on what those cuts

would be, because that's not what I studied.

GOVERNOR SCHAEFER: I don't follow you. I don't understand what you mean. There's \$150,000,000 to come from locals, period.

MS. MAURER: Yeah, that's --

GOVERNOR SCHAEFER: Fifty million from Keno -- or not Keno, but Quick Draw, and 50,000,000 from transfers, which amount to 200,000,000 that we want to put back into the budget. And, if we don't get that, if we just vote on cutting 240, we're still 200,000,000 short.

MS. MAURER: I'm prepared to vote that we get 150 from locals, but if that number is not reached by the Legislature or the locals, then I would want to consider the cuts that would have to do for 150. I'm not prepared to say that the basic budget that you presented -- I've only studied the 240 and agree that 150 have to come from locals.

MR. BENTON: Governor and members of the Board, what you have before you is a budget reduction calling for total reductions of \$199,202,724, and that

is what you are voting on.

MS. MAURER: Yeah, but not -- as I say, not the distribution of the cuts in case the Legislature can't come to an agreement where the cuts are locally.

MR. PUDDISTER: The Governor is not presenting it.

MS. MAURER: Yeah, that would come --

GOVERNOR SCHAEFER: That would come back. That would come back.

MS. MAURER: That was what I meant.

GOVERNOR SCHAEFER: If we don't get the 200,000,000, then we're going to institute a reduction in the work force of another 1,000 people, and it's just that simple. You either balance the budget or you don't. If you balance the budget by what we've suggested, 150, 50 and 50, you don't have to lay off more than 450 people. If you don't, as I understood it, unless I'm sadly mistaken, that we then are not in balance.

MR. PUDDISTER: That's correct.

MS. MAURER: But you'd come back to us.

MR. BENTON: Yes.

GOVERNOR SCHAEFER: What about coming back? Come back when? When do I come back? Now is October 1. It's either we balance the budget now and say, "Okay, we have a budget in balance," or we don't. And, if we're \$100,000,000 short, then we must institute the other plan, parts of the other plan, to find \$100,000,000.

MS. MAURER: I am not prepared to vote on that now. I am prepared to vote on that when we come back.

GOVERNOR SCHAEFER: When?

MS. MAURER: I guess in January unless you get the Legislature --

GOVERNOR SCHAEFER: You can't come back in January. We've got to start now. Every day you delay is how much per day?

MR. BENTON: Two million dollars.

GOVERNOR SCHAEFER: Two million dollars a day delay. Every moment you delay, it costs us \$2,000,000 in order to move forward.

MR. GOLDSTEIN: May I have a clarification, Mr. Benton? That's Item 13-GM we're voting on; right?

MR. BENTON: Correct, sir.

MR. GOLDSTEIN: And there you have "Amount of Request: RF, \$1,000,000; SF, special funds, \$29,982,000; general funds, \$167,239,424."

MR. BENTON: A hundred and sixty-eight million, sir.

MR. GOLDSTEIN: Beg your pardon?

MR. BENTON: A total of 199,000,000, correct.

MR. GOLDSTEIN: How much?

MR. BENTON: A hundred and ninety-nine million, two hundred and two thousand, seven twenty-four, the item you have before you.

MR. GOLDSTEIN: So that's what we're voting on right now.

MR. BENTON: Yes, sir.

MR. PUDESTER: Correct.

MR. GOLDSTEIN: All right. So that doesn't make 240,000,000.

MR. BENTON: No, it makes 200,000,000. The

rest are transfers and fees and so forth, which the Board does not need to vote on.

MR. GOLDSTEIN: All right. So, in other words, the motion ought to be made to approve the item in 13-GM.

MR. BENTON: As presented to the Board.

MR. GOLDSTEIN: Presented to the Board. Do you have any objections to that, Madam Treasurer?

MS. MAURER: No, as long as it's just limited to that.

GOVERNOR SCHAEFER: Now, wait a minute. What are we doing? After I walk out of here and you tell me you've got to find another \$200,000,000 --

MR. BENTON: No, sir.

GOVERNOR SCHAEFER: I don't want to have that game played on me.

MR. BENTON: No. We have general agreement with the Legislature, I believe, as to cutting the locals by 150,000,000 in principle, and what you have done is given the locals an opportunity to recommend where they would prefer to take these reductions. Up

until this time, I think they have agreed, or many of them have agreed, on 96, but they're still working and we hope they will come back.

We have a plan in the event that they do not, but we do not know at this time, of course, whether or not the Legislature will take \$150,000,000. If we have those assurances, then there's really no problem.

GOVERNOR SCHAEFER: What are you talking about? All I want to know is one thing.

MR. BENTON: Yes, sir.

GOVERNOR SCHAEFER: We are 450,000,000 in the hole.

MR. BENTON: Correct.

GOVERNOR SCHAEFER: We are recommending \$250,000,000 --

MR. BENTON: Two hundred million, sir.

GOVERNOR SCHAEFER: Two hundred million.

Where are we going?

MR. BENTON: Two hundred million in cuts.

GOVERNOR SCHAEFER: Are we in balance then?

MR. BENTON: Not until the Legislature does

its thing, which they, I understand, have agreed to do. But, predicated on Legislative approval, yes, we would be in balance, predicated on Legislative approval.

MS. MAURER: I move we approve the item as presented.

MR. GOLDSTEIN: I'm voting on Item Number 13-GM, supplemental, "General Miscellaneous," Department of Budget and Fiscal Planning, in the amount of \$199,202,724; and I so move.

MS. MAURER: Second.

GOVERNOR SCHAEFER: All in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

GOVERNOR SCHAEFER: Motion is carried. All right. What's next?

MR. GOLDSTEIN: Now, the other thing is, in order to accomplish the 450, you have to have agreement with the local governments -- that's 24 subdivisions -- and the Legislature would have to approve it at a special session if they desire to have one after November 3. Isn't that correct, sir?

MR. BENTON: Technically, the locals do not need to approve it, just the Legislature, but we would hope that they would --

MR. GOLDSTEIN: That's right. I mean, in other words, you try to get a gentlemen's/ladies' agreement --

MR. BENTON: That's right.

MR. GOLDSTEIN: -- with the local government, 24 subdivisions. I just want to set the record straight, so everybody understands what's going on here today.

MS. MAURER: The Governor is right. He doesn't want to come in in January and have to cut again.

MR. BENTON: Then the cut would need to be much, much deeper.

MS. MAURER: Yes.

MR. GOLDSTEIN: That's right, exactly right.

MS. MAURER: That would be the first budget that was presented, what I call the "doomsday" budget.

GOVERNOR SCHAEFER: What's next?

MS. REYNOLD: Shall we take the regular agenda now?

GOVERNOR SCHAEFER: No, I think we ought to take the health.

MS. REYNOLD: Want to do the health care? Okay. That would be --

MR. GOLDSTEIN: You want to take Blue Cross/Blue Shield first?

MS. REYNOLD: -- Department of Budget and Fiscal Planning.

MR. BENTON: This is Item 8-S, 9-S, 10-S, 11-S on the agenda of the Department of Budget and Fiscal Planning.

MS. REYNOLD: Why don't we take a short break here.

MR. GOLDSTEIN: Ladies and gentlemen, all those that have no --

GOVERNOR SCHAEFER: All those that are finished, if they'll please leave, so we can move on. We'll take about a five-minute break.

MS. REYNOLD: Can we take a short time-out?

We need -- there are people in the hall who are waiting to get in on this health care item. Maybe we could take a five-minute break.

GOVERNOR SCHAEFER: All right. Five minutes, five minutes, okay.

(Whereupon, there was a brief recess.)

MS. REYNOLD: We're going to go to Budget and Fiscal Planning.

MR. GOLDSTEIN: Just one minute here.

MS. REYNOLD: I'm sorry.

MR. GOLDSTEIN: On this Item 13-GM, in order to complete the picture, we need a motion, in my opinion, to recommend to the Legislature that they work with the Board of Public Works and the Governor and the Treasurer and the Comptroller for the \$150,000,000 cut to the local governments in order to take care of the proposed budget deficit that will be at the end of the fiscal year, June 30, 1993.

MS. MAURER: I second it.

GOVERNOR SCHAEFER: Motion made and seconded. All in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

GOVERNOR SCHAEFER: All opposed?

BOARD MEMBERS: (No response.)

GOVERNOR SCHAEFER: What's next?

MS. REYNOLD: We were going to do the DBFP items on health care.

MR. BENTON: 8-S through 11-S plus an additional item that was presented to the Board this morning, which would be a contract with Group Health Associates to continue the services that they are now providing.

These contracts are to continue the health services to state employees and their dependents. There are a total of five contracts, the value of which is approximately \$1,500,000,000 during the five-year term.

In addition to these contracts, we also are providing vision services and pharmacy services, but they are ongoing and do not expire on December 31. In my opinion, the Department of Personnel has done a very good job in helping us to reduce costs and still

continue to provide a high level of services to the employees. They have done this, number one, by negotiating five-year agreements rather than a short-term agreement and, also, by putting in place a certain utilization review and, also, a managed care program for drug, alcohol and the mental health piece.

We have with us this morning the secretary of the Department of Personnel, Ms. Hilda Ford, who is prepared to answer any questions or further elaborate on what I've said. Hilda.

Oh, one thing further. The cost of this program was estimated to escalate approximately 15 percent based on previous experience; but, as a result of the procedures which I have just mentioned and the negotiating process, the department was able to bring these contracts in at a savings during the current fiscal year of about \$15,000,000, which would double during fiscal year 1994.

MR. GOLDSTEIN: You're now talking about Item Number 10-S, are you not?

MR. BENTON: 8-S through 11-S plus the new

item for Group Health Associates, which I believe has been labeled 14-S.

MS. MAURER: That one is just to continue the people who are in it now.

MR. BENTON: Now being served, that's right.

MS. MAURER: But it is not a new contract for a group health --

MR. BENTON: Not an open enrollment, no.

MR. GOLDSTEIN: 14, let's see, Item 14.

MS. FORD: Mr. Governor, Treasurer Maurer, Comptroller Goldstein, the issue of language in a July 16 amendment has been raised, and the issues that were addressed in a recent letter have been raised, and there's agreement to incorporate into the contract both of those documents.

The managed mental health care --

MR. GOLDSTEIN: Can you speak up a little bit.

MS. FORD: I'm sorry. The managed mental health care will provide the quality of service that we want to provide to the employees at a much reduced

cost, as Secretary Benton said. And, if there are any questions that you'd like me to answer, I'd be glad to.

MS. MAURER: The items which you referred to, the responses of the contractor that were made in the responses to the RFP are incorporated by reference into the contract?

MS. FORD: Right.

