MDH ATTENDEES: Meena Seshamani, MD, PhD, Secretary
Rachel Talley, MD, Acting Deputy Secretary, BHA

Available For Questions: TBD

Maryland Department of Health (MDH) Behavioral Health
Fiscal Year 2027 Operating Budget
Response to Department of Legislative Services Analysis

House Appropriations Committee
Health and Social Services Subcommittee
Delegate Emily Shetty
March 4, 2026

Senate Budget and Taxation Committee
Health and Human Services Subcommittee
Senator Cory McCray
March 5, 2026

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.

BHA should comment on whether these [medication treatment of opioid use disorder] measures will be reported at a later time in fiscal 2026 or if data for fiscal 2025 will be absent from future MFR submissions (p. 8).

All data from the ASO transition period will be available after mapping and vetting processes are complete. MDH will work with DBM to update the FY 2027 MFR to reflect the vetted data, and future MFR submissions will include the data. MDH is working closely with Carelon to fully vet and create data reports with recent data and expects that data reports will be ready for MDH analysis by the end of March.

At this time we can share that MOUD percentage for the first half of FY 2025, based on claims paid to 12/31/2024, is 26.4%. This represents only those MOUD services rendered and paid before the 1/1/2025 Carelon BHASO transition. This is an outcome measure that is updated monthly. As the data related to these finalized claims are captured from the prior ASO payments, this indicator will be updated.

BHA should clarify the source of available funds [for school-based behavioral health services] in the Community Services program and why these funds are budgeted in this way instead of directly in the Medicaid program. MDH should also discuss its efforts to enroll providers for these services (p. 10).

The school-based behavioral health services are budgeted in the subprogram for BHA Behavioral Health Investments. As service provision ramps up, MDH is seeking budget flexibility to support other behavioral health investments, some of which also have variable spend during implementation periods. Once school-based behavioral health services reach a steady state, we will explore a realignment of the General Fund budget from BHA to Behavioral Health Medicaid.

Beginning January 1, 2025, as part of MDH's effort to expand access to behavioral health services in schools, local education agencies (LEAs) have been eligible to receive reimbursement for certain school-based services (SBS) for behavioral health provided to Medicaid-enrolled students. Specifically, certain services delivered by school psychologists and social workers can now be billed by LEAs to the Maryland Department of Health (MDH) Medical Assistance Program.

As part of a 3 year, $2.5 million CMS grant, MDH has added 3 staff members to support SBS service expansion and enrollment. In addition to a program manager and health policy analyst, a dedicated resource was added to our Provider Enrollment staff to support enrolling providers for SBS. To that end, licensed school psychologists began to enroll as Medicaid providers effective January 1, 2025. They enroll under a new provider type called PT GP. School psychologists enroll through the electronic Provider Revalidation and Enrollment system (ePREP). Five hundred and eighty two providers have enrolled to date.

MDH issued a joint Transmittal from the Secretary of Health and the Superintendent of Maryland State Department of Education to announce roll out of the program and to encourage providers to enroll. Training webinars were conducted as well as in person seminars in five regions to cover all the Local Educational Agencies (LEAs) throughout the state. We had major support from the head of MSDE's School Psychologist program who also worked with LEAs to enroll providers.

BHA should comment on how much funding is available in fiscal 2027 to support this [Brook Lane Hospital overstay stabilization] program (p. 11).

The fiscal 2027 budget includes $3.5 million for Brook Lane Hospital Overstay Stabilization supported by the MS40/Behavioral Health Investments Plan.

BHA should clarify if there is ongoing funding for drug detection products included in the fiscal 2027 budget (p. 11).

The State Opioid Response (SOR) IV federal award, which is budgeted in FY 2027, supports the purchase of drug detection products. This item is budgeted in subprogram MS47 in the amount of $167,279.

MDH should clarify if any other funding in the fiscal 2027 budget supports this [Baltimore City Capitation] project (p. 15).

