

**Department of Legislative Services**  
 Maryland General Assembly  
 2026 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

House Bill 1559

(The Speaker, *et al.*)

Appropriations and Health

Finance

**Children in Unlicensed Settings and Pediatric Hospital Overstay Patients - Placement**

This bill prohibits the Department of Human Services’ (DHS) out-of-home placement program from using an “unlicensed setting” for a child. The bill alters the duties of the pediatric overstay coordinators and establishes a Child and Youth Placement Review Panel in the Governor’s Office for Children (GOC). The Senior Advisor for Children and Families must convene a Rapid Response Placement Team under specified circumstances. The bill establishes the Advisory Council on Maryland’s System of Care for Children, Youth, and Families to be staffed by GOC. By January 1, 2027, DHS and the Maryland Department of Health (MDH) must submit a specified report. The definition of “unlicensed setting” is expanded to include certain units of a hospital in which a child younger than age 22 remains under specified circumstances. **The bill generally takes effect June 1, 2026; provisions related to the senior advisor, pediatric overstay coordinators, review panel, and placement teams take effect October 1, 2026, and terminate September 30, 2029; expansion of “unlicensed setting” takes effect January 1, 2027.**

**Fiscal Summary**

**State Effect:** No assumed effect in FY 2026. GOC special fund expenditures increase by \$204,600 in FY 2027 for staff. Future years reflect annualization and elimination of one contractual position in FY 2030. MDH and DHS can handle the bill’s requirements using existing budgeted resources. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	204,600	241,500	252,300	152,800	121,000
Net Effect	(\$204,600)	(\$241,500)	(\$252,300)	(\$152,800)	(\$121,000)

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

**Local Effect:** The bill is not anticipated to materially affect local government operations or finances.

**Small Business Effect:** None.

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## Analysis

### Bill Summary:

#### *Out-of-home Placements – Prohibition on Unlicensed Settings*

The bill amends the Family Law Article to define an “unlicensed setting” as a setting for an out-of-home placement that is not licensed by a State licensing entity for custody, placement, welfare, and housing of children, and includes (1) a hotel, motel, or short-term rental; (2) a shelter designated to meet the needs of a child who has run away or who is homeless; and (3) an office building or other nonresidential environment. “Unlicensed setting” does not include the voluntary placement of a former child in need of assistance, a “semi-independent living arrangement,” or the placement of a child with an individual who currently is (or is applying to be) a kinship caregiver or foster parent, or a parent, including in a family-based residential treatment setting.

“Semi-independent living arrangement” means a subsidized living arrangement for youth receiving youth transitional services in an apartment, a boarder arrangement, a college dorm, or other living arrangement approved by a local department of social services (LDSS). “Semi-independent living arrangement” does not include an arrangement for housing in a transient or an emergency-type facility, including a rescue mission, a nonresidential hotel or motel, an adult shelter, or a tourist home.

Effective January 1, 2027, the definition of “unlicensed setting” is expanded to include an inpatient unit or emergency department of a hospital in which the child is a patient younger than age 22 who remains for more than 48 hours after being medically cleared for discharge or transfer.

The bill amends the Human Services Article to define “child in an unlicensed setting” as an individual younger than age 22 (1) in an out-of-home placement who is residing in a hotel, an office building for more than 12 consecutive hours, a shelter, or any other unlicensed setting or (2) who is a pediatric overstay patient. “Child in an unlicensed setting” does not include an individual younger than age 22 who is receiving a self-independent living stipend, living with kin awaiting approval for placement, or on aftercare with a parent. This provision terminates September 30, 2029.

### *Pediatric Overstay Coordinators*

The bill requires the pediatric overstay coordinators to (1) maintain data on each pediatric hospital overstay patient, including information regarding whether the admission was based on an emergency petition and, if so, whether the emergency petition was executed in a school and (2) provide *monthly* reports on specified collected data to the Secretaries of Health and Human Services and the Child and Youth Placement Review Panel in GOC. A hospital must immediately notify the coordinators, through a system designated by MDH, about a pediatric hospital overstay patient. These provisions terminate September 30, 2029.

### *Senior Advisor for Children and Families*

The Senior Advisor for Children and Families within GOC serves at the pleasure of the Governor. The Senior Advisor must:

- oversee the work of the review panel;
- devote full-time to the duties of GOC;
- serve as the point of contact for the pediatric hospital overstay coordinators;
- oversee the work of the review panel to ensure the provision of adequate medical and behavioral health care for children in unlicensed settings in the State;
- keep the official records of the review panel; and
- document information for cases using standard forms and data.

