Maryland Department of Health
Fiscal 2025 Budget Overview

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

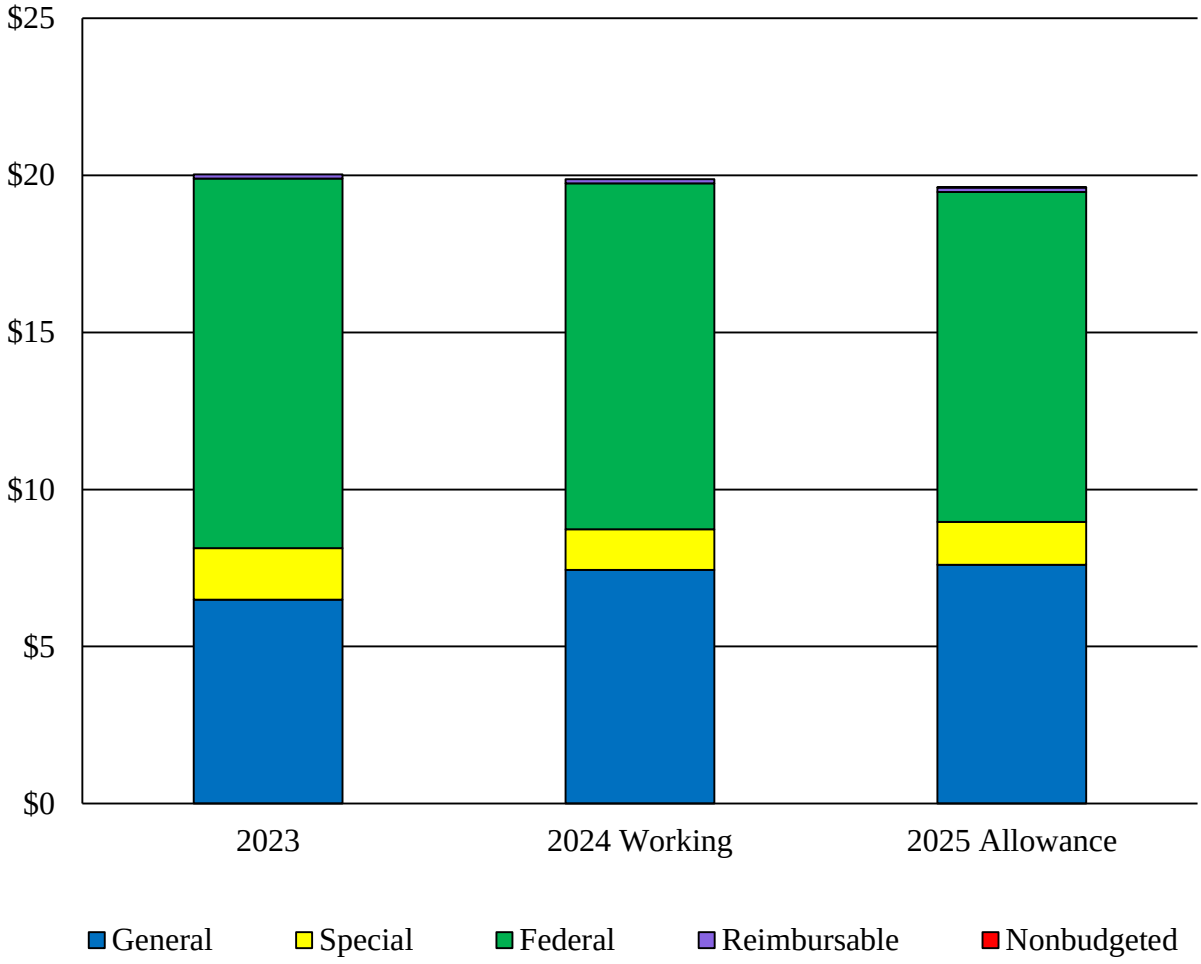
January 2024

For further information contact: Naomi Komuro Naomi.Komuro@mlis.state.md.us

M00
Maryland Department of Health
Fiscal 2025 Budget Overview

Three-year Funding Trends
Fiscal 2023-2025
($ in Billions)

Fiscal 2025 Budget Decreases by $261 Million, or -1.3%, to $19.6 Billion



Note: The fiscal 2024 working appropriation reflects proposed deficiency appropriations. The fiscal 2025 allowance accounts for reductions contingent on legislation. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

Source: Department of Budget and Management; Department of Legislative Services

Key Observations

- ***Major Funding Highlights:*** Personnel costs in the fiscal 2025 allowance grow by more than $100 million due to 390.1 new positions added across the Maryland Department of Health (MDH), but the growth is partially offset by large reductions in the nonpersonnel portions of the Medicaid, Behavioral Health Administration (BHA), and Prevention and Health Promotion Administration (PHPA) budgets. Fiscal 2024 deficiencies attributed mainly to Medicaid and BHA shortfalls in fiscal 2023 and anticipated shortfalls in fiscal 2024 drive approximately three-fourths of the decrease.

- ***Home and Community-based Services (HCBS) Waiver Program Waitlists:*** Chapter 464 of 2022 and Chapter 738 of 2022 required MDH to develop plans to reduce Medicaid HCBS waiver waitlists and registries by 50% and expand outreach to individuals on the Community Options Waiver registry. MDH submitted the reduction plans and cost estimates in February 2022. Despite recent waitlist reduction activities and funding to expand waiver slots, some HCBS waiver registries continued to grow in fiscal 2024, partially due to staffing and capacity shortages affecting MDH and providers.

- ***Weaknesses in Federal Funding Accounting Procedures:*** A fiscal compliance audit released by the Office of Legislative Audits (OLA) in October 2023 included findings related to several significant deficiencies in MDH's federal fund accounting process between February 2019 and June 2022 and identified $973.3 million in unrecovered funds, $6.4 million in lost investment income due to the untimely recovery of those funds, and found MDH was unable to provide necessary documentation for approximately $3.5 billion between fiscal 2015 and 2022.

Updates

- ***Cigarette Restitution Fund (CRF):*** On November 20, 2023, the Office of the Attorney General (OAG) announced that an arbitration panel decided in Maryland's favor for sales year 2005 through 2007 multistate litigation with tobacco manufacturers. Maryland is expected to receive at least $25 million in settlement proceeds. However, due to the uncertain timing of Maryland receiving the payment, the Governor's fiscal 2025 budget plan does not include any funds related to the sales year 2005 to 2007 arbitration.

Operating Budget Summary

Fiscal 2024

Proposed Deficiencies

The fiscal 2025 budget includes deficiency appropriations totaling a net increase of $635.3 million to the fiscal 2024 appropriation, comprised of -$41.4 million in general funds, $14.8 million in special funds, $649.5 million in federal funds, and $12.3 million in reimbursable funds. **Appendix 1** includes an itemized list of the deficiencies. Notable deficiencies include:

- $420.6 million in total funds ($89.1 million of general funds) to account for anticipated shortfalls in fiscal 2024 for provider reimbursements behavioral-health-related Medicaid expenditures, partially offset by a net decrease of $35.6 million in total funds ($177 million general fund decrease) in other Medicaid services based on enrollment and utilization;

- $204.3 million in total funds ($80.8 million in general funds) for Medicaid and behavioral-health-related Medicaid services to make up for funding shortfalls related to fiscal 2023 service costs;

- $120.1 million in total funds ($45 million in general funds) for the Maryland Children's Health Program (MCHP), including $100.5 million in total funds ($34.5 million in general funds) to support the Healthy Babies initiative established by Chapter 28 of 2022;

- $74.4 million in general funds to reduce the appropriation for fiscal 2024 for Community Services for Medicaid eligible and the uninsured population to better align with actual expenditures;

- $62,500 in general funds and $125,000 in federal funds in the Office of the Inspector General for Health (OIGH), and a negative deficiency of the same amounts in Medicaid, to move the Pharmacy Audit contract from Medicaid to the OIGH;

- $51,918 in general funds and $155,756 in federal funds in Medicaid and a negative deficiency of the same amounts in OIGH to move costs and 2.0 positions for the Hospital Audit Unit from OIGH to Medicaid; and

- withdrawing $5.0 million in general funds, representing the entire fiscal 2024 appropriation for the Maryland Pediatric Cancer Fund. A separate action in the Budget Reconciliation and Financing Act of 2024 would transfer $5.0 million from the fund (available from a fiscal 2023 appropriation) to the General Fund.

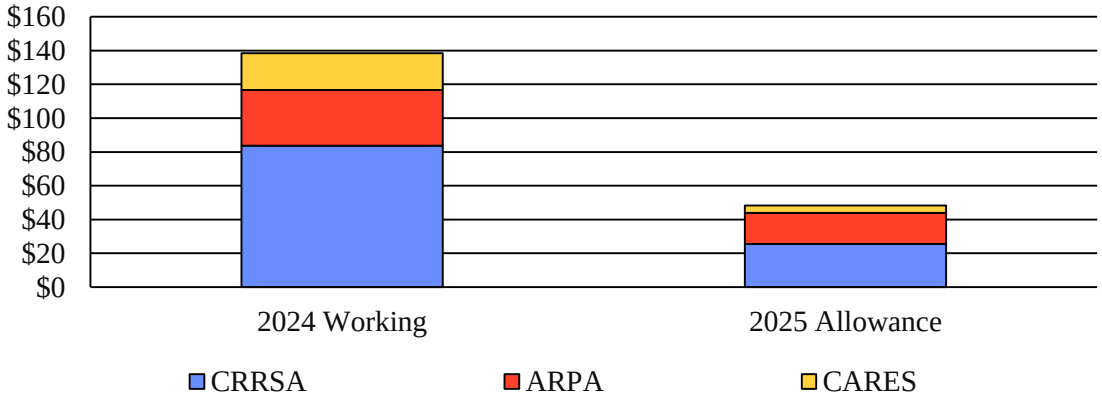
COVID-19 Federal Stimulus Funds

Between fiscal 2021 and 2024, MDH received increased federal funding, in part, due to an enhanced federal match for eligible programs, authorized through COVID-19-related relief measures. The additional federal funds reduced general fund need in MDH in those years. The Families First Coronavirus Response Act of 2020 authorized a 6.2% enhanced federal match on qualifying Medicaid expenses during the COVID-19 public health emergency (PHE). The Consolidated Appropriations Act of 2023 established a phase-out schedule that reduced the enhanced match each quarter, beginning April 1, 2023, until the match fully expired on December 31, 2023.

The American Rescue Plan Act (ARPA) of 2021 provided a temporary 10% federal match on qualifying HCBS waiver program spending from April 1, 2021, through March 31, 2022. Savings from the enhanced match must be reinvested to expand and strengthen HCBS by March 31, 2024. All funds reinvested into HCBS receive the typical federal match rate.

In addition, MDH received federal funds through other stimulus legislation supporting a variety of activities across the department. As shown in **Exhibit 1**, the fiscal 2025 allowance includes $48.3 million in federal funds from the Coronavirus Aid, Relief, Economic Security Act, Coronavirus Response and Relief Supplemental Appropriations Act, and the ARPA. This represents a 71.5% decrease in the amount of stimulus included in the fiscal 2024 working appropriation, reflecting fiscal 2025 expiration dates for these federal appropriations.

Exhibit 1
COVID-19-related Funding by Source
Fiscal 2024-2025
($ in Millions)



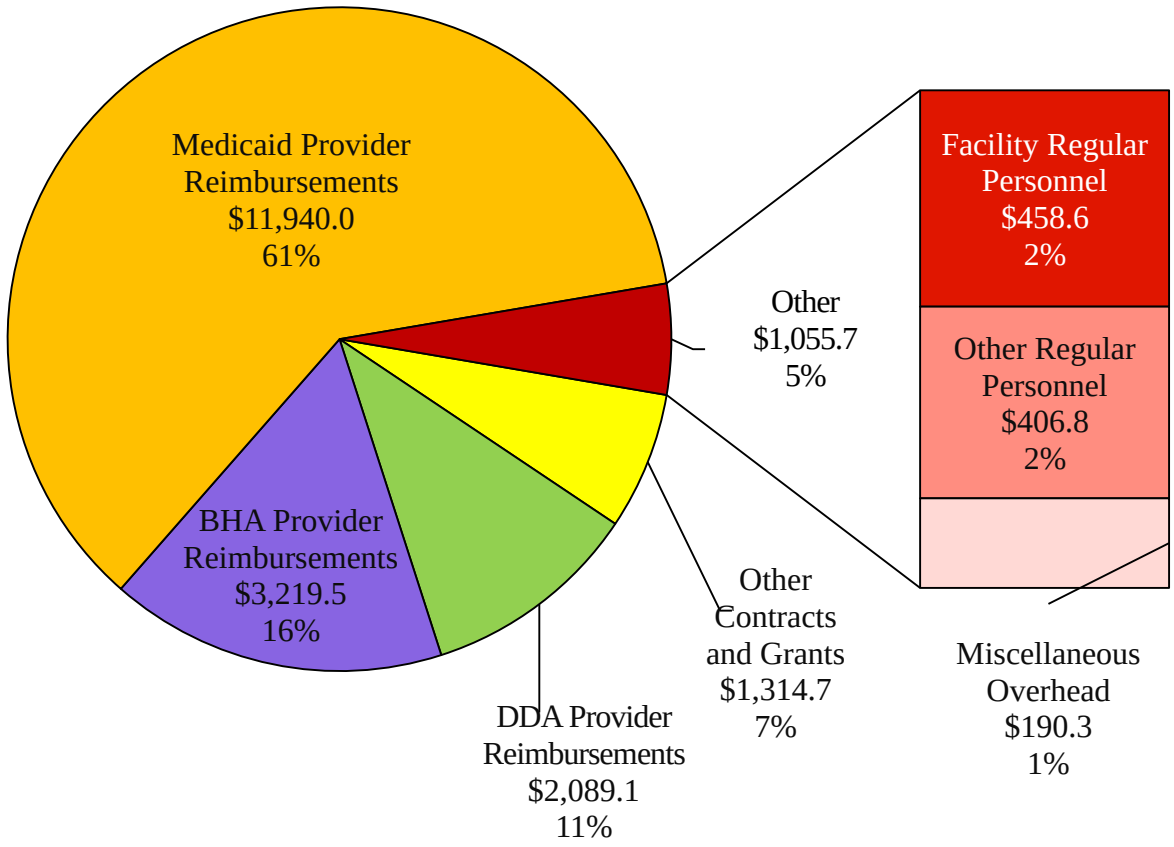
ARPA: American Rescue Plan Act
CARES: COVID-19 Aid, Relief, and Economic Security Act
CRRSA: Coronavirus Response and Relief Supplemental Appropriations Act

Source: Department of Budget and Management

Fiscal 2025 Overview of Agency Spending

Fiscal 2025 Allowance
($ in Millions)

Total Fiscal 2025 Allowance = $19.6 Billion



BHA: Behavioral Health Administration
DDA: Developmental Disabilities Administration

Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget. The fiscal 2025 allowance includes contingent reductions.

Source: Governor's Fiscal 2025 Budget Books; Department of Legislative Services

Proposed Budget
Maryland Department of Health
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Nonbudgeted Funds	Reimb. Fund	Total
Fiscal 2023 Actual	$6,493,984	$1,633,812	$11,767,538	$0.00	$135,010	$20,030,344
Fiscal 2024 Working Appropriation	7,441,206	1,293,278	11,007,425	0.00	137,953	19,879,862
Fiscal 2025 Allowance	7,600,395	1,369,451	10,498,799	3,350	146,970	19,618,965
Fiscal 2024-2025 Amount Change	159,189	76,173	-508,626	3,350	9,018	-260,896
Fiscal 2024-2025 Percent Change	2.1%	5.9%	-4.6%		6.6%	-1.3%

Where It Goes:	Change
Personnel Expenses	
Costs associated with 390.1 new positions, 279 of which are contractual conversions created through BPW action in fiscal 2024 and are not yet reflected in the budget	$59,350
Salary increases and associated fringe benefits including fiscal 2024 cost-of-living adjustment and increments	49,770
Personnel funding tied to up to 540 contractual conversions contingent on budget bill language	6,842
Reclassifications	2,805
Accrued leave payout	-99
Shift differential	-124
Additional assistance and miscellaneous adjustments	-980
Payroll reimbursements	-1,254
Turnover adjustments	-1,479
Workers' compensation premium assessment	-3,570
Overtime	-4,733
Other fringe benefit adjustments	8
MDH Administration	
Purdue Pharma Settlement funds to be added to the Opioid Restitution Fund for opioid prevention and response grants	15,809
Cost allocations	3,042
Realignment of Public Health IT Infrastructure totaling $1.3 million and OET System Improvements totaling $800,000	-2,100
One-time renovation costs at JLG RICA and Thomas B. Finan Center	-4,171
Supplies	-4,207

Where It Goes:	**Change**
Medicaid	
Medicaid LTSS provider rate increases (3%)	68,860
Medicare Part D clawback and Parts A and B premium assistance	50,603
Money Follows the Person	12,712
Administrative contracts	12,532
Maryland Children's Health Program	3,588
Maternal and child health population health improvement fund	-14,750
Fiscal 2024 deficiency to cover fiscal 2023 accrual shortfall	-204,425
Medicaid provider reimbursements, including behavioral health services	-347,669
Health Regulatory Commissions	
Consortium on Coordinated Community Supports (special funds from the Blueprint for Maryland's Future Fund)	25,155
Uncompensated Care Fund	23,000
End of one-time enhancement to shock trauma operating grant	-5,000
Public Health Services	
Special Supplemental Nutrition Program for Women, Infants, and Children	21,936
Center for Firearm Violence Prevention and Intervention, contingent on legislation establishing the center (another $278,000 is included in personnel expenses above)	9,722
Refugee and Immigrant Health program grants (reimbursable funds)	7,733
Cannabis Public Health Fund	4,610
Federal funding for local health departments	4,260
Laboratory equipment and supplies	2,385
Memorandums of understanding with various universities to support MDH's efforts to build a public health workforce pipeline	707
Enhanced Alzheimer's research and services	-3,500
End of cancer moonshot initiative	-10,000
Expiration of the federal American Rescue Plan Act funding for public health uses	-29,549
Maryland AIDS Drug Assistance Program rebates (special funds)	-36,223
Expiration of federal Coronavirus Response and Relief Supplemental Appropriations Act funding for public health uses	-56,003
Behavioral Health Administration	
Investments to strengthen the public behavioral health system	16,700
Increase from fiscal 2024 appropriation of $5.5 million for the 9-8-8 Trust Fund to meet the $12 million mandate established by Chapter 261 of 2023	6,500
County grants for Assisted Outpatient Treatment programs contingent on enactment of legislation	3,000
Fiscal 2025 reduction contingent on legislation authorizing the transfer of excess balances from Health Professional Boards and Commissions	-3,014

Where It Goes:	**Change**
Block grants for community mental health	-12,962
State Opioid Response Grants to community-based organizations	-24,114
Developmental Disabilities Administration	
Payments to community service providers	192,927
LTSS Transition for Developmental Disabilities Administration and service provider staff for cost of training	1,200
Fiscal management services	-1,713
IT Systems and Projects	
Ongoing operational costs to recover and restore MDH IT systems	13,667
Improvements to public health IT cybersecurity	16,403
CRISP	8,270
Improvements to administrative IT systems	4,546
LTSS Tracking System project (federal funds)	1,144
Federal funding for Electronic Vital Record System ended fiscal 2024	-1,350
Medicaid Management Information System project (federal funds)	-119,156
Other Changes	
Expenses for the Office of Health Care Quality and Health Professional Boards and Commissions including funding to support contracting for nurse surveyors to conduct overdue complaint surveys	5,481
Decreased expenditures for 559 contractual full-time equivalent positions, including 348.75, which were converted by BPW in fiscal 2024 to 279 regular positions	-11,684
Other expenses	-12,334
Total	**-$260,896**

BPW: Board of Public Works
CRISP: Chesapeake Regional Information System for Our Patients
IT: information technology
JLG RICA: Regional Institutes for Children and Adolescents – John L. Gildner
LTSS: Long Term Services and Support
MDH: Maryland Department of Health
OET: Office of Enterprise Technology

Note: Numbers may not sum to total due to rounding. The fiscal 2024 working appropriation accounts for proposed deficiency appropriations. The fiscal 2025 allowance accounts for contingent reductions. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget. Personnel figures for fiscal 2025 reflect actions that have not yet occurred.

Fiscal 2025 Contingent Reductions

The fiscal 2025 budget includes language reducing general funds in three programs in MDH totaling $15.7 million, contingent on the enactment of legislation.

- Chapters 258 and 259 of 2023 require MDH to reimburse costs for certain service providers for the employer share of the Family and Medical Leave Insurance (FAMLI) contributions. The fiscal 2025 budget includes $12.4 million in the Office of the Secretary for this purpose. Language in the fiscal 2025 Budget Bill would eliminate this funding contingent on legislation delaying the implementation of the FAMLI program.

