HB 772

Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 772 (Delegate Shetty, *et al.*)
Health

Workgroup on Behavioral Health Rate Methodology Modernization - Establishment

This bill establishes the Workgroup on Behavioral Health Rate Methodology Modernization in the Maryland Health Care Commission (MHCC) to develop transparent, cost-based reimbursement methodologies for certified community behavioral health clinics (CCBHCs) and outpatient mental health centers. A member of the workgroup may not receive compensation but is entitled to reimbursement for expenses. The bill also outlines reporting requirements for the workgroup. The bill does not (1) require an immediate rate increase; (2) mandate an appropriation; or (3) create a fiscal obligation in the absence of subsequent legislative or budgetary action. **The bill takes effect July 1, 2026, and terminates June 30, 2028.**

Fiscal Summary

State Effect: MHCC special fund expenditures increase by $210,300 in FY 2027 and $197,600 in FY 2028 for contractual staff and services to support the workgroup. To the extent that the Behavioral Health Administration (BHA) requires additional staff, general fund expenditures may increase in FY 2027 and 2028 (not shown below), as discussed below. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	$0	$0	$0	$0	$0
SF Expenditure	210,300	197,600	0	0	0
Net Effect	($210,300)	($197,600)	$0	$0	$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The workgroup consists of members of the General Assembly, representatives from MDH, and individuals working in behavioral health care, among others. The Presiding Officers must jointly designate one legislative member and one provider member to serve as co-chairs.

MHCC, in consultation with MDH, the Department of Legislative Services (DLS), and the Community Behavioral Health Association of Maryland, must provide staff for the workgroup.

The workgroup must:

- use the federally required CCBHC cost study as the baseline dataset for evaluating outpatient mental health service costs in the State;
- review and analyze cost drivers for outpatient behavioral health, including (1) staffing mix and workforce models; (2) medical director and supervision requirements; (3) contractor versus salaried employment structures; (4) geographic and volume variation; and (5) compliance with State and federal regulatory requirements;
- evaluate reimbursement methodologies used in other states and federal demonstration programs;
- develop at least one cost-based, rate-setting methodology applicable to both CCBHCs and outpatient mental health centers;
- ensure all recommended methodologies comply with both federal Medicaid financing rules and the Medicaid Upper Payment Limit;
- identify any regulatory or statutory barriers to statewide implementation of cost-based, rate-setting methodologies; and
- propose options for phased statewide implementation of cost-based, rate-setting methodologies when fiscal conditions allow.

By December 1, 2026, the workgroup must submit an interim report to the Governor and the General Assembly. By October 1, 2027, the workgroup must submit a final report to the Governor and the General Assembly that includes (1) recommended rate-setting methodologies; (2) assumption and cost-model components; (3) options for phased implementation; (4) estimated fiscal considerations; and (5) any recommended statutory or regulatory changes.

Current Law: Chapters 571 and 572 of 2017 require MDH to conduct an independent, cost-driven, rate-setting study to set community provider rates for community-based behavioral health services. While the study has not yet occurred, the Behavioral Health

System of Care Optimization and Integration Workgroup had discussions in 2019 and 2020 about requirements for the study, including stakeholder feedback. Based on the feedback, MDH decided to engage in a two-phase process for the study. The first phase involves designing a cost report template for providers to use, while the second phase involves analyzing the data and conducting the study.

Certified Community Behavioral Health Clinics

Chapter 275 of 2023 requires MDH to apply for grant funds related to CCBHCs from the Substance Abuse and Mental Health Services Administration (SAMHSA) for fiscal 2025 and 2026.

SAMHSA awards demonstration funding to states that have completed the planning grant and are prepared to implement the CCBHC model. Under the demonstration, Medicaid-eligible services provided at a CCBHC receive an enhanced federal match, and clinics are paid through a prospective payment system (PPS), which provides clinics with an average rate based on the estimated daily or monthly cost of operating the facility, regardless of the volume or type of service provided. This differs from a fee-for-service model, wherein Medicaid pays providers for each service given to a patient.

