

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1559 (The Speaker)
 Appropriations and Health

Children in Unlicensed Settings and Pediatric Hospital Overstay Patients - Placement

This bill prohibits the Department of Human Services (DHS), in the administration of its out-of-home placement program, from allowing the placement of a child in an unlicensed setting. The bill alters the duties of the pediatric overstay coordinators and establishes a Child and Youth Placement Review Panel to be led by a Placement Manager in the Governor’s Office for Children (GOC). The Placement Manager must convene a Rapid Response Placement Team under specified circumstances. The bill also establishes the Advisory Council on Maryland’s System of Care for Children, Youth, and Families and the Interagency Council on Children, Youth and Families, both to be staffed by GOC. **The bill generally takes effect June 30, 2026; provisions related to the interagency council take effect October 1, 2026, and terminate September 30, 2029.**

Fiscal Summary

State Effect: No assumed effect in FY 2026. GOC special fund expenditures increase by \$1.25 million in FY 2027 for staff and consultant costs. Maryland Department of Health (MDH) general fund expenditures increase by \$89,400 in FY 2027 for staff. Potential additional increase in DHS expenditures for placement costs, as discussed below. Future years reflect annualization and elimination of one-time costs. Revenues are likely not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	89,400	95,400	99,900	104,400	109,000
SF Expenditure	1,254,100	481,600	498,800	319,100	299,100
Net Effect	(\$1,343,500)	(\$577,100)	(\$598,700)	(\$423,500)	(\$408,000)

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.

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, 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 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.

DHS’ Social Services Administration, in administering the out-of-home placement program, may not allow a child to be placed in an unlicensed setting.

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, office building, 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.

Pediatric Overstay Coordinators

The bill requires pediatric overstay coordinators to (1) report any instance of a pediatric hospital overstay patient to the Placement Manager in GOC as soon as the patient is known to the coordinator 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.

Placement Manager

The Placement Manager within GOC must be appointed by and serves at the pleasure of the Governor. The Placement Manager must:

- 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; and
- keep the official records of the review panel.

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

Child and Youth Placement Review Panel

The panel within GOC consists of the Secretaries of Health and Human Services (or their designees); the State Superintendent of Schools (or designee); the Placement Manager; and several members appointed by the Governor. To the extent practicable, the members appointed to the review panel must reflect the geographic, racial, ethnic, cultural, and gender diversity of the State. Members of the review panel may not receive compensation but are entitled to reimbursement for expenses under standard State travel regulations.

The Placement Manager must serve as the chair, and GOC must provide staff support for the review panel. The review panel must:

- analyze any instance involving a child in an unlicensed setting; and
- support placement efforts involving a child in an unlicensed setting by referring the child to (1) a local department of social services (LDSS); (2) public or private residential care programs; (3) a residential program operated by or under contract with the Department of Juvenile Service; (4) a foster care home approved by an LDSS; (5) a treatment foster care home; (6) the placement team; or (7) any other appropriate entity to support the placement of the child.

Rapid Response Placement Team

When a pediatric hospital overstay patient remains in the hospital for more than 72 hours, the Placement Manager must convene a Rapid Response Placement Team. The placement team must consist of the pediatric overstay coordinators and several additional members designated by the Placement Manager, including a representative of 211 Maryland; a representative of the LDSS; if applicable, a representative of an unlicensed setting where

a child is residing; and a representative of the hospital where the child is considered a pediatric overstay patient.

When a placement team is convened, the placement team must meet each day until a placement for the child is located. The placement team must develop a plan for the appropriate placement of a pediatric hospital overstay patient who has remained in a hospital for more than 72 hours and may (1) conduct immediate clinical and placement assessments; (2) override LDSS placement decisions, if necessary; and (3) secure immediate placement in available licensed settings.

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 individuals who have experience and knowledge of working with children with behavioral health challenges, adverse childhood experiences, and developmental disabilities, including the Special Secretary of GOC (or designee); the Placement Manager; the pediatric overstay coordinators; the Public Defender (or designee); the Foster Youth Ombudsman; and multiple representatives 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 designee) must serve as chair, and GOC must provide staff for the advisory council. The advisory council must meet quarterly and hold joint meetings with the interagency council at least two times per year.

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 to the interagency council 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;
- assist organizations in applying for such grants;
- examine the New Jersey Children's System of Care model and provide recommendations on how the model can be replicated in the State; and

- 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.

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

Interagency Council on Children, Youth, and Families

The Interagency Council on Children, Youth, and Families must consist of representatives from each State agency responsible for providing medical or behavioral health care, services, or supervision to children, youth, and families, including the Secretaries of Health, Juvenile Services, Disabilities, and Human Services (or their designees); the Maryland Insurance Commissioner (or designee); the Public Defender (or designee); the State Superintendent of Schools (or designee); the Deputy Secretary of Medicaid (or designee); the Special Secretary of GOC (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); the Director of the Office of Health Care Quality (or designee); the pediatric overstay coordinators; and a representative from the State-authorized administrator of 2-1-1 services in Maryland, appointed by the Governor.

The Special Secretary of GOC (or the designee) must serve as chair, and GOC must provide staff.

The interagency council 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, payer 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 January 1, 2027, and January 1, 2028, the interagency council must report its findings and recommendations to the Governor, the Placement Manager, and the General Assembly. Provisions related to the interagency council terminate September 30, 2029.

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 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.

State Expenditures:

Department of Human Services

Unlicensed Settings: The bill prohibits placement of a child in an unlicensed setting. 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).

However, while this number is assumed to reflect placements at unlicensed settings specifically mentioned in the bill (*e.g.*, hotel, office building, etc.), DHS advised for a bill with similar provisions, that there are currently 108 youth in semi-independent living arrangements (SILAs); these are typically individuals who are still in the legal care and custody of DHS/a local department but are living on a college campus or in their own residences, fully independent with minimal supervision. According to DHS, these SILAs may not qualify as a licensed setting. (Although the bill’s definition of a “child in an unlicensed setting” under the *Human Services Article* explicitly exempts individuals

receiving a self-independent living stipend, the prohibition against placing a child in an unlicensed setting under the Family Law Article does not include this exemption.) Accordingly, to the extent that the bill prohibits the placement of youth in SILAs, State expenditures increase, perhaps significantly, to cover higher monthly care costs for these youth who need to be re-placed in other settings under the bill.

Pediatric Overstay Coordinators: The bill requires the pediatric overstay coordinators to report any instance of a pediatric hospital overstay patient to the Placement Manager and 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.

Secretary of Human Services Requirements: DHS advises that the Secretary of Human Services can participate on the Child and Youth Placement Review Panel and the Interagency Council on Children, Youth and Families with existing budgeted resources.

Governor's Office for Children

The bill establishes the position of Placement Manager in GOC to, among other things, lead the Child and Youth Placement Review Panel and convene a Rapid Response Placement Team when a pediatric overstay patient remains in the hospital for more than 72 hours. 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. The bill also requires GOC to staff the Interagency Council on Children, Youth and Families, hold monthly meetings, and submit a report by January 1, 2027, and January 1, 2028.

GOC advises that additional staff are necessary to meet the requirements of the bill. Therefore, special fund expenditures increase by \$1.25 million in fiscal 2027, which accounts for a 90-day start-up delