



MDH ATTENDEES: Marlana Hutchinson, Deputy Secretary, Developmental Disabilities Administration
Amalie Brandenburg, Chief Financial Officer

Available For Questions: TBD

Maryland Department of Health (MDH) Developmental Disabilities Administration
Fiscal Year 2026 Operating Budget
Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee
Health and Human Services Subcommittee
Senator Cory McCray
February 20, 2025

House Appropriations Committee
Health and Social Services Subcommittee
Delegate Emily Shetty
February 28, 2025

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

DLS determined the report on advance payments made during the LTSS transition to be in compliance with the language and therefore recommends that \$500,000 in withheld general funds be released and will process a letter to this effect if no objections are raised during the hearing. (page 12)

The Maryland Department of Health thanks DLS for their review and recommendation.

Due to (1) supplemental information provided at the fiscal year closeout not indicating accounts receivables and (2) the significant delay in DDA providing closeout budget amendments, DLS recommends restricting \$500,000 in general funds from DDA for administration until a closeout report and all closeout budget amendments are submitted to the budget committees. (page 12)

The Maryland Department of Health concurs and will provide the requested report and closing budget amendments in partnership with the Department of Budget and Management.

DDA should provide an update on the status of submitting a waiver amendment for CMS approval of the geographical differential elimination, action to direct transitioning youth into the traditional model, and the self-directed services cap on IFDGS. (page 21)

These actions are substantive changes to the existing waiver authority; as such, the Department must petition CMS for approval. The Department plans to submit a waiver amendment to CMS for the approval of the geographical differential elimination, as well as the cap on IFDGS. The waiver amendment related to the IFDGS cap will be contingent on the passage of the BRFA. At this point, the Department no longer anticipates pursuing the action to limit transitioning youth to the traditional model, as we believe that proposed changes to the model and cost containment policies will result in this action being unnecessary. The Department will continue to monitor the implementation of the cost containment policies and the savings captured, as well as ongoing projections, to ensure DDA remains on the path to generate the overall budgeted savings without pursuing the limitation of transitioning youth to the traditional model. Waiver applications require 30 days public comment and a minimum of 90 days for CMS to review.

DDA should also comment on plans to correct the deficit of \$88.6 million (\$44.3 million of general funds) in fiscal 2025 from incorrectly estimating the cost containment savings. (page 21)

The Department is working closely with the Department of Budget and Management to update the Administration's estimates of savings from the cost containment actions in FY 2025, and DBM plans to reflect the revised estimates, along with updated baseline cost trends for DDA in FY 2025, in a proposed supplemental budget.

Additionally, the Department of Budget and Management (DBM) and MDH should replace the federal funding that would be reduced for the elimination of the LISS program through a supplemental budget. (page 21)

The Department and DBM concur with this recommendation.

DDA should comment on its current estimate for the fiscal 2025 closing WLEF fund balance, including plans to backfill the balance transfer amount, if needed. (page 25)

See chart below. Please note that revenue attainment from FY 2025 is dependent on projected facility average daily population (ADP) levels for February through June.

Revenue Balance as of 2/17/25	\$14,037,883
Projected Interest	\$565,746
Projected FY 2025 WLEF Payment - Holly	\$897,295
Projected FY 2025 WLEF Payment - Potomac	\$475,242
<i>Total Projected FY 2025 WLEF Revenue Balance</i>	<i>\$15,976,166</i>

The WLEF underwrites the cost of DDA Community Services for individuals who transition from the Department's DDA facilities to community-based care. The only source of revenue are penalty payments from the state's DDA facilities, Holly Center and Potomac Center. Revenue is only transferred into the fund when ADP falls below budgeted levels. These payments come from the facilities' general fund appropriation.

As of February 7, 2025, DDA had not submitted this report. DDA, however, had provided such data to DBM. DDA should explain the reasons for the delayed submission of reports to the budget committees and provide an update for when the report on fiscal 2025 year-to-date Community Services spending will be submitted. (page 37)

This process requires a significant multi-tiered approval review within and between MDH and its partner agencies. MDH will work internally and with its partner agencies to modify review timeframes to ensure that the report is not delayed in the future. This particular report was submitted to the General Assembly on 2/18/25.

