

**Department of Legislative Services**  
 Maryland General Assembly  
 2022 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 743 (Senator Washington)  
 Finance

**Maryland Medical Assistance Program - Affordable Assisted Living Enhanced Care Pilot Program**

This bill establishes an Affordable Assisted Living Enhanced Care Pilot Program to establish “affordable assisted living enhanced care residences” to provide “enhanced care” to eligible adults who are at least 60 years old. The Maryland Department of Health (MDH) must administer the pilot program and select up to four sites at which an affordable assisted living enhanced care residence must be established over a five-year period. MDH must apply for any federal authority necessary to implement the pilot program. The Governor must include in the annual budget bill an appropriation for the pilot program of \$15.5 million in fiscal 2025 and \$31.0 million in fiscal 2026 and annually thereafter. By November 1, 2024, MDH must report to the Governor and the General Assembly on its findings and recommendations from the pilot program. **The bill takes effect July 1, 2022.**

**Fiscal Summary**

**State Effect:** Medicaid expenditures (50% general funds, 50% federal funds) increase by \$129,200 in FY 2023, and \$152,000 in FY 2024 for personnel. General fund expenditures increase by \$15.5 million in FY 2025, and \$31.0 million annually thereafter to reflect the mandated appropriation. Federal fund revenues and expenditures increase accordingly. **This bill establishes a mandated appropriation beginning in FY 2025. This bill increases the cost of an entitlement program beginning in FY 2023.**

| (in dollars)   | FY 2023    | FY 2024    | FY 2025        | FY 2026        | FY 2027        |
|----------------|------------|------------|----------------|----------------|----------------|
| FF Revenue     | \$64,600   | \$76,000   | \$15,500,000   | \$31,000,000   | \$31,000,000   |
| GF Expenditure | \$64,600   | \$76,000   | \$15,500,000   | \$31,000,000   | \$31,000,000   |
| FF Expenditure | \$64,600   | \$76,000   | \$15,500,000   | \$31,000,000   | \$31,000,000   |
| Net Effect     | (\$64,600) | (\$76,000) | (\$15,500,000) | (\$31,000,000) | (\$31,000,000) |

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Bill Summary:** “Affordable assisted living enhanced care residence” means an assisted living residence that provides enhanced care services.

“Affordable residence” means a structure (1) built or renovated with low-income housing tax credits that offers private one-bedroom or studio apartments to individuals or couples whose income does not exceed 60% of the Area Median Income (AMI) and (2) that has a capacity of between 80 and 150 units.

“Assisted living residence” means a residential or facility-based program that provides housing and supportive services, supervision, personalized assistance, health-related services, or a combination of these services that meets the needs of individuals who are unable to perform or need assistance in performing the activities of daily living or instrumental activities of daily living in a way that promotes optimum dignity and independence for the individuals.

“Enhanced care” means the provision of the following services in addition to the services of an assisted living residence: (1) person-centered, individualized care planning; (2) regular, proactive monitoring of health status; (3) care management; (4) medication management; (5) assessment and referral to therapy and restorative nursing programs; (6) health and wellness programs; (7) activities programs; (8) dietary services; and (9) use of electronic medical records to improve care monitoring, improve quality oversight, and support the tracking and reporting of quality indicators.

In selecting sites for the pilot program, MDH must prioritize jurisdictions with the highest percentage of low-income residents who are at least 60 years old, as specified. To the extent practicable, one site must be in an urban area and one site must be in a rural area. MDH must provide funding to participating sites (1) for recruitment and training of staff; (2) to support reimbursement for a bundled payment rate for eligible individuals that is at least 60% of the average rate for nursing home care within the geographic area in which the residence is located; and (3) for other purposes necessary to implement and evaluate the pilot program.

To be eligible for the pilot program, an individual must meet the eligibility criteria for the Medicaid Home- and Community-Based Options Waiver (Community Options).

For an individual participating in the pilot program whose home is in an “affordable residence,” MDH must reduce its monthly bundled payment amount by the amount remaining after making specified deductions from the individual’s total nonexcluded monthly income.

MDH must determine the amount of available income to be paid by an individual participating in the pilot program toward the cost of affordable assisted living. A participant must pay the amount of available income for the participant’s cost of affordable assisted living directly to the assisted living services provider.

An affordable assisted living enhanced care residence selected for the pilot program may not be prohibited from admitting into the residence any individual who (1) is not eligible for the pilot program; (2) has an income that does not exceed 60% AMI; and (3) has care needs that can be met by the assisted living residence in accordance with the limitations of its license.

MDH must collaborate with stakeholders in the development, implementation, and outcome monitoring of the pilot program and collect outcomes data on residents in the pilot program to evaluate the effectiveness of the pilot program, as specified.

### **Current Law:**

#### *Assisted Living Programs*

An “assisted living program” is a residential or facility-based program that provides housing and supportive services, supervision, personalized assistance, health-related services, or a combination of such services that meets the needs of individuals who need assistance with the activities of daily living. In Maryland, assisted living programs are licensed by MDH’s Office of Health Care Quality.

#### *Community Options Waiver*

The Medicaid Community Options Waiver provides community services and supports to enable older adults and people with disabilities to live in their own homes. Available waiver services include assisted living, medical day care, family training, case management, senior center plus, nutritional services, behavioral consultation, personal assistance services, nurse monitoring, environmental assessments, and accessibility adaptations. Eligible individuals must need support with activities of daily living and meet the level of care required to qualify for nursing facility services.