The FY27 budget allocates $4,853,415 in general funds and $3,993,079 in federal matching funds for the Baltimore City Capitation. These items were assigned to the CSA Contracts in the budget system detail. We will work with DBM to update the contract name to reflect the Baltimore City Capitation.

MDH should discuss why a cost share is established for a year after the [AOT] program terminates in statute (p. 17)

The BRFA language specifies cost-sharing based on the state's share of associated costs for the AOT program. If an AOT program is no longer operational as of 2031, there would be no state costs to share.

MDH should clarify if the $45 million reduction in fiscal 2025 is related to provider reimbursements and why the reduction was made (p. 22).

Yes, the $45.3 million expenditure reduction in program L0102/BHA Community Services reflects a realignment of provider reimbursements. Initially, the $45.3 million was moved to a holding account in program L0103/Medicaid State-Funded Services because those expenditures were tied to Medicaid retro-eligibility and/or IMD costs eligible for Medicaid reimbursement, and therefore did not belong in program L0102. Subsequently, those expenditures that were eligible for the Medical Assistance federal match were realigned to program Q0110/Behavioral Health Medicaid.

BHA should comment on whether or not it has designated staff working with LBHAs/CSAs to investigate complaint findings and take appropriate action (p. 23).

The Behavioral Health Administration (BHA) employs a dedicated Complaint Coordinator and a Critical Incidents Manager to oversee the review, triage, and dissemination of reports to the appropriate local designated authorities for investigation.

Following the completion of an investigation, the local authority reports their findings back to the designated BHA staff. If the results indicate that disciplinary action is necessary, the report is submitted to the Director of Licensing and Compliance. The Director then consults with the

Assistant Attorney General assigned to BHA to determine the appropriate sanction and address provider appeal rights.

MDH should comment on the status of the regulations [for community-based behavioral health services] (p. 24).

The Department is revising the Code of Maryland Regulations (COMAR) 10.63 which details the licensure, staffing, reporting, and other compliance requirements for community-based behavioral health providers. The Department has released two drafts of updated regulations for informal comments: the first in December 2025 and second, with updates based on stakeholder feedback, in mid-January 2026. Both versions are available on the BHA website. MDH is holding additional informal stakeholder meetings before releasing draft regulations for formal comment.

MDH should discuss the functions supported by the remaining 16.44 new contractual FTEs (p. 24).

The table below provides the requested detail to explain the 16.44 contractual FTE increase from FY 2026 to FY 2027 that is not explained by the AOT staff up.

Subprogram	**Class Code/Title**	**FTE Change**	**Job Function Description**
M00L0101M101/ Exec.Direction	2420/Health Policy Analyst Advanced	1.00	To support projects within the Research and Innovation Unit focused on developing policy and programs. .
M00L0101M101/ Exec. Direction	4608/Physician Program Manager I	0.63	To provide clinical consultation in support of the Chief Medical Officer.
M00L0101M126/ Adult Services - Treatment & Recovery	2344/Coordinator Special Programs Health Services IV Mental Health	1.00	To support the Clinical Division within Treatment and Recovery and provide extensive administrative support.
M00L0101M150/ Prevention & Promotion Srvcs	2419/Health Policy Analyst II	1.00	To support projects within the Prevention and Promotion unit focused on developing policy and programs.
M00L0102M215/ National Suicide Prevention Lifeline	2587/Administrator II	1.00	Support crisis hotline services. Supported by special funds from telecom provider fees.

