



Sheppard Pratt

Written Testimony

House Bill 772 – Workgroup on Behavioral Health Rate Methodology Modernization – Establishment

House Health Committee

February 25, 2026

Thank you for the opportunity to submit testimony in strong support of House Bill 772, which establishes the Workgroup on Behavioral Health Rate Methodology Modernization within the Maryland Health Care Commission.

As the nation's largest private, nonprofit behavioral health provider, and a statewide safety-net system serving more than 80,000 people annually, Sheppard Pratt sees firsthand how outdated and non-transparent rate structures undermine Maryland's ability to deliver timely, high-quality, community-based mental health care. We operate outpatient mental health centers (OMHCs), certified community behavioral health clinics (CCBHCs), crisis services, inpatient hospitals, residential programs, and school-based services across 16 counties. Across this continuum, the challenges that HB772 seeks to address are both urgent and system-defining.

Why HB772 is Critical to Maryland's Behavioral Health System

HB772 takes a pragmatic, data-driven approach to modernizing the rate-setting methodologies governing both OMHCs and CCBHCs. The bill:

- Establishes a structured workgroup within MHCC, giving providers a critical role in the rate setting process
- Incorporates other cost studies (such as the federally required CCBHC cost study and MDH's ongoing cost study) for a baseline dataset
- Examines cost drivers including staffing, medical supervision, regulatory requirements (including COMAR 10.63), and geographic variation
- Develops cost-based methodologies aligned with federal Medicaid financing rules and upper-payment-limit requirements
- Identifies barriers and outlines options for phased implementation

These components are essential to ensuring that Maryland's behavioral health rates are analytically sound, transparent, and aligned with the true cost of delivering care.

A Unified Vision for OMHCs & CCBHCs

As the state's de facto safety net behavioral health provider, Sheppard Pratt has the unique vantage point to provide accurate insight into the interoperability of the entire continuum of

care. The cost of care increases annually, and consistent, cost-based rate methodologies for outpatient care are urgently needed in Maryland.

1. Outdated rates disrupt the continuum

OMHCs and CCBHCs are foundational to Maryland's behavioral health system, yet the reimbursement methodologies governing them differ significantly despite substantial overlap in workforce requirements, regulatory obligations, and clinical models.

This creates misaligned incentives, operational inefficiencies, and barriers to:

- Same-day access
- Integrated somatic and behavioral health services
- Crisis diversion
- Long-term outpatient stabilization

HB772 offers a unified pathway to coherence across outpatient behavioral health services.

2. Rate methodology is central to workforce stabilization

Maryland's workforce shortages are not theoretical; they impede access daily. Sheppard Pratt and other behavioral health providers routinely experience:

- Vacancy rates exceeding 20–30% in key clinical roles
- Escalating wage competition with other markets
- Difficulty recruiting psychiatrists, nurse practitioners, licensed therapists, and peers
- Increased reliance on contractors due to salary compression

Without reimbursement methodologies that reflect supervisory requirements, staffing ratios, medical leadership, and compliance obligations, providers cannot sustainably staff outpatient services. HB772 recognizes this reality by explicitly charging the Workgroup with reviewing workforce-related cost drivers.

3. Inadequate rates shift costs to inappropriate and more expensive settings

When outpatient providers cannot recruit or retain staff due to inadequate reimbursement:

- Emergency departments become default entry points
- Psychiatric inpatient admissions increase
- Pediatric and adult overstay problems worsen
- Crisis teams cannot keep pace with demand
- Schools, pediatricians, and families lose key supports

Maryland has invested heavily in crisis services; however, crisis response is only successful when robust outpatient infrastructure exists to absorb individuals after stabilization. Rates that reflect actual costs are essential to reducing ED boarding and unnecessary hospitalizations.

Conclusion

For Maryland to meet its behavioral health goals (reducing emergency department boarding, expanding crisis diversion, strengthening pediatric and adult outpatient care, improving parity, and stabilizing the workforce) rate modernization is essential. HB772 is a pragmatic, provider-informed, data-driven step that lays the groundwork for a stronger, more equitable, and more sustainable system.

For these reasons, Sheppard Pratt respectfully urges a favorable report on House Bill 772.

Thank you for your consideration.