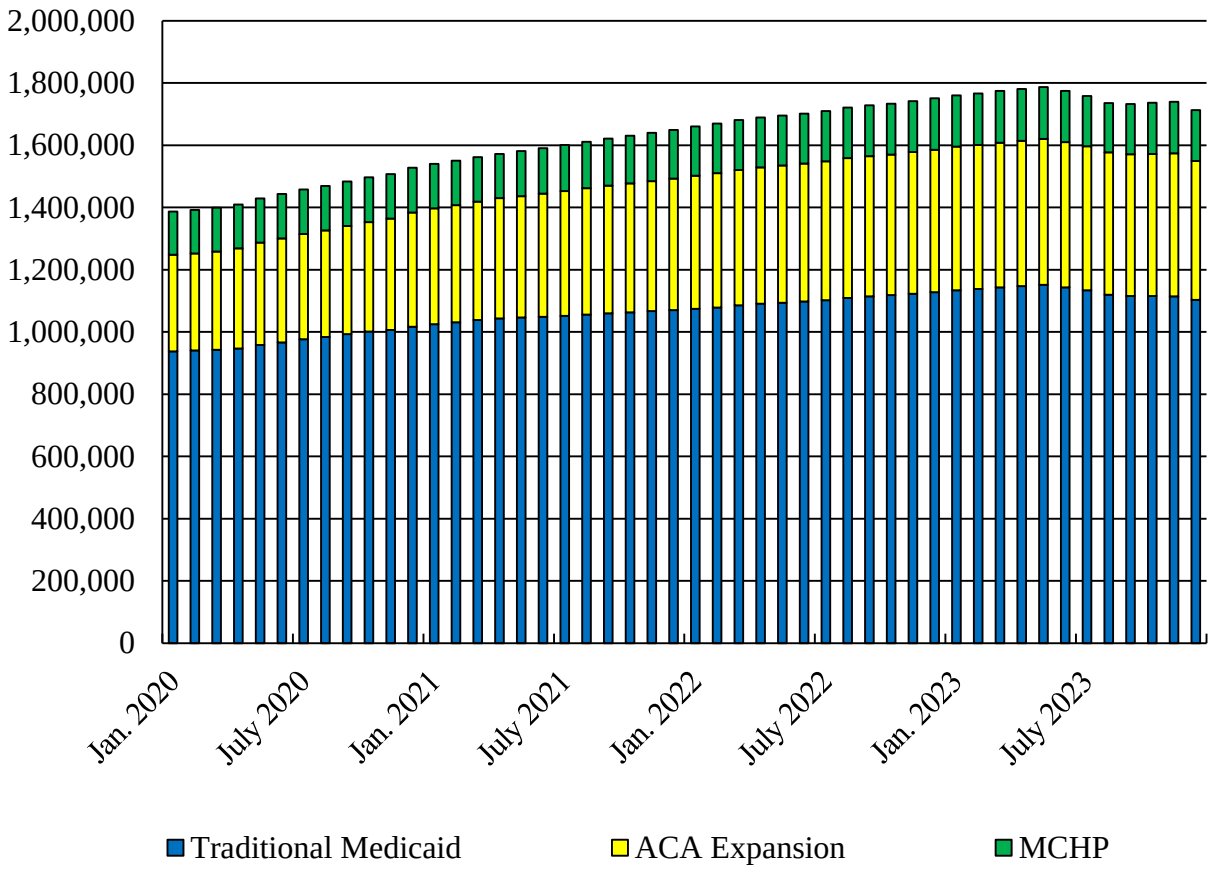
- Language in the Community Services program of BHA would reduce $3.0 million of general funds contingent upon the enactment of legislation authorizing the transfer of an excess special fund balance of $1,648,669 from the State Board of Examiners for Professional Counselors, $776,646 from the State Board of Occupational Therapy Practice, and $588,771 from the State Board of Examiners of Psychologists, to replace the general funds.

- Language in the Office of Enterprise Technology in the Medical Care Programs Administration (MCPA) would reduce $216,845 in general funds to be replaced by a special fund appropriation of the same amount contingent upon the enactment of legislation extending the spending authority of the Integrated Care Network Fund into fiscal 2025.

Medicaid Continuous Enrollment Requirement and Unwinding Process

As a condition of receiving an enhanced federal match on qualifying Medicaid and MCHP spending during the COVID-19 PHE, Maryland was required to freeze disenrollment with limited exceptions. **Exhibit 2** shows that Maryland's Medicaid and MCHP caseloads rose substantially during the COVID-19 PHE, increasing by 28.8% from approximately 1.39 million participants in January 2020 to 1.79 million participants in May 2023.

Exhibit 2
Monthly Medicaid and MCHP Enrollment
January 2020 to December 2023



ACA: Affordable Care Act
MCHP: Maryland Children's Health Program

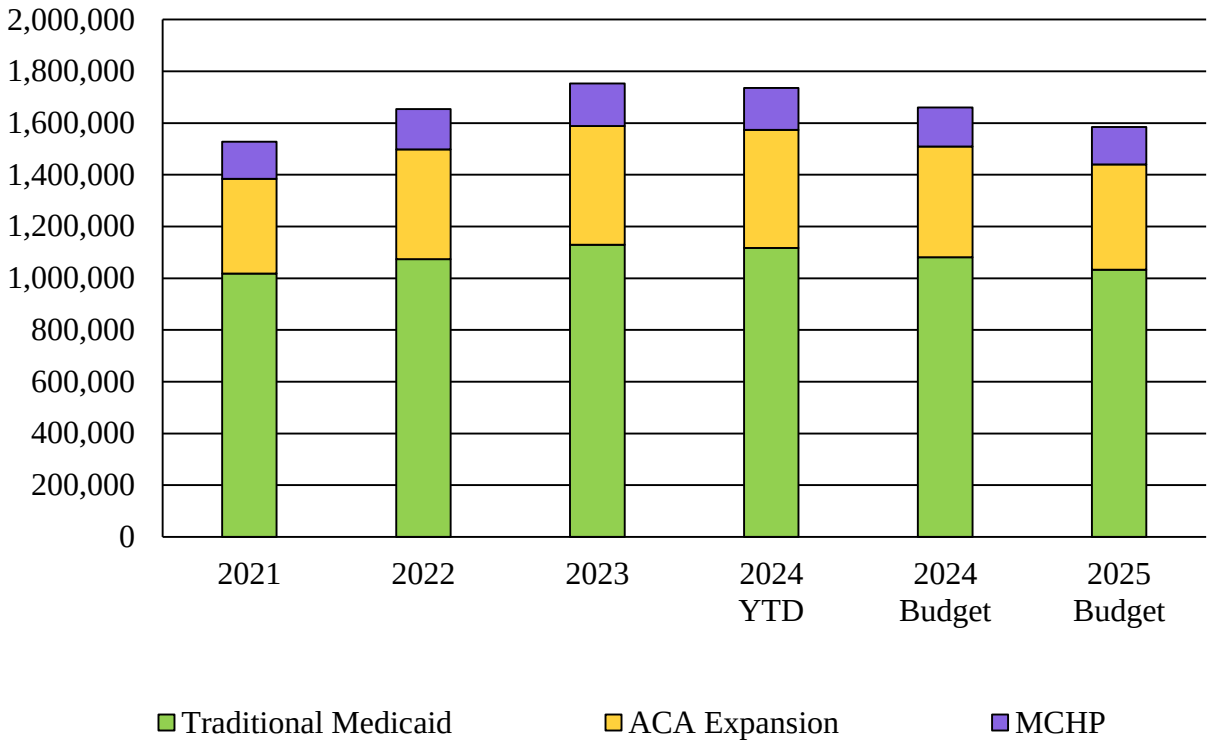
Note: Beginning in July 2023, MCHP includes individuals covered under the Healthy Babies initiative, which covers noncitizen pregnant and postpartum individuals who would otherwise qualify for Medicaid but for their immigration status. As of December 2023, there were 6,710 enrollees in the initiative.

Source: Maryland Department of Health

The Consolidated Appropriations Act of 2023 ended the continuous enrollment requirement on April 1, 2023. MDH initiated a 12-month eligibility redetermination schedule on that date (referred to as the unwinding period) in which Maryland is renewing Medicaid participants over 12 cohorts. The first disenrollments occurred at the end of May 2023. As a result of the ongoing unwinding process and general economic improvement, the proposed fiscal 2025 budget anticipates that fiscal 2024 and 2025 average monthly enrollment will decrease compared

to fiscal 2023 actual and fiscal 2024 year-to-date enrollment. **Exhibit 3** shows that fiscal 2024 and 2025 average caseloads assumed in the budget are 1.66 million and 1.59 million, respectively.

Exhibit 3
Medicaid and MCHP Average Monthly Enrollment
Fiscal 2021-2025 Budget



ACA: Affordable Care Act
MCHP: Maryland Children's Health Program
YTD: year to date

Note: Beginning in fiscal 2024, MCHP includes individuals covered under the Healthy Babies initiative, which covers noncitizen pregnant and postpartum individuals who would otherwise qualify for Medicaid but for their immigration status.

Source: Department of Budget and Management; Maryland Department of Health

Personnel Data

MDH staff includes providers in State hospitals and health facilities and local health departments, as well as public health staff who regulate health care providers throughout the State and manage local and State health care policies. Following a year of record high vacancies in fiscal 2023, MDH pledged to improve its recruitment and retention strategies to decrease vacancies and retain staff. As shown in **Exhibit 4**, the agencywide vacancy rate decreased by more than 3 percentage points between December 2022 and December 2023 to 11% as of December 2023. This is the lowest that the vacancy rate has been in December of each of the last five years. Additional information on regular positions by program and contractual personnel by program from fiscal 2023 to 2025 are shown in **Appendix 3** and **Appendix 4**, respectively.

Exhibit 4
Maryland Department of Health Filled Positions and Vacancy Rate
Fiscal 2020-2024 (December of Each Year)

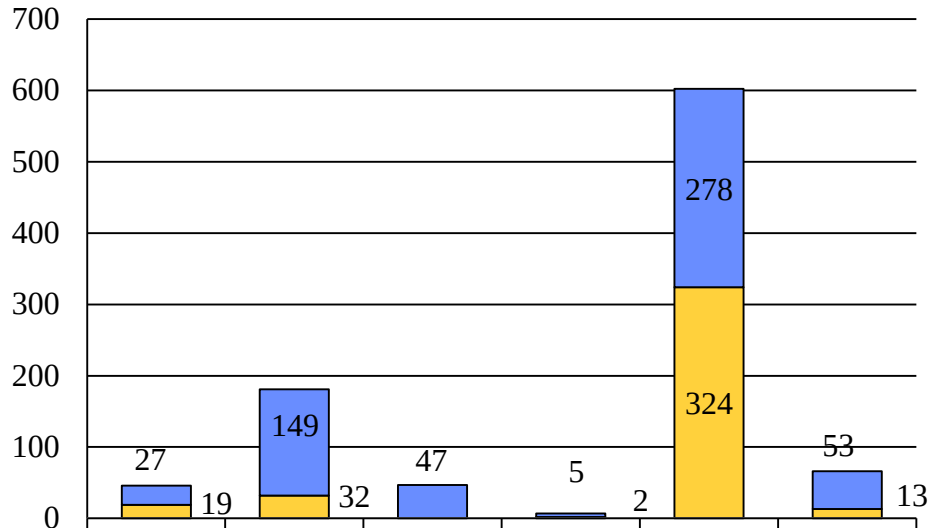
Note: Vacancy numbers are reported as point-in-time counts on December 31, 2023.

Source: Maryland Department of Legislative Services; Department of Budget and Management

The fiscal 2025 allowance includes 390.10 new positions and 559.0 contractual conversions. Of these new positions, 324 are at State facilities, budgeted in MDH Administration. As of January 2024, MDH had converted 348.75 fiscal 2024 contractual full-time

equivalents (FTE) to 279 regular positions through the Board of Public Works (BPW). **Exhibit 5** shows the breakout of new positions and contractual conversions by agency included in the fiscal 2025 allowance.