Subprogram	Class Code/Title	FTE Change	Job Function Description
M00L0102M249/ Interagency Hospital Overstays	2247/Administrative Officer III	1.00	Provides program assistance with investigating activities by collecting and analyzing data on Health issues regarding MSDE Project Aware.
M00L0102M249/ Interagency Hospital Overstays	2344/Prgm Admin I Mental Hlth	1.00	To support the Primary Behavioral Health Unit with directing program activities specific to Pediatric Overstay.
M00L0102M249/ Interagency Hospital Overstays	5476/Health Policy Analyst II	1.00	To support projects within the Primary Behavioral Health Unit focused on developing policy and programs with a focus on Pediatric overstays.
M00L0102M270/ Administrative Services	2586/Administrator I	1.00	Provides daily operations support to BHA Operations.
M00L0102M270/ Administrative Services	2588/Administrator III	2.00	Provides daily operations support to BHA Operations.
M00L0102M270/ Administrative Services	3184/Administrator V	1.00	Provides daily support to fiscal operations.
M00L0102M270/ Administrative Services	8998/Contractual Hourly	1.00	Provides physician consulting, as needed, for the Chief Medical Officer.
M00L0102M281/ Maryland Recovery Net	2419/Health Policy Analyst II	1.00	To support the Treatment and Recovery unit with MDRN activities, evaluating, analysing, and developing policy, programs, and services.
M00L0102M281/ Maryland Recovery Net	2711/Administrative Officer I	1.00	To support the Treatment and Recovery unit by performing administrative responsibilities related to MDRN.

Subprogram	Class Code/Title	FTE Change	Job Function Description
M00L0102M295/ Buprenorphine Initiative	2587/Administrator II	1.00	To provide policy administration and coordination of daily operations related to the Buprenorphine Initiative services.
M00L0102MS18/ Treatment MHBG	2247/Administrative Officer III	1.00	Provides administration and fiscal services for the federal Mental Health Block Grant. Supported by federal funds.
Various	Various	(0.19)	Other changes
	Total	*16.44*	

Therefore, DLS recommends reducing $725,000 to reflect a higher amount of savings from an expected turnover rate of 15% (p. 25).

The department respectfully disagrees with the DLS recommendation to reduce BHA's current year general fund budget to account for perceived merit vacancy savings.

We would like to provide some background on the vacancy rate before directly addressing the proposed budget reduction. BHA had 46 new merit positions authorized in FY 2025. Receiving so many new PINs at once drove BHA's vacancy rate up by nearly 20%, to 39.7% in December 2025. BHA's vacancy rate has fallen steadily since then, as positions are filled, to 26.9% as of 2/28/26, or 55 vacant positions.

First, we would like to note that the General Assembly has already reduced BHA's current year general fund payroll budgets by $1,106,503 through Section 38 and Section 41 in the FY 2026 budget bill. This reduction carried forward into BHA's baseline general fund target for FY 2027. In this way, the General Assembly has already reduced FY 2027 budgets, in BHA and throughout the Department, to account for perceived vacancy savings.

Second, we note that BHA's vacancy rate rising above budgeted turnover does not translate into further budget savings. A majority of the vacant merit positions, 36, are in BHA Program Direction, a program which has a projected payroll deficit in the current year in large part due to the Section 38 and Section 41 budget reductions. The reduced funds were needed to support hiring new employees at steps above budgeted levels. This proposed reduction would drive the BHA Program Direction budget further into deficit by taking away budget resources tied to vacant positions that are underwriting the cost of filled merit positions whose collective payroll costs are above the budgeted level. The additional annual salary cost for merit positions filled above the budgeted level is $865,760. On average, these positions are filled at 4.7 steps above the budgeted step.

As the DLS analysis indicates, 35 vacant BHA positions are currently in various stages of the recruitment process. The proposed DLS reduction would severely limit MDH's ability to proceed with active recruitments and any future hiring efforts. Filling these vacant positions is crucial not only for maintaining current service levels but also for strengthening BHA's overall operations and programs. Several of these positions are related to federal block grant management, licensing and compliance, and local planning. Additional positions are needed to fully staff the fiscal and grant management team. This will ensure timely awards, provider payments, federal and state reporting, and other related activities. Positions are also needed to support program oversight and to meet federal and state reporting deadlines. A full complement of staff will enhance our capacity to deliver essential behavioral health services across the full continuum, improve program oversight and compliance**,** and accelerate initiatives aimed at addressing the pressing mental health and substance use disorder needs of Marylanders. This strategic investment in our workforce is essential to ensure the continued effectiveness and growth of BHA's vital mission.

