Maryland
DEPARTMENT OF HEALTH

*Wes Moore, Governor · Aruna Miller, Lt. Governor · Meena Seshamani, M.D., Ph.D., Secretary*

March 10, 2026

The Honorable Delegate Ben Barnes
Chair, House Appropriations Committee
121 Taylor House Office Building
Annapolis, MD 21401-1991

**RE: House Bill 671 – Nursing Facilities – Medicaid Quality Assessment – Funding of Office of the Long–Term Care Ombudsman – Letter of Opposition**

Dear Chair Barnes and Committee Members:

The Maryland Department of Health (the Department) respectfully submits this letter of opposition for House Bill (HB) 671 – Nursing Facilities – Medicaid Quality Assessment – Funding of Office of the Long–Term Care Ombudsman.

HB 671 requires the Governor to include in the annual budget bill a minimum of three percent of the special funds collected from the Medicaid quality assessment imposed on nursing facilities to support the operations of the Office of the Long–Term Care Ombudsman. The bill further clarifies that these funds must be in addition to, and may not supplant, funding otherwise appropriated for the Office. This requirement takes effect on July 1, 2026.

While well intentioned, this proposal would have serious and immediate fiscal consequences for Maryland's Medicaid program and the nursing facilities that serve some of the State's most vulnerable residents. This bill would divert funds away from nursing facilities—directly reducing provider rates and quality incentive payments. Critically, once these dollars are redirected, they would no longer be eligible for federal Medicaid matching funds, compounding the loss by shrinking total Medicaid resources.

As background, Medicaid provider assessments are a federally recognized financing mechanism that allow states to leverage additional federal Medicaid dollars. Maryland's nursing facility quality assessment is applied uniformly across the provider class, and once collected, the State draws down a 50 percent federal match. One hundred percent of the resulting funds are reinvested back into nursing facilities that serve Medicaid members, in accordance with State statute.

In fiscal year 2025, the Department collected $171.4 million from nursing facilities for the nursing home quality assessment. Maryland Medicaid then pulls down an additional $171.4 million in federal match, for $342.8 million total funds. The current assessment, set at six percent of net patient revenues, is deposited into a special fund that may be used solely for Medicaid reimbursements to nursing facilities, as required by state statute.[1] **All of the nursing facility**

[1] https://mgaleg.maryland.gov/mgawebsite/Laws/StatuteText?article=ghg&section=19-310.1&enactments=false

**assessment funds go to nursing facilities** through rate increases, quality payments, and general reimbursement for services.

Of the $342.8 million in total funds in FY 2025, approximately one third (~$113 million) goes to rate increases, one third (~$113 million) goes to nursing facility services, and one third (~$113 million) goes to reimbursement to facilities for the assessment. In part, as a result of these funds, nursing facilities have consistently received rate increases for Medicaid services ranging from three to eight percent from fiscal year 2019 through 2025. Redirecting any part of this funding could potentially result in a cut in provider rates or a cut to quality payments that incentivize high quality and performance among nursing facility providers.

HB 671 would undermine this carefully structured financing system. Redirecting assessment funds to the Office of the Long–Term Care Ombudsman would remove those dollars from the Medicaid match pipeline, resulting in a net loss to the Medicaid program. For example, reallocating just $4.41 million would eliminate an additional $4.41 million in federal matching funds—an $8.82 million total reduction to Medicaid. Absent these funds, Maryland Medicaid would have to consider reductions to nursing facility reimbursement rates or quality payments, directly jeopardizing provider stability and resident care.

If you would like to discuss this matter further, please do not hesitate to contact Meghan Lynch, Director of Government Affairs at meghan.lynch@maryland.gov

Sincerely,

Meena Seshamani, M.D., Ph.D.
Secretary of Health