

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 663
Finance

(Senator Kramer, *et al.*)

Nursing Homes - Direct Care Wages and Benefits and Cost Reports

This bill requires a nursing home to expend at least 75% of its total nursing and residential care revenue for “direct care wages and benefits.” By September 1, 2027, and annually thereafter, each nursing home must submit to the Maryland Department of Health (MDH) a cost report that must include documentation of wage disbursement and any other information MDH determines is appropriate, and it must be signed by an authorized representative of the nursing home under penalty of perjury. MDH may take appropriate enforcement action against a nursing home for specified violations.

Fiscal Summary

State Effect: Likely no effect in FY 2027, as discussed below. Medicaid expenditures increase by \$215,200 (50% general funds, 50% federal funds) in FY 2028 for personnel to enforce nursing home cost reporting requirements. Federal fund revenues increase accordingly. Out-years reflect ongoing costs.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
FF Revenue	\$0	\$107,600	\$105,200	\$110,000	\$114,800
GF/FF Exp.	\$0	\$215,200	\$210,400	\$219,900	\$229,600
Net Effect	\$0	(\$107,600)	(\$105,200)	(\$110,000)	(\$114,800)

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: “Direct care wages and benefits” means the direct care workforce wages and benefits for nursing, dietary, restorative therapy, and social worker staff.

MDH may take appropriate enforcement action against a nursing home if the nursing home (1) fails to submit a cost report; (2) submits an inaccurate, incomplete, or invalid cost report; or (3) fails to pay the wages in the amount required.

MDH may take enforcement action that includes imposition of a corrective plan and or suspension or termination from the Medicaid program.

Current Law: Chapters 10 and 11 of 2019 (Fight for Fifteen), among other actions, required the Governor’s proposed budget to include specified rate increases for several types of health care providers over the funding provided in the prior year’s legislative appropriation. For fiscal 2021 through 2026, the Governor’s proposed budget must include a 4.0% rate increase over the funding provided in the prior year’s legislative appropriation for provider reimbursement in Medicaid and the Maryland Children’s Health Program for nursing home services, medical day care services, private duty nursing services, personal care services, home- and community-based services (HCBS), and services provided through the Community First Choice program.

The federal American Rescue Plan Act (ARPA) authorized a 10-percentage point increase to the federal matching rate on certain qualifying HCBS expenses. Funds had to be reinvested to enhance, expand, or strengthen Medicaid HCBS. Chapter 357 of 2021 (the fiscal 2022 budget bill) required that at least 75% of the funding be used on a one-time provider rate increase. Thus, Medicaid HCBS providers, including those providing personal care services, received a 5.2% rate increase effective November 1, 2021. Further, Medicaid reimbursement rates for personal assistance service providers increased by 12% in fiscal 2023 (4% under Fight for Fifteen, an additional 4% under the fiscal 2023 budget, and a temporary 4% tied to ARPA).

Chapter 2 of 2023 (the Fair Wage Act of 2023) repealed the provider rate increases required under Fight for Fifteen for fiscal 2025 and 2026. Instead, the fiscal 2024 budget included funding for an 8.0% rate increase, annualized to align with the January 1, 2024 acceleration of the minimum wage increase, which equated to 4.0% year-over-year. Accordingly, in fiscal 2024, reimbursement rates for personal assistance service providers had an aggregate 8% rate increase per the fiscal 2024 budget and the Fair Wage Act of 2023.

Chapter 733 of 2025 requires MDH to review the cost reports and other data submitted by each nursing home that participates in Medicaid, including data related to revenue allocated to contracted nursing care services and salaries and wages of all direct care nonadministrative staff, as specified. By October 1, 2025, and annually thereafter through

2029, MDH must report the findings resulting from this review to the Governor, the Senate Finance Committee, and the House Health and Government Operations (now Health) Committee. In the [2025 required report](#), MDH stated that the current uniform cost reporting structure captures nursing wage and salary data, but does not distinguish between specific roles, as required by Chapter 733.

State Fiscal Effect: Under the bill, MDH must receive and review annual cost reports from nursing homes and may take appropriate enforcement action against a nursing home if the nursing home (1) fails to submit a cost report; (2) submits an inaccurate, incomplete, or invalid cost report; or (3) fails to pay the required wages. MDH may take enforcement action that includes imposition of a corrective plan, or suspension or termination from the Medicaid program.

Medicaid utilizes a cost-based reimbursement model for nursing homes under which MDH currently oversees annual cost reporting by nursing homes with assistance from contractors. Nursing home rates are rebased every two years after contractors complete a desk audit of nursing facilities' cost reports. Thus, MDH can expand cost reporting to include documentation of wage disbursement in accordance with the bill and implement review of expanded cost reports by modifying its current contracts using existing resources. However, additional personnel are needed to review the reports and enforce compliance.

Thus, MDH expenditures (50% general funds, 50% federal funds) increase by \$215,175 in fiscal 2028. Federal fund revenues increase accordingly. This estimate reflects the cost of hiring two health policy analysts to review reports from contractors about noncompliant nursing homes, work with nursing homes to develop corrective action plans to remediate noncompliance, and ensure corrective action is completed. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. This analysis assumes these positions begin July 1, 2027, in anticipation of the receipt of cost reports by September 1, 2027.

Positions	2.0
Salaries and Fringe Benefits	\$195,450
Operating Expenses	<u>19,725</u>
Total FY 2028 State Expenditures	\$215,175

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

Small Business Effect: Small business nursing homes serving Medicaid must expend at least 75% of total nursing and residential care revenue for direct care wages and benefits and submit annual cost reports beginning September 1, 2027. Small business nursing homes may be subject to enforcement actions related to noncompliance.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 468 and HB 725 of 2023.

Designated Cross File: HB 1414 (Delegate Martinez, *et al.*) - Health.

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

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