### *Program of All-Inclusive Health for the Elderly*

MDH operates a Program of All-Inclusive Health for the Elderly (PACE), which provides comprehensive medical and social services to eligible individuals who live in the community. Most PACE participants are dually eligible for Medicare and Medicaid and receive benefits on a capitated basis. To participate in PACE, individuals must meet the following criteria: (1) be at least 55 years old; (2) be certified to need a nursing facility level of care; (3) agree to receive all health and long-term care services from the PACE provider; and (4) have income of no more than 300% of the Supplemental Security Income benefit level for a household of one and assets of no greater than \$2,000.

Maryland currently operates one PACE site, called Hopkins ElderPlus, which is approved to serve up to 200 individuals. Additionally, Medicaid is working to open up to four new sites within the geographic regions of Baltimore City, Montgomery and Prince George's counties, and potentially in a rural area.

### *Senior Assisted Living Group Home Subsidy Program*

Under Maryland regulations (COMAR 32.03.03.03), assisted living facilities can apply to participate in the Maryland Department of Aging's Senior Assisted Living Group Home Subsidy Program (SALGHS). When a senior eligible for a subsidy resides in or is accepted for admission to an assisted living facility, the facility receives SALGHS funds from the local area agency on aging paid on the behalf of each senior enrolled in the program. To be eligible for the subsidy, a senior must (1) be a current resident or have been accepted for admission as a resident in a facility enrolled in SALGHS; (2) be physically or mentally impaired and in need of assistance with the activities of daily living provided by the assisted living program; and (3) meet financial eligibility requirements. To be financially eligible, the senior's (1) net monthly income must be less than the approved monthly fee for the services provided; (2) net annual income may not be higher than 60% of the State median income as determined by the U.S. Department of Housing and Urban Development; and (3) resources may not be greater than \$11,000 for a single individual or \$14,000 for a married individual.

**State Fiscal Effect:** To establish and administer the pilot program, MDH requires additional personnel. Thus, Medicaid expenditures (50% general funds, 50% federal funds) increase by \$129,182 in fiscal 2023, which reflects a 90-day start-up delay from the bill's July 1, 2022 effective date. This estimate reflects the cost of hiring two health policy analysts to apply for any federal waivers necessary to implement the pilot program, identify and select up to four sites at which an affordable assisted living enhanced care residence must be established over a five-year period, contract with selected sites, develop and administer bundled payments, identify and enroll participants, determine the amount of available income to be paid by an individual participating in the pilot program toward the

cost of affordable assisted living, collect data, and evaluate the effectiveness of the pilot program.

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|---|------------------|
| Positions                               | 2.0              |
| Salaries and Fringe Benefits            | \$114,496        |
| Operating Expenses                      | <u>14,686</u>    |
| <b>Total FY 2023 State Expenditures</b> | <b>\$129,182</b> |

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

The Governor must include in the annual budget bill an appropriation for the pilot program of \$15.5 million in fiscal 2025, and \$31.0 million in fiscal 2026 and annually thereafter. Thus, general fund expenditures increase by \$15.5 million in fiscal 2025, and \$31.0 million annually thereafter to reflect the mandated appropriation.

As expenditures for the program are assumed to be paid by Medicaid, federal fund revenues are available at a 50% matching rate. Thus, federal fund revenues and expenditures increase accordingly. This analysis assumes that personnel costs are covered by the mandated appropriation.

Under the bill, MDH must provide funding to participating pilot program sites to support recruitment and training of staff, bundled payment rates, and other purposes necessary to evaluate the pilot program. The exact amount of such expenditures cannot be reliably estimated at this time and depends on the sites selected to participate in the program, the number of individuals enrolled in the pilot program, other factors such as any adjustments to bundled payments for individuals participating in the pilot program whose home is in an affordable residence, and the amount of available income to be paid by individuals participating in the pilot program toward the cost of affordable assisted living. The analysis assumes that the pilot program is structured so that the total cost of the program is covered by the mandated appropriation.

The bill requires MDH to provide reimbursement for a bundled payment rate that is at least 60% of the average rate for nursing home care. MDH advises that the average daily rate for assisted living care is \$72.08, while the average daily rate for nursing home care is \$292.74. Thus, the bundled payment amount under the bill must be at least \$175.64 per day. *For illustrative purposes only*, for every 100 individuals served under the pilot program, expenditures increase by at least \$6.4 million annually (50% general funds, 50% federal funds) for the minimum bundled payment rate only. Should 100 individuals be served at each of the four pilot program sites, expenditures increase by at least \$25.6 million annually (50% general funds, 50% federal funds) for the minimum bundled payment rate only.

The bill requires MDH to report to the Governor and the General Assembly on its findings and recommendations from the pilot program by November 1, 2024; however, phase-in of the pilot program will only begin in fiscal 2025 and be implemented over a five-year period.

The bill does not specify when the pilot program terminates, but any such date it assumed to be beyond the fiscal period covered by this analysis.

**Small Business Effect:** Assisted living facilities, most of which are small businesses, may be selected to participate in the pilot program and receive a bundled payment rate to provide enhanced care to residents.

**Additional Comments:** Of the 1,699 assisted living programs in the State, only 60 (3.5%) have a licensed bed capacity of between 80 and 150.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Department of Budget and Management; Maryland Department of Health; Department of Legislative Services

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