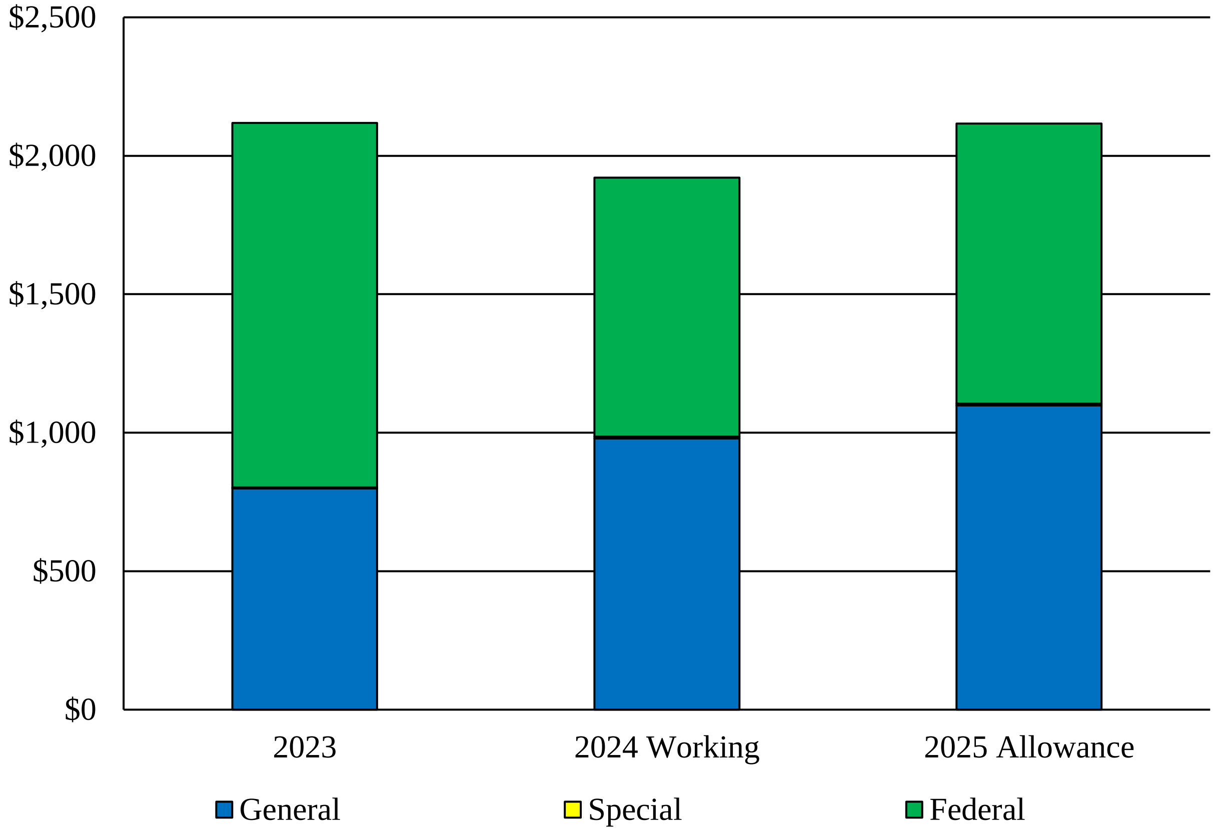
M00M
Developmental Disabilities Administration
Maryland Department of Health

Executive Summary

The Maryland Department of Health (MDH) Developmental Disabilities Administration (DDA) provides direct services to intellectually and developmentally disabled individuals in State facilities and through the funding of a coordinated community-based service delivery system.

Operating Budget Summary

Fiscal 2025 Budget Increases $195.1 Million, or 10.2%, to $2.1 Billion
($ in Millions)



Note: 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.

For further information contact: Victoria Martinez Victoria.Martinez@mlis.state.md.us

- The fiscal 2025 allowance increases by $195.1 million from the fiscal 2024 working appropriation. Most of this change is within the Community Services program, which includes increases of $68 million to cover the expansion of waiver services, $66 million for the annualization of the 8% accelerated provider rate increase effective January 1, 2024, and $58 million for a 3% fiscal 2025 provider rate increase.

- Fiscal 2024 was the first time in recent years where general funds exceeded federal funds, and fiscal 2025 follows this same trend with a fund split of 52% general funds and 48% federal funds. As a comparison, the fiscal 2024 working appropriation included a fund split of 51% general funds and 49% federal funds, and the fiscal 2022 fund split was 38% general funds and 62% federal funds. The change in federal fund participation is due to the end of the COVID-19 enhanced federal Medicaid match due to the Consolidated Appropriations Act of 2023, which phased out the enhanced match through December 2023. Federal fund participation further decreases due to a reduction of the availability of funds related to an enhanced match for home and community-based services (HCBS) authorized in the American Rescue Plan Act (ARPA) of 2021.

- The Budget Reconciliation and Financing Act (BRFA) of 2024 allows DDA to establish a limit on the maximum dollar amount provided to recipients for individual-directed and family-directed goods and services (IFDGS) under the Community Services program.

Key Observations

- ***Long Term Services and Supports (LTSS) System Transition Continues:*** DDA continues to transition providers from the legacy Provider Consumer Information System 2 (PCIS2), a prospective payment model, to LTSS, a fee-for-service (FFS) reimbursement model. As of February 8, 2024, 79% of providers have fully transitioned, and an additional 19% of providers have transitioned at least one service to the LTSS system. DDA expects to transition 100% of providers to LTSS by September 1, 2024. The provider transitions to LTSS have led to an increased number and amount of claims for providers for residential, meaningful day, and personal support services.

- ***Revised Data on Individuals Served in the Community Services Program:*** As required by language in the fiscal 2024 budget, DDA submitted a report with revised Managing for Results (MFR) data on the number of individuals served in the Community Services program, following an error in last year's MFR data that showed a declining percentage of individuals served in all DDA waivers. The revised data that DDA provided increased the percentage of individuals served in all DDA waivers from 88% to 91% for fiscal 2022. The revised data also increased this percentage for fiscal 2018 but decreased this percentage in fiscal 2019 to 2021.

Operating Budget Recommended Actions

1. Add language restricting appropriations in the Community Services program for that purpose only.

2. Add language restricting funds pending the report of year-to-date spending data in the Long Term Services and Supports system.

3. Add language restricting funds pending a report on fiscal 2023 spending and the plan to recoup advanced provider payments.

Updates

- ***Status of Federal Disallowance:*** MDH continues to navigate the appeals process with the Centers for Medicare and Medicaid Services (CMS) after receiving a formal disallowance letter in June 2018 regarding $34.2 million in federal funds overbilled for residential habilitation add-on services.

Operating Budget Analysis

Program Description

Section 7-101 of the Health – General Article defines a developmental disability as a severe chronic disability that is attributable to a physical or mental impairment, other than the sole diagnosis of mental illness, or a combination of mental and physical impairments; is manifested before an individual attains the age of 22; and is likely to continue indefinitely, among other characteristics. Examples include autism, cerebral palsy, epilepsy, intellectual disability, and other neurological disorders. DDA provides direct services to developmentally disabled individuals in two State Residential Centers (SRC) and a Secure Evaluation and Therapeutic Treatment unit, which shares a campus with one of the SRCs. These State health facilities are included in the budget analysis for M00A01 – MDH Administration. Most DDA-funded services are provided through a coordinated community-based service delivery system.