Additionally, DLS recommends adding language restricting \$2 million pending quarterly reports with monthly spending data in LTSS, including updated spending, enrollment, and service provision data. (page 37)

The Department concurs. Given the significant review process associated with these reports, we would respectfully request that the deadline be moved from the 1st of the month to the 15th to allow for adequate review.

DDA should discuss how it will track the affordability of LTSS rates and set rates within its budget moving forward. (page 39)

The Department will continue to utilize the process as set forth by the Rate Review Advisory Group, and its partners at the Hilltop Institute, to monitor data from providers in order to set rates within the LTSSMaryland system.

Due to the fiscal outlook, DLS recommends eliminating the provider rate increase of 1% in the fiscal 2026 allowance. The General Assembly may wish to reinvest these savings to restore specific cost containment actions proposed in the allowance. (Page 39)

The Department understands DLS' recommendation and the suggestion to redirect these savings to support the Community Services budget shortfall.

DDA should explain what is driving the additional \$16.8 million decrease in the self-directed services model and discuss how it would cover continued enrollment growth in the program with the current budget. (page 42)

The Administration is unaware of any projected decrease in the self-directed services model. If helpful, MDH can convene a meeting with DBM and DLS to confirm and resolve the decrease that DLS sees.

DDA should provide an estimate of the cost impact of these changes and how they are incorporated into the fiscal 2026 budget plan. (page 44)

The implementation of the updated Self-Directed Services Manual and Self-Directed Services Comprehensive Policy did not implement material changes to the services offered, and does not have any anticipated cost savings. The updated manual and policy improved the documentation requirements to enhance program integrity and compliance in accordance with State and federal standards.

DDA should comment on any privacy concerns regarding requesting participant's bank statements and any additional administrative burden to the participant in providing additional documentation and to DDA in reviewing additional documentation. (page 44)

DDA's tool used for submission employs privacy and security measures to meet Health Insurance Portability and Accountability Act (HIPAA) requirements, including 256-bit Advanced Encryption Standard (AES) encryption. Participants previously attested to meeting the Medicaid waiver program's service requirement and therefore would have needed to assess whether they had resources. Specifically, participants were attesting to having this information and agreeing to provide it upon request; as such, the additional administrative burden would be providing the supporting documentation they have attested to having at the time the request is made.

DLS's rough estimate of projected fiscal 2025 costs exceeds the available general funds for fiscal 2025 by about \$150 million. A fiscal 2026 shortfall is also very likely given current trends. MDH should comment on the adequacy of the fiscal 2025 working appropriation and fiscal 2026 allowance for community services. In addition, MDH should provide the anticipated deficits for fiscal 2025 and 2026 and plans to reconcile the shortfall. (page 45)

The Department is working closely with the Department of Budget and Management to update the Administration's DDA cost projections for FY 2025 and FY 2026 to reflect changes since the time the Governor's Allowance was finalized. Like DLS, we currently estimate additional shortfalls in both years due to a combination of continued increasing cost trends since Fall 2024 as well as changes to our projected savings from cost containment actions in FY 2025 (as discussed earlier in this testimony). The Administration is working on a proposed FY 2025 deficiency request and supplemental budget for FY 2026 to resolve the current projected shortfalls. DBM anticipates sharing the Administration's plan with the Legislature this month.

Operating Budget Recommended Actions (page 3 and pages 46-48)

- 1. Add language restricting funds pending the submission of a report on fiscal 2025 closeout and closeout budget amendments.***

The Department concurs with this recommendation.

- 2. Add language restricting funds pending the resolution of repeat audit findings.***

The Department concurs with this recommendation.

- 3. Add language restricting funds pending quarterly reports on community services spending, enrollment, and utilization.***

The Department concurs with this recommendation. Given the significant review process associated with these reports, we would respectfully request an additional two-week delay for the submission of each quarterly report.

- 4. Add language restricting appropriations in the Community Services program for that purpose only.***

The Department respectfully disagrees with this recommendation. While we do not anticipate any budgetary transfer to any other program or purpose from the Community Services program, given current fiscal constraints, the Department would appreciate maximum flexibility with appropriation when closing fiscal year 2025.

- 5. Delete funding for the 1% provider rate increase budgeted in fiscal 2026.***

In light of the significant funding challenges for DDA, the Department acknowledges DLS' recommendation.