

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 340

(Senator Hettleman)

Finance

**Nursing Facilities - Medicaid Quality Assessment - Funding of Office of the
Long-Term Care Ombudsman**

This bill requires the Governor, beginning in fiscal 2027, to include in the annual budget bill at least 3.0% of the funds collected by the Maryland Department of Health (MDH) from the nursing facility quality assessment to fund the operations of the Office of the Long-Term Care Ombudsman in the Maryland Department of Aging (MDOA). The funds must supplement and not supplant funding otherwise appropriated for the office. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: No effect in FY 2027. MDOA special fund revenues and expenditures increase by \$5.3 million in FY 2028; MDH special fund revenues and expenditures correspondingly decrease. MDH federal fund revenues also decrease by \$5.3 million in FY 2028, as discussed below. Future years reflect 1.0% growth in assessment revenues. **This bill establishes a mandated appropriation beginning in FY 2028.**

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$0	\$0	\$0	\$0	\$0
FF Revenue	\$0	(\$5.3)	(\$5.4)	(\$5.4)	(\$5.5)
SF Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$0.0	(\$5.3)	(\$5.4)	(\$5.4)	(\$5.5)

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

Local Effect: Local revenues and expenditures for area agencies on aging (AAAs) may increase due to additional funding for the Office of the Long-Term Care Ombudsman.

Small Business Effect: None.

Analysis

Current Law: Chapter 503 of 2007 authorized MDH to impose a 2.0% quality assessment on each freestanding nursing facility with 45 or more beds. The assessment does not apply to a nursing home bed in a continuing care retirement community. Budget reconciliation and financing legislation further increased the assessment to 4.0% in 2010, 5.5% in 2011, and 6.0% in 2012.

The aggregate amount assessed on all nursing facilities may not exceed 6.0% of the operating revenue for facilities subject to the assessment for the previous quarter. The assessment must be based on an amount per patient day, not including Medicare days. Revenues from the assessment must be collected by the Comptroller and distributed to a special fund to be used by MDH only to fund nursing facility reimbursement under the Medicaid program.

At least 65.0% of the funds allocated by MDH as reimbursements to nursing facilities must be in addition to and may not supplant funds already appropriated for nursing facilities.

MDH must report to the General Assembly on the implementation of the assessment, including (1) the percentage and amount of the assessment charged to each nursing facility; (2) the number of nursing facilities subject to the assessment with a net loss; and (3) a comparison of the total amount provided in the Medicaid budget for nursing home reimbursement in the current year to the amount proposed for the upcoming fiscal year.

Long-Term Care Ombudsman

The State Long-Term Care Ombudsman Program was established under federal mandate through the Older Americans Act. Long-term care ombudsmen are advocates (volunteers or paid employees) for residents of nursing homes, board and care homes, assisted living facilities, and similar adult care facilities. They work to resolve problems of individual residents and bring about changes at the local, state, and national levels that will improve residents' care and quality of life. Local long-term care ombudsmen serve through AAAs and are overseen by the State Long-Term Care Ombudsman Office. The State Long-Term Care Ombudsman must:

- identify, investigate, and resolve complaints from any source relating to any action, inaction, or decision that may adversely affect the health, safety, welfare, or rights of a resident, as specified;
- represent the interests of residents before governmental agencies and seek administrative, legal, and other remedies to protect the health, safety, welfare, and rights of residents;

- provide information to other agencies and the public regarding the problems and concerns of residents;
- comment on, facilitate public comment on, and recommend changes to existing or proposed laws, rules, regulations, and other governmental policies and actions that affect the health, safety, welfare, and rights of residents;
- provide technical support for the development of resident and family councils to protect the well-being and rights of residents;
- educate facilities, agencies, and staff members concerning the rights and welfare of residents;
- promote the development of citizen organizations to advocate for the well-being and rights of residents; and
- provide services to assist residents in protecting the health, safety, welfare, and rights of residents.