DDA's key goals include:

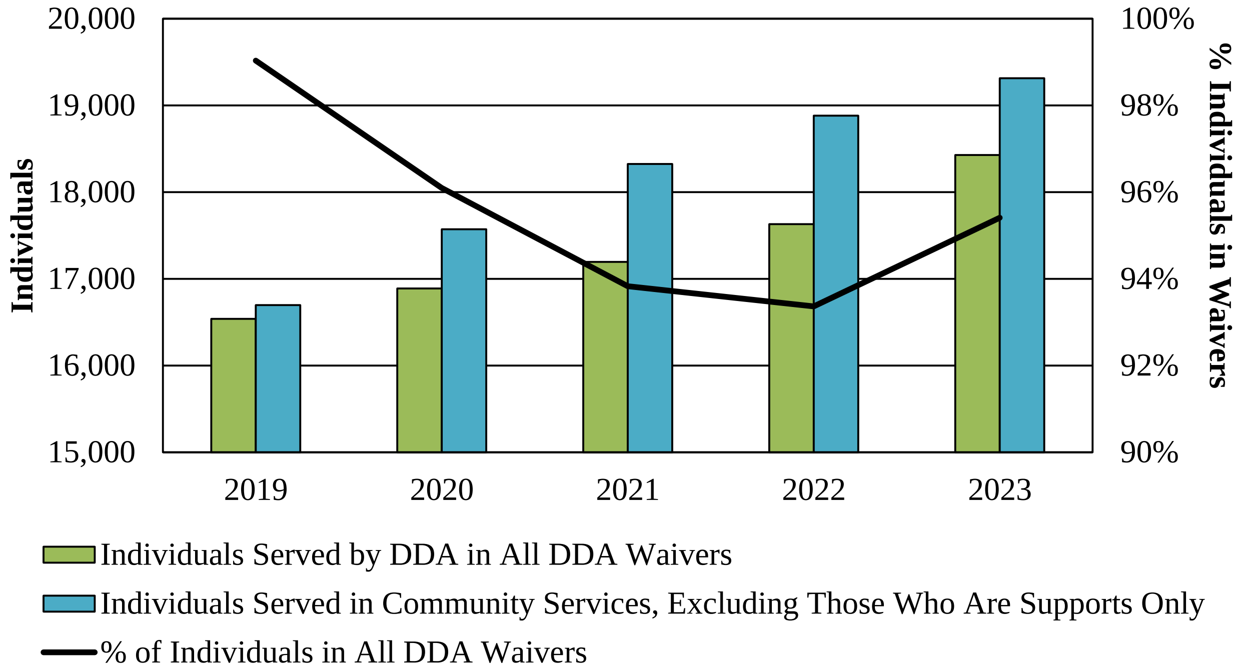
- the empowerment of developmentally disabled individuals and their families to choose services and supports that meet their needs;
- the integration of developmentally disabled individuals into community life;
- the provision of quality supports that maximize individual growth and development; and
- the establishment of a fiscally responsible, flexible service system that makes the best use of available resources.

Performance Analysis: Managing for Results

1. Individuals Served by DDA Across All DDA Waivers Increases

One of DDA's primary goals is to increase the number of eligible individuals receiving community-based services who are enrolled in an HCBS waiver by 0.3 percentage points over the prior fiscal year. Enrolling eligible individuals into an HCBS waiver allows DDA to claim federal funds for services provided. **Exhibit 1** illustrates the growth in individuals served by DDA across all waivers by count and percentage. Within the past five years, the percentage of individuals served in all DDA waivers decreased from 99% in fiscal 2019 to 93% in fiscal 2022 but increased to 95% in fiscal 2023.

Exhibit 1
Individuals Served by DDA Across All DDA Waivers
Fiscal 2019-2023



DDA: Developmental Disabilities Administration

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

In fiscal 2024, this performance measure was calculated utilizing the number of individuals served in community services, excluding those receiving case management services. However, in fiscal 2025, this percentage was calculated utilizing the number of individuals served in community services, excluding those who are supports only. In addition to this modification, last year's MFR data submission improperly excluded data from LTSS. As discussed in more detail in Issue 2, MDH provided updated MFR data that included both PCIS2 and LTSS data, in addition to standardizing definitions to ensure comparability across fiscal years. These modifications in the method that this percentage is calculated changed the percentage of individuals in all DDA waivers. For instance, the percentage of individuals in all DDA waivers utilizing the old method of calculating this performance measure was 88% in fiscal 2022, while it is now 93% in fiscal 2022 utilizing the new method of calculating this performance measure.

MDH reported that the new measure was redeveloped to exclude individuals receiving case-management services due to a "supports-only" eligibility status, a type of eligibility determination that results in the individual not being eligible for waiver enrollment or any other type of community services. DDA reported changing the performance metric for percentage of individuals in all DDA waivers so that the denominator encompasses only individuals who are waiver-eligible to exclude counting permanently ineligible individuals. MDH reported that since it focuses on enrolling as many eligible individuals as possible into its waiver programs to receive federal financial participation for these individuals, the change in methodology allows DDA to target waiver enrollment more accurately among its waiver-eligible service population.

Waiver Slots and Costs Per Individual

DDA offers three waiver programs under Medicaid: the Community Pathways Waiver (CPW); the Community Supports Waiver (CSW); and the Family Supports Waiver (FSW). In fiscal 2023, there were a total of 15,900 CPW, 2,880 CSW, and 400 FSW slots available.

- CPW supports children and adults in receiving meaningful day, support, and residential services based on their assessed need. This is the most utilized waiver with 15,764 individuals, or 86% of waiver enrollees, served in fiscal 2023.

- CSW provides similar services to children and adults but does not include residential services. In fiscal 2023, 13% of developmentally disabled individuals enrolled in waivers, or 2,309, were served through CSW.

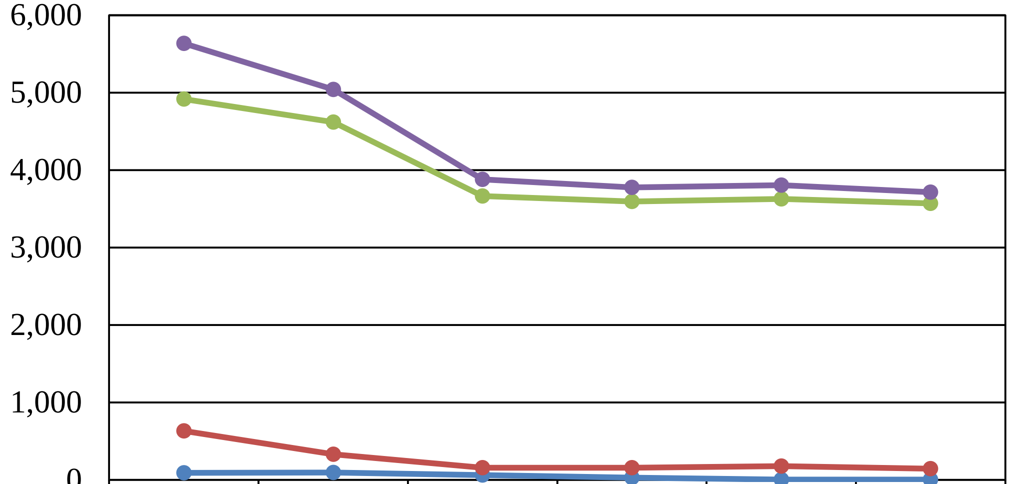
- FSW supports children under the age of 21, providing support services to developmentally disabled children and their families. FSW has the lowest share of overall waiver enrollment at 2%, or 357 developmentally disabled individuals, in fiscal 2023. The services can include environmental modifications, assistive technology, and transportation, among others.