Exhibit 5
Maryland Department of Health
New Positions and Contractual Conversions by Agency
Fiscal 2025



	Other Admin Functions	PHS	BHA	DDA	Facilities	MCPA
Contractual Conversions	27	149	47	5	278	53
New Positions	19	32	0	2	324	13

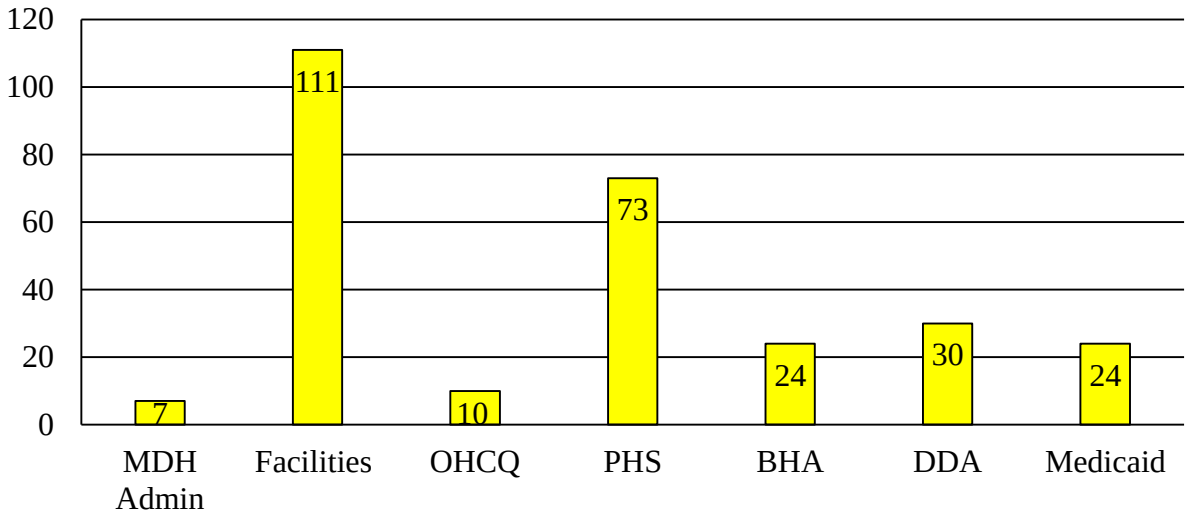
BHA: Behavioral Health Administration
DDA: Developmental Disabilities Administration
MCPA: Medical Care Programs Administration
PHS: Public Health Services

Note: Other Admin Functions include nonfacility personnel in Maryland Department of Health Administration, Health Professional Boards and Commissions, Health Regulatory Commission, and the Office of Health Care Quality. PHS includes the Prevention and Health Promotion Administration and the Public Health Administration. Personnel figures for fiscal 2025 reflect actions that have not yet occurred.

Source: Maryland Department of Legislative Services; Department of Budget and Management

Exhibit 6 shows the fiscal 2024 contractual conversions by area. Of the converted positions, 40% are in MDH facilities, and of these, 45% are security positions. Among the converted positions are 3 administrative roles in the Office of the Secretary, 1 of which will specifically support MDH efforts to bolster recruitment and retention. About 4% of the positions work in the Benefits Management and Provider Services unit under Medicaid, supporting the recent expansion of Medicaid programs by processing eligibility determination and enrollment into Medicaid. **MDH should comment on its plans to sustain its progress on filling vacancies given the addition of several hundred new positions added across the agency.**

Exhibit 6
Maryland Department of Health
Converted Regular Positions by Agency
Fiscal 2024



BHA: Behavioral Health Administration
DDA: Developmental Disabilities Administration
MDH Admin: Maryland Department of Health – Administration
OHCQ: Office of Health Care Quality
PHS: Public Health Services

Note: PHS includes the Prevention and Health Promotion Administration and the Public Health Administration.

Source: Maryland Department of Legislative Services; Maryland Department of Health

Issues

1. HCBS Waiver Registries Grow in Fiscal 2024 Despite Reduction Efforts

The Medicaid program covers HCBS through the Community First Choice program and Community Personal Assistance Services program, among other programs. In partnership with the Centers for Medicare and Medicaid Services (CMMS), MDH also implements HCBS waivers that allow older adults, people with disabilities, and children with chronic illnesses who would not otherwise qualify for Medicaid to access HCBS. Waiver participants must meet financial eligibility based on income and asset levels and medical eligibility requiring a need for institutional or facility levels of care. HCBS programs fund a variety of service types, such as case management, residential services, nursing, and personal care, that help individuals live at home, in a community setting, or in an assisted living facility, rather than in a nursing facility or State health facility.

The Office of Long Term Services and Supports (OLTSS) within MCPA administers the following HCBS waiver programs:

- the Home- and Community-based Options Waiver (Community Options Waiver);
- the Medical Day Care Services Waiver; and
- the Model Waiver for Medically Fragile Children (Model Waiver).

The Developmental Disabilities Administration (DDA) implements the following three HCBS waiver programs:

- the Community Pathways Waiver;
- the Community Supports Waiver; and
- the Family Supports Waiver.

Other HCBS waivers include the Waiver for Children with Autism Spectrum Disorder (Autism Waiver) administered by the Maryland State Department of Education (MSDE) in partnership with MCPA and the Waiver for Individuals with Brain Injury administered by BHA.

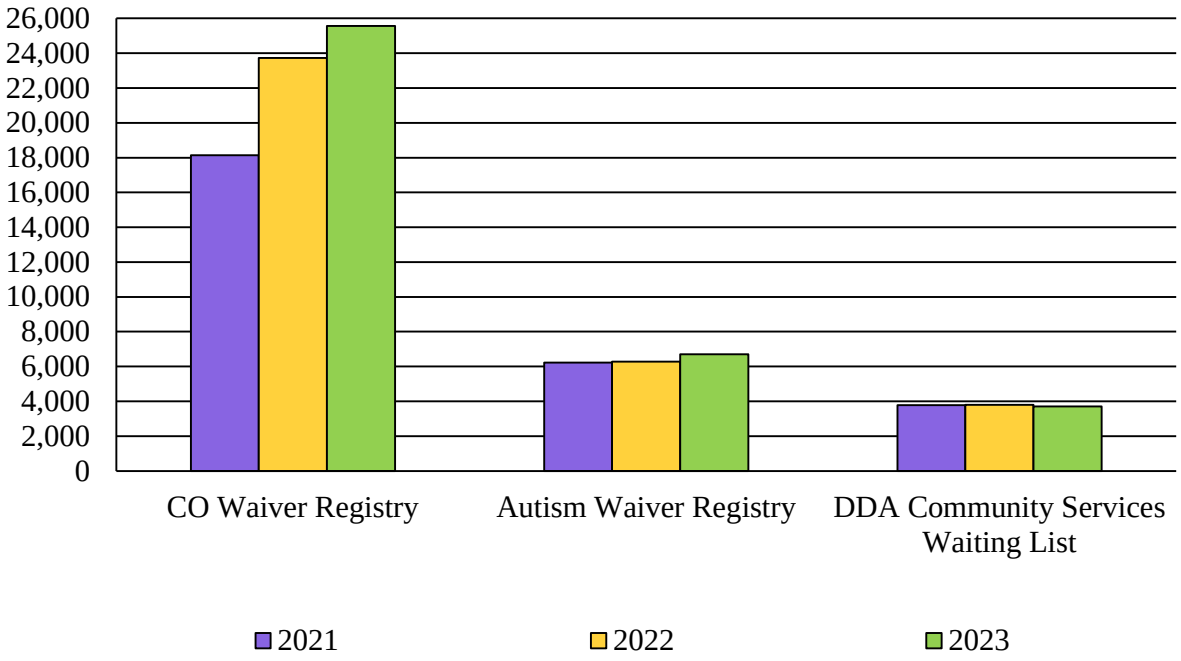
Current Status of HCBS Waiver Registries

MDH maintains registries for individuals who have requested HCBS through Medicaid waiver programs but have not completed the eligibility determination or application process. As of July 2023, all HCBS waivers had a registry except for the Medical Day Care Services Waiver and Waiver for Individuals with Brain Injury. Individuals requesting HCBS through any of the

three waiver programs administered by DDA are tracked in one registry, referred to as the Community Services waiting list.

Exhibit 7 shows that the number of individuals on HCBS registries varies significantly. For example, at the end of fiscal 2023, the registries ranged from 3,716 on the Community Services waiting list to 25,563 for the Community Options Waiver. Although MDH reported that the Model Waiver's registry census was 179 individuals as of fiscal 2022, this registry is not included in the exhibit due to its relative size and the nature of the waiver program being capped at 200 participants.

Exhibit 7
Home and Community-based Services Waiver Program
Registries and Waitlists
Fiscal 2021-2023



Autism Waiver: Waiver for Children with Autism Spectrum Disorder
CO Waiver: Home and Community-based Options Waiver (Community Options Waiver)
DDA: Developmental Disabilities Administration

Note: Registries and waitlists are reported as point-in-time counts on June 30. For fiscal 2023, the CO waiver registry shows the count as of July 1, 2023.

Source: Maryland Department of Health; Maryland State Department of Education

From fiscal 2021 to 2023, the Community Options Waiver registry reported the largest net increase, adding 7,425 registrants, or 41%. The Autism Waiver registry also increased over the same period, albeit at a slower rate of 7.6%, with 472 individuals added. Despite demand for HCBS growing and the Community Options Waiver registry continuing to increase each year, MDH did not fill the total authorized slots in fiscal 2022 through 2024 year to date. In each fiscal year, the CMMS approved up to 6,348 Community Options Waiver slots, while MDH only filled up to a high of 4,679 slots in fiscal 2022. Through September 2023, MDH had filled 4,051 of its fiscal 2024 slots.