The Senior Advisor is entitled to compensation in accordance with the State budget and is entitled to reimbursement for expenses under standard State travel regulations.

Provisions relating to the Senior Advisor terminate September 30, 2029.

### *Child and Youth Placement Review Panel*

In addition to the Senior Advisor, the panel within GOC consists of the Secretaries of Health, Human Services, Juvenile Services (or their designees); the State Superintendent of Schools (or designee); and the pediatric overstay coordinators.

The Senior Advisor must serve as the chair, and GOC must provide staff for the review panel. The review panel must (1) analyze any instance involving a child in a pediatric overstay or an unlicensed setting and (2) propose systemic improvements based on this analysis. In conducting the required analysis, the review panel may consult with individuals who have knowledge of the child. The panel must meet at least every two months.

By July 1, 2027, and annually thereafter, the review panel must report on the analysis of any instance of a child in a pediatric overstay or an unlicensed setting to the General Assembly.

Provisions relating to the review panel terminate September 30, 2029.

### *Rapid Response Placement Team*

Within 48 hours of being notified of a pediatric overstay patient, the pediatric overstay coordinators must convene a Rapid Response Placement Team. If the coordinators are notified of a pediatric overstay patient on a Friday, the coordinators must convene the placement team within 72 hours of being notified (or earlier if possible). The bill does not prevent the coordinators from taking steps to secure a placement for a pediatric overstay patient before holding the initial meeting of the placement team.

The placement team must consist of the Senior Advisor (in an advisory capacity), the pediatric overstay coordinators, and, if applicable, the following members who have knowledge of the child, designated by the coordinators: a representative of the LDSS and a representative of the hospital where the child is considered a pediatric overstay patient.

The placement team must immediately hold an initial in-person or virtual meeting and have daily communication with all members of the placement team until a placement for the child is secured. Once convened, the placement team must hold at least one in-person or virtual meeting per week.

The placement team must develop a plan for the appropriate placement of a pediatric hospital overstay patient and arrange for a temporary placement in a licensed setting when a placement has been identified, but a bed is not immediately available.

The placement team may (1) conduct immediate clinical and placement assessments; (2) override LDSS decisions if necessary to place the child in a clinically appropriate, least restrictive environment; (3) secure immediate placement in appropriate and least restrictive available licensed settings; and (4) authorize DHS to execute an emergency procurement with an in-State or out-of-state provider by providing the justification for the use of emergency procurement, require out-of-state placements only when no in-State provider offers the required care needed by the child, and require any out-of-state provider to maintain communication with the parent or guardian regarding treatment and care of the child.

DHS must be deemed to be compliant with the prohibition on the use of an inpatient unit or emergency department for a pediatric overstay patient if the department is actively searching for a placement for the child.

Provisions relating to the placement team terminate September 30, 2029.

*Advisory Council on Maryland's System of Care for Children, Youth, and Families*

The Advisory Council on Maryland's System of Care for Children, Youth, and Families must consist of the Special Secretary of GOC (or designee); the Secretaries of Health, Juvenile Services, Disabilities, and Human Services (or their designees); the Maryland Insurance Commissioner (or designee); the State Superintendent of Schools (or designee); the Executive Director of the Maryland Health Care Commission (or designee); the Executive Director of the Chesapeake Regional Information System for Our Patients (or designee); a representative from the State-authorized administrator of 2-1-1 services; the pediatric overstay coordinators; the Public Defender (or designee); the State Foster Youth Ombudsman; and multiple representatives who have experience and knowledge of working with children with behavioral health challenges, adverse childhood experiences, and developmental disabilities, as appointed by the Governor.

Members of the advisory council may not receive compensation but are entitled to reimbursement for expenses under standard State travel regulations. The Special Secretary of GOC or the Senior Advisor must serve as chair, and GOC must provide staff for the advisory council. The advisory council must meet quarterly.