MS. MAURER: And that the gatekeepers -- the second one was that they would work towards having the gatekeepers licensed in Maryland that are licensed elsewhere now because the operation is in Virginia, but that they would work towards licensing -- having licensed people from Maryland as gatekeepers.

MS. FORD: They will work toward that, yes.

MS. MAURER: I think this is an extraordinarily difficult -- not concept, but extraordinarily difficult because it's so complex. This is the carve-out basically -- the others are not questionable -- of mental health through its management and sort of a monopoly because there's only one provider of mental health services and that you have to

belong to a network that the provider chooses.

MS. FORD: Well, the membership in the network does not set up a monopoly. The provision of services is open to the universe of providers in the State of Maryland and, indeed, across the country, which is necessary for retirees. So it is not a monopoly in any sense. It is managed by one company. That management does not preclude access, nor does it set up an illegal or legal monopoly on the provision of services in any way.

MS. MAURER: Does the contract envision, and this is for the record, that anyone who applies and meets the credentialing standards and meets whatever ethical standards that are -- not provided, but that are incorporated in that, although I didn't see it in the contract, would be accepted?

MS. FORD: Anyone who applies, who meets the credentialing process, who agrees to the protocol, is acceptable to the network.

MS. MAURER: Because when I looked over the list of providers, I saw many more social workers than

M.D.'s or psychologists. Is that a way typically the referrals work?

MS. FORD: No. What that represents is the hierarchy in the mental health profession, and I can guarantee that, once the process is in place and open, that that mix will change, because the psychiatrists and the medical people will want access to state employees. They are not going to stay out of the process in order to make a point. They will come into the process once the process is in place.

MS. MAURER: The protocols are essentially acceptance of the fees that --

MS. FORD: Agreement, agreement to accept the fees.

MS. MAURER: And agreement as to the charges if you go out of plan or stay in plan for the employee. But how do the fees that are in place now compare to, say, the preferred provider in Blue Cross/Blue Shield, because you have, what, 12,000,000 in the component of mental health care this year, and the contract says, as I recall -- I did read it in detail -- that in no year

would it exceed 13,000,000. So you're going to have -- either you cut off services or you cut prices. And how do the prices that have been negotiated compare to the Blue Cross/Blue Shield preferred provider?

MS. FORD: There are three options. You can cut off service, you can increase fees, or you can retrieve the monies that are inappropriately spent at this time through improper utilization, through over-utilization, through unmanaged care; and it is our position that the retrieval of those monies will permit us to make that kind of statement, that we can control costs and cap them at the \$13,000,000 level, because the monies that are used through over- and mis-utilization, we believe, are significant. That is the reason we are proposing this cost containment measure.

MS. MAURER: Yes, and I might say I think you and Cathy Austin have done --

MS. FORD: You don't have a mike either. I'm sorry. I can't --

MS. MAURER: -- a fantastic job in trying to work this through, but it's so new, it is -- I believe

only five states have a complete carve-out, because the HMO's are not going to receive a subsidy for mental health care even though they offered it or, otherwise, state employees could choose it through their HMO's. So it is a complete carve-out, and it's, therefore, different.

I know you've talked about the 28 days for alcohol abuse, and they may not need 28 days, and the fact that there was one state employee or dependent who we spent \$1,000,000 on for institutionalization in a private institution. Those are obvious ones.

How do you feel about the quality of care and the availability of care for other state employees who have other problems? Now, for example, will a diagnosis be covered under this even though this program doesn't pay for mental retardation treatments, whatever you call mental retardation treatments, but diagnosis may require a psychologist?

MS. FORD: Well, I'm not a medical person. I cannot foresee a person coming to this network for a diagnosis of mentally retarded, which is the word in

our generation. That certainly is established. What a person who has some developmental disabilities would be coming to the network for would be the same kinds of mental health problems that the rest of us are subject to, and I see a separation, although I would defer to the doctors who are here, who can answer that question for you.

MS. MAURER: Well, I know of a case where they weren't sure it was brain damage or mental retardation, and it took a team to diagnose it; but, here, you know, if you needed that, would that come under this contract or the health care contract?

MS. FORD: I think what we are proposing is a team effort. Remember that we have a lot of experience with managed care, managed health care. That's how the state has been holding on and containing the costs so far. We have managed care for surgical; we have managed care for medical; and it is all part -- and we now have managed care for mental. It's all part of a team approach; and, therefore, the mental health care is not in isolation from any physiological developments

that may be contributing to aberrant behavior. I mean, certainly, they are not working alone. To say "carve out and stand alone" may be unfortunate, because it creates the impression of isolation, but they are not isolated from the other services that the state offers; and our job is to make sure that they are coordinated in the grossest sense effectively.

MS. MAURER: So you're saying that, if a diagnosis isn't clear and the other physicians want a diagnosis by a psychologist and a psychiatrist, that it would be covered under this?

MS. FORD: Yes, it would be covered should such a situation arise. I find it difficult to deal with hypothetical situations in an area where I have not got the medical expertise.

MS. MAURER: We'll ask the physician.

MS. FORD: But, as far as I know, it would be covered, because certainly to reject consideration of the possibilities is to give incomplete health care, and the Governor's charge has been to make sure that we give the best offering that we can afford, that we can

afford, and we have followed those instructions.

MS. MAURER: I know of another case in the School for the Deaf who had an emotional overlay and a behavior problem that clearly couldn't be handled by audiologists. You're saying which cases are excluded, and basically developmental disabilities are excluded from this contract, and I wanted to know, if there is an emotional overlay, would they be eligible under this contract.

MS. FORD: Why don't I defer to the doctors in terms of making that discussion.

MS. MAURER: I want it on the record.

MS. FORD: I have with me the CEO for Options, Jeff McWaters.

MR. MCWATERS: Jeff McWaters.

MS. FORD: And Dr. Fowlkes.

DR. FOWLES: Fowles.

MS. FORD: Fowles.

MR. MCWATERS: Don Fowles, our national medical director.

MS. FORD: The national medical director.

MR. MCWATERS: Let me just start on the first part of your question. Maybe you could --

MR. GOLDSTEIN: How about giving your name and title for the record, will you, please, sir. Make it loud and clear.

MR. MCWATERS: I'm Jeffrey McWaters, president and CEO of Options Mental Health.

DR. FOWLES: And I'm Don Fowles, national medical director, Options Mental Health.

MR. MCWATERS: Okay. Could you just repeat the question.

MS. MAURER: I know of two cases. I'm trying to sort out, when you have in your contract excluded care for mentally retarded, autism, basically brain dysfunction, basically developmental disabilities. One is the case, a diagnosis, where it may require psychologists and psychiatrists. Say it is. Would the diagnosis be covered in this. And, two, where there is a developmental disability, but there is an emotional overlay. After all, addictions are addictions with emotional overlay. But you've not excluded addictions,

but you have excluded developmental disabilities.

What is covered in your understanding of the contract, so we have it for the record?

DR. FOWLES: The answer to both those questions is yes, they would be covered.

MS. MAURER: Who would make that decision? The gatekeeper?

DR. FOWLES: Yes.

MR. MCWATERS: We don't use that term. We use the term of "case manager." It's a little bit different connotation, in conjunction with our medical department.

MS. MAURER: I'm not using "telephone operator."

MR. MCWATERS: That's even better. We actually think it's probably very similar to your current system with one major difference. In managed care, what we are attempting to do with these very disturbed youngsters that you've probably just described is actually take them and their family, because often the family is at the very center of this

problem, and walk them through a very complicated, confusing system of health care that's available through the school systems, available through local government, and available through their insurance benefits.

So that's our objective, is to move patients through those systems, coordinating the resources, and we have a lot of clinical as well as administrative experience with that.

MS. MAURER: And you do hold the state harmless from any suits and judgments arising from your managing the system and from the people you refer them to?

MR. MCWATERS: Yes, that's my understanding of our contract.

MS. MAURER: There won't be a separate fee for employees; this will be part of the health fee, I think Mrs. Ford had said.

MS. FORD: Yes, that's true.

MS. MAURER: How are you going to deal with areas where people don't want to accept your protocols?

And you might want to answer how your protocols vary by area and how you match up with Blue Cross/Blue Shield, because you don't have the phrase "customary and usual" in the sense that I've known it as a lay person, but your own negotiated fee.

DR. FOWLES: Basically, our protocols were developed in conjunction with national organizations and with experts in the field, drawing from the fields of psychiatry, psychology, and social work. And these are accepted clinical standards within the field that responsible and ethical practitioners would certainly agree to.

MS. MAURER: Well, the Washington area and the Baltimore area are high cost.

DR. FOWLES: Are what? Excuse me.

MS. MAURER: High-cost --

MR. MCWATERS: Yes, ma'am.

MS. MAURER: -- metro areas. Is your pricing developed in the context of regions, or is it an average of the nation, or --

MR. MCWATERS: It's specific to the areas you

just described. The process is quite thorough. Our objective is not to try to have deep, deep discounts with our providers. Our objective is to have partnerships with our providers, because that's really what this is about. It's about pulling a system together.

Our criteria -- if I could just answer a little bit on that first question, too, our clinical criteria are distributed to all providers. They have access to the information. It's not private. And we have established a clinical advisory committee in Maryland that is headed up by very distinguished clinicians in the community, who'll also be having opportunities to evaluate those clinical criteria.

MS. MAURER: Is it normal for you to have in your transition protocols just a 90-day period when somebody who's been in treatment for a long time and developed trust relationships might need to transfer, assuming the doctor or the psychologist either has started the process for being accepted or hasn't started and doesn't wish to?

medical care, because then we were limited in terms of what kinds of savings we could realize, and we had to balance each judgment with savings.

MR. GOLDSTEIN: May I ask you a very pertinent question? The service that will be provided under this new contract, are they equal to or as good as the services now being provided?

MS. FORD: It is my opinion that the services offered under this contract are superior to what is being provided now, both in terms of equity and in terms of quality.

MR. GOLDSTEIN: And how about cost?

MS. FORD: The cost will be less.

MR. GOLDSTEIN: Cost will be less.

MS. FORD: Because it is managed -- I'm sorry.

MR. GOLDSTEIN: That's the reason I asked that question. I've had that question put to me by several employees.

MS. FORD: All right. It is my informed opinion --

DR. FOWLES: I think, with regard to that, that is sort of a standard sort of transitional process. However, one of the things that we try to do -- as you know, in the state, it's an "any willing provider" state, and we would welcome all providers to join our credentialing process. Looks at things like licensure, experience in the field, DEA licensure for psychiatrists, and so forth, to set standards, so that the clinicians who are seeing these patients are appropriate to see them.

MS. MAURER: How long does your process take?

MR. MCWATERS: That's a good question. One of the things we are geared up for, if awarded this contract, is to make sure that a patient who is seeing a provider through the transition benefit does not get their benefit cut over to the out-of-network provider rate, only to three days, three weeks later, go back.

So we will make the administrative procedures necessary that the providers in our credentialing process, that the benefit level would be paid as in network. However, we think our process is going to be

a 20- to 25-day process; and, in some cases, we'll even be able to move along faster. There are pieces of that that we don't control, like getting information from licensure boards, et cetera.

DR. FOWLES: I just want to add something to the transition, too, having been through a number of these, myself. In the field of mental health, the relationship between the patient and the provider is a unique relationship, and we certainly respect that and don't want to infringe on that, you know, especially when it's going well. So, while we have standards and we want to follow those, we also want to do what's best for the patient and provider as well.

MS. MAURER: In how many other states do you operate?

MR. MCWATERS: Oh, about 15.

MS. MAURER: And the carve-out as well as the management?

MR. MCWATERS: Yes, ma'am.

MS. MAURER: Is it standard to set the out-of-plan people for 50 percent if they are outpatients

and 80 percent if they are inpatients?

MR. MCWATERS: It's not unusual.

MS. MAURER: What does that mean?

MR. MCWATERS: Well, benefit plans kind of differ across the board to meet the various needs of the budgeting systems, of what's the entire compensation package for the employee; and, you know, they're all across the board. It's not an unusual benefit plan.

MS. MAURER: Would you know offhand what other states go as low as 50 percent for outpatient out-of-plan?

MR. MCWATERS: I could get that information for you. I don't have specific recollections of their outpatient benefit plans.

MS. MAURER: Because that, I take it, covers serious illnesses, but puts the pressure on a person to take a provider in the plan.

MR. MCWATERS: Right. Well, when you say -- I'm not sure I heard all the last part of the question, but our objective in mental health is to actually

improve access to the outpatient benefits. In fact, in all of our previous contracted experiences, we have as much as doubled the use of outpatient. And your program is very generous in that you're going to have a very broad network. It could be 12, 13, 14 hundred providers throughout the state before it's over. And so, by having that broad access and by having patients with an 800 number that they can quickly talk to a professional in the mental health area as opposed to flipping through the Yellow Pages, because no one wants to ask their neighbor about a mental health problem and a mental health provider, it improves the access. So, actually, more people use the service on an outpatient basis. We expect your outpatient utilization to go up.

MS. MAURER: Right, in-plan. But, out-of-plan, I think our preferred provider in medical care is 80 percent of the customary and usual fee. Isn't it, Hilda?

MS. FORD: The mandated benefits, the mandated law -- the mandated benefits law requires 60 percent for the first 20 visits and 50 percent for the

rest of the visits. So this is consistent with the law in Maryland, at 50 percent.

MS. MAURER: Is that the October 1 law?

MS. FORD: Current.

MS. MAURER: Current?

MS. FORD: Current law.

MS. MAURER: So you mean we're going to be facing that a preferred provider is cutting back for --

MS. FORD: This is for mental health. Is it for all? For all, okay.

MR. GOLDSTEIN: Can you speak up, Hilda. It's hard to hear you.

MS. FORD: I'm sorry. It's for all.

MS. MAURER: But, also, a preferred provider, which I'm a participant in, you have a \$10 co-pay. This is a 25- and 30-dollar co-pay, and that's new.

MS. FORD: We were not trying to mirror the medical benefits. We were trying to carve out a package or design a package that met the needs for mental health care in Maryland, mental health care for employees; and there was no intent to replicate the

MR. GOLDSTEIN: Will the quality be as good and will the cost be equal or less?

MS. FORD: It is my informed opinion, both from experience with this plan in another state and from my knowledge of managed mental care --

MR. GOLDSTEIN: How about these nice doctors; can you answer that same question?

MS. FORD: Anything they say is self-serving.

(Laughter.)

MR. MCWATERS: I agree, sir, and I'm not a doctor.

MR. GOLDSTEIN: In other words, the quality of the service that will be performed under this contract starting January 1, 1993 will be equal to or maybe better than the present services?

MR. MCWATERS: As self-serving as it might seem, sir, we believe they're better, and there are some reasons for that, because in mental health, improving the access and the availability to a full spectrum of services, not just long-term inpatient care, a full spectrum, outpatient, intensive

outpatient, partial day treatment programs, group home programs, those across a full spectrum, and getting the patient there quickly and effectively will reduce costs and, at the same time, improve quality and service.

MR. GOLDSTEIN: And my number two question -- let me finish -- the cost, the cost as of today compared to what it will be January 1 for the next four or five years?

MR. MCWATERS: Are you asking will the cost be more? As I understand it, the cost will be less --

MR. GOLDSTEIN: That's what I'm trying to find out.

MR. MCWATERS: -- this January than it was previous Januarys.

MR. GOLDSTEIN: Cost will be less.

MR. MCWATERS: Yes, sir, and considerably, if I understand correctly.

MR. GOLDSTEIN: One more question and I'll be finished. You call them "case managers," not "gatekeepers"; is that what you call them?

MR. MCWATERS: Yes, sir. Yes, sir.

MR. GOLDSTEIN: Case manager. Now, the case manager starting January 1 will be down in Virginia with a 1-800 number; is that correct?

MR. MCWATERS: Yes, sir.

MR. GOLDSTEIN: And those people are licensed under the State of Virginia?

MR. MCWATERS: Yes, sir.

MR. GOLDSTEIN: Are their licensing requirements as good or better than Maryland?

MR. MCWATERS: I don't know. I will check that. My assumption is that there is reciprocity between the two states, and my assumption is that they are equal.

MR. GOLDSTEIN: Equally as good.

MR. MCWATERS: And I can check that.

MR. GOLDSTEIN: All right.

MR. MCWATERS: There might be some other experts here who would have that information.

MR. GOLDSTEIN: And, after a while, will you have some folks that are trained and licensed in Maryland to be the case manager, or will they always be

in Virginia?

MR. MCWATERS: It's our current plan that they would be located in Virginia, but we could certainly -- I think one of the questions earlier was, could we work towards licensure of those managers, and we certainly will look into that and work towards that.

In addition, sir, each of those people have five years' minimum experience.

MR. GOLDSTEIN: Five years.

MR. MCWATERS: Yes, sir.

MR. GOLDSTEIN: Well, you know, some people with five years are better than people with three years or five years than six years. I just want to be sure those people are -- I'll rap on wood. I don't have no problems right now. I feel so damn good. I hope I never feel bad.

But, let's say, "Mr. X" and "Mrs. Y" wakes up at two o'clock in the morning, they've got some kind of problem, and she dials 1-800 whatever the number is, and the lady says, "Yes, can I help you?" And this lady is trying to explain or this man is trying to

explain their problem. How does that case manager respond?

DR. FOWLES: The way the system is set up is not to provide obstacles or block care. It's actually to ease access and to make care as effective as it can possibly be, so when that person calls in the middle of the night and needs care, that case manager is there to help the patient and the provider to access care rather than block it.

So what happens is the person calls, case manager answers, and if it's the patient, if it's an employee, then he or she will give the necessary information, the case manager will take it, and then with our system will be able to locate providers in that person's area that the person can see. And, not only that --

MR. GOLDSTEIN: Now, that's it now. Here you've got a lady that's sitting down in Virginia and somebody calls from way up in Garrett County, Grantsville, or somebody calls from down in Calvert County, a little place called Lusby, or they may call

from St. Mary's County, called St. Indigoes -- I'm just giving you remote places out in Maryland, or it may be down in Worcester County, a place called Girdle Tree.

DR. FOWLES: How do they --

MR. GOLDSTEIN: That's where a girl lost her girdle. It was hanging on a tree, and they named the place Girdle Tree.

Now, this lady down in Virginia, will she have a map so she can know exactly where to refer these folks from these remote places I just named?

DR. FOWLES: Yes, she will.

MR. GOLDSTEIN: Are you sure of that?

DR. FOWLES: Yes, I am.

MR. MCWATERS: But, if I could expand on that, sir, it's actually a little more -- if I can give you the technical answer and not spend a lot of time on it, because this is a very integral part of our system, we have invested, as many of our competitors have, millions of dollars in computer systems to by ZIP codes know where the provider is calling from and be able to match by ZIP code. Now, the patient might tell us they

don't want it near their home, they'd rather it be near where they work, and then we can ship over that same kind of detailed listing, so we can get it down to a very close geographic area. Then it will give us -- the computer will give us a listing of providers who are most appropriate for that patient's clinical need. We'll spend a lot of time with the patient on the call. These first calls average about 20 minutes on average, to understand clinically what's going on so that, if it's a problem with an adolescent, for example, and maybe it's a behavioral problem with an adolescent, we can not only just find them a general provider, but we can find them a selection of three very specialized providers in that area.

In addition, our system will tell them is it male, female. It will tell them the age and the sex of the provider, do they speak a foreign language, other kinds of things, their office hours, the location of their offices, the phone number of their office, a lot of details, because in mental health, again, speaking in your own language, those kinds of things are very

important to that clinical experience.

So, really, the crescendo -- I hate to get excited about this, but really what we do every day is matching that patient with the most appropriate provider of care, which is far better, we believe, than they could get from the Yellow Pages or from their neighbor or from somebody who's not a mental health professional and who doesn't thoroughly understand their problem, as do our clinicians.

MR. GOLDSTEIN: Well, see, that's the reason I gave you these remote places. Like Girdle Tree, the nearest place would be, say, Salisbury or Pocomoke City or maybe -- they're building a new hospital now down in Berlin, and I named that place way up there in Garrett County. The nearest place would be 50 miles down in Cumberland. Or St. Indigoes, the nearest place would be Leonardtown, would be about 30 miles. I mean, these are very remote places, but a lot of good people live there and they work for the state, but they like to live out around the water where they can fish, oyster, crab, go deer hunting, turkey hunting.

MR. MCWATERS: Goose hunt.

MR. GOLDSTEIN: Don't live in a
urban/suburban area.

MR. MCWATERS: For several years, we were
providers for Delmarva Health Plan, who's also very --

MR. GOLDSTEIN: Beautiful places, Delmarva,
Virginia, Maryland, Delaware. Yes, sir.

MR. MCWATERS: So we do know some of those
areas you're talking about, and we will work very
closely to make sure that there are quality providers
that the employees can access the care that's
necessary.

MR. GOLDSTEIN: Thank you. You answered my
question.

MS. MAURER: They didn't renew with you,
though, did they? They didn't renew with you?

MR. MCWATERS: They didn't renew with anyone,
as I understand it.

DR. FOWLES: One of the things on this point,
I actually think it will improve the care that the
employees in those remote areas get, because there will

be more information available to them, so that they know where to go.

Also, I just wanted to point out that we plan to have several meetings with providers throughout the state, including in those remote areas, so that they know who we are, we can develop a working relationship with them, and they understand how we operate, and so on.

MS. MAURER: One last question: If a primary physician calls and says, "I would like my patient, Susie Jones, to see a psychiatrist, and I would prefer 'Ms. X,'" and "Ms. X" is an in-plan person, how would your gatekeeper handle that?

DR. FOWLES: It would be real easy. The question has to do with how that person accesses the system, and either the member can call our direct line and access the system, or the primary care physician or provider can call that line as well and access the system. And, in fact, that's a good question, because the primary care physician is a very integral part to this whole thing.

MS. MAURER: So you would say that the primary care physician, his recommendation or her recommendation would be accepted?

MR. MCWATERS: Sure.

DR. FOWLES: Right.

GOVERNOR SCHAEFER: Do we have another speaker?

MS. REYNOLD: Dr. Hughes, Dr. Casey Hughes, wanted to speak, and I don't know if Delegate Pitkin is here or not. Yes, there we are. Thank you.

DR. HUGHES: Governor Schaefer, Treasurer Maurer, Comptroller Goldstein, I appreciate your giving us this time to address your concerns. I'm speaking today on behalf of the people who will be providing this service to state employees. We've all gotten together to voice our concerns with one speaker, so we don't take too much of your time, and I'm also speaking on behalf of the employees who will be the consumers of this care; and we have grave and serious concerns, and we urge you not to sign this contract.

I have given to each of you a very detailed

report on what our concerns are, but I would like to summarize them briefly, if I may, today. There are four major concerns that we have. The first is that we think that there will not be sufficient providers that will belong to this network. We've never seen a list of providers, although we have asked for it. In fact, there's been a history of not being able to get a list of providers with this particular company, with them not making a list of their providers available to the public, and we have no idea who these mythical 800 people are that they claim they have. Based on our conversations with our members, we're not exactly sure who they are, but we have trouble believing there are 800 of them.

And we give the example of the Eastern Shore, which is an area that's underserved anyway, where the providers refused to sign with this company because of several concerns they have, which we sent you a letter listing the concerns. And we find it difficult to believe that these same providers are going to sign up with this company now when they didn't sign up with

them before; and, therefore, certainly that area is likely to be underserved, and I'm sure that there are going to be other areas underserved.

Another -- the second reason that we're concerned is because we think their cost estimates are like "La La Land." The original RFP asked for bids based on either the vendor taking the risk or the state taking the risk or sharing, and we understand verbally that now the risk will be totally taken by the state, which is what we recommend, because if you have the risk taken by the vendor, then they're going to be very motivated to deny care. So now we have the risk taken by the company.

As we understand it -- I have to tell you that it's very difficult for us to get any information because this is all so secret and behind closed doors; but, as we understand it, this is a \$65,000,000 contract, of which we figure \$15,000,000 is for administrative costs. That leaves \$50,000,000 for claims, which, according to our estimates, is about 50 percent less than under the current system. That is an

incredible reduction in care, 50 percent in a field where the costs are going up at 10 and 20 percent in health care. You're going to reduce it by 50 percent.

Now, how are you going to do that? One, either the company is going to run significantly over their estimates, and the state is going to run the risk and is going to have to pay those over-costs; and I know that the three of you are very aware of what happens when you don't make good cost estimates. And I think you may have another situation just like that. Or the care is going to have to be cut drastically; 50 percent of all care is going to have to be cut in order to fit these cost estimates.

Third, we think that this particular contract is going to seriously damage the reputation of managed care in general and Maryland in particular. We do support the concept of managed care, all the providers as well as the employees. We support that concept. We think it's a wonderful idea, but it has to be done correctly, and we feel like this particular contract does not reflect the knowledge of people in the field.

It has so many things in it that fly in the face of all the research, and I've detailed a lot of those things for you.

And we think that there are alternatives to signing this contract, and we hope that you'll explore them. At the very least, if you must sign the contract, we hope that you will make additions to the contract that take into consideration the concerns that we have outlined. None of us have seen this contract. We have no idea what's in it. We've had a lot of verbal reassurances, but they are not in the RFP, they are not in the RFP. Hopefully they are in the contract.

And you could sign the contract for less than five years, so that if we are right, we are not going to do the severe damage to all these people across the State of Maryland. We hope that you will at least reduce the contract. And I thank you very much for taking the time to listen to these concerns. Thank you.

MS. PITKIN: Thank you very much, Governor

Schaefer, Comptroller Goldstein, and Treasurer Maurer, as well as the other members of the Board. I want to thank you very much for this opportunity, as I want to thank you for the pre-Board meeting last week and your postponement of this contract.

I think protecting the basic health care of state employees is about the same kind of compelling human suffering that you heard about earlier today, and it's something we ought to consider very carefully.

I represent the concerned legislators that you have heard from in writing and calls, who couldn't be here today, and I also, in my capacity as chairman of the Managed Care Subcommittee in the House of Delegates, who have been grappling with some of these issues for the past couple of years, would urge you, as Dr. Hughes said, to go slow on this issue. We're very concerned about this contract. This is a very radical departure from the kind of care that we have offered in this state before, and managed care and a carve-out particularly for mental health is a new field. It is an uncertain field we feel strongly about, and we are

very concerned about a variety of questions.

And so, as I say, on behalf of those who have been deliberating on these issues for a long, long time, we beg you to go slowly, and we don't think it's the choice of no contract or a contract today. We think that a delay, for instance, if you feel you must go forward with this, there should at least be a several-month, perhaps a six-month, delay where the appropriate people could sit down long enough to study not only the present services that are used but the needs for the future with the employees' representatives, the providers, the Legislature, to do an in-depth study and then come up with the best plan. It would also give an opportunity to the providers to be educated about the system, and it would give continuity, a critical continuity of care to the patients who may have to find other providers. Adequate time is very crucial.

An important part of counseling, I understand, is that the gatekeeper or the provider ultimately must know the local community resources,

must know what's in that community to give a support system to that person who's undergoing very difficult times; and, in fact, it is my belief, and I've had a family member with mental illness, that the most seriously affected are the ones who are the most vulnerable and the least able to appeal a denial of care. They're not in any position to appeal that kind of denial.

Lastly, I question, as Dr. Hughes did, the cost estimates. They don't seem to bear any relationship to the cost savings we now realize under the present managed care system, and I do think Maryland is in the mainstream, because the 40 states or 44 states you heard about were not states with managed care for mental health, a carve-out in other words. It is my information, unlike the previous testimony, that it is not 15 states, it is five. So, you know, we're not out of the mainstream at all. The survey that Mr. Cooke had referred to earlier is merely a survey of indemnity plans with some variety of review.

And, lastly, I think we need to be cognizant

of what's going on on Capitol Hill where questions about high administrative costs are getting very close scrutiny and they are coming under tremendous criticism. We don't want to minimize care, we don't want to deny care with a contract that, perhaps, will have very high administrative costs. I don't know if you saw The Washington Post "Health Section" a few weeks ago where they questioned whether managed care indeed reaps the kind of savings that we hear is to be realized.

And, lastly, I'd like to emphasize again what I did the other day. I don't understand why we institute a map program, a one-stop shopping, so to speak, for the Medicaid population, and we say that's going to save the state money, and yet when we talk about coordinated care for the mentally ill, for people who need these kinds of services, we don't want to have a coordinated plan.

We heard the secretary talk about a team approach, but there's no guarantee there's a team approach. We're very concerned about referrals. We

urge you to go slow. We urge you to spend the time to allow the study to get these questions answered. We thank you.

GOVERNOR SCHAEFER: Thank you very much.

Anyone else?

(No response.)

GOVERNOR SCHAEFER: Is there a motion?

(No response.)

GOVERNOR SCHAEFER: Apparently, there's no motion. So I'll make one. I move that we accept the proposals.

MS. MAURER: The four of them together, five of them together? Why don't we do the four and then the mental health one.

GOVERNOR SCHAEFER: We'll do the four first. That's 8, 9 --

MS. MAURER: I'll make the motion except for the Options.

MS. REYNOLD: 8, 10, 11, 12 and 14.

GOVERNOR SCHAEFER: All right. There's a motion on 8 -- would it be --

MS. REYNOLD: 8, 10, 11, 12 and 14.

MR. GOLDSTEIN: Well, wait a minute now. On Number 8, I second the motion on Number 8.

GOVERNOR SCHAEFER: All in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

GOVERNOR SCHAEFER: All opposed?

BOARD MEMBERS: (No response.)

GOVERNOR SCHAEFER: The ayes have it. Motion on Number 9, is there a motion?

MR. GOLDSTEIN: That's the one you just made the motion on.

GOVERNOR SCHAEFER: No, we made it on 8.

MS. MAURER: That was 8.

MR. GOLDSTEIN: We approved 8, okay.

GOVERNOR SCHAEFER: Now we're on 9. Is there a motion?

MR. GOLDSTEIN: The questions I asked of these doctors, I think, was in line with Delegate Pitkin and Dr. Hughes, and the delegate from Montgomery County -- I mean, Howard County was here last week, and

I've got a whole file of letters here from psychologists, case workers, psychiatric people. And I know it's a tough decision to make, but if we could maybe just modify the contract, make it for three years with two one-year options, I think that would give us an opportunity to make an observation. I know under the Maryland law, if something goes wrong, we can always void the contract, but that will lead to a big lawsuit. The lawyers I see sitting around here, they never take anything sitting down.

So I'd move that we would approve it --

GOVERNOR SCHAEFER: We're not on that one yet. We're on Number 9.

MS. REYNOLD: We're on 9, which is the mental health contract.

MR. GOLDSTEIN: Yeah, that's the one we just had all the testimony on, sir.

GOVERNOR SCHAEFER: Is that the one?

MR. GOLDSTEIN: Number 9-S, page 14B, that we approve the contract with one modification, that we make it for three years with two one-year options

provided that the service meets all the requirements based on the testimony given here today and the letter that was sent to us by their attorney, and the other matters that we now have in the record.

MS. MAURER: Does Options accept that?

MR. GOLDSTEIN: I didn't hear you.

GOVERNOR SCHAEFER: The question is will Options accept the three years plus one, plus one?

MR. MCWATERS: Is there an opportunity to discuss this? There's one primary problem with the reduced contract that we would like to bring to your attention, and we will serve at your pleasure, sir. So we want to move forward with managed mental health care in this state and improve the quality of care.

So I would like to make one suggestion, however. What that basically means, if I understand you correctly, this January we would go for three years and then have two one-year options, is that in about a year and a half to two years the state would be going through the very expensive, time-consuming, costly process of rebidding this; and, as you know, any time

-- in mental health, our experience is that five-year contracts, for example our Champus contract, are a little more -- they're a little more normal, but I guess it's better from the patient's perspective and the employee's perspective, who has been in a managed care program, working through those systems and with provider relationships that are contracted, to have those upset and changed and constantly in question.

So the concern we would have is that maybe you'd consider four years with an option, but the timing is such that you will keep the employees and the providers for that matter in a fair degree of disruption if we start this process again in a year and a half or two years.

But, again, we serve at your pleasure.

MR. GOLDSTEIN: I disagree with that observation. If you've got a good contract going for three years and the state employees are happy, the providers are happy, there's no need to ask for a new RFP.

MR. MCWATERS: Oh, is that right?

MR. GOLDSTEIN: That's right. That's exactly right.

MS. REYNOLD: You just renew it, just renew it.

MR. MCWATERS: Then we accept.

MR. GOLDSTEIN: The Secretary of Personnel would come in and say to the Board of Public Works, "These folks are doing a great job. These case workers have done a wonderful job. They've even got some Maryland folks that now can do it even," you see.

MR. MCWATERS: I'm just getting friendly with Casey, so I'm happy to do that.

MR. GOLDSTEIN: I've been sitting on this Board here since 1959 and been around here a long time. If people give you good service, service above self, give people R-A-S -- you know what that is?

MR. MCWATERS: No, sir.

MR. GOLDSTEIN: Recognition, affection and security, and that's what we're talking about here today. We want our people to have recognition when they call, have affection when they call, and have

security, knowing that they're going to have the proper attention for themselves and their families and their children. That's what we're talking about.

MR. MCWATERS: Absolutely.

MR. GOLDSTEIN: And, based on the fact you all come from the first state, Virginia, 1607, I know you all have been around a long time, that you will do a good job.

MR. MCWATERS: Yes, sir.

MR. GOLDSTEIN: Otherwise, I wouldn't be making this motion. And I have great confidence in our Secretary of Personnel and our deputies and all the folks advising her. I know they've done a yeoman's job getting all this information.

And I make this prediction. I've had a lot of psychologists and psychiatric people writing me. I make you a bet. Half of these people will come in this system after it gets -- you know why? They want that money, money, money.

MR. MCWATERS: I thought you were going to say because of the great job we did.

MR. GOLDSTEIN: Their eyes are sparkling. You follow me? Why do I say that? I live in the smallest county in Maryland. For many years, all we had was five little country doctors, and they'd come to your home and take care of you and give you a bottle of medicine for three bucks. Now we have 100-plus doctors. You've got to go to their office. You walk in the door, "Do you have cash? Do you have a card?" That's the first thing they ask you: money. They don't care whether you're sick, whether you're half dead. They want that money. Follow what I'm talking about, sir?

MR. MCWATERS: Yes, sir.

MR. GOLDSTEIN: You mark what I'm telling you. They're going to come into the system. Not all of them, but a big percentage of them will come into the system.

That's my motion, that we approve the three-year contract with two one-year options.

MR. MCWATERS: Yes, sir, we're pleased to do that.

MR. GOLDSTEIN: And that, based on what the testimony was here today, they're going to give people all this R-A-S, recognition, affection, security, and keep them happy.

MS. MAURER: I would second that. I think that some confidence has been built by your presentation, but I would feel that it's important to keep involved --

MR. MCWATERS: Yes, ma'am.

MS. MAURER: -- with the pieces of the community. I mean, we get the whole contract the week before in a page and a half that says 65,000,000. I had to do a lot of work to ask the questions that we raised, and there were concerns, and there are in your field good people and some who have not a reputable reputation. And it's hard for us to distinguish, and I know that the Personnel Department has worked at this long and hard, but you really need to work with the legislators, the services, the nurses, everyone; and I'm sure you will.

MR. MCWATERS: You have our absolute promise.

GOVERNOR SCHAEFER: You know, it's very nice to want to do everything for everyone and for the Legislature working on it for four or five years. They don't have the luxury of being able to put it off year after year after year. They've got to come to a conclusion. They only have "X" amount of money that we have in the whole state, and we want to provide the best service available at all times, and that's very nice, except possibly no one sat in here today when we were \$450,000,000 short. And I commend the Personnel Department for using the term "something that we can afford." Maybe we can't afford everything we're doing. We've got the best medical care of any private employer or public employer, and now you just let the cost keep on going and the federal government keeps passing mandates, and then all of a sudden we're \$450,000,000 in the hole.

We have a chance this time to say, "Okay, there's a cap, 13,000,000. After we hit the cap, that's the end of it." Now, that sounds awful hard, but if you don't have the money, you can't keep on

spending it and not expect it to affect someone else.

I think they did a fine job. I think the Treasurer was very concerned over it, and the Comptroller was very concerned over it. Everyone is concerned over it. We don't have that luxury of just being able to wait and put it off and we'll do it next year or the year after that and talk to everyone, and everyone has a different view. There's a time when decisions have to be made, and so this is decision time.

Okay. The motion is made and seconded. All in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

GOVERNOR SCHAEFER: All opposed, "no."

BOARD MEMBERS: (No response.)

GOVERNOR SCHAEFER: Motion carried. What's the next one, 10?

MS. REYNOLD: Number 10.

GOVERNOR SCHAEFER: Motion on 10?

MR. GOLDSTEIN: Number 10 now, are these companies that we're now doing business with? I asked

that question --

MR. BENTON: Yes, that's correct, that's correct.

MR. GOLDSTEIN: Pardon?

MR. BENTON: Yes.

MR. GOLDSTEIN: And they're giving satisfactory service?

MR. BENTON: The contracts are with the local health departments. This would provide that the state could step in in case of local --

MS. REYNOLD: No, no, we're on the HMO.

MR. BENTON: Oh, I thought this was --

MR. GOLDSTEIN: No, this is the health maintenance organization benefits.

GOVERNOR SCHAEFER: Hilda, are these in existence now?

MS. FORD: Yes, they are incumbents, they're current providers, and they are satisfactory providers.

MR. GOLDSTEIN: Okay. In other words, they're giving good service?

MS. FORD: Yes, they are.

MR. GOLDSTEIN: And the policy holders are happy with them?

MS. FORD: Yes, they are.

MR. GOLDSTEIN: Okay. I move that we approve it with that understanding.

MS. MAURER: Second.

GOVERNOR SCHAEFER: Motion, second. No objection. So ordered. What's the next one?

MS. REYNOLD: Number 11.

GOVERNOR SCHAEFER: Motion?

MR. GOLDSTEIN: Now, wait awhile, Number 11, Blue Cross/Blue Shield. Is anybody here from Blue Cross/Blue Shield? It's very important to get some information on this contract.

MR. BAILEY: I'm here for Blue Cross/Blue Shield. My name is Steven Bailey.

MR. GOLDSTEIN: You want to speak up, sir. Sometimes it's pretty hard to hear you in this room.

MR. BAILEY: Okay. I'll try it again. I'm here from Blue Cross/Blue Shield. My name is Steven Bailey. I'm the senior vice-president for all of our

group business here in the State of Maryland.

MR. GOLDSTEIN: Steven Bailey, B-A-I-L-E-Y?

MR. BAILEY: B-A-I-L-E-Y.

MR. GOLDSTEIN: Yes, sir. Well, we got a letter here today dated September 29 in response to a call I had yesterday from one of your representatives with reference to the financial ability of your company. Is the company solvent? You know, we pay so much money in advance, and then you bill us and deduct it from the money that you have on hand. Is that correct, sir?

MR. BAILEY: That's partially correct. On the fifth day of each month, the state advances at this time \$12,000,000 to Blue Cross and Blue Shield for the payment of claims and the administrative expense related to the payment of those claims in that month.

MR. GOLDSTEIN: In other words, we pay you for services in advance for \$12,000,000?

MR. BAILEY: Twenty-five thirtieths of it are in advance. Five days have already paid. We start paying claims on the first day of the month. Payment

is received from the state approximately on the fifth of the month, and that covers the first five days and the remainder of the month.

MR. GOLDSTEIN: Well, what I want to be sure is I know your company, Blue Shield/Blue Cross, went down the river, went broke down in West Virginia, our neighbor to the west and south. I want to be sure we don't have that problem in Maryland where we pay you "X" million dollars and something goes wrong because of the style that some of your folks are living under. I had no idea until I read it in the paper. Man, you folks live in high style. We country folks dream about those things. We never realize them.

So I just want to be sure that the money is not being wasted on expensive golf courses and going all over the world, and that makes the fees go up; and that our money is going to be safe. That's what I want to be assured of here today.

MS. MAURER: We'll --

MR. GOLDSTEIN: Wait a minute, let him answer that question.

MR. BAILEY: You've got a letter in front of you from our CEO. You also have attached to that letter a letter from our outside auditing firm attesting to the financial solvency of Blue Cross and Blue Shield at the end of last year.

MR. GOLDSTEIN: That's the letter from Arthur Anderson you're talking about.

MR. BAILEY: Right.

MR. GOLDSTEIN: Yes, sir.

MR. BAILEY: You also have an opinion letter attached there from an internationally known consulting firm, Booz-Allen-Hamilton.

MR. GOLDSTEIN: Booz-Allen, yes, sir.

MR. BAILEY: Attesting to where the company is today. We believe at this time, based on audited statements, that we have in excess of \$100,000,000 in surplus, that is, money over and above the funds needed to pay for claims that are currently outstanding. We have \$260,000,000 set aside to pay for current claim liabilities.

So, to your question specifically, Mr.

Goldstein, if Blue Cross were to go belly up, there's \$260,000,000 to cover that one month of advance that you're talking about. I think your money is very safe with us.

MR. GOLDSTEIN: I move that we put this in the record, these three letters he's talking about, so we'll have a complete record of it, knowing that what Mr. Bailey has told us is concrete, represented by the president of his company and by Booz-Allen and by Anderson, Arthur Anderson, one of the best accounting firms in the country.

MS. MAURER: I just want --

MR. GOLDSTEIN: Just one more question, Lucy, then I'll be finished. Now, payment on time, now we've had complaints from the providers that they have a hard time getting paid, and then that reflects on one of the services being received, and the doctor starts dunning them. For the future, is that going to be taken care of in an amenable fashion?

MR. BAILEY: I think there are two answers to your question, sir. One of them is, if you look at the

specifics for the State of Maryland employees, our performance may not have been excellent, but it's certainly been far from poor in the past. The state has a dedicated claims and service unit serving only state employees.

To the future, you've heard a lot, I'm sure, read a lot in the newspaper, about our new claims system, the care system. That system will be in place beginning 1993 for the state employee coverage. That system is designed to handle today's state-of-the-art managed care products that you all are having and talking about, and we believe we will deliver -- in fact, we agree to some substantial performance penalties with the DOP in those contracts. If we don't deliver, there are penalties that are significant that we will pay.

MR. GOLDSTEIN: Thank you, sir.

MR. BAILEY: Okay?

MR. GOLDSTEIN: That answered my questions.

Thank you.

MR. BAILEY: Madam Treasurer?

MS. MAURER: I believe your contract -- the Treasurer's Office is reviewing it -- is such that the agreement to pay you on the fifth is that it becomes your monies; they're no longer state monies. In the previous contract we were talking about, they will be state monies until disbursed and, therefore, we have to follow the check clearance pattern and have collateral and follow all the procedures.

And I've instructed my office to get in touch with Blue Cross to see what collateral you have once the money is turned over to you from the state, but we don't want to be in a position of being an unsecured creditor even though we're glad to hear you have so much in reserve. So I did want to get that into the record.

MR. BAILEY: I don't know the technical answer to your question of whose funds they become. I believe they currently as the fifth of the month become our funds.

MS. MAURER: Yes, I think that's correct.

MR. BAILEY: The issue that we're talking

about, while I appreciate your concern and your question and I think we should verify it with our people as well, we're talking about a 25-day period of time, from which you send us a check till we would have to declare insolvency and, also, would have to spend \$260,000,000 that is currently set aside in reserve for claims.

So I think that, before we get to that point, with the able help of the Insurance Division, we would all be aware that that was going to happen and the state could, in fact, withhold payment and say, "We're not going to pay you this month. We're going to wait and see, because we want that \$12,000,000 to pay the claims if we're liable for those claims."

MS. MAURER: I just wanted it in the record. We're going to explore it.

GOVERNOR SCHAEFER: Senator Munn's committee has caused us some embarrassment, particularly on whether they're pushing on the solvency of Blue Cross/Blue Shield. Some months ago, I'd written and specifically asked the Insurance Commissioner if Blue

Cross/Blue Shield was in bankruptcy or close to bankruptcy and whether I should take that action. He did not answer at first, and I wrote him again. He finally, I think, has written and said that they're not bankrupt, that they're operating. However, stories like the secretary in the paper does cast some very serious problems for us who have to eventually vote on this.

I agree totally with the Comptroller that some of the actions by the members of the board were embarrassing. I say this because it just puts us in a tight spot when we're approving a contract for this amount of money. Nothing you can do about it. I will try to do something about it a little later on, but now I think we've got to get over whether the committee is going to try to find Blue Cross/Blue Shield insolvent. When we get over that, we'll be able to move on.

Your assurances to the Comptroller, I think, were important. I think it should be in the record. It is in the record. I don't think you're bankrupt. I think you're solvent, and that's my judgment after

listening to everyone else talk about Blue Cross/Blue Shield.

There's a motion. Is there a second?

MS. MAURER: Second.

MR. GOLDSTEIN: Second.

GOVERNOR SCHAEFER: All in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

GOVERNOR SCHAEFER: Thank you.

MS. REYNOLD: The last one is the 14, which is the Group Health Association contract to continue the active employees and retirees in that GHA plan.

GOVERNOR SCHAEFER: All right. Is there a motion on this one?

MR. GOLDSTEIN: I move we approve Item Number 14.

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. So ordered.

Judge Russell is here.

MR. GOLDSTEIN: Yes, sir.

GOVERNOR SCHAEFER: What are you here for?

MR. RUSSELL: Page 18 on the supplemental.

GOVERNOR SCHAEFER: Page 18, supplemental,
what's that?

MS. REYNOLD: Secretary's? Oh, school
construction, the school construction item?

MR. RUSSELL: Yes.

GOVERNOR SCHAEFER: Let's take that up.

MR. GOLDSTEIN: What agenda?

MS. REYNOLD: Secretary's Agenda.

GOVERNOR SCHAEFER: What agenda?

MS. REYNOLD: Secretary's.

GOVERNOR SCHAEFER: Secretary's Agenda.

MS. BOSCHERT: Page 18.

GOVERNOR SCHAEFER: Page 18 on the
Secretary's Agenda.

DR. STENZLER: Good afternoon.

MS. MAURER: I'm ready to move approval on
this.

MR. GOLDSTEIN: That's what I told him a
half-hour ago.

GOVERNOR SCHAEFER: Judge, the old adage, when you're ahead, you don't have to say anything.

MR. RUSSELL: No, sir, I have nothing to say but good-bye. Thank you.

GOVERNOR SCHAEFER: Got a motion. Is there a second?

MR. GOLDSTEIN: I move we approve Item Number 14.

MS. MAURER: Second.

GOVERNOR SCHAEFER: No objection. So ordered. What's next?

MS. REYNOLD: Want to take the agendas in order now?

GOVERNOR SCHAEFER: Yes.

MR. GOLDSTEIN: Start with what?

MS. REYNOLD: Let's start over again. Let's start with the Secretary's Agenda. We have 16 items today. Any questions on any of those?

MR. GOLDSTEIN: One minute now, let's see. I had an item on page -- Item 10, page 14. That's a new program, looks like here. Yeah, Item 10, page 14.

MS. SCOTTO: Yes, sir.

MR. GOLDSTEIN: Is this a new program?

MS. SCOTTO: Sir, the program is not new. It's part of our ongoing urban stormwater retrofit cost share.

MR. GOLDSTEIN: Yeah, but, I mean, here's where you have a private development, and they've had a stormwater program, but then later you come in and help them maintain it.

MS. SCOTTO: No, sir.

MR. GOLDSTEIN: That's not new?

MS. SCOTTO: No, sir, no. In fact, this is an ongoing capital construction program that the department has had since the mid '80s where old urban development that was developed before the stormwater control laws were developed are retrofit through a voluntary cost share program with the local governments and the state.

This particular contract, though, is for a project, joint project, between the U.S. EPA, the state, and Prince George's County to demonstrate some

innovative stormwater control techniques.

MR. GOLDSTEIN: I see. That answered my question then. One more, let's see here, Appendix 1.

MS. SCOTTO: Thank you.

MR. GOLDSTEIN: Appendix 1, this was a -- is anybody here from the Department of Public Safety? Do you mind coming up here, please, sir. Appendix 1, this contract was from June 26 through July 27. Why is it so late reporting it? It's after the fact.

MR. ROSE: My name is Ulysses Rose, and I'm the assistant director for procurement.

MR. GOLDSTEIN: I didn't hear your answer.

MR. ROSE: Because we --

MR. GOLDSTEIN: You want to speak in that mike there.

MR. ROSE: We had to get some additional information for the "Remarks" section. So this is why we reported a little late.

MR. GOLDSTEIN: Supposed to have these things approved, you know, in due course. All right. Thank you.

MS. REYNOLD: Within 30 days is the reporting requirement. So this was in June/July.

MR. GOLDSTEIN: July 26, that's not 30 days.

MS. REYNOLD: No, sir.

MR. GOLDSTEIN: That's 60 days.

MS. REYNOLD: Yes, you're right.

MR. GOLDSTEIN: Got August and September.

MS. REYNOLD: More than that really.

MR. GOLDSTEIN: I say, it's more than that.

All right. Do you have anything else, Lucy, on that?

MS. MAURER: Move approval? Yeah, okay.

MR. GOLDSTEIN: I move we approve this agenda.

MS. MAURER: Second.

MR. GOLDSTEIN: All in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

MR. GOLDSTEIN: Opposed, "no."

BOARD MEMBERS: (No response.)

MR. GOLDSTEIN: There's nothing on Open Space. The Budget, we still have some more items on

the Budget.

MR. ROWLAND: On the Budget Agenda, we have 14 items. We're withdrawing Item 7-S-MOD on page 10B.

MR. GOLDSTEIN: One minute now, one minute. Item 7-S withdrawn?

MR. ROWLAND: Yes, sir.

MR. GOLDSTEIN: One minute, let me get to it, please, sir. Take your time here. Item 7-S, that's being withdrawn?

MR. ROWLAND: Yes, sir.

MR. GOLDSTEIN: All right. One minute now. All right. What's the next one?

MR. ROWLAND: Items 8-S through 13-S, pages 12B through 21B, were supplemental items. I'd just call your attention to that.

MR. GOLDSTEIN: One minute. We haven't taken all -- we took up Item Number 8-S and we took up 9-S and 10-S.

MS. REYNOLD: Just for the record.

MS. MAURER: It's just for the record.

MR. ROWLAND: Just for the record, they came

in as supplementals.

MR. GOLDSTEIN: Right.

MR. ROWLAND: And 14-S was a hand-carried.

MR. GOLDSTEIN: Right.

MS. MAURER: That was the --

MS. REYNOLD: Yes.

MR. GOLDSTEIN: Well, let's see now. I have a question on Item 1, page 1B.

MR. ROWLAND: Right, the lottery contract. Mr. Rochford is here.

MR. GOLDSTEIN: Yeah, I think we ought to have a little explanation on it, our distinguished chairman.

MR. ROCHFORD: How do you do.

MR. GOLDSTEIN: How much extra money will this produce for the lottery system?

MR. ROCHFORD: This will produce over the time --

MR. GOLDSTEIN: Can you speak up a little bit, please, sir.

MR. ROCHFORD: This will produce -- the name

is Bill Rochford, director of the Maryland State Lottery, and I appreciate the opportunity to appear before this august Board. This investment will produce \$30,000,000.

MR. GOLDSTEIN: How much?

MR. ROCHFORD: Thirty million.

MR. GOLDSTEIN: Thirty million.

MS. MAURER: Over four years.

MR. ROCHFORD: Over four years. It's a \$6,000,000 investment, and the return will be 40,000,000.

MS. MAURER: Are you paying for it out of current lottery returns?

MR. ROCHFORD: No, we're paying it with a finance plan through your office.

MR. GOLDSTEIN: And how much interest are they charging? How much interest are they charging you?

MR. ROCHFORD: I really don't know. It's very little, I'm sure.

MR. GOLDSTEIN: Well, that's very important

to get that answer.

MS. MAURER: It's in the master lease.

MR. GOLDSTEIN: I know, but --

MS. MAURER: I think it was under six percent.

MR. GOLDSTEIN: Well, I hope so. I mean, you can borrow money from the banks now at four or five percent.

MR. ROCHFORD: We want to do business with the state.

MR. GOLDSTEIN: I mean, every day banks lower their interest rate what they charge you on deposits. So this is a good time to borrow money on something like this. I just want to be sure we're not paying a high interest rate.

MS. MAURER: We're paying nine percent for the energy things, because they're financing it through BG&E.

MR. GOLDSTEIN: I know. That's the reason I even asked on that one. Okay, sir. I thank you.

MR. ROCHFORD: Thank you.

MR. GOLDSTEIN: Item 3-S, I'm going to vote against that. Is the Governor coming back?

MS. JEFFERS: I don't believe he is.

MR. GOLDSTEIN: Pardon?

MS. JEFFERS: I don't believe that he is.