MDH and the Hilltop Institute at the University of Maryland Baltimore County have offered multiple reasons for Maryland not utilizing its maximum approved Community Options Waiver slots even though the department keeps a substantial registry. In response to language in the fiscal 2021 Budget Bill (Chapter 19 of 2020), the Hilltop Institute suggested that unused waiver capacity was likely a consequence of the significant administrative complexity of the eligibility screening process. The department has indicated that the following factors contribute to not filling all authorized slots:

- limited capacity of the provider network that serves entitlement and waiver populations (personal assistance agency providers, case management, etc.) with available capacity used by the entitlement programs;

- outdated and ineffective methods for pulling people off the waiver registry, which used a first-come, first-served approach prior to calendar 2019, but transitioned to prioritizing individuals based on risk of institutionalization;

- delays in eligibility determination and application processing due to staffing shortages in OLTSS and the Eligibility Determination Division (EDD), causing MDH to extend the typical six-month Medicaid application cycle as appropriate;

- low return rates for Community Options Waiver applications; and

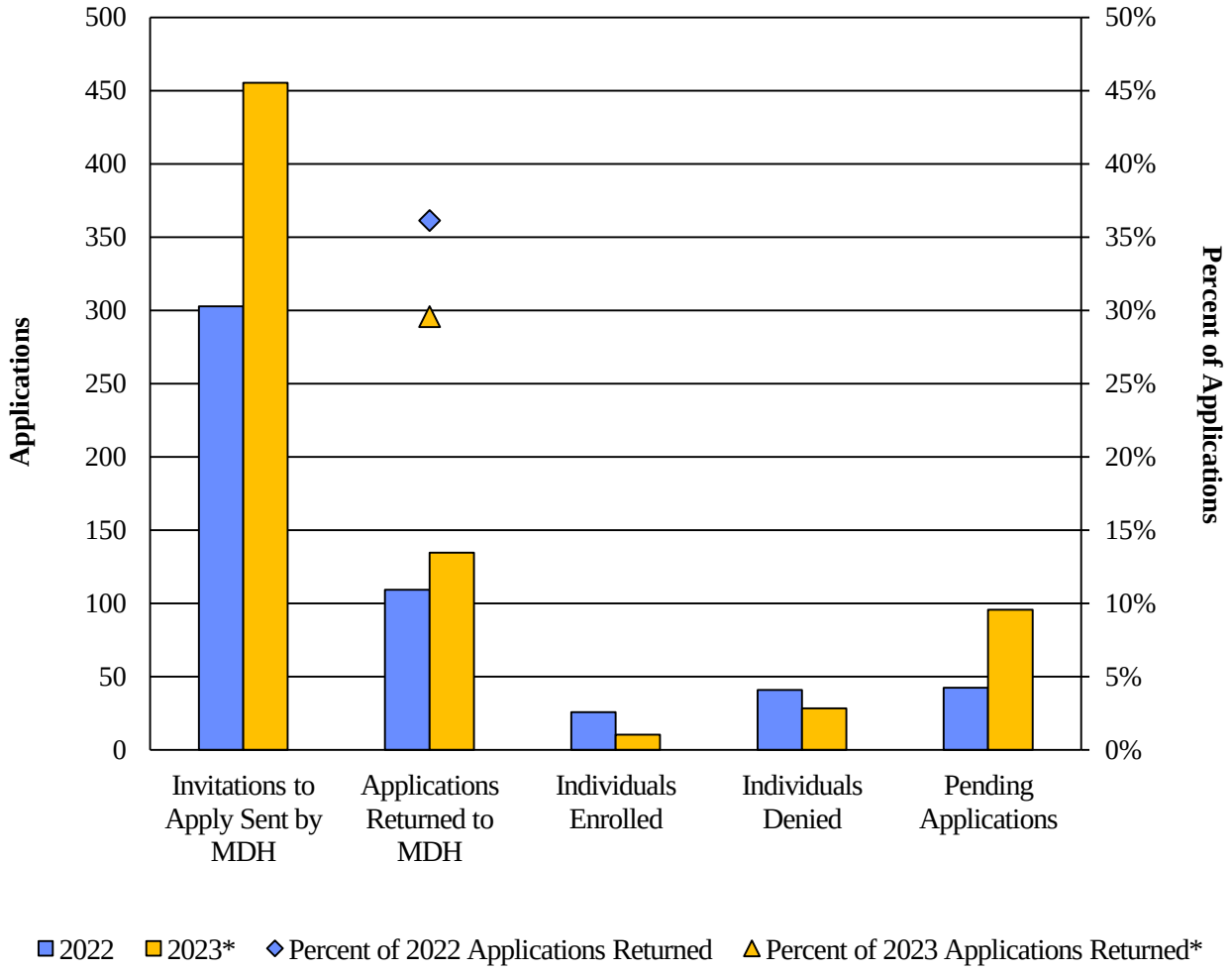
- a backlog in plans of service for waiver participants that totaled 2,510 as of January 9, 2024.

Community Options Waiver Outreach Changes

As shown in **Exhibit 8**, MDH conducts outreach to Community Options Waiver registrants by distributing applications each month. However, the response rates for the distributed applications totaled only 36% and 30% in calendar 2022 and 2023, respectively. Of the average 109 applications returned each month in calendar 2022, 25 individuals were enrolled in HCBS, while approximately 41 were denied and 42 still had pending applications (38.8%) at the end of each month. In response to committee narrative in the 2023 *Joint Chairmen's Report*, MDH described significant staffing shortages in OLTSS and EDD that contribute to administrative delays in processing waiver applications. MDH still had 30 OLTSS vacancies remaining among

positions supporting the Community Options Waiver program (7 regular and 23 contractual positions at the time the response was submitted) after hiring 3 plan of service reviewers in June and July 2023. Further, the department plans to support staffing by procuring a plan of service reviewer contract and using another vendor (the utilization control agent) to perform plan of service reviews by fall 2024.

Exhibit 8
Average Monthly Community Options Waiver Registry Outreach Results
Calendar 2022-2023*



MDH: Maryland Department of Health

* Calendar 2023 data is preliminary and could change over time.

Source: Maryland Department of Health; Department of Legislative Services

Chapter 738 required MDH to expand Community Options Waiver registry outreach efforts by sending applications to at least 600 registrants per month. As a result, average monthly applications sent out by the department increased from 302 in calendar 2022 to 455 in calendar 2023. The department completed information technology system upgrades to gradually increase the applications distributed each month to 600 starting in November 2023. MDH indicated that it would eventually send out 700 applications per month as OLTSS staffing levels increase. In accordance with Chapter 738, registrants must also submit applications within six weeks of receipt from MDH, and the department implemented that requirement beginning in April 2023.

HCBS Waiver Registry Reduction Plans

In addition to expanding Community Options Waiver outreach, Chapter 464 (the End the Wait Act) required MDH to develop:

- plans to reduce the waitlists for Medicaid HCBS waiver programs by 50% beginning in fiscal 2024; and

- a plan to reduce the Autism Waiver registry that includes conducting eligibility determination of registrants and, beginning in fiscal 2024, providing services to at least 50% of individuals determined eligible.

MDH submitted its plans to reduce HCBS waiver registries in February 2023. As shown in **Exhibit 9**, the reduction plans project varying annual enrollment expansion across waiver programs. Although the Community Option Waiver's registry was greater than 26,000 individuals as of January 2024, MDH's reduction plan estimates that only 1,324 registrants would be eligible and eventually enroll in the program from fiscal 2023 through 2028. The Community Options Waiver registry and DDA Community Services waitlist pre-screen individuals for their need for services to prioritize the registry but do not determine eligibility until a registrant is invited to apply and submits the application. In response to language in the fiscal 2021 Budget Bill (Chapter 19), the Hilltop Institute estimated that only 40% of Community Options Waiver registrants as of September 30, 2020, would have met the nursing facility-level of care needed to qualify, and approximately 16% would have enrolled based on the historical enrollment rate. Efforts are underway in accordance with Chapter 464 to pre-screen Autism Waiver registrants for technical eligibility.

Exhibit 9
Annual Net New Enrollment and Cumulative Fiscal 2028 State Costs of HCBS Waiver Reduction Plans
Fiscal 2023-2028
($ in Millions)

	DDA Waiver Programs		CO Waiver		Model Waiver		Autism Waiver	
	New Enrollees	State Costs	New Enrollees	State Costs	New Enrollees	State Costs	New Enrollees	State Costs
2023			121	$1.7	34	$3.7	145	$4.8
2024	400	$13.3	325	6.1	34	5.3	1,486	52.8
2025	400	13.7	276	9.8	31	7.7	97	56.0
2026	400	14.2	234	13.0	29	10.0	84	58.9
2027	400	14.8	199	15.8	26	12.1	88	62.0
2028	400	15.3	169	18.3	24	14.1	96	65.5
Total	**2,000**	**$71.3**	**1,324**	**$64.8**	**178**	**$52.9**	**1,851**	**$299.9**

Autism Waiver: Waiver for Children with Autism Spectrum Disorder
CO Waiver: Home and Community-based Options Waiver (Community Options Waiver)
DDA: Developmental Disabilities Administration
HCBS: Home and Community-based Services
Model Waiver: Model Waiver for Medically Fragile Children

Note: Includes cumulative costs of new services, additional staffing needs for each waiver and the central Eligibility Determination Division, and other administrative costs or information technology (as needed). The federal matching rate for Medicaid waivers is 50%, so total projected cost for each plan is double the State cost.

Source: Maryland Department of Health

The cumulative State cost of reducing the HCBS waiver registries by 50% also varied greatly by waiver, with the Autism Waiver accounting for at least 50% of the costs each year. MDH projected that new Autism Waiver enrollment would grow rapidly by enrolling 1,486 participants in fiscal 2024 to meet the Chapter 464 requirement of providing services to at least 50% of eligible registrants beginning in fiscal 2024. In addition to the anticipated cost of serving new enrollees in the waivers, MDH estimated that new positions would be needed across OLTSS, DDA, MSDE, and the central EDD. Cumulative new staffing support across all HCBS waiver programs was estimated to cost $17.4 million in general funds throughout the five-year reduction plans. MDH also acknowledged that limited provider capacity and a shortage of direct support professionals could prevent HCBS waivers from meeting the new enrollment targets. The department discussed efforts to improve provider capacity as part of the reduction plans, though it did not provide a cost estimate for that component.

Chapter 464 also required that beginning in fiscal 2024, the Governor must include sufficient funds in the annual budget bill to implement the reduction plans. Due to the timing of MDH submitting the registry and waitlist reduction plans, the Governor's fiscal 2024 budget plan did not include funding specifically for the projected State costs of expanding waiver enrollment. The fiscal 2023 budget included $30 million in the Dedicated Purpose Account (DPA) to support Autism Waiver expansion that could be used over multiple years, and in August 2022, $10 million was transferred via budget amendment for that purpose. Chapters 635 and 636 of 2023 authorized the DPA allocation to be used more broadly for other Medicaid HCBS waiver expansion. Section 19 in the fiscal 2024 Budget Bill (Chapter 101 of 2023) provided $6 million of general funds in the DPA for costs associated with End the Wait initiatives in Medicaid waivers. The fiscal 2025 allowance includes an additional $10 million of general funds in the DPA for provider recruitment strategies and capacity building for providers as part of the End the Wait initiatives.

MDH should provide an update on efforts to fill OLTSS EDD vacancies that would support Medicaid HCBS waiver programs. The department should also discuss whether the fiscal 2024 working appropriation or fiscal 2025 allowance includes any new regular or contractual positions that were outlined in the waitlist reduction plans. Finally, MDH should describe how the $10 million in new funding in the DPA will be used to support HCBS provider capacity in fiscal 2025.

2. Provider Rate Increases and Rate-setting Studies

Language in the fiscal 2024 Budget Bill restricts $250,000 in general funds until the MDH Medical Care Programs Administration (MCPA), in consultation with DDA and BHA, submitted a report describing (1) the timeline for when current Medicaid rate structures and rates were determined; (2) the method for determining current rates and whether a rate-setting study was used; (3) recent rate increases and enhancements; and (4) the status of any ongoing rate-setting studies, among other information. MDH submitted the report on January 5, 2024, which outlined rate enhancements beginning in fiscal 2016 across programs for Medicaid Long Term Services and Supports (LTSS) providers, DDA providers, and BHA providers, as shown in **Exhibit 10**.