Considering the number of available slots (19,180) and the number of filled slots (18,430) in fiscal 2023, there was a total of 750 slots that were not filled, including 136 CPW, 571 CSW, and 43 FSW slots remaining. **DDA should comment on why there were unfilled waiver slots in fiscal 2023 and on current efforts to fill all available slots in fiscal 2024.**

2. Community Services Waiting List Placements

DDA tracks the community services waiting list of over 3,700 individuals who meet the statutory requirements of having a developmental disability, as shown in **Exhibit 2**. These individuals are categorized into priority groups based on need from highest need, or crisis resolution (individuals at risk of harm or homelessness without services), to lowest need, or current request (no risk of harm or homelessness). Additionally, all developmentally disabled individuals on the waiting list for DDA-funded services may receive case management from coordinators of community services.

Exhibit 2
Point-in-time Community Services Waiting List Counts
Fiscal 2018-2023



	2018	2019	2020	2021	2022	2023
Crisis Resolution	91	95	60	27	2	4
Crisis Prevention	630	329	155	155	176	144
Current Request	4,916	4,618	3,664	3,595	3,627	3,568
Total	5,637	5,042	3,879	3,777	3,805	3,716

Note: The Developmental Disabilities Administration also tracks individuals on the community services waiting list who do not meet the statutory requirement for having a developmental disability. These individuals are grouped into a supports-only category and are not included in the counts shown.

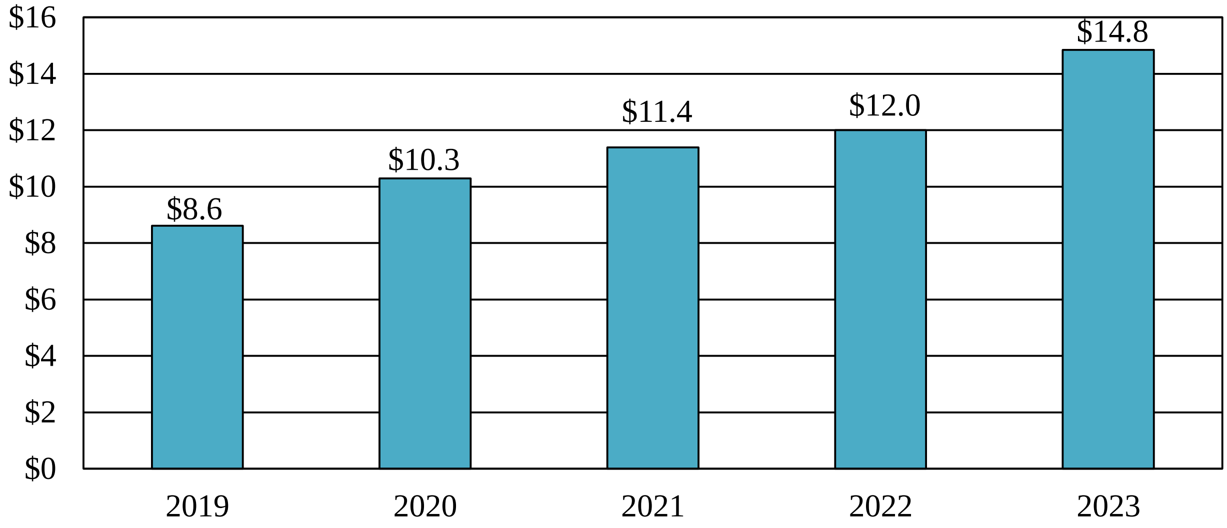
Source: Maryland Department of Health

In recent fiscal years, the number of individuals on the waiting list had been decreasing. Although the waiting list increased from 3,777 individuals in fiscal 2021 to 3,805 individuals in fiscal 2022, the waiting list decreased in fiscal 2023 to 3,716. Previously, DDA reported that the expansion of funding has allowed more new placements for individuals in the crisis resolution category and for transitioning youth aging out of the educational system, foster care, or the Maryland State Department of Education Autism Waiver. As shown in Exhibit 2, the number of individuals on the waitlist categorized as crisis resolution increased from 2 individuals in fiscal 2022 to 4 individuals in fiscal 2023. However, the number of crisis prevention and current requests both decreased in fiscal 2023. As of June 30, 2023, there were 5,954 individuals on the waiting list between developmentally disabled-eligible and supports only, which is a decrease of 92 individuals from the year prior. **DDA should comment on the status of efforts to reduce the waitlist.**

3. Waiting List Equity Fund Balance Continues to Grow

The Waiting List Equity Fund (WLEF) was established to ensure that funding associated with individuals served in an SRC follows them when they are transitioned to a community-based care setting. Statute dictates how the WLEF funds may be used, preventing the funds from being used to supplant funds for emergency placements or transitioning youth as well as restricting them to the first year of an individual's placement in the community. After the initial year, the individual becomes part of the base budget. **Exhibit 3** highlights the growth in the WLEF balance over the last five fiscal years primarily due to low spending from the fund. Between fiscal 2022 and 2023, the WLEF balance grew by $2.8 million, the largest growth the fund has experienced in recent years. This is a significant increase from the $617,529 growth from fiscal 2021 and 2022. **DDA should comment on the reasons why the fund continues to grow and why there is low spending from the fund. Additionally, DDA should discuss limitations on expending these funds and efforts to ensure that these funds are being used.**

Exhibit 3
Waiting List Equity Fund Balance
Fiscal 2019-2023
($ in Millions)



Source: Maryland Department of Health; Department of Legislative Services

Fiscal 2024

Enhanced Federal Match Funding

Between fiscal 2021 and 2024, DDA received increased federal funding, in part, due to an enhanced federal match for eligible programs, authorized through COVID-19 related relief measures. The Families First Coronavirus Response Act of 2020 authorized a 6.2% enhanced federal match on qualifying Medicaid expenses, including DDA waiver spending, during the COVID-19 Public Health Emergency. 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 ARPA provided a temporary 10% enhanced federal match on qualifying HCBS waiver program spending from April 1, 2021, through March 31, 2022. State fund 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. Most of the funding supported various DDA provider rate increases and $5 million in competitive grants for DDA providers. A 5.5% provider rate increase effective April 1, 2021, that was supported with State fund savings will continue beyond the reinvestment deadline on an ongoing basis with State fund support. However, other emergency rate increases were included in the fiscal 2022 and 2023 budgets as one-time expenses.

Fiscal 2024 Appropriation

The fiscal 2024 working appropriation of $1.9 billion represents a decrease of $198 million (9%) compared to actual fiscal 2023 spending. Final fiscal 2023 expenditures exceeded the working appropriation from last session by $357 million due to the addition of federal funds through budget amendments. In addition to growth in community service provider payments that are an ongoing expenditure, the fiscal 2023 budget grew due to various one-time expenditures that are no longer needed in the fiscal 2024 working appropriation. The end of these one-time expenditures offset the growth in the fiscal 2024 working appropriation for community services expansion spending and provider rate increases, causing the net decrease in the fiscal 2024 working appropriation.

According to MDH, the vast majority of the one-time expenditures ($215 million) in fiscal 2023 is due to lump sum advance payments to support providers' transition from prospective billing through PCIS2 to FFS reimbursement paid through the LTSS system, in addition to paying ongoing provider claims during the transition. MDH reported that it has not yet recovered these payments and is in the process of recouping the advances. The department also reported that there are still advance payments being distributed in fiscal 2024 to support remaining providers transitioning, but as most of the providers have already transitioned, the advance payments in fiscal 2024 are marginal compared to the amount spent in fiscal 2023.

The Department of Legislative Services (DLS) recommends adding language restricting funds pending a report on the additional upfront lump sum payments for

advances and claims paid to providers in fiscal 2023 during the LTSS transition, including the amounts paid, reason for providing upfront lump sum payments, and plan and timeline to recoup duplicate payments.