The federal CCBHC model is designed to ensure access to high-quality and comprehensive behavioral health care. CCBHCs are required to serve anyone seeking wraparound behavioral health care services, including care for mental health or substance use, regardless of their ability to pay, place of residence, or age.

Participating clinics must be certified by the State and meet specific State and federal criteria related to staffing adequacy, service accessibility, care coordination, quality and outcomes reporting, and organizational governance. CCBHCs must also provide nine core services either directly or through designated collaborating organizations: (1) crisis services 24 hours a day, seven days a week; (2) treatment planning; (3) screening, assessment, diagnosis, and risk assessment; (4) outpatient mental health and substance use services; (5) targeted case management; (6) outpatient primary care screening and monitoring; (7) community-based mental health care for veterans; (8) peer, family support, and counselor services; and (9) psychiatric rehabilitation services. CCBHCs also provide care coordination and may offer additional services depending on the needs of the service area.

There are currently five clinics in Maryland that operate under the CCBHC model; however, because Maryland is not currently participating in the demonstration program, these clinics are not able to use PPS, nor qualify for enhanced match. All five offer the required services and have received grant funding from SAMHSA to bridge the costs of providing CCBHC services.

Outpatient Mental Health Centers

Under Maryland regulations (COMAR 10.63.03.05), to be licensed, an outpatient mental health center must (1) provide regularly scheduled outpatient mental health treatment services in a community-based setting; (2) provide individual, group, and family therapy and medication management; (3) employ a medical director who is a psychiatrist, has overall responsibility for clinical services, and is on-site for at least 20 hours per week; and (4) employ multidisciplinary clinical treatment staff who is authorized to provide services. Chapters 274 and 275 and Chapters 481 and 482 of 2019 required updates to regulations to allow, respectively, (1) a medical director to be considered on-site through telehealth and (2) a psychiatric nurse practitioner to serve as medical director of an outpatient facility.

State Expenditures: MHCC advises that it requires additional staff to lead the data analysis, develop options and recommendations, and draft reports. MHCC can likely use an existing, vacant contractual position; however, funding is required for the position and related costs. Thus, MHCC special fund expenditures increase by $210,275 in fiscal 2027, which accounts for the bill's July 1, 2026 effective date. This estimate reflects the cost of hiring one contractual methodologist (using MHCC's vacant position) to lead data analysis efforts, write reports, and complete any other tasks related to the workgroup. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses, as well as $100,000 in annual contractual services for cost-based reimbursement analytic research and actuarial and fiscal analysis.

Salary and Fringe Benefits	$100,440
Contractual Services	100,000
Other Operating Expenses	9,835
Total FY 2027 State Expenditures	**$210,275**

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Costs terminate at the end of fiscal 2028 along with termination of the workgroup.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

BHA additionally advises that it requires two additional contractual positions to staff the workgroup and assist MHCC in quantitative and qualitative analysis. DLS advises that the staff and contractual support needed by MHCC can likely fulfill the requirements of the bill. However, to the extent that additional staff and resources are needed by BHA, MDH general fund expenditures increase by up to $181,699 in fiscal 2027, and $158,511 in fiscal 2028. This estimate reflects the cost of hiring one contractual data analyst and

one contractual health policy analyst. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Additional Comments: MDH applied for and was awarded nearly $1.0 million in CCBHC planning grant funding in fiscal 2025 to determine how to implement the CCBHC program in the State. The current planning grant received a no-cost extension from SAMHSA and will expire in December 2026. MDH has indicated that it plans to apply for the four-year CCBHC demonstration grant in April 2026, but the Budget Reconciliation and Financing Act of 2026 includes a provision that would authorize, rather than require, MDH to apply for the grant and move the application date from fiscal 2027 to fiscal 2029.

Additional Information

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

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 24, 2026
jg/jc

Analysis by: Eliana R. Prober

Direct Inquiries to:
(410) 946-5510
(301) 970-5510