Exhibit 10
Medicaid LTSS, DDA, and BHA Provider Rate Increases
Fiscal 2016-2024

Fiscal Year	Medicaid LTSS Providers	Effective Date	DDA Providers	Effective Date	BHA Providers	Effective Date
2016			*3.5%*	July 1, 2015		
2017	1.1%	July 1, 2016	*3.5%*	July 1, 2016		
2018	2%	July 1, 2017	*3.5%*	July 1, 2017		
2019	3%	July 1, 2018	*3.5%*	July 1, 2018	*3.5%*	July 1, 2018
2020	3%	July 1, 2019	*4%*	July 1, 2019	*3.5%*	July 1, 2019
2021	*4%*	July 1, 2020	*4%*	July 1, 2020	*3.5%*	July 1, 2020
	4%	Jan. 1, 2021	*4%*	Jan. 1, 2021	*4%*	Jan. 1, 2021
			5.5%*	April 1, 2021		
2022	5.2%*	Nov. 1, 2021			5.4%*	Nov. 1, 2021
2023	*4%*	July 1, 2022	*4%*	July 1, 2022	*3.25%*	July 1, 2022
	Suppl. 4%	July 1, 2022	Suppl. 4%	July 1, 2022	Suppl. 4%	July 1, 2022
	Temp. 4%*	July 1, 2022 to June 30, 2023	Temp. 10%*	Oct. 1, 2022 to Dec. 31, 2022	Temp 4%*	July 1, 2022 through Sept. 2022
2024	*4%*	July 1, 2023	*4%*	July 1, 2023	*3%*	July 1, 2023
	8%	Jan. 1, 2024	*8%*	Jan. 1, 2024	*8%*	Jan. 1, 2024

BHA: Behavioral Health Administration
DDA: Developmental Disabilities Administration
LTSS: Long Term Services and Supports

* Funded with enhanced federal matching funds authorized in the American Rescue Plan Act that were limited to home and community-based services providers.

Note: Italics denote provider rate increases that were required by budget language or legislation, including Chapter 262 of 2014, Chapters 571 and 572 of 2017, and Chapters 10 and 11 of 2019.

Source: Maryland Department of Health; Department of Legislative Services

MDH's report generally described rate structures and rate-setting updates for each administration separately. However, some common rate enhancements across programs included:

- mandated rate increases from fiscal 2020 through 2026 for BHA, DDA, and specified Medicaid LTSS providers established in Chapters 10 and 11 of 2019 (Fight for Fifteen);

- accelerated mandated rate increases enacted in the fiscal 2024 Budget Bill and Chapter 2 of 2023 (the Fair Wage Act) to align DDA, BHA, and Medicaid LTSS provider rate increases scheduled for fiscal 2025 and 2026 with the State's minimum wage rate increase to $15.00 per hour beginning January 1, 2024; and

- a variety of ongoing and one-time Medicaid rate increases for HCBS providers that were funded with a temporary enhanced federal match on HCBS spending authorized in ARPA.

Due to the acceleration of fiscal 2025 and 2026 provider rate increases to January 1, 2024, in accordance with fiscal 2024 budget language and Chapter 2, there were no mandates for rate increases in fiscal 2025. However, the fiscal 2025 allowance includes discretionary funding for a 3% rate increase for BHA, DDA, and Medicaid LTSS providers.

MCPA Rates

As of June 2023, MDH reported that the Medicaid program serves most participants (86%) through the mandatory managed care program, referred to as HealthChoice. Under HealthChoice, MDH sets capitated rates for managed care organizations (MCO) operating in Maryland to cover most medical services for their enrollees. These rates are determined on an annual calendar year cycle. MCOs then negotiate payment rates for covered services with their contracted providers.

For Medicaid services not covered by MCOs, including specialty mental health care, substance use disorder treatment, dental care, and HCBS, MDH reimburses providers on a fee-for-service (FFS) basis. Chapter 464 required MDH to establish an annual process to set FFS reimbursement rates. Rates for physician fees in particular are compared to the Medicare fee schedule and have grown substantially from 36% of Medicare rates in fiscal 2001 to an average of 103% of Medicare rates in fiscal 2024. The fiscal 2025 allowance maintains physician fees at 100% of Medicare rates. MDH also discussed recent rate enhancements for dental services, such as a one-time 9.4% rate increase for specific diagnostic, preventive, and restorative dental services effective July 1, 2022, and a 20% rate increase for certain preventive and restorative dental services and one radiology service effective August 1, 2023.

DDA Rates

DDA is in the process of transitioning from a prospective payment model to an FFS reimbursement model that includes moving service authorization and billing functionalities from the legacy Provider Consumer Information System 2 (PCIS2) to the State's existing LTSS information technology system used by other Medicaid programs. MDH indicated that all providers remaining in PCIS2 would transition to the new rate and FFS payment methodology by September 1, 2024.

The report provided a timeline for the transition plan starting with the rate-setting study required by Chapter 648 of 2014 that was conducted by Johnston Villegas-Grubbs, and Associates, LLC. For ongoing rate-setting and adjustments, DDA initiated an annual rate-setting cycle in February 2022 that is modeled after the HealthChoice program. There are added features to the DDA rate-setting process, including a Rate Review Advisory Group and multi-year cycles for rebasing HCBS waiver service rates. MDH further outlined federal requirements for DDA's rate structure and future plans for the FFS reimbursement transition plan in the report.

BHA Rates

Due to limitations on behavioral health care coverage in the Medicare program, MDH does not compare behavioral health service rates to Medicare rates as is done for somatic health services. Instead, MDH currently compares behavioral health services rates to provider costs and rates paid by neighboring states. Chapters 571 and 572 of 2017 (the Heroin and Opioid Prevention Effort and Treatment Act) required the Governor to fund rate enhancements specifically for community behavioral health providers from fiscal 2019 through 2021.

Chapters 571 and 572 also require MDH to conduct an independent rate-setting study to set provider rates for community-based behavioral health services. After preliminary discussions with the Behavioral Health System of Care Optimization and Integration Workgroup in calendar 2019 and 2020, MDH planned for a two-phase process for the study.

- Phase 1 involves designing a cost report template and working with providers so they can report their costs for providing publicly funded behavioral health services.

- Phase 2 is analyzing the reported cost data, conducting the rate-setting study, and making recommendations for rate changes.

MDH should provide the committees with an update on the status of the study.

The Department of Legislative Services recommends the release of $250,000 in general funds restricted in fiscal 2024 pending the submission of a report regarding current Medicaid rates, rate enhancements, and rate-setting studies and will process a letter to this effect if no objections are raised by the subcommittees.

3. Lack of Oversight and Ineffective Procedures Result in Hundreds of Millions in Unrecovered Federal Funds

Background

In the *Statewide Review of Budget Closeout Transactions for Fiscal Year 2022* released in January 2023, OLA included findings related to a review of 16 MDH accounts and identified $3.5 billion in federal fund revenue items that lacked proper supporting documentation. In

October 2023, OLA released a fiscal compliance audit covering the period between February 2019 and June 2022 for the MDH Office of the Secretary and Other Units that covered MDH's federal fund accounting policies and procedures. As part of that audit, OLA examined MDH processes to recover federal funds for qualified expenditures made by MCPA, the BHA Administrative Services Organization (ASO), and DDA, related to Medicaid, MCHP, and the Money Follows the Person program. OLA found multiple deficiencies across MDH's accounting reconciliation processes to recover and allocate federal funding. OLA estimated that during the period under review, MDH failed to recover $973.3 million in federal dollars and lacked adequate processes to verify receipt of federal fund reimbursement requests totaling $10.2 billion (96% of MDH's total federal fund expenditures in fiscal 2022). In addition, OLA identified that the Medicaid clearing account, which receives and reallocates federal funds to appropriate expenditure accounts, had a deficit balance of $1.1 billion. Other revenue and expenditure accounts carried year-over-year balances beginning as early as fiscal 2015.

Upon being alerted by OLA of the unrecovered $973.3 million in August 2022, MDH took action to carry out appropriate reconciliation and as of November 2023 had successfully recovered the funds. However, OLA estimates the agency's failure to recover the funds in a timely manner resulted in $6.4 million in lost investment income. MDH employed an external accounting firm to support the review of accounts and is currently reviewing other accounts to ensure all eligible expenditures are submitted for federal reimbursement. MDH has two years from the date of expenditure to request federal funding reimbursements, and based on its review so far, the department believes it will be able to recover a majority if not all of the funds and does not believe any expenditures will need to be covered by general funds. To address the broader systemic issues related to its federal fund accounting process, MDH is soliciting an external auditor through an emergency procurement process with the Department of General Services to review the department's fiscal procedures and compliance and staffing models and make recommendations.

The October 2023 audit included 17 findings: four findings related to management of federal funds; one related to budget and year-end closing processes; two related to procurement and disbursement of payments; five redacted findings related to information systems security and control; one related to accounts receivable; two related to payroll; one related to cash receipts; and one related to executive oversight. Two of these findings were repeated from prior audit reports. Some of these findings and MDH's responses are discussed below. A list of OLA's audit findings and corresponding recommendations can be found in **Appendix 5** of this document. The full audit report can be found on the OLA website.

Issues with Federal Funding Accounting Procedures

OLA identified deficiencies in each part of MDH's four-step federal fund accounting process. First, MDH did not ensure provider payments were entered properly into the claim system, Medicaid Management Information Systems (MMIS II), resulting in at least $8.8 million not being recorded. These funds for DDA are now unrecoverable, and the expenditures will need to be covered with general funds. MDH did not resolve rejected claims, and OLA found $106.7 million in rejected claims in BHA-ASO that were not investigated. As of October 2023, MDH had

investigated and resolved claims totaling $39.7 million, reducing the number of unresolved claims to a total of $67 million.

In addition, staffing contributed to the unrecovered funds. The MDH staff member responsible for reconciling federal reimbursement requests left State service in December 2019 and was not replaced for nearly three years. During this vacancy, the duties of the role were not covered by any other staff member, and thus MDH failed to identify $973.3 million in eligible expenditures that were not submitted for reimbursement. Prior to OLA alerting MDH of the issue in August 2022, the department was unaware that the reconciliation was not being completed. Once alerted, MDH worked to resolve the issue and completed a Standard Operating Procedure for the reconciliation process in January 2023.

MDH also lacked appropriate procedures to ensure federal fund reimbursement requests were processed and received. OLA did not find instances where requests were not received but noted that due to the volume of requests, codified procedures are critical to ensuring requests are not missed. OLA also identified issues with how MDH allocates federal funding after it is deposited into the Medicaid clearing account by federal agencies. MDH's revenue allocation procedures yielded a $1.1 billion deficit in the Medicaid clearing account as of June 30, 2022, and a $2.8 billion surplus in the subsidiary accounts meant to passthrough dollars to program-specific expenditure accounts. Furthermore, MDH's accounting records between fiscal 2015 and 2022 show deficit balances in expenditure and revenue accounts carried forward year after year, indicating that MDH either never allocated revenue into the accounts or did not properly request reimbursement for expenditures. Automated scripts caused all balances to zero out at close-out, as is required, but the absence of human verification enabled the accounts to continue to accrue balances without being reconciled.