MDH should provide an update on its work with the clinics to determine a solution to provide bridge funding [to CCBHCs] if necessary (p. 30).

The services delivered by current CCBHC entities are individually billable in our current system (e.g., outpatient therapy, psychiatric rehabilitation, care coordination, services for children and youth, crisis services, etc.). SAMHSA has confirmed that the expansion grantees can re-apply for expansion grantee funding or apply for a no cost extension for unexpended grant funds. MDH is exploring the request for bridge funding from the current CCBHC sites should expansion federal funds not be awarded.

MDH should discuss why it has chosen a phased-in implementation [for the Assisted Outpatient Treatment Program] given the statutory requirement to implement in all jurisdictions on or before July 1, 2026 (p. 36).

The decision to adopt a phased-in approach to AOT was in response to robust feedback from local jurisdiction leadership recommending a phased-in approach with initial pilot regions as the optimal pathway for program success given the complex, cross-sector nature of the AOT program. The Department is firmly committed to the plan to ultimately roll out the AOT program statewide by the end of FY 2027.

MDH should clarify the deficits that it is projecting, in which program, and why funds for the AOT program are being used in this way (p. 37).

In recent months, the Department has seen a large increase in ASO reimbursement costs across BHA Community Services, BHA State-Funded Medicaid, and Behavioral Health Medicaid. These expenditure increases are driving up projected costs for the current year above the budgeted levels, inclusive of the budget bill deficiencies. The services currently projecting the largest deficits include:

- BHA Community Services: SUD Residential (M269)
- BHA Community Services: SUD Ambulatory (M268)
- BHA State-Funded Medicaid Services: Psychiatric Rehab Services (T321)
- BH Medicaid: Inpatient Services (TA09)
- BH Medicaid: Psychiatric Rehab Services (TA21)
- BH Medicaid: Community-Based Outpatient Services (TA11)

Current year budgeted funds tied to the AOT program are available to offset projected expenditure increases from ASO reimbursements due to the timing of the phase-in approach for AOT. The FY 2026 budget for AOT will be used to support program implementation costs for one region, not all three. The Department notes as well the connection between AOT and ASO reimbursed services. It is the expectation that a significant proportion of AOT treatment plan services will be provided through the Public Behavioral Health System. This realignment of current year AOT funding will help provide adequate budget support for ASO services provided to AOT patients.

The Department is working with DBM to realign projected budget surplus from Medicaid programs to support behavioral health program budgets.

MDH should specify how the care coordination team services will be divided across the [AOT] regions noted in each group (p. 37).

MDH has developed projected staffing models for Year 1 of each proposed AOT regional program based on projected Year 1 AOT patient capacity. Importantly, the year-over-year volume of AOT patients expected in each region is very challenging to predict given the new, pilot nature of this program in Maryland; and given limited comparable information available from other states due to differences in their statutory staffing requirements. As such, the proposed staffing models will likely require modification as the program rolls out depending on differences in projected patient capacity vs. actual patient capacity over the course of FY27 - FY29. MDH's current projections include 1 FTE AOT Program Director, 0.4 - 0.8 FTE Psychiatrist, 2-3 FTE Case managers, and 2-3 FTE Certified Peer Recovery Specialists in each regional program.

MDH should comment on the total amount of the fiscal 2026 awards [for AOT] and if they are included in the fiscal 2026 working appropriation. In addition, MDH should indicate if it intends to apply for the forthcoming SAMHSA grant opportunity (p. 38).

MDH was awarded two SAMHSA supplemental funding opportunities in fiscal year 2026. This included a one-year supplemental award through the federal Community Mental Health Services Block Grant (MHBG) for $416,515; and an increase in the Department's existing SAMHSA PATH award in the amount of $11,303. MDH is closely monitoring the **AOT SAMHSA grant forecast** and intends to apply once this opportunity is open.

These awards are included in the FY 2026 working appropriation.

DLS recommends restricting $500,000 in general funds pending the submission of monthly non-Medicaid provider reimbursement data (p. 41).