MR. GOLDSTEIN: Well, you'd better withdraw it then, because I'm going to vote against it. The reason I'm voting against it, when I see all the budget cuts being made here today and we're paying somebody \$6,000 to interview a drunkard to find out if he's good, bad or indifferent, I can't vote for it. It's just a waste of taxpayers' money. I mean, I'm going to give you my reason.

MR. JEFFERS: The Governor is not coming back.

MR. GOLDSTEIN: Well, you want to withdraw it?

MR. ROWLAND: We can withdraw it.

MS. MAURER: That was a reduced price.

MR. BENTON: Yes.

MS. MAURER: And the court ordered.

MR. GOLDSTEIN: Well, they may have to take me into court. That's all I know. Let me see now. We took care of Item 8. We took care of Item 9, Number 10, Number 11.

Item Number 12 now, I think we've got to get some wording in Item Number 12. Item Number 12, it's \$103,700,000 that would be provided for the Department of Health and Mental Hygiene. I think we ought to have an approval of it before it goes into effect and then a monthly report.

MS. REYNOLD: Secretary Sabatini is here to explain that.

MR. GOLDSTEIN: Yes, sir, Dr. Sabatini, yes, sir.

MR. SABATINI: Let me try to explain what we have in this and what we're proposing in this item. There's currently \$103,000,000 in budgeted funds, total funds. This is both federal funds and state general funds that we have put out to local health departments through various grant programs. They include local and family health programs, money for AIDS, some of the

laboratory activity, and some of the clinics, the mental health clinics that are being run either by the health department or the health department is contracting for, and the money is out there. The programs are being run.

What our concern is, and it's almost a management contingency based on what might be happening as a result of some of the budget cuts that we've discussed earlier, is that when we make these cuts to the local health departments, depending on what a local jurisdiction does, it is possible that the local health department could disappear and close. The local government may say, "We can't put any of our money in. We can't augment the cuts you've made," and there will be no local health department.

Now, this program money is out there, and we are saying, in order to assure a continuity of service in an ongoing continuity of care for the people that are in these programs, we are requesting expedited procurement authority, so that if a local health department says, "Look, you've cut our money; we're

shutting our doors," we would then take the money and get an expedited procurement to get another contractor, someone else in there, to fill that gap.

It's purely kind of strategic management planning to be able to implement some of the cuts that may be coming down. It's contingent upon worst-case scenario. I can't predict what the local governments will do at this point.

I would be happy to put in any of the safeguards that you would like, Mr. Comptroller, to have close reviews and audits and everything to make sure everything is done properly and correct, and I have no objection to that whatsoever. I just -- I'm asking for what is in essence management flexibility, so that we can assure continuity of service and not have a program stop and then have to worry about bringing something up again.

MR. GOLDSTEIN: That's all I ask is that we have prior approval and a monthly report, so we know exactly what's happening.

MR. SABATINI: Absolutely, and I think we

said in the item that we would be happy to do that.

MR. GOLDSTEIN: You would agree with that?

MR. SABATINI: Yes, sir.

MR. GOLDSTEIN: Madam Secretary, you'll be sure it's amended, to report?

MS. REYNOLD: Yes, sir, I have it.

MS. MAURER: Nelson, I must say I can't remember numbers, but what do you have in cuts for the local health departments?

MR. SABATINI: We are --

MS. MAURER: Hundred and twenty-six?

MR. SABATINI: Well, the cuts that we will -- we are going to be reducing all of the remainder of the case formula money that goes out there.

MS. MAURER: How much is that?

MR. SABATINI: That is a total of about \$12,000,000, I believe.

MR. SWANN: That's what remains.

MR. SABATINI: Yes, that's what remains.

MS. MAURER: But the 100,000,000 --

MR. SABATINI: These are categorical. These

are other grant monies outside of that that the local health departments administer programs for.

MS. MAURER: Okay.

MR. GOLDSTEIN: Based on that, I move that we approve it and the rest of the agenda.

MS. MAURER: Second.

MR. GOLDSTEIN: Except Item Number 7 that was withdrawn. All in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

MR. GOLDSTEIN: Opposed, "no."

BOARD MEMBERS: (No response.)

MR. GOLDSTEIN: So ordered. Thank you. All right. The next agenda is University of Maryland.

MR. MYERS: Good afternoon. We have two items on the agenda and an additional item that was hand-delivered to the members of the Board.

MR. GOLDSTEIN: University of Maryland, let us get it here. Let's see, Item 1-C was okay. Item 2 was okay. Are you talking about Item 3-C on page 4C?

MR. MYERS: Yes, sir.

MR. GOLDSTEIN: This is for a child care

project. Do the people pay any kind of fee for this child care over at the University of Maryland?

MR. MYERS: Yes, they do.

MR. GOLDSTEIN: Is it in line with what they charge in other parts of the state?

MR. MYERS: I can't speak to that particular point. Perhaps Mr. Mayhew can.

MR. MAYHEW: Yes, sir, we are paying about -- it's a sliding scale -- the lowest paid people about \$100 a week, and it goes up to about 150.

MR. GOLDSTEIN: I see.

MS. MAURER: Who is this for? Who is eligible to bring their child or children there? Is it for employees and faculty?

MR. MAYHEW: Employees and faculty and students.

MR. MYERS: As first priority.

MR. GOLDSTEIN: We have a good one down there in Baltimore City, down where they used to have the Western Electric. That was one of the first ones the state built. You know what I'm talking about?

MS. MAURER: At Breeze Point.

MR. GOLDSTEIN: Yeah, go down there, a beautiful place.

MR. ROWLAND: Breeze Point.

MR. GOLDSTEIN: Yeah, Breezy Point.

MR. WALSH: Point Breeze.

MS. MAURER: Point Breeze.

MR. GOLDSTEIN: Point Breeze down in --

MS. MAURER: Today is not my day.

MR. GOLDSTEIN: I'm 100 percent for child care. I think it's one of the best programs you can have to take care of these children. If your children are taken care of, the wife is going to be happy and the husband is going to be happy, and they'll do a better day's work.

MR. MAYHEW: Yes, sir.

MR. GOLDSTEIN: Okay. I just wanted to be sure it was all right. We thank you. I move we approve the agenda.

MS. MAURER: Second.

MR. MYERS: Thank you very much.

MR. GOLDSTEIN: There's nothing on Public Safety. Next is Transportation.

MR. MCALLISTER: Good afternoon. Brian McAllister with the Department of Transportation.

MS. MAURER: Almost good evening.

MR. MCALLISTER: Had to make sure. We have seven items, including a hand-carried item that I brought to you this morning.

MR. GOLDSTEIN: Item Number 7-RP, there's no problem about that. Let me see here, I had Item 1-C. Let me see what that was, sir, Item 1-C. Lucy, I had the very question you had, the interest rate. You see that?

MS. MAURER: Yes.

MR. GOLDSTEIN: The interest rate that's being charged by BG&E.

MR. SCHAUS: The BG&E part of the transaction, yes, sir. Good afternoon. I'm Nick Schaus, deputy aviation administrator. We've looked at that, and basically it's a constraint on the budget situation right now. What we would hope to do is in

upcoming years or even this fiscal year, if we can identify the money in our own budget, to pay it off early. It certainly behooves us to do that with that interest rate.

MR. GOLDSTEIN: Do you have a prepayment clause in the contract?

MR. SCHAUS: No, I don't believe there's any prepayment clause there that precludes us from paying it off early.

MR. GOLDSTEIN: You say there is or is not?

MR. SCHAUS: There is not.

MR. GOLDSTEIN: Well, you want to be doggone sure that you have a right. In other words, there ought to be a very simple sentence. Whatever you call yourself here, you'll be the lessee -- has the privilege of prepaying this debt at any given time, period, without penalty. Be sure to add "without penalty."

MR. SCHAUS: Yes, sir.

MR. GOLDSTEIN: Because there may be some Mickey Mouse words in the fine print that somebody

overlooks. Follow what I'm saying?

MR. SCHAUS: Oh, yes, sir.

MR. GOLDSTEIN: Because nine percent is a hell of an interest rate to be paying right now, when the bank is only paying two and two and a half. That's a big spread.

MR. SCHAUS: That rate was agreed to, I believe, by the Maryland Energy Administration people when this program was established.

MR. GOLDSTEIN: But, see, they're bureaucrats. A lot of times they're not business people.

MR. SCHAUS: But the rates were higher, what I was going to say, several years ago when this program was initiated.

MR. GOLDSTEIN: Did you try and get a cheaper rate?

MR. SCHAUS: Yes, sir. They didn't want to budge on it. So that's even more of an incentive for us to pay this off early. But the savings, as you well see in here, are substantial.

MR. GOLDSTEIN: I understand that. No question about it, it's a good program.

MR. SCHAUS: It's a good deal.

MR. GOLDSTEIN: I'm 100 percent for it, but my only concern was the interest rate.

MR. SCHAUS: Ours also.

MR. GOLDSTEIN: Let's see, the next one was Item Number 6. Item Number 6, let me see what that's all about. We've covered so many things here today.

MS. HOMER: Good afternoon, Mr. Comptroller, Madam Treasurer.

MR. GOLDSTEIN: Yes, ma'am. Always nice to see the deputy here. That's that little place down there called Queen Anne's County.

MS. HOMER: That's right.

MR. GOLDSTEIN: Wye Island and the beautiful Wye Narrows Bridge going over one of the most beautiful spots in America, where Governor William Paca used to renew his energies and enjoy himself, and he's buried right in the front yard of the old mansion house there, one of the signers of the Declaration of Independence.

Every Fourth of July they have some individual come and give an oration about William Paca.

I just want to be sure -- his tombstone is located on the mainland.

MS. HOMER: I see.

MR. GOLDSTEIN: But now you're turning this bridge over to the Department of Natural Resources.

MS. HOMER: That's correct.

MR. GOLDSTEIN: They're wonderful people, but sometimes they get very contrary and take things into their own hands, figuring they own everything. So I just want to be sure that this bridge is going to be open and not closed at the whims of some individual.

MS. HOMER: Yes, I understand, Mr. Comptroller.

MR. GOLDSTEIN: And I understand you've put a clause in there that that can't be done.

MS. HOMER: Yes. Yes, we put a clause right in the deed, and it's on the page that you will be signing if you approve this item, and it states that, "This is subject to the right of the public to use as a

means of travel, the above described property and bridge structure, till such time as the Board of Public Works determines public travel is no longer feasible," and so forth. "And this restriction shall constitute an equitable servitude on the property and bridge structure and run with and bind the property and bridge structure until terminated by the Board."

So you have full control over the public access in this bridge by the deed.

MR. GOLDSTEIN: And the deed will read, "To the State of Maryland for the use of."

MS. HOMER: Yes, that's correct. I believe it --

MR. GOLDSTEIN: Is that right?