Addressing the Findings

MDH employed an external accounting firm in July 2023 to review its policies and procedures related to its federal funding accounting process and make recommendations for improvements. The department plans to complete its update of these procedures in February 2024. The firm is also supporting MDH in its efforts to review and reconcile accounts that OLA had not reviewed in its audit to recover eligible funds and identify funding that is unrecoverable. As of November 2023, MDH reported that of the $3.5 billion highlighted by OLA, $2.1 billion has been verified and will be reviewed by OLA during the next closeout audit. MDH is continuing to reconcile accounts to recover the remaining $1.4 billion and anticipates resolution by the end of fiscal 2024. MDH noted that it is also reviewing invoices and deliverables from the accounting firm contracted under emergency contract during the period covered by this audit to determine what work was completed and the purpose of the investment. After two extensions, the final contract totaled $87 million, with approximately 67% of the contract funded with federal dollars. MDH cannot define the contractor's scope of work nor account for what purpose the funds were used.

Since the release of the audit, MDH has been working with consultants, its internal human resources division, and its executive team to review federal fund accounting practices, hire

fiscal staff, and develop procedures to ensure redundancies and stopgap measures. As of November 2023, MDH indicates that it has completed 13 of OLA's 28 recommendations, including the actions described above, and is taking steps to resolve the remaining issues.

Updates

1. Cigarette Restitution Fund – Maryland to Receive $26 Million Payment from Sales Year 2005 to 2007 Multistate Litigation

The CRF, established by Chapters 172 and 173 of 1999, is supported by payments made by tobacco manufacturers under the Master Settlement Agreement (MSA). Through the MSA, the settling manufacturers pay substantial annual payments in perpetuity to the litigating parties and conform to restrictions on marketing to youth and the general public. Litigating parties include 46 states (excluding Florida, Minnesota, Mississippi, and Texas due to previously settling litigation), 5 territories, and the District of Columbia. The distribution of MSA funds among the states is determined by formula, with Maryland receiving 2.26% of MSA payments, which are adjusted upward for inflation and downward for volume and prior settlements.

The Nonparticipating Manufacturer Adjustment

One of the conditions of the MSA was that the states take steps toward creating a more "level-playing field" between participating manufacturers to the MSA (and thus subject to annual payments and other restrictions) and nonparticipating manufacturers to the agreement. This condition is enforced through an additional adjustment to the states' annual payments, the nonparticipating manufacturer adjustment. Participating manufacturers have long contended that the nonparticipating manufacturers have avoided or exploited loopholes in state laws that give them a competitive advantage in the pricing of their products. If certain conditions are met, the MSA provides a downward adjustment to participating manufacturers' contribution.

Under the MSA, participating manufacturers may pursue the nonparticipating manufacturer adjustment on an annual basis. To prevail and reduce their MSA payments, participating manufacturers must show that they experienced a demonstrable market share loss of over approximately 2%, that the MSA was a significant factor in that loss, and that a state was not diligently enforcing its qualifying statute (Chapter 169 of 1999 in Maryland, with subsequent revisions in the 2001 and 2004 sessions).

Arbitration Findings and Budgetary Impacts

Sales Year 2003 and 2004: Litigation regarding the nonparticipating manufacturer adjustment started in calendar 2005, beginning with the nonparticipating manufacturer adjustment for sales year 2003. Arbitration regarding the "diligent enforcement" issue for sales year 2003 commenced in July 2010. Maryland was one of six states that were found to not have diligently enforced their qualifying statute. Based on the arbitration ruling, Maryland not only forfeited approximately $16 million that the participating manufacturers placed in escrow for the 2003 sales year but under the MSA arbitration framework also saw its fiscal 2014 payment reduced by $67 million based on the panel's assessment that those states that settled before arbitration could not be found as nondiligent. Subsequent litigation reduced Maryland's fiscal 2014 payment loss to $13 million.

The participating manufacturers sought a multistate arbitration related to sales year 2004 for Maryland and the other states that did not settle the sales year 2003 litigation. Arbitration on sales year 2004 began in fall 2018. On September 1, 2021, OAG announced that a panel of three arbitrators decided in favor of Maryland, finding that it diligently enforced the qualifying statute. As a result, Maryland recovered $18.4 million in withheld funds released from escrow in April 2023. Chapters 41 and 42 of 2021 require payments received by the State as a result of litigation related to Maryland's enforcement of State law regarding the MSA to go into a separate account that may only be used to supplant the general fund appropriation for settlement payments to historically Black colleges and universities (HBCU). In fiscal 2023, $16 million from the separate CRF account contributed to the HBCU settlement and the fiscal 2025 allowance includes the remaining $2.4 million for this purpose.

Sales Year 2005 through 2007 and Future Litigation: An arbitration hearing to determine Maryland's settlements and diligent enforcement of qualifying statute in sales year 2005 through 2007 occurred in March 2023. On November 20, 2023, OAG announced that the panel of three arbitrators unanimously decided in favor of Maryland. OAG indicated that the State is likely to recover at least $25 million in withheld funds. Considering the uncertain timing of the receipt of this payment, the Governor's budget plan does not allocate any additional funds attributed to the sales year 2005 through 2007 winnings. As of January 2024, the timing of arbitration hearings for sales year 2008 and on is also uncertain, including whether multiple sales years will be heard at once.

For each disputed year since sales year 2000 with some exceptions, an amount of Maryland's payments has been withheld and deposited into a disputed payments account. As of January 2024, there was approximately $318 million attributed to principal held on behalf of Maryland in this account. If the State were found to have diligently enforced the statute beginning in sales year 2008 and in the following years, at least this amount could be realized in CRF revenue. Alternatively, Maryland could forfeit these funds and see its payment adjusted downward in certain fiscal years if the State were found to be nondiligent, as was seen for sales year 2003.

Fiscal 2023 to 2025 Cigarette Restitution Fund Programmatic Support

Exhibit 11 provides CRF revenue and expenditure detail for fiscal 2023 to 2025. Although estimated MSA payments are level over the period shown, overall settlement payments decrease very slightly by 0.3% from fiscal 2023 to 2025 due to downward volume adjustments offsetting upward inflation adjustments.

Exhibit 11
Cigarette Restitution Fund Budget
Fiscal 2023-2025
($ in Millions)

	2023 Actual	2024 Working	2025 Allowance
Beginning Fund Balance	$30.6	$4.8	$1.3
Settlement Payments	138.3	138.0	137.9
Nonparticipating Manufacturer Adjustment and Other Shortfalls in Payments [1]	-7.7	-10.0	-10.0
Awards from Disputed Account	0.0	0.0	0.0
Other Adjustments	0.0	5.0	5.0
Tobacco Laws Enforcement Arbitration	18.4	0.0	0.0
Prior-year Recoveries	$2.3	$2.5	$2.5
Total Available Revenue	**$181.9**	**$140.3**	**$136.7**
Health			
Tobacco Enforcement, Prevention and Cessation	$9.3	$11.3	$11.3
Cancer	26.9	27.1	27.2
Substance Abuse	26.0	26.0	16.8
Breast and Cervical Cancer	13.2	13.2	13.2
Community Health Resources Commission	0.0	0.0	8.0
Medicaid Administration	66.8	41.0	39.9
Subtotal	***$142.2***	***$118.7***	***$116.4***
Other			
Aid to Nonpublic Schools	$16.4	$17.8	$15.3
Historically Black Colleges and Universities Settlement Payment	16.0	0.0	2.4
Crop Conversion	0.9	0.9	0.9
Attorney General	1.6	1.6	1.6
Subtotal	***$34.9***	***$20.3***	***$20.2***
Total Expenditures	**$177.1**	**$139.0**	**$136.7**
Ending Fund Balance	**$4.8**	**$1.3**	**$0.02**

[1] The nonparticipating manufacturers adjustment represents the bulk of this total adjustment.

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

Source: Governor's Fiscal 2025 Budget Books; Department of Legislative Services

CRF uses are restricted by statute. For example, at least 30% of the annual appropriation must be used for Medicaid. Historically, this requirement is often surpassed, and any shortfalls in anticipated revenue are accounted for in the Medicaid budget. The fiscal 2025 allowance includes $39.9 million for Medicaid (approximately 30% of total uses, excluding the HBCU settlement payment paid for out of a separate account). Additionally, for fiscal 2025 through 2029, Chapter 644 requires the Governor to include $8.0 million in CRF support for the Maryland Community Health Resources Commission Fund each year. The fiscal 2025 allowance meets this requirement. Other activities funded with the CRF in fiscal 2025 include:

- the Tobacco Use Prevention and Cessation Program;
- the Cancer Prevention, Education, Screening, and Treatment Program;
- the Breast and Cervical Cancer Program;
- alcohol and substance abuse treatment and prevention programs;
- tobacco production alternatives; and
- nonpublic school support, including $9 million budgeted in fiscal 2025 for the Broadening Options and Opportunities for Students Today Program.

Appendix 1
Proposed Fiscal 2024 Deficiencies
($ in Millions)

Program	General Funds	Special Funds	Federal Funds	Reimb. Funds	Total Funds
Maryland OIGH					
Funding to transfer 2.0 positions and costs associated with managing the Hospital Audit Unit to Medicaid	-$0.05		-$0.16		-$0.21
Funding to support the Pharmacy Audit contract move from Medicaid	0.06		0.13		0.19
Office of the Secretary					
Savings in payroll costs for Board of Nursing infrastructure operations	-2.70				-2.70
Public Health Services					
Reduced funding to Maryland Pediatric Center grant	-5.00				-5.00
BHA					
Savings to reflect actual expenditures for Community Services for the Uninsured Population	-57.44				-57.44
Savings to reflect actual expenditures for Community Services for the Medicaid Eligible Population	-16.93				-16.93
Funding to reflect an anticipated deficit in service year 2023 accrual for behavioral health Medicaid services	28.72		$63.28		92.00
Funding for fiscal 2024 behavioral health Medicaid services	89.11		331.49		420.60
MDH Inpatient Facilities					
Funding for turnover costs reflecting actual vacancies at Thomas B. Finan Hospital Center	0.92				0.92
Funding for turnover costs reflecting actual vacancies at Springfield Hospital Center	1.73				1.73

Program	General Funds	Special Funds	Federal Funds	Reimb. Funds	Total Funds
Medicaid					
Funding moving the Pharmacy Audit contract to OIGH	-0.06		-0.13		-0.19
Funding to reflect an anticipated deficit in service year 2023 accrual for traditional Medicaid services	52.09		60.34		112.43
Funding adjustments to reflect enrollment, utilization, and rate projection assumptions for the traditional Medicaid and Affordable Care Act Expansion populations	-177.00	13.46	115.58	12.31	-35.65
Funds to transfer 2.0 positions and associated funding from the OIGH to MDH to perform functions under the Hospital Audit Unit	0.05		0.16		0.21
Additional funds for MCHP, including funding to support the Healthy Babies initiative established in Chapter 28	45.01	-3.71	78.81		120.12
Maryland Health Care Commission					
One-time increase to the Shock Trauma Grant at the level identified in Section 19 of the fiscal 2024 Budget Bill		5.00			5.00
Total Proposed Fiscal 2024 Deficiencies	**-$41.48**	**$14.75**	**$649.49**	**$12.31**	**$635.08**