MDH concurs with this recommendation.

To continue monitoring the progress of the ASO transition, DLS recommends adopting committee narrative requesting a report updating the budget committees on the transition and identifying any challenges or issues that may develop (p. 41).

MDH concurs with this recommendation.

MDH should clarify the purpose of the remaining $36 million of investment funding in fiscal 2027. In addition, MDH should indicate if the fiscal 2027 budget will continue to fund the purposes for which funds were restricted in fiscal 2026 (p. 42).

Please see Appendix A which shows the Behavioral Health Investments Spend Plan for FY 2027. The FY 2026 budget restricts $3.0 million of the spend plan for pediatric overstays, and the FY 2027 spend plan budget includes $3.5 million to address pediatric overstays through the contract with Brook Lane.

MDH should provide an updated timeline for the Center [for Excellence for children, youth, and families] and indicate if there are plans to invest any money in the [Workforce Investment] fund in the future (p. 43).

Development of a comprehensive financing plan to maximize the efficient use of federal and state funds has not yet begun. However, initial steps have been taken to map existing Medicaid funding streams, including those supporting the expansion of 1915(i) services and EPSDT services under CHIP. A revised financial plan is not fully developed yet; current efforts focus on optimizing existing funding sources.

Appendix A - FY 2027 Behavioral Health Investments Spend Plan

Spend Item Name	Category	FY 2027
Pediatric Overstay Behavioral Health Inpatient Expansion: Hospital Overstay High Intensity Residential Treatment - Brook Lane Res. Crisis Beds	Urgent & Acute Care	3,500,000
Pediatric Overstay Care Traffic Control Platform	Urgent & Acute Care	2,235,000
Pediatric Overstay Adolescent Inpatient Substance Use Disorder Treatment	Treatment & Recovery	1,060,000
Pediatric Overstay Project ECHO	Primary Behavioral Health & Early Intervention	320,000
Justice Initiatives Trauma, Addicition, Mental Health and Recovery (TAMAR) Program Expansion	Treatment & Recovery	446,968
Crisis Medicaid Crisis & Response Team - BHA FFS	Urgent & Acute Care	3,139,063
Crisis Medicaid Crisis & Response Team - Medicaid FFS	Urgent & Acute Care	2,611,389
Crisis Behavioral Health Crisis Stabilization Center - Grants	Urgent & Acute Care	2,000,000
Crisis Behavioral Health Crisis Stabilization Center - BHA FFS	Urgent & Acute Care	2,387,568
Crisis Behavioral Health Crisis Stabilization Center - Medicaid FFS	Urgent & Acute Care	1,708,184
Staffing BHA Expansion Staff	Urgent & Acute Care Finance & Procurement	1,064,304
State Hospital Discharge Initiatives Forensic Evaluators	Post Acute Care	375,000
State Hospital Discharge Initiatives RRP Deployed Staff	Post Acute Care	310,047
State Hospital Discharge Initiatives Assisted Living Units	Treatment & Recovery	2,643,221
State Hospital Discharge Initiatives RRP Community Expansion	Treatment & Recovery	2,000,000
State Hospital Discharge Initiatives Permanent Supportive Housing	Treatment & Recovery	1,055,920
State Hospital Discharge Initiatives Administrative Legal Services	Post Acute Care	168,000
Medicaid Match State Match for School-Based Behavioral Health Services	Medicaid	6,251,872
Medicaid Match State match for 1915(i) Enhancements to TCM I, II & III + Peer Supports Effective April 1, 2025	Primary Behavioral Health & Early Intervention	3,056,160

Appendix A - FY 2027 Behavioral Health Investments Spend Plan, continued

Spend Item Name	Category	FY 2027
Medicaid Match State match for Re-entry Waiver	Medicaid	1,012,611
Medicaid Match State match for EPSDT Screening Rates Increase by 10% Effective January 1, 2025	Medicaid	1,800,000
Medicaid Match BHASO MITDP Backfill	Medicaid	14,858,425
	Total	***54,003,732***