MDH and the Department of Budget and Management (DBM) reported that $30.7 million of the decrease in the fiscal 2024 working appropriation is due to the end of temporary provider rate increases and competitive grants supported with State fund savings from the ARPA enhanced match on HCBS. The fiscal 2024 working appropriation further decreases by $54.6 million as short-term flexibilities authorized by CMS through an Emergency Preparedness and Response appendix to DDA's waiver programs (referred to as Appendix K) also ended in fiscal 2023. During the COVID-19 pandemic, MDH utilized Appendix K to bolster payments to DDA providers while they were unable to provide some in-person services, in addition to other program flexibilities. **DDA should detail which Appendix K flexibilities have ended and whether any program changes implemented through Appendix K have been extended or incorporated into ongoing DDA waiver policies.**

Provider Rate Increase

There were two provider rate increases in fiscal 2024 for DDA, including a mandated 4% provider rate increase effective July 1, 2023, and an additional 8% mid-year increase to keep pace with the accelerated increase of the minimum wage in accordance with the Fair Wage Act of 2023 (Chapter 2). The 8% increase reflected the moving forward into fiscal 2024 of 4% rate increases mandated for each fiscal 2025 and 2026. MDH published information on the Maryland Medicaid increased provider rates, detailing an 8% increase for all agencies, except for DDA. DDA services, including FSW, CSW, CPW, and DDA Targeted Case Management Services were the only Medicaid service types listed as receiving a 7.7% rate increase. The budget for the 8% rate increases across all MDH programs was calculated from fiscal 2023 rates as the base, though DDA was the only program to list a 7.7% rate increase to acknowledge that the 8% rate hike was calculated before the 4% July 1, 2023 increase took effect. **MDH should clarify whether the 8% provider rate increase was applied differently for DDA services and explain why the Medicaid rate increase notice listed a 7.7% rate increase for DDA providers only.**

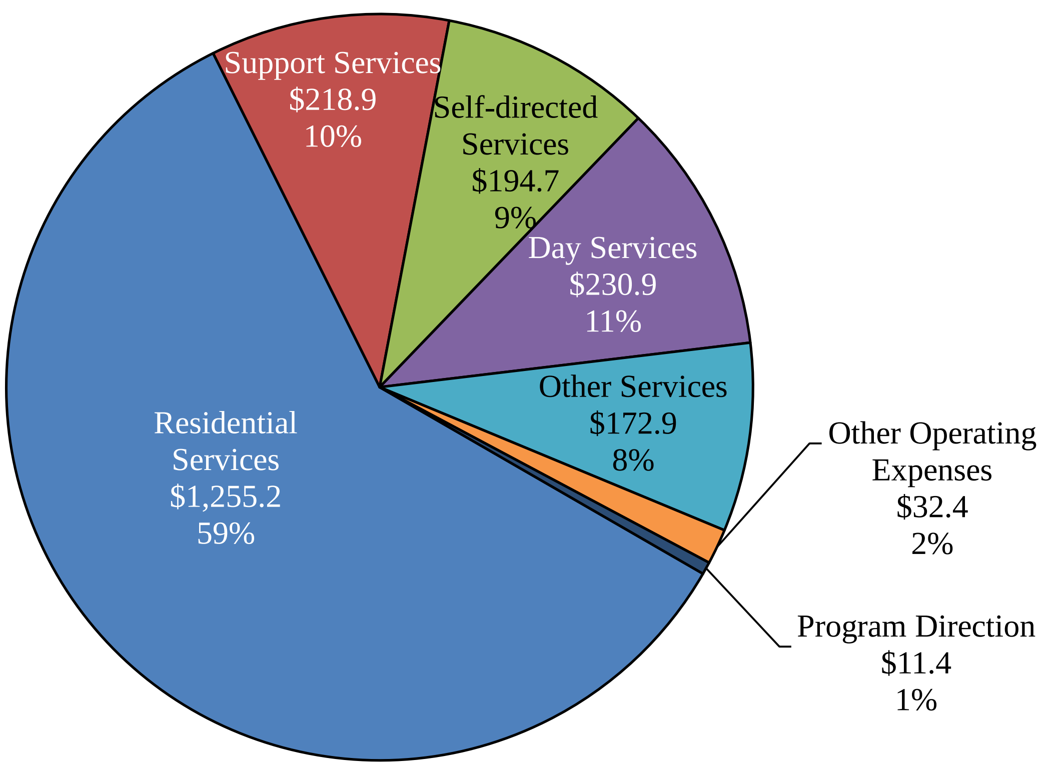
Implementation of Legislative Priorities

Section 19 of the fiscal 2024 Budget Bill (Chapter 101 of 2023) added $50,000 in general funds to provide a grant to The Arc of Howard County and $150,000 in general funds to provide a grant to Community Services for Autistic Adults and Children. As of February 15, 2024, MDH reported that these grants have not been awarded. **DDA should provide an update on the status of awarding these grants to the organizations.**

Fiscal 2025 Overview of Agency Spending

The fiscal 2025 allowance for DDA totals $2.1 billion. As shown in **Exhibit 4**, 97% of DDA's fiscal 2025 budget is allocated to provider payments within the Community Services program including 59% for residential services, 11% for day services, 10% for support services, 9% for self-directed services, and 8% for other services. Residential services comprise the largest portion at $1.3 billion. DDA estimates the average annual cost per residential services client at $217,680 in fiscal 2025, as compared to $193,803 per residential services client reported in fiscal 2023. For comparison, day programs served more clients annually (8,535) as compared to residential services (6,760) in fiscal 2023, but the average annual cost per individual was much lower at $23,995. The fiscal 2025 allowance also accounts for self-directed services, which represent 9% of the budget ($194.7 million). The remaining 3% of the fiscal 2025 budget is utilized for program direction and other operating expenses. Other operating expenses cover the regional offices, which oversee the services provided, with $32.4 million allocated in in fiscal 2025.

Exhibit 4
Overview of Agency Spending
Fiscal 2025 Allowance
($ in Millions)



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.

Source: Department of Budget and Management

Proposed Budget Change

Exhibit 5 outlines the changes in DDA's fiscal 2025 allowance, which increases by $195 million compared to the fiscal 2024 working appropriation. Most of this change is within the Community Services program, which includes increases of $68 million to cover the expansion of waiver services, $66 million for the annualization of the 8% accelerated provider rate increase, and $58 million for a 3% fiscal 2025 provider rate increase. The fiscal 2025 allowance also increases by $1.2 million for the cost of DDA and service provider staff training for the LTSS transition and reflects a decrease of $1.7 million to account for the end of a fiscal management services contract. **DDA should provide a detailed breakdown of the Community Services program growth, including how much of the total increase is due to the costs of providers transitioning to LTSS and how much of the increase is attributable to expansion of services and waiver enrollment. MDH should outline the specific service and placement expansions planned for fiscal 2025.**

Exhibit 5
Proposed Budget
Maryland Department of Health – Developmental Disabilities Administration
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
Fiscal 2023 Actual	$798,689	$4,293	$1,315,780	$2,118,762
Fiscal 2024 Working Appropriation	979,313	6,450	935,623	1,921,386
Fiscal 2025 Allowance	1,098,581	6,450	1,011,453	2,116,484
Fiscal 2024-2025 Amount Change	$119,268	$0	$75,830	$195,098
Fiscal 2024-2025 Percent Change	12.2%		8.1%	10.2%

Where It Goes:	Change
Personnel Expenses	
Personnel costs associated with a net increase of 26 new positions	$1,794
Salary increases and associated fringe benefits, including fiscal 2024 COLA and increments	1,477
Reclassifications	34
Overtime	-8
Accrued leave payout	-37
Turnover adjustments (increase from 9.96% to 10.20%)	-44
Miscellaneous adjustments	-67
Workers' compensation premium assessment	-87