Source: Governor's Fiscal 2025 Budget Books

Appendix 2
Selected Caseload Estimates Used in Fiscal 2025 Budget Plan
Fiscal 2021-2025 Estimated

	2021	2022	2023	Est. 2024	Est. 2025	Amt. Change 2024-2025	% Change 2024-2025
Medical Care Programs/Medicaid							
Traditional Medicaid Enrollees	1,017,671	1,074,294	1,129,433	1,081,207	1,033,422	-47,785	-4.4%
MCHP[1]	143,387	156,248	164,521	150,777	145,439	-5,338	-3.5%
Affordable Care Act Medicaid Expansion	367,288	423,935	458,587	427,922	406,278	-21,644	-5.1%
Total	**1,528,346**	**1,654,478**	**1,752,541**	**1,659,906**	**1,585,139**	**-74,767**	**-4.5%**
DDA[2]							
Residential Services	6,367	6,680	6,760	n/a	n/a		
Day Services	7,760	8,201	8,535	n/a	n/a		
Support Services	6,343	6,725	6,613	n/a	n/a		
Self-directed Services	1,574	2,101	2,679	n/a	n/a		
Total Services	**22,044**	**23,707**	**24,587**	n/a	n/a		
Targeted Case Management	25,294	25,477	25,138	n/a	n/a		
Unduplicated Count of Individuals Receiving Community-based Services	17,112	19,506	19,748	20,148	20,548	400	2.0%

[1] Beginning in fiscal 2024, MCHP includes individuals covered under the Healthy Babies initiative, which covers noncitizen pregnant and postpartum individuals who would otherwise qualify for Medicaid but for their immigration status. As of December 2023, there were 6,710 enrollees in the initiative.

[2] Fiscal 2022 actual data has been updated since the 2023 session. Estimates by service type for DDA for fiscal 2024 and 2025 are unavailable as of this writing.

Source: Maryland Department of Health; Department of Budget and Management; Department of Legislative Services

Appendix 3
Regular Personnel – Authorized Positions by Program
Fiscal 2023-2025

	Actual 2023	Working 2024	Allowance 2025	Amt. Change 2024-2025	% Change 2024-2025
MDH Administration	**3,925.80**	**4,049.30**	**4,659.80**	**610.50**	**15.08%**
State Psychiatric Hospitals	2,611.10	2,724.60	3,271.10	546.50	20.06%
Chronic Disease Hospitals	409.20	401.70	417.20	15.50	3.86%
DDA Facilities	462.50	454.00	488.50	34.50	7.60%
OIGH	43.00	41.00	41.00	0.00	0.00%
Administration	400.00	428.00	442.00	14.00	3.27%
Regulatory Services	**570.50**	**517.50**	**549.50**	**32.00**	**6.18%**
Public Health Administration	**435.8**	**473.8**	**583.75**	**110**	**23.22%**
Prevention and Health Promotion Administration	**456.40**	**512.00**	**578.00**	**66.00**	**12.89%**
BHA	**132.80**	**169.30**	**218.80**	**49.50**	**29.24%**
DDA	**174.00**	**209.00**	**216.00**	**7.00**	**3.35%**
MCPA	**608.00**	**640.00**	**707.10**	**67.10**	**10.48%**
Health Regulatory Commissions	**116.90**	**117.90**	**118.90**	**1.00**	**0.85%**
Total Regular Positions	**6,420.15**	**6,688.75**	**7,631.85**	**943.10**	**14.10%**

Note: Health Regulatory Commission figures include the Prescription Drug Affordability Board. Personnel figures for fiscal 2025 reflect actions that have not yet occurred.

Source: Governor's Fiscal 2025 Budget Books

Appendix 4
Contractual Personnel – Authorized FTE Positions by Program
Fiscal 2023-2025

	Actual 2023	Working 2024	Allowance 2025	Amt. Change 2024-2025	% Change 2024-2025
MDH Administration	**351.89**	**359.72**	**291.16**	**-68.6**	**-19.06%**
State Psychiatric Hospitals	265.11	249.40	183.87	-65.5	-26.28%
Chronic Disease Hospitals	20.46	23.28	20.65	-2.6	-11.30%
DDA Facilities	26.45	13.67	14.52	0.9	6.22%
OIGH	3.98	5.10	6.51	1.4	27.65%
Administration	35.89	68.27	65.61	-2.7	-3.90%
Office of Health Care Quality	**7.81**	**6.50**	**2.50**	**-4.0**	**-61.54%**
Health Occupations Boards	**67.27**	**57.81**	**40.54**	**-17.3**	**-29.87%**
Public Health Administration	**73.36**	**50.40**	**42.90**	**-7.5**	**-14.88%**
Prevention and Health Promotion Administration	**122.96**	**119.97**	**74.15**	**-45.8**	**-38.19%**
BHA	**50.83**	**26.84**	**29.89**	**3.1**	**11.36%**
DDA	**39.57**	**50.21**	**23.32**	**-26.9**	**-53.56%**
MCPA	**76.22**	**122.96**	**100.25**	**-22.7**	**-18.47%**
Health Regulatory Commissions	**7.47**	**11.66**	**11.51**	**-0.2**	**-1.29%**
Total Contractual Positions	**797.38**	**806.07**	**616.22**	**-189.9**	**-10.83%**

Note: Health Regulatory Commission figures include the Prescription Drug Affordability Board. Personnel figures for fiscal 2025 reflect actions that have not yet occurred.

Source: Governor's Fiscal 2025 Budget Books

Appendix 5
Office of Legislative Audits Findings and Recommendations for the Maryland Department of Health
October 2023

Finding	Recommendation
1. MDH did not have procedures to ensure that MDH units properly entered all provider payments into MMIS II and resolved any rejected claims to enable timely and complete recovery of the funds.	OLA recommends that MDH: a. establish procedures to ensure that MDH units properly recorded all payments in MMIS II and subsequently resolved any rejected claims; and b. report the aforementioned unrecoverable funds to the Department of Budget and Management (DBM) and the budget committees and develop a plan to cover the related unfunded liabilities.
2. MDH did not ensure critical quarterly reconciliations were performed, resulting in the failure to recover $973.3 million of federal funding timely and lost investment income totaling $6.4 million.	OLA recommends that MDH establish a formal policy and procedures, including the appropriate procedural safeguards, to ensure that the critical quarterly reconciliations are completed properly and timely, and reviewed and approved by a supervisor independent of the reconciliation process.
3. MDH did not have procedures to ensure federal funds requested for reimbursement of State payments were subsequently received.	OLA recommends that MDH establish a documented procedure to ensure that all federal funds requested were received.
4. MDH did not have procedures to ensure all federal fund reimbursements were properly allocated to the appropriate expenditure accounts resulting in a lack of assurance that account balances were accurate and the inability to determine whether all federal funds had been recovered.	OLA recommends that MDH: a. establish procedures and controls to ensure that federal funds are allocated properly and timely, and that the related transactions are subject to supervisory review and approval; b. ensure clearing accounts have either a positive or zero balance; c. investigate and resolve the aforementioned account balances; and d. given the magnitude of the year-end closing deficiencies noted in this and other findings, consider engaging a qualified third-party consultant to assist in the development of appropriate corrective procedures and controls.

Finding	Recommendation
5. MDH used an automated script to record year-end revenue entries without verifying that the amounts recorded were valid and collectable.	OLA recommends that MDH: a. ensure that all year-end revenue transactions are properly supported; b. analyze the balances in the federal fund accounts to determine the collectability of any deficit balances and proper disposition of any surplus balances; and c. properly report any amounts determined to be uncollectable and work with DBM to resolve any related deficits.
6. MDH used an emergency contract originally procured for COVID-19-related purposes for unrelated services without sufficient documentation that the services were received and the related payments were proper. As a result, we could not determine services were received or the propriety of MDH payments totaling $60.4 million.	OLA recommends that MDH: a. conduct a review of this contract, which includes obtaining the detailed staffing information required by the contract, determine the extent of the services that were provided in relation to payments made, recover any payments determined to be improper, and disclose this information to BPW; and b. ensure that future emergency contracts are procured and documented in accordance with State procurement regulations and are properly monitored to ensure services were received and the related billings are adequately supported.
7. MDH did not always comply with State procurement regulations when procuring goods and services via sole source and emergency contracts and did not always publish contract solicitations and awards as required. *(Repeat finding)*	OLA recommends that MDH ensure that: a. sufficient documented justifications exist for sole source (repeat) and emergency procurements; b. documented price negotiations are conducted as appropriate (repeat); c. BPW is notified of emergency procurements, including the one noted above (repeat); and d. solicitations and awards are published on eMaryland Marketplace Advantage as required (repeat), including the ones noted above.

Finding	Recommendation
Findings 8-12 contain sensitive information related to cybersecurity and have been redacted.	
13. MDH was eight months behind on billing for services rendered at MDH inpatient facilities, which, based on MDH assertions, could total approximately $45.4 million at the time of our review.	OLA recommends that MDH take formal action to address the backlog in unbilled services and ensure future services are billed in a timely manner.
14. MDH had not established adequate controls to ensure the propriety of biweekly payroll adjustments, leave balances, and timesheets. *(Repeat finding)*	OLA recommends that MDH: a. independently verify pay and leave balance adjustments to ensure that only authorized adjustments have been processed and take appropriate corrective action when errors are noted (repeat); b. retroactively verify that the time recorded on timesheets approved by payroll unit employees were actually worked, including those noted above (repeat); and c. reconcile total payroll as reflected in CPB payroll registers each pay period with SPS payroll summary reports, investigate any differences, and ensure that those reconciliations are documented (repeat).
15. MDH did not have procedures to ensure that employees who were terminated or left State service were promptly removed from the payroll, resulting in improper payments to at least 45 former employees totaling $151,000.	OLA recommends that MDH: a. implement procedures to ensure timely posting in SPS of employees who are terminated or leave State service; and b. investigate payments to employees after they left State service, including those noted above, and in consultation with legal counsel pursue recovery of any improper payments as deemed appropriate.

Finding	Recommendation
16. MDH did not sufficiently control collections, including the untimely endorsement and deposit of collections, a lack of independent verification that collections were deposited, and a failure to require large payments to be submitted electronically.	OLA recommends that MDH: a. restrictively endorse collections immediately upon receipt; b. deposit collections within one business day of receipt; c. ensure that independent deposit verifications are documented for all collections; and d. consider requiring large payments to be made electronically to enhance control over the funds.
17. MDH did not ensure that appropriate corrective actions were implemented to address prior findings from our office's fiscal compliance audits of the other MDH units.	OLA recommends that MDH ensure that appropriate correction actions are implemented to address OLA report findings.

Source: Office of Legislative Audits