The advisory council must:

- review existing laws and regulations to ensure that they facilitate the provision of adequate medical and behavioral health care in the State, including to youth in out-of-home placements in the State;
- recommend any additions or changes to existing laws or regulations designed to facilitate the provision of adequate medical and behavioral health care to children in need of medical and behavioral health care in the State, including youth in out-of-home placements in the State;
- identify any grant or money from the federal government, private foundations, or other sources that may be available for programs related to children in out-of-home placements;
- recommend improvements for education, outreach, and support to foster care parents in the State to prevent disruption in placements;
- examine the New Jersey Children's System of Care model and provide recommendations on how the model can be replicated in the State in consultation with an institution of higher education or a private research entity with expertise in the model;
- review existing laws and regulations, provide recommendations if gaps are identified, and make recommendations to ensure, if a parent or guardian is not

available to make medical decisions or while in the process of obtaining a voluntary placement agreement, all pediatric hospital overstay patients have access to legal representation and education services;

- review any recommendations of the Workgroup on Children in Unlicensed Settings and Pediatric Hospital Overstays; and
- review barriers to capacity expansion, including rate reform and insurance parity, and make recommendations.

The advisory council must form a subgroup consisting of specified members. The subgroup may consult with experts as necessary, including insurers, payors, and Maryland Medicaid. The subgroup must:

- complete an assessment of the current number of licensed beds, staffed beds, and physical beds intended to serve the needs of children and youth by agency, categorized by type of bed inclusive of age, gender, diagnosis, severity, and specialty accepted for specified bed types;
- develop an electronic process for tracking the real-time location, length of stay, and discharge plans for pediatric hospital overstay patients, including youth under or in the process of a voluntary placement agreement;
- develop a model for standardized data collection with mandated uniform metrics, including age, gender identity, race, ethnicity, county of origin, payor type, and length of stay for pediatric hospital overstay patients, including youth under or in the process of a voluntary placement agreement;
- designate an entity to serve as a central repository for data collected; and
- develop a plan and identify resources needed to expand mobile response and stabilization services across the State to ensure statewide access and full implementation by 2030.

By October 1, 2027, and annually thereafter, the advisory council must report its findings and recommendations to the Governor and the General Assembly.

#### *Unauthorized Hospital Discharge*

Nothing in the bill authorizes a hospital to discharge a pediatric overstay patient in a manner that is inconsistent with specified State law or regulations or the federal Centers for Medicare and Medicaid Services' conditions of participation.

#### *Required Report*

By January 1, 2027, DHS and MDH must report to the General Assembly on the progress of capacity building and preventive services to end pediatric overstays, including:

(1) residential treatment beds; (2) therapeutic foster care homes; (3) specialized placements for high-needs youths; (4) licensure of facilities and foster youth homes; (5) mobile crisis response; (6) 1915(i) waiver services; (7) in-home services and wraparound supports; and (8) necessary staffing.

**Current Law/Background:** DHS must establish a program of out-of-home placement for minor children (1) who are placed in the custody of a local department, for a period of up to 180 days, by a parent or legal guardian under a voluntary placement agreement; (2) who are abused, abandoned, neglected, or dependent, if a juvenile court has determined that continued residence in the child’s home is contrary to the child’s welfare and has committed the child to the custody or guardianship of a local department; or (3) who, with the approval of DHS, are placed in an out-of-home placement by a local department under a voluntary placement agreement regarding a child with a developmental disability or a mental illness, as specified. An out-of-home placement may include family foster care, group and residential care, kinship care, and a treatment foster care home.

### *Pediatric Overstay Patients*

“Pediatric hospital overstay patient” means a patient younger than age 22 who remains in an inpatient unit or emergency department of a hospital for more than 48 hours after being medically cleared for discharge or transfer. Chapters 479 and 480 of 2025 require DHS, in coordination with MDH, to ensure that a pediatric hospital overstay patient who is a child committed to the care and custody of DHS is transferred to and treated in the least restrictive setting when clinically indicated and when possible. The Acts also require MDH and DHS to establish a pediatric hospital overstay coordinator in each department.

If a pediatric hospital overstay patient remains in the hospital for more than 48 hours and the Maryland Mental Health and Substance Use Disorder Registry and Referral System indicates that an appropriate inpatient bed is available, the hospital must seek the transfer to maintain the clinical stability of the patient. To ensure that a pediatric hospital overstay patient is treated in the least restrictive setting, a hospital may concurrently explore in-state and out-of-state placement options.

The pediatric hospital overstay coordinators must act in the best interest of a pediatric hospital overstay patient by coordinating between hospitals, relevant State agencies and programs, and providers of mental health and substance use disorder (SUD) services. The coordinators must also:

- advocate on behalf of pediatric hospital overstay patients while maintaining appropriate patient confidentiality;

- review policies and procedures of relevant State agencies and make recommendations for necessary changes to better serve pediatric hospital overstay patients;
- maintain data on each pediatric hospital overstay patient, as specified; and
- report on the data collected to the Secretaries of Health and Human Services.