Where It Goes:	**Change**
Community Services	
Community services growth, including increased provider rates from LTSS transition	68,634
Annualization of 8% mid-year provider rate increase in fiscal 2024	66,046
Fiscal 2025 provider rate increase of 3%	58,248
Reduction due to one-time fiscal 2024 legislative priorities	-200
Other Changes	
DDA and service provider staff training for LTSS transition	1,200
Quality improvement, utilization review, and NCI survey	733
SIS Assessment licenses	392
Contractual personnel costs associated with a net decrease of 26.89 full time equivalent positions	-1,365
End of fiscal management services contract	-1,713
Other	63
Total	**$195,098**

COLA: cost-of-living adjustment
DDA: Developmental Disabilities Administration
LTSS: Long-Term Services and Supports
NCI: National Core Indicators
SIS: Supports Intensity Scale

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

Proposed Budget Reconciliation and Financing Act Action

Provision

A provision in the BRFA allows DDA to establish a limit on the maximum dollar amount provided to recipients for IFDGS under the Community Services program. IFDGS are defined as services, equipment, activities, or supplies for individuals who self-direct services that (1) relate to a need or goal identified in the person-centered plan of service; (2) maintain or increase independence; (3) promote opportunities for community living and inclusion; and (4) are not available under another waiver service(s) provided under the State plan.

Chapters 736 and 737 of 2022 (Self-Direction Act) prohibited DDA from establishing a limit on the dollar amount of IFDGS provided to a recipient who self-directs DDA-funded services.

Chapters 736 and 737 also prohibited a recipient from receiving services or supports in excess of the recipient's annual approved budget. MDH advised that, prior to Chapters 736 and 737 taking effect, there was a cap of $5,000 per year per plan for family goods and services.

Cost Containment Measure

MDH advises that the fiscal 2025 allowance for the DDA Community Services program assumes an annual cap of $5,000 on IFDGS. Prior to reimplementing an annual limit on IFDGS, MDH reported that it will have to update its federal waivers and seek approval from CMS. MDH reported that the waiver amendment review process for CMS approval takes approximately 180 days and does not guarantee approval.

MDH reported that reinstating the cap will help to control expenditures for self-directed services in fiscal 2025 by controlling utilization of unallocated funds not currently accounted for in the fiscal 2025 allowance. To date in fiscal 2024, DDA has spent $557,000 above what would be allowed if the $5,000 cap was in place. MDH estimates this number will grow as the end of the fiscal year approaches. **MDH should discuss the expected fiscal 2025 savings from the proposed $5,000 cap on IFDGS for individuals who self-direct their services.**

DLS notes that the proposed budget assumes that the cap on IFDGS funding is in place in fiscal 2025. If the General Assembly rejects the BRFA provision or if the federal government denies the waiver amendment request, a deficiency appropriation of an indeterminate amount may be needed next session.

Personnel Data

	FY 23 Actual	FY 24 Working	FY 25 Allowance	FY 24-25 Change
Regular Positions	174.00	179.00	205.00	26.00
Contractual FTEs	39.57	50.21	23.32	-26.89
Total Personnel	**213.57**	**229.21**	**228.32**	**-0.89**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	18.26	10.20%
Positions and Percentage Vacant as of 12/31/23	37.00	20.67%
Vacancies Above Turnover	18.74	

- The fiscal 2024 working appropriation does not reflect 24 conversions of existing contractual full-time equivalent positions to regular positions that were approved by the

Board of Public Works (BPW) on October 25, 2023. Most of these positions, 20 out of 24, support the regional offices, with 9 budgeted in Southern Maryland, 6 in Central Maryland, 3 in the Eastern Shore, and 2 in Western Maryland. Out of the 20 positions within the regional offices, 16 are for coordinator of special programs for health services positions, while the other 4 are for administrative officer, social worker, fiscal accounts technician, and office clerk positions. Of the remaining positions allocated outside of the regional offices, 3 are budgeted within Administrative Operations and 1 is for Program Operations.

- The fiscal 2025 allowance provides 26 additional positions for DDA, which include the 24 contractual conversions approved by BPW in October 2023 and 2 new positions. Language attached to the MDH Office of the Secretary appropriation authorizes MDH to convert up to 540 contractual positions departmentwide, though none of those conversions are currently reflected in the fiscal 2025 allowance.

Issues

1. Community Services Utilization Data Collection and Spending Forecasts

Within its Community Services system, DDA is moving service authorization and billing functionalities from the legacy PCIS2 to a DDA module on Medicaid's existing LTSS*Maryland* system. This transition involves moving from a prospective payment model to a FFS reimbursement model and establishing new community services and provider rates based on a FFS model. These changes are expected to improve DDA's data collection and spending forecast abilities.

Status of Transition

MDH is still in the process of transitioning individuals and providers to the LTSS system for billing. As requested by language in the fiscal 2024 Budget Bill, DDA submitted the first of four quarterly reports detailing the status of provider transitions to LTSS. MDH established pilot groups and early adopters of the LTSS system that made the first transitions through a phased go-live process. In addition to an initial pilot group in calendar 2019 and early adopters in 2021, there was a second pilot program conducted from April to September 2022 that supported 55 providers in transitioning their DDA service billing to LTSS.

DDA began implementing a gradual transition plan for moving all remaining services and providers to LTSS on January 1, 2023. As part of this main phase group, there were 29 providers that transitioned from January to April 2023. Providers are supported in their transition through individualized transition timelines and custom supports from DDA Regional Offices, Medicaid Provider Services, and peer providers. **Exhibit 6** shows the number of providers that have transitioned at least one service to the LTSS system and the number of individuals receiving DDA-funded services from the pilot, early adopter, and main phase groups. As of June 30, 2023, 99 out of 270 total providers, or 36.67%, had transitioned to billing at least one service in LTSS.

Exhibit 6
Timeline and Count of Providers Transitioning At Least One Service to LTSS
December 2019 through April 2023

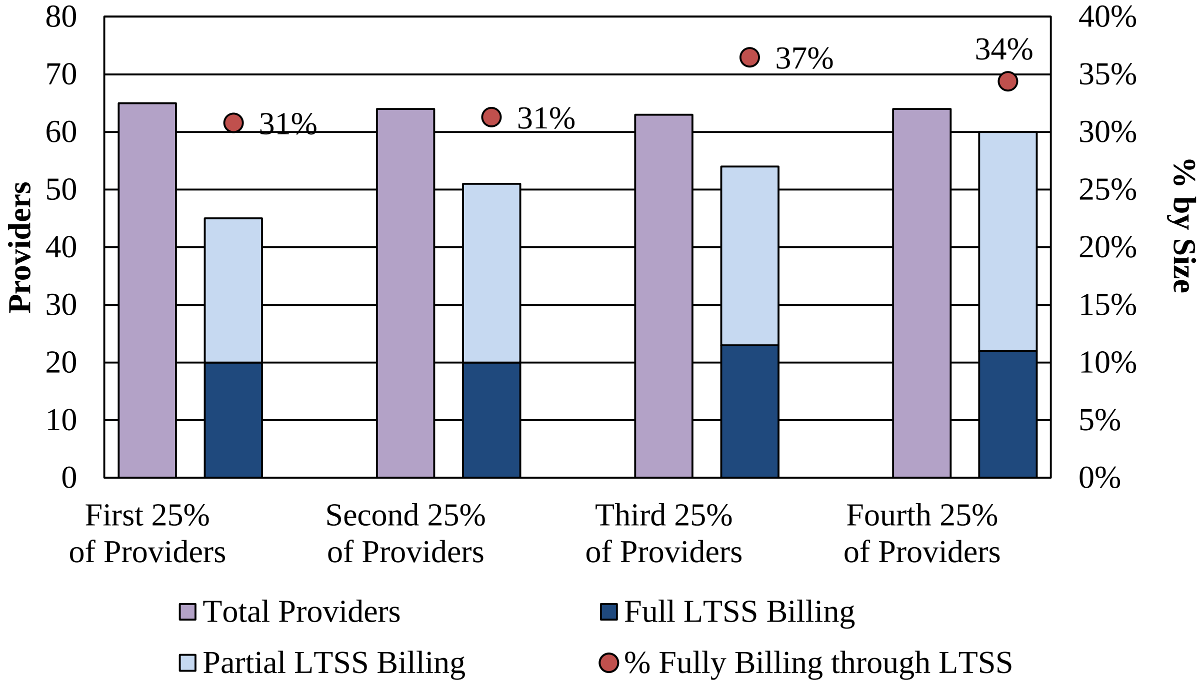
Group	Transition Dates	Providers	Participants
Initial Pilot Group	12/1/2019	10	35
Early Adopter Group	7/1/2021 10/1/2021	5	1,006
Pilot 2A Group	4/1/2022 5/1/2022 6/1/2022	21	2,871
Pilot 2B Group	7/1/2022 8/1/2022 9/1/2022	34	2,057
Main Phase 2A Group	1/1/2023 2/1/2023 3/1/2023 4/1/2023	29	1,980
Total		**99**	**7,949**