MS. HOMER: I believe it reads that way.

MR. GOLDSTEIN: I don't have a copy of the deed here.

MS. HOMER: Oh, you didn't receive a copy of the deed with the agenda item?

MR. GOLDSTEIN: I know Bobby brought me this one page here which I have here, but I don't have the

front page of it.

MS. HOMER: Okay. We'll make available a copy to you.

MR. GOLDSTEIN: Could I see the front page of it?

MS. HOMER: Yes, I have it.

MR. GOLDSTEIN: This is on page two of the deed to be signed by the Governor, the members of the Board of Public Works, and Mr. Hal Kassoff.

MS. HOMER: That's right.

MR. GOLDSTEIN: What does the front part of the deed say?

MS. HOMER: It says, "The grantors do hereby grant, convey, quitclaim unto the State of Maryland to the use of the Department of Natural Resources."

MR. GOLDSTEIN: Okay. All right. That's fine. That takes care of my observations.

MS. HOMER: Okay. Thank you.

MR. GOLDSTEIN: I move that we approve the Department of Transportation Agenda.

MS. MAURER: Second.

MR. GOLDSTEIN: All right. We're moving right along here. Let's see, Item Number --

MS. MAURER: We didn't vote on it. I assume it's approved.

MS. REYNOLD: Approved.

MR. GOLDSTEIN: Didn't we move approval?

MS. REYNOLD: Everything is fine.

MR. GOLDSTEIN: Okay. All right. General Services. We thank you, everybody. We appreciate your bearing with us a little late here today. I'm sorry nobody has had their lunch yet.

MS. REYNOLD: We should have ordered today.

MR. GOLDSTEIN: My first one is Item 8-L. What's yours, Lucy?

MS. MAURER: Eleven.

MR. GOLDSTEIN: Eleven? Oh, yeah. Wait a while. First, we have a new one here. It's Item Number 2A. I've got it right here, I think, somewhere. I read it about midnight last night. Yeah, here it is. It's the full-service maintenance of automatic temperature controls to Johnson Controls. I have no

objection to that.

MR. WALSH: I'm simply moving that hand-carried in the record.

MR. GOLDSTEIN: Sir?

MR. WALSH: It's a straightforward competitive sealed bid.

MR. GOLDSTEIN: Right.

MR. WALSH: Rather than wait till the next session.

MR. GOLDSTEIN: Let's see, mine was 8-L here, 8-L, page 9.

MR. WALSH: Yes, sir.

MR. GOLDSTEIN: Why do they need this new office? You know, we're cutting back on money. Columbia, Maryland -- why do they need an office in Columbia, Maryland, when you've got all those big offices in Baltimore? And here you're getting ready to spend almost \$56,000 a year. Why do they need an office in Columbia?

MR. WALSH: This is basically a client contact office for DEED, even though Columbia on a

macro scale is rich. Their services are needed for that small population.

MR. GOLDSTEIN: Well, see, look, they used to be in Annapolis. The predecessor said, "I want to have an office in Annapolis, so I can see the state capitol. So, when I bring in prospects, they can see the Governor's Mansion and the beautiful historic State House." Then another fellow come along and said, "Well, I want to be where the action is up in Baltimore where they've got clubs, Center Club, Merchants Club, Maryland Club, so I can entertain these people in these swanky clubs." Follow me? Now they're getting ready to move out into Columbia. I just can't vote for this now with all these budget cuts.

MS. MAURER: This is an unemployment --

MS. REYNOLD: This is an unemployment office, isn't it, Marty?

MR. WALSH: They have an unemployment office there in Columbia now, and it's located in county facilities. If you recall, about a year ago, I advised the county people that, if they were in our multi-

service center, they were going to have to pay rent.

MR. GOLDSTEIN: Says "client contact."

MR. WALSH: Basically, they have been getting free rent from the county all this while.

MR. SWANN: It's an unemployment office.

MS. REYNOLD: It's an unemployment office.

MR. GOLDSTEIN: You say now it's an unemployment -- you would never know that, reading this.

MS. MAURER: You had to read it between the lines.

MR. GOLDSTEIN: It says here for "client contact."

MS. REYNOLD: You're right.

MR. GOLDSTEIN: So I thought it was for bringing in prospects.

MR. WALSH: We'll make that clearer in the future. I mean, that is what it is.

MR. GOLDSTEIN: See, reading this, I would never know that was for unemployment.

MS. REYNOLD: Yes.

MR. GOLDSTEIN: It ought to have been up there, "unemployment" in big letters.

MR. WALSH: You'll have no problem with that in the future.

MR. GOLDSTEIN: Well, that's a different situation.

MR. WALSH: Right.

MR. GOLDSTEIN: See, if you give us facts, we can make proper decisions, but you never can read between the lines on this stuff. No criticism, but sometimes people don't understand that we have to read these things, and I read them. Maybe I shouldn't read them, but I do read them.

MR. WALSH: We want you to read them.

MR. GOLDSTEIN: Because, if I make a mistake, that's the end of Louie Goldstein, because they're going to put it in all the headlines in the papers and everything else. So I'm not perfect. I've made a lot of mistakes in my life. Some I regret, some I don't regret. Lot of us here are by mistakes. That needs no explanation.

Now, this contract on 9A-L, and I want the record to show that we renegotiated it, and we saved \$65,000 for two years, for the year of July 1, '92 to June 30, '93, and July 1, '93 to June 30, '94. So that's \$130,000. And the rest of the contract is new. Is that right, sir?

MR. WALSH: We are paying the same rate over these two remaining years. Yes, sir.

MR. GOLDSTEIN: That's right. Start off here with \$27.75 a month, going up.

MR. WALSH: That's right. They're renewing --

MR. GOLDSTEIN: But we start the contract new starting July 1, '94.

MR. WALSH: Yes, sir.

MR. GOLDSTEIN: So, with that, I move that we approve the agenda and this contract.

MS. MAURER: Well, wait a minute. I've got 11, 13 and 14.

MR. GOLDSTEIN: Oh, excuse me, Lucy. Item 11?

MS. MAURER: The culinary school, 11, as far as I can read it, the value of their property is a matching fund; and, usually, no state funds will be disbursed until such time as the lone recipient has presented suitable evidence to the Comptroller that it has expended its portion of the required matching funds.

MR. WALSH: I can check that out in specifics, but I would guess that that matching operation had already been approved.

MS. REYNOLD: They've already -- they've certified that.

MR. WALSH: Yes.

MS. REYNOLD: Through us, come to the Board.

MR. WALSH: And the Board acted on that some time ago.

MS. REYNOLD: And the Board's approved it. So they're really on the second step now.

MR. WALSH: So this is just them --

MS. REYNOLD: This is the normal language.

MR. WALSH: -- in effect, implementing the

loan.

MS. MAURER: So they're not going to have a matching portion because they put up --

MS. REYNOLD: They've, in effect, come and said, "We have a match because we have our property."

MS. MAURER: Okay.

MS. REYNOLD: And that's as far as you all have to carry it.

MS. MAURER: Okay. And 13 --

MR. GOLDSTEIN: Thirteen?

MS. MAURER: -- the infamous Weinberg Center for the Arts where there's an art controversy, has that been resolved, so we're not in the middle of the art controversy?

MS. REYNOLD: I don't know about the art controversy.

MR. WALSH: Maybe I'm -- I'm certainly not skirting the issue on purpose here, but --

MS. REYNOLD: I do know what you're talking about.

MR. GOLDSTEIN: Lucy is referring to a

painting --

MS. REYNOLD: I know what it is, yeah.

MR. GOLDSTEIN: -- that was shown by an art council. This is different, Lucy.

MS. REYNOLD: That's right.

MR. GOLDSTEIN: This is a building that was an old theater.

MS. MAURER: Yes, but it was at the Weinberg Art Center.

MR. GOLDSTEIN: But, no, this painting wasn't in that center. It was in another --

MS. MAURER: Well, I don't want to get into the middle of it, and that's all I wanted is make sure the Board isn't getting into the middle of an art controversy about a painting.

MR. GOLDSTEIN: Lucy, this is very similar to the theater in Hagerstown, and it's like the Warner Theater in Washington that's been restored. Back in those days, they really, I mean, went to town and built these beautiful theaters in these towns all over the country. Last time I was there was last summer when

they had the 100th anniversary of the Maryland Volunteer Fire Company, which started in Frederick back in 1892, and they had their 100th anniversary. They had their first big celebration right in that theater.

MR. WALSH: This is the seventh grant award to Weinberg --

MS. MAURER: I have no objections to a grant award.

MR. WALSH: -- of about \$140,000 total.

MS. MAURER: I just want to make sure --

MR. GOLDSTEIN: Right. They've done a good job there. It's amazing. This place provides a lot of --

MR. WALSH: Yes.

MS. MAURER: And 14, our good friend from Delaware has the contract for the Dorchester Jail, and have we added the language we added for something else, that he's going to use Maryland labor?

MR. WALSH: Again, what we're doing on this grant is we're just -- this is the vehicle to give them the money. So that this project actually was completed

in April.

MR. GOLDSTEIN: Yeah, it's been finished.

MR. WALSH: So that this is part of their close-out operation. They're just recovering the rest of it.

MS. MAURER: The Venables part that the state had was at ECI. That was --

MR. WALSH: This is a local jail grant.

MS. REYNOLD: Isn't this a county bid project?

MR. WALSH: Yes, it is.

MS. REYNOLD: The county bids it, and the county contracts with them.

MS. MAURER: We didn't hear from the guys in Salisbury when the counties gave it to Delaware.

MS. REYNOLD: That's right. You're absolutely right.

MR. WALSH: That's right.

MS. MAURER: We ought to remember this when we're accosted with --

MS. REYNOLD: Yeah, exactly.

MR. SWANN: The Board is supposed to approve these awards not after the fact. They're supposed to approve it before the fact. And, in this case, these are coming in after the fact.

MR. GOLDSTEIN: That's right.

MS. MAURER: So what else is new.

MR. SWANN: That's the way it happens on these.

MR. GOLDSTEIN: One's for 7,230; that's the fencing. And the other is for around a little less than \$12,000. But you're absolutely right.

Anything else, Lucy?

MS. MAURER: Move approval.

MR. GOLDSTEIN: Second the motion. All in favor, signify by saying "aye."

BOARD MEMBERS: Aye.

MR. GOLDSTEIN: Opposed, "no."

BOARD MEMBERS: (No response.)

MS. MAURER: Move we adjourn.

MR. GOLDSTEIN: Anybody have anything else to bring to the welfare of the State of Maryland, the good

of the State of Maryland?

(No response.)

MR. GOLDSTEIN: If not, we thank you for being so patient today.

(Whereupon, at 2:40 p.m., the above-entitled meeting was adjourned.)