*Workgroup on Children in Unlicensed Settings and Pediatric Hospital Overstays*

Chapters 479 and 480 also established the Workgroup on Children in Unlicensed Settings and Pediatric Hospital Overstays to:

- complete an assessment of the number, type, and cost of the additional beds and supportive services needed to place all children in pediatric overstays and other unlicensed settings in the least restrictive settings;
- develop a comprehensive and sustainable resource development plan designed to increase the number of licensed settings and end the use of pediatric overstays and unlicensed settings;
- develop an implementation plan with comprehensive data to inform the plan; and
- determine the anticipated timeline for when the practice of placing children in unlicensed settings will cease.

*Maryland Mental Health and Substance Use Disorder and Registry and Referral System*

The Maryland Mental Health and Substance Use Disorder Registry and Referral System provides a statewide system through which health care providers can identify and access available inpatient and outpatient mental health and substance use services for patients. Subject to the availability of funds, MDH must develop and implement the registry and referral system, in collaboration with the State-designated health information exchange. The registry and referral system must include (1) a searchable inventory of any provider of mental health and SUD services; (2) the capability to allow a provider to update registry information including the real-time availability of services; and (3) an electronic referral system that is available to any health care provider in the State to facilitate electronic referrals to mental health and SUD providers.

**State Expenditures:**

*Department of Human Services*

The bill prohibits the use of an unlicensed setting for a child in the out-of-home placement program. In response to a bill with similar provisions, DHS advised that existing practices are generally in compliance with the prohibition against youth being placed in unlicensed

settings with fewer than 10 youth thought to be in an unlicensed setting (with reported plans for re-placement). Thus, there is no anticipated impact based on this provision.

The bill also requires the pediatric overstay coordinators to provide specified monthly reports to the Secretaries of Health and Human Services and the Child and Youth Placement Review Panel. DHS advises that these requirements can be absorbed with existing budgeted resources.

*Governor’s Office for Children*

The bill establishes the position of Senior Advisor for Children and Families in GOC to, among other things, lead the Child and Youth Placement Review Panel and convene a Rapid Response Placement Team within 48 hours of being notified of a pediatric overstay patient, or within 72 hours under specified circumstances. GOC must staff the Advisory Council on Maryland’s System of Care for Children, Youth, and Families, hold quarterly meetings, and submit an annual report by October 1 each year beginning in 2027.

GOC advises that additional staff are necessary to meet the requirements of the bill. Therefore, special fund expenditures increase by \$204,626 in fiscal 2027, which accounts for the October 1, 2026 effective date for the bill’s senior advisor, review panel, and rapid response placement team provisions. This estimate reflects the cost of hiring (1) one contractual Senior Advisor to serve as the point of contact for the pediatric hospital overstay coordinators, and oversee the work of the review panel and (2) one permanent policy advisor to support the review panel and advisory council and to complete required reports. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Permanent Position	1.0
Contractual Position	1.0
Salaries and Fringe Benefits	\$186,344
Other Operating Expenses	<u>18,282</u>
<b>Total FY 2027 GOC Expenditures</b>	<b>\$204,626</b>

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. This analysis assumes the Senior Advisor position terminates September 30, 2029, consistent with the bill’s termination date of related provisions.

*Maryland Department of Health*

The bill requires the development of a model for standardized data collection regarding pediatric overstay patients. Specified data metrics must be collected including age, gender

identity, race, ethnicity, county of origin, payor type, and length of stay for pediatric hospital overstay patients. MDH advises that the data metrics required to be collected by the bill can be incorporated into the bed registry and referral system that is currently under development at no additional cost.

Other requirements of the bill, including additional work for the pediatric overstay coordinator within the department, can be handled using existing budgeted resources.

#### *Other State Agencies*

The Maryland State Department of Education, Maryland Insurance Administration, Department of Juvenile Services, and Office of the Public Defender advise that participation in the review panel or advisory council, as appropriate, can be completed with existing budgeted resources. This analysis assumes that any other State agency can also participate in the review panel or advisory council, as appropriate, with existing budgeted resources.

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### **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Governor's Office; Judiciary (Administrative Office of the Courts); Office of the Public Defender; Maryland State Department of Education; Department of Budget and Management; Maryland Department of Health; Department of Human Services; Department of Juvenile Services; Maryland Insurance Administration; Department of Legislative Services

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