LTSS: Long Term Services and Supports system

Source: Developmental Disabilities Administration

The department provided a breakdown of providers by LTSS transition status as of June 30, 2023, and by size based on February 2023 total claims. As shown in **Exhibit 7**, 85 providers were billing fully in LTSS, 125 were billing partially in LTSS, and 46 were conducting no billing in LTSS. The providers are split into quartiles based on their size, which is measured by the number of claims. Most providers in each size category were conducting at least partial billing in LTSS. The smallest providers (those with less than $780,000 in annualized claims) had the highest share conducting no billing in LTSS at 30.8%, compared to only 6.3% of large providers (those with more than $7.55 million in annualized claims). The third quartile (those with annualized claims between $3,090,000 and $7,555,000), had the highest percentage of providers that had fully transitioned to LTSS, with 37%.

Exhibit 7
Providers Transitioned to LTSS by Size
As of June 1, 2023



LTSS: Long Term Services and Supports system

Source: Developmental Disabilities Administration

As of February 8, 2024, DDA reported that 79% of providers have fully transitioned and an additional 19% of providers have transitioned at least one service to the LTSS system. DDA reported anticipating transitioning 100% of providers by September 1, 2024, an earlier date than the original estimated date of December 2024. Due to DDA not submitting the requested second and third quarterly reports on the LTSS transition by the October 1, 2023, and January 1, 2024 due dates, further detail on these provider transitions has not been provided. **DDA should provide an update on when it will submit the second and third quarterly reports on the LTSS transition.**

Rates

Chapter 648 of 2014 required that DDA conduct an independent and cost-driven rate-setting study to set rates for community services based on actual costs of providing services. The results of the rate-setting study were released in November 2017, and rates were provided to DDA providers in August 2019 but were further adjusted subsequently. As of February 8, 2024, DDA reported that the rates are finalized. DDA indicated that in the fiscal 2025 allowance, compared to the 2024 rate chart provided by the department's actuarial firm, residential services are funded at 86.3%, meaningful day services are funded at 96.9%, and support services are funded at 104%. MDH reported that it is financing portions of the total comprehensive rate, rather than 100% of all rates, due to the limited availability of State funds. DDA also reported that there were recent changes made to the Brick Method, the methodology that determines cost category components of the rates. These changes will be implemented in fiscal 2025 and will further decrease the percentage of the total comprehensive rate funded in the fiscal 2025 rates. **DDA should comment on why the fiscal 2025 rates are not funded at 100% of the total comprehensive rate and what the costs to reach 100% would be.**

Cost Analysis and Spending Forecast

A fiscal impact analysis by the Hilltop Institute examined the difference in payment to providers from the prospective payment model to the FFS model. As compared to the previous payment model where providers were paid by the day (PCIS2), the new LTSS payment model where providers are paid per hour providing services showed an increase in the average reimbursement to providers.

MDH provided a cost analysis of the rates paid to providers that transitioned to the LTSS system as part of the pilot program. **Exhibit 8** shows the change in costs between billing in the legacy PCIS2 and LTSS for the Pilot 2A group of 21 providers and 2,871 participants who transitioned between April and June 2022. This comparison of reimbursements through PCIS2 and LTSS demonstrates an increase of 7% in costs for residential services and 9% in costs for meaningful day services. DDA also reported that providers have received an increased reimbursement for services after transitioning to LTSS for all three service types.

Exhibit 8
Legacy PCIS2 versus LTSS Reimbursements for the Pilot 2A Group
January 2023 through April 2023

Service Type	PCIS2 Claims April 1, 2021, through March 21, 2022	LTSS*Maryland* Claims April 1, 2022, through March 31, 2023	% Change
Residential	$103,610,360	$110,828,678	7%
Meaningful Day	35,434,265	38,607,008	9%

LTSS: Long Term Services and Supports System
PCIS2: Provider Consumer Information System

Source: Developmental Disabilities Administration

In addition, MDH provided an estimate of payments if all providers were billing under the FFS model in LTSS. These estimated payments were based on average billing by service type and the number of individuals currently in services in both PCIS2 and LTSS. If all providers transitioned to the FFS model, the total annual reimbursements would be an estimated $1.79 billion in fiscal 2024. This estimate is slightly higher than anticipated fiscal 2024 costs, as only 75% of all providers were expected to fully transition to the new system by the end of the fiscal year. Roughly $1.81 billion was budgeted in fiscal 2024 for DDA to support services billed through LTSS and PCIS2, and MDH has previously certified that this funding level will adequately cover planned increases in provider reimbursement.

DDA should discuss whether the fiscal 2025 allowance adequately captures the expected costs of all the providers having fully transitioned to LTSS by the end of the first quarter of the fiscal year.

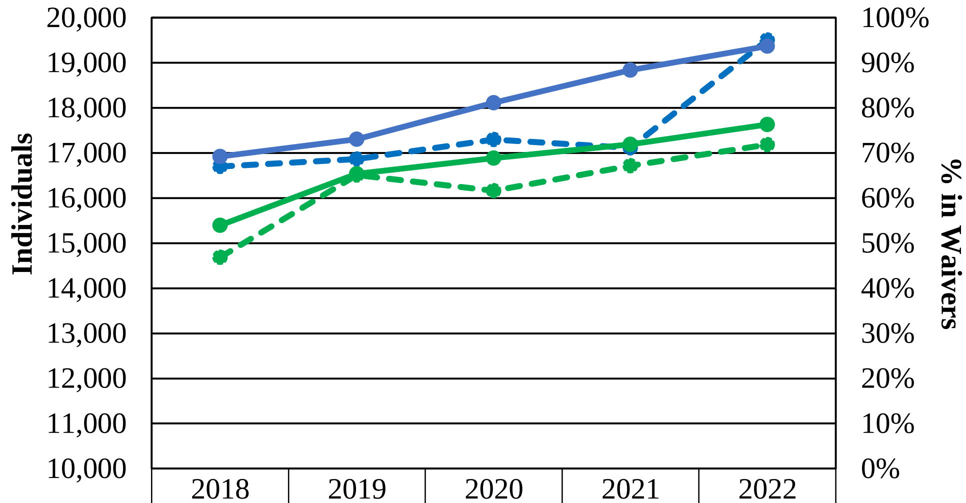
DLS recommends adding language restricting funds pending the submission of a report detailing the status of the provider transitions to LTSS, including year-to-date spending data in LTSS by service type following the completion of provider transitions.