Area Agencies on Aging

In Maryland, each of the 23 counties and Baltimore City designates an AAA. The agency may be a unit of local government or a private, nonprofit corporation. AAAs provide a variety of adult services, incorporating assisted living, protective services, and temporary disability programs.

Each AAA must operate a single point-of-entry program to access the needs of seniors and their caregivers and provide appropriate services, including (1) providing current information on available programs, services, or benefits; (2) determining the service needs of each senior who requests service; (3) processing requests for service from seniors; (4) providing access to available public and private programs and services for seniors; (5) monitoring the outcome of requests for service or information; and (6) arranging for individual screenings to determine the service needs of a frail or health-impaired senior.

State Fiscal Effect:

Mandated Appropriation

The bill requires the Governor, beginning in fiscal 2027, to include in the annual budget bill at least 3.0% of the nursing facility quality assessment funds collected by MDH to fund the operations of MDOA's Office of the Long-Term Care Ombudsman. The Department of Legislative Services notes that any legislation mandating funding of a program must be enacted before July 1 of the fiscal year before the first fiscal year in which the funding is mandated. As the bill takes effect July 1, 2026, the Governor cannot be required to include funding in the fiscal 2027 budget. Thus, the bill's mandated appropriation cannot begin until fiscal 2028.

Nursing Facility Quality Assessment

In fiscal 2025, MDH collected \$171.4 million in special fund revenue through the nursing facility quality assessment. MDH advises that assessment revenues increase by 1.0% annually. Therefore, MDH is projected to collect \$173.1 million in special fund revenue from the assessment in fiscal 2026, increasing to \$182.0 million by fiscal 2031.

Special Fund Revenues and Expenditure Impact

Under the bill, at least 3.0% of the nursing facility quality assessment funds collected must be used to fund the Office of the Long-Term Care Ombudsman. Thus, at least \$5.3 million in special funds will be redirected to MDOA in fiscal 2028, increasing to \$5.5 million in fiscal 2031. This analysis assumes that MDOA special fund expenditures increase accordingly. Likewise, MDH special fund revenues and expenditures *decrease* by at least \$5.3 million in fiscal 2028, increasing to \$5.5 million in fiscal 2031. There is no net impact on State special fund revenues or expenditures under the bill.

Federal Fund Revenue Impact

Although there is no net *State* special fund impact under the bill, MDH advises that there is a federal fund impact. Special fund revenues collected under the nursing facility quality assessment are used for Medicaid (with at least 65.0% of funds allocated for enhanced reimbursement for nursing facilities) and subject to a 50.0% federal matching rate. If these revenues are transferred to MDOA, Medicaid federal matching funds will not be available. Therefore, MDH federal fund revenues decrease by at least \$5.3 million in fiscal 2028 and by at least \$5.5 million in 2031.

To compensate for this loss in federal matching funds, MDH could reduce the enhanced nursing facility rates or pay-for-performance payments it funds with assessment revenues or replace the funds with general funds. As noted above, this analysis assumes that MDH special fund expenditures are reduced. To the extent MDH elects to backfill reduced special funds, general fund expenditures increase beginning as early as fiscal 2028.

Office of the Long-Term Care Ombudsman

The fiscal 2027 budget as introduced includes \$1.1 million in general funds and approximately \$668,000 in federal funds for the Office of the Long-Term Care Ombudsman. MDOA advises that current funding levels have not increased for several years and are not sufficient to, among other things, fully fund local AAAs to utilize local long-term care ombudsmen staff. As noted above, under the bill, funding for the office increases by at least \$5.3 million in fiscal 2028 and by \$5.5 million in 2031.

Local Fiscal Effect: MDOA advises that many AAAs are currently only able to hire one part-time local long-term care ombudsman, although some local long-term ombudsmen are volunteers. An increase in funding for local AAAs from the statewide Office of the Long-Term Care Ombudsman would likely increase revenues to local AAAs, allowing the agencies to fully fund local long-term care ombudsman offices.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 671 (Delegates Shetty and Lopez) - Appropriations.

Information Source(s): Maryland Department of Aging; Comptroller's Office; Maryland Department of Health; Department of Legislative Services

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