

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

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

House Bill 747 (Delegate Kerr)  
 Health and Government Operations

**Maryland Health Care Commission - Nursing Homes - Audit**

This bill requires the Maryland Health Care Commission (MHCC), by December 1, 2023, and each December 1 thereafter, to conduct a comprehensive audit of cost trends, labor issues, and financial performance for each licensed nursing home in the State. MHCC must use the audit to develop findings by facility type and ownership group, and on an industry-wide basis. In conducting the audit, MHCC must administer an annual survey of the nursing home workforce. By December 1, 2023, and each December 1 thereafter, MHCC must submit the findings to the Governor and the General Assembly. To cover the cost of the audit, each year MHCC must establish a fee to be paid by each nursing home subject to the audit.

**Fiscal Summary**

**State Effect:** MHCC special fund expenditures increase by an estimated \$1.0 million annually beginning in FY 2023 for contractual costs to conduct the audit, administer a workforce survey, develop findings, and submit the annual report. Special fund revenues increase accordingly, as discussed below.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
SF Expenditure	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
Net Effect	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

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

**Local Effect:** None.

**Small Business Effect:** Meaningful.

## Analysis

**Bill Summary:** The audit must include: (1) gross and net patient service revenues; (2) other sources of operating and nonoperating revenues; (3) trends in relative price, payer mix, case mix, utilization, and length of stay, since calendar 2010; (4) affiliations with other health care providers, including preferred clinical relationships and providers; (5) categories of costs, as specified; (6) total spending on direct patient care as a percent of total operating expenses; (7) operating and total margin; (8) occupancy rates; and (9) any other information considered necessary by MHCC to conduct the audit.

In conducting the audit, MHCC must administer an annual survey of the nursing home workforce. The survey must (1) be made available in paper and electronic format; (2) be anonymous; and (3) include questions on working conditions, wages, specified working hours, interactions with management, and interactions with residents in the facility.

**Current Law:** MHCC is an independent commission within the Maryland Department of Health (MDH) with a mission to plan for health system needs, promote informed decision making, increase accountability, and improve access in a rapidly changing health care environment by providing timely and accurate information on availability, cost, and quality of services to policymakers, purchasers, providers, and the public. MHCC's special fund consists of user fees assessed on health care payors, hospitals, nursing homes, and health care practitioners.

A nursing home is a facility that offers nonacute care to patients suffering from a disease, chronic illness, condition, disability of advanced age, or terminal disease requiring maximal nursing care without continuous hospital services. In Maryland, nursing homes are licensed by the Office of Health Care Quality within MDH.

**State Fiscal Effect:** MHCC advises that contractual services are required to complete a comprehensive audit of cost trends, labor issues, and financial performance for each of the 226 licensed nursing homes in the State, including an annual survey of the nursing home workforce (which comprises nearly 34,000 staff), develop specified findings, and submit the required annual report. Thus, MHCC special fund expenditures increase by an estimated \$1.0 million annually beginning in fiscal 2023.

The bill specifies that, each year, MHCC must assess a fee on each nursing home subject to the audit to cover the cost of the audit. Therefore, MHCC special fund revenues increase by an estimated \$1.0 million annually beginning in fiscal 2023.

**Small Business Effect:** Expenditures for small business nursing homes increase to cover the cost of the required audit.

## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - February 23, 2022  
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