2. Revised Data on Individuals Served in the Community Services Program

Through the MFR process, agencies set key goals and report performance measures to evaluate the agencies' progress in meeting those goals each year. One of DDA's annual goals is that matching federal funds are claimed for an increasing number of HCBS waiver-eligible individuals. During the 2023 session, DLS determined that the percentage of individuals served in all DDA waivers declined from 98% in fiscal 2021 to 88% in fiscal 2022. MDH confirmed that there was an error in DDA's fiscal 2024 MFR data. DDA determined that the MFR submission only included participant data from the legacy PCIS2 and improperly excluded data from LTSS. Language in the fiscal 2024 Budget Bill requested that DDA submit updated MFR data detailing enrollment and costs for people served in the Community Services program, specifically participants enrolled in the HCBS waiver programs. MDH submitted the report on June 30, 2023, with revised measures with more accurate waiver participant data retrieved from the Medicaid Management Information System.

Exhibit 9 demonstrates the revised data for the number of individuals served in the Community Services program and through DDA waivers. The revised MFR data shows a steady increase in the number of individuals served in the Community Services program and by DDA waivers across the period. The changes in the original and revised data are a result of MDH updating its data source to include PCIS2 and LTSS data, in addition to standardizing definitions to ensure comparability across fiscal years. Although the revised data increased the percentage of individuals reported as served in all DDA waivers for fiscal 2018 and 2022, the revised data decreased this percentage for fiscal 2019, 2020, and 2021.

Exhibit 9
Comparison of Fiscal 2024 Original and Revised MFR Enrollment Data
Fiscal 2018-2022



	2018	2019	2020	2021	2022
Individuals in Community Services Original	16,700	16,868	17,296	17,112	19,506
Individuals in Community Services Revised	16,919	17,306	18,116	18,839	19,374
Individuals in DDA Waivers Original	14,686	16,509	16,164	16,716	17,186
Individuals in DDA Waivers Revised	15,398	16,538	16,888	17,195	17,631
% in DDA Waivers Original	88%	98%	94%	98%	88%
% in DDA Waivers Revised	91%	96%	93%	91%	91%

DDA: Developmental Disabilities Administration
MFR: Managing for Results

Source: Maryland Department of Health

MDH also provided the number of individuals enrolled in the DDA waiver programs separately by waiver. As shown in **Exhibit 10**, there were a total of 18,320 individuals enrolled in a DDA waiver program through CPW, CSW, or FSW. CPW is the oldest and most comprehensive waiver program, accounting for 86% of waiver participants in fiscal 2023 through June 2, 2023.

Exhibit 10
Individuals Served by DDA HCBS Waivers by Program
Fiscal 2023 (through June 2, 2023)

Program	Enrollees
Community Pathways Waiver	15,738
Community Support Waiver	2,236
Family Supports Waiver	346
Total Individuals Enrolled in DDA HCBS Waivers	**18,320**
Individuals in the Community Services Program	19,895
Percentage of Community Services Participants Served through DDA Waivers	92.1%

DDA: Developmental Disabilities Administration
HCBS: home and community-based services

Source: Maryland Department of Health

MDH provided the cost per individual for each DDA waiver program by annualizing the three most recent complete months of claims for waiver services and dividing by the total number of unique individuals submitting claims. As shown in **Exhibit 11**, the lowest cost per person was under FSW with $42,884 per person, while the highest cost per person was under CPW with $115,998 per person. CPW is a higher cost because it covers residential services, while the other two waivers do not.

Exhibit 11
Cost Per Individual for DDA Waiver Programs
Annualized December 2022 through February 2023

Waiver	Annualized Claims Per Person
Community Pathways	$115,997.65
Community Supports	45,229.77
Family Supports	42,883.98

DDA: Developmental Disabilities Administration

Source: Maryland Department of Health

Strategies to Improve MFR Data Submissions

To ensure accurate data submissions going forward, MDH is working to standardize data definitions, terms, controls, and procedures for the fiscal 2025 MFR submission to facilitate pulling data from both PCIS2 and LTSS. MDH is also working toward completing the LTSS transition process to end the use of two separate software systems. Utilizing both software systems has complicated the data reporting process and led to the error in MFR data provided in past years. In addition, DDA is working with DBM to clarify the data submitted for individuals receiving community services to distinguish between individuals who are waiver-eligible and those who are not. As discussed in more detail in Performance Analysis 1, the method for calculating the percentage of individuals in DDA waivers performance measure was modified to exclude individuals who are not waiver eligible by removing individuals who are supports-only from the denominator.

Operating Budget Recommended Actions

1. Add the following language:

    All appropriations provided for program M00M01.02 Community Services are to be used only for the purposes herein appropriated, and there shall be no budgetary transfer to any other program or purpose.

    Explanation: The Maryland Department of Health has previously reported increasing net general fund transfers out of the Developmental Disabilities Administration Community Services program, mainly to cover shortfalls elsewhere in the department. This annual language restricts funds appropriated to the Community Services program to that use only and prevents budgetary transfers.

2. Add the following language to the general fund appropriation:

    , provided that $500,000 of this appropriation made for the purpose of administration may not be expended until the Maryland Department of Health submits a report to the budget committees regarding the ongoing transition to a fee-for-service reimbursement system and year-to-date expenditures for that system. The report shall include fiscal 2025 Long Term Services and Supports utilization and spending by service type (residential services, meaningful day services, personal support services, and other services), including the number of claims, the number of services provided, and the total payments for each service type by month through November 2024.

    The report shall be submitted by January 1, 2025, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending receipt of the report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

    Explanation: The Developmental Disabilities Administration (DDA) is overhauling its Community Services system by implementing new service definitions, establishing new rates based on a fee-for-service reimbursement model, and transitioning to Medicaid's existing Long Term Services and Supports (LTSS) system for billing and service authorization. These changes should improve DDA's data collection and spending forecast abilities compared to the current prospective payment model. This language restricts funds budgeted for administration until the Maryland Department of Health (MDH) submits a report to the budget committees on the transition to the LTSS system and spending forecasts following the transition to a new rate structure. Since DDA anticipates completing the transition by September 1, 2024, DDA should also provide year-to-date spending data in LTSS by service type once all providers are transitioned to LTSS.

Information Request	**Author**	**Due Date**
Report on year-to-date spending data in LTSS system	MDH	January 1, 2025

3. Add the following language to the general fund appropriation:

, provided that $500,000 of this appropriation made for the purpose of administration may not be expended until the Maryland Department of Health submits a report including:

(1) the amounts of the upfront lump sum payments to providers in fiscal 2023 and fiscal 2024 during the provider transition to the Long Term Services and Supports system;

(2) the reason for the additional upfront lump sum payments; and

(3) the status, plan, and timeline for recouping duplicate payments.

The report shall be submitted by October 1, 2024, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending receipt of the report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: The Developmental Disabilities Administration had increased expenditures in fiscal 2023 due to additional provider payments during the transition to Medicaid's existing Long Term Services and Supports system for billing and service authorization. This language restricts funds budgeted for administration until the Maryland Department of Health (MDH) submits a report to the budget committees on the upfront lump sum payments during this transition and the plan for recouping advance payments.

Information Request	**Author**	**Due Date**
Report on upfront lump sum payments and plan to recoup advance payments	MDH	October 1, 2024

Updates

1. Status of Federal Disallowance

In an audit report released in June 2015, the Office of the Inspector General (OIG) at the U.S. Department of Health and Human Services (HHS) documented an overbilling of federal funds, resulting in a recommendation that the State refund $34.2 million to the federal government. This $34.2 million represents the federal share of services provided over a three-year period from July 1, 2010, to June 30, 2013, to individuals with developmental disabilities who were provided additional services beyond residential habilitation services, also known as add-on services, due to their high degree of need. During this same period, the department claimed $329.0 million ($178.7 million federal share) for all add-on waiver services.

After a review by OIG, it was determined that almost every claim represented in that federal share was not consistent with waiver criteria. The audit found that DDA claimed add-on services for beneficiaries who did not meet the waiver's level-of-need requirement under the CPW program. It also noted that DDA did not consider the level-of-need of the beneficiary when approving the add-on services. DDA has subsequently amended its CPW to eliminate the requirement that individuals receive a level-of-need score of five on the Individual Indicator Rating Scale to claim add-on services.

MDH did not concur with the OIG recommendations in a September 2015 response and disagreed with the interpretation that CPW required individuals receiving services to meet three separate requirements. In the past, the department operated its program such that an individual who meets any of the three conditions is eligible for add-on services. OIG responded that the agency's interpretation of its waiver would have been unallowable because it would not have required evidence that there was a need for add-on services or that additional payment was necessary to cover the cost of those services.

MDH received a formal disallowance letter from HHS on June 26, 2018, which required the refund of $34.2 million. On August 23, 2018, MDH issued a request for reconsideration (RFR) letter to HHS to begin the appeals process. During the appeals process, MDH was given the choice to return the funds or retain them and pay any interest that accrues in that time. MDH chose to retain the funds and may be liable for the federal refund and accrued interest if the appeal is rejected. As of the writing of this analysis, there has not been additional action or correspondence regarding HHS's final determination as it relates to the August 2018 RFR.

Appendix 1
2023 *Joint Chairmen's Report* Responses from Agency

The 2023 *Joint Chairmen's Report* (JCR) requested that DDA prepare five reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Report on Updated MFR Data Related to the Community Services Waiver Program:*** The report provided revised MFR data on the number of individuals served in the Community Services program, following an error in last year's MFR data that showed a declining percentage of individuals served in all DDA waivers. Further discussion of this data can be found in Issue 2 of this analysis.

- ***Status of Corrective Actions Related to the Most Recent Fiscal Compliance Audit:*** DDA had four or more repeat audit findings in the most recent fiscal compliance audit. Language in the fiscal 2024 Budget Bill restricts funds until DDA has taken corrective action for all repeat audit findings, and the Office of Legislative Audits submits a report detailing the status of corrective actions. As of February 8, 2024, this report has not been submitted.

- ***Report on Community Services Utilization Data Collection and Spending Forecasts:*** Language in the fiscal 2024 budget restricted $500,000 in general funds pending the submission of quarterly reports with updates on the Community Services system transition to Medicaid's existing LTSS system for billing and service authorization and a FFS reimbursement model. The quarterly reports were required to be submitted by July 1, 2023; October 1, 2023; January 1, 2024; and April 1, 2024. As of the writing of this analysis, only the first quarterly report was submitted on June 30, 2023, and $125,000 was released. Further discussion of this data can be found in Issue 1 of this analysis.

- ***Report on the Transition and Cost of Providers and Participants Transitioned to the LTSS System:*** This report specified that MDH is in the process of finalizing the fiscal impact analysis with an anticipated completion date of fall 2022. DDA reported that 20% of individuals fully transitioned into LTSS and provided a breakdown of the transition dates of the pilot groups and early adopters. MDH specified that they will provide a cost analysis and spending forecasts, in addition to a timeline for LTSS transition in subsequent quarterly reports. Further discussion of this data can be found in Issue 1 of this analysis.

- ***Report on Reservation of Waiver Slots for Emergency Placements:*** The report detailed that DDA operates three HCBS Medicaid waivers for individuals with developmental disabilities, including CPW, CSW, and FSW. DDA's waivers include set aside or reserve special categories, known as "reserve capacity slots," for individuals who meet specific criteria to immediately support people in emergency situations or who meet certain State priorities. The purpose of reserve capacity slots is to reduce waiting time before receiving an enrollment for these specific populations. In fiscal 2023, there were a total of 15,900 CPW, 2,880 CSW, and 400 FSW slots available, and a total of 15,744 in CPW, 2,309 in CSW, and 357 in FSW slots used.

Appendix 2
Object/Fund Difference Report
MDH – Developmental Disabilities Administration

Object/Fund	FY 23 Actual	FY 24 Working Appropriation	FY 25 Allowance	FY 24 - FY 25 Amount Change	Percent Change
Positions					
01 Regular	174.00	179.00	205.00	26.00	14.5%
02 Contractual	39.57	50.21	23.32	-26.89	-53.6%
Total Positions	**213.57**	**229.21**	**228.32**	**-0.89**	**-0.4%**
Objects					
01 Salaries and Wages	$ 18,464,469	$ 18,900,748	$ 21,962,306	$ 3,061,558	16.2%
02 Technical and Special Fees	2,049,887	2,309,796	944,795	-1,365,001	-59.1%
03 Communication	255,417	194,404	195,707	1,303	0.7%
04 Travel	14,728	27,475	25,444	-2,031	-7.4%
06 Fuel and Utilities	46,067	46,853	46,067	-786	-1.7%
07 Motor Vehicles	2,839	2,643	3,069	426	16.1%
08 Contractual Services	2,095,680,863	1,896,772,895	2,090,338,960	193,566,065	10.2%
09 Supplies and Materials	61,233	69,557	55,013	-14,544	-20.9%
10 Equipment – Replacement	8,211	0	41,404	41,404	N/A
12 Grants, Subsidies, and Contributions	1,551,344	2,375,000	2,175,000	-200,000	-8.4%
13 Fixed Charges	626,792	686,806	696,607	9,801	1.4%
Total Objects	**$ 2,118,761,850**	**$ 1,921,386,177**	**$ 2,116,484,372**	**$ 195,098,195**	**10.2%**
Funds					
01 General Fund	$ 798,689,204	$ 979,313,330	$ 1,098,581,205	$ 119,267,875	12.2%
03 Special Fund	4,293,087	6,450,203	6,450,203	0	0%
05 Federal Fund	1,315,779,559	935,622,644	1,011,452,964	75,830,320	8.1%
Total Funds	**$ 2,118,761,850**	**$ 1,921,386,177**	**$ 2,116,484,372**	**$ 195,098,195**	**10.2%**

Note: The fiscal 2024 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2025 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 3
Fiscal Summary
MDH – Developmental Disabilities Administration

Program/Unit	FY 23 Actual	FY 24 Wrk Approp	FY 25 Allowance	Change	FY 24 - FY 25 % Change
01 Program Direction	$ 11,641,666	$ 11,853,376	$ 11,386,808	-$ 466,568	-3.9%
02 Community Services	2,107,120,184	1,909,532,801	2,105,097,564	195,564,763	10.2%
Total Expenditures	**$ 2,118,761,850**	**$ 1,921,386,177**	**$ 2,116,484,372**	**$ 195,098,195**	**10.2%**
General Fund	$ 798,689,204	$ 979,313,330	$ 1,098,581,205	$ 119,267,875	12.2%
Special Fund	4,293,087	6,450,203	6,450,203	0	0%
Federal Fund	1,315,779,559	935,622,644	1,011,452,964	75,830,320	8.1%
Total Appropriations	**$ 2,118,761,850**	**$ 1,921,386,177**	**$ 2,116,484,372**	**$ 195,098,195**	**10.2%**

Note: The fiscal 2024 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2025 allowance does not include contingent reductions or cost-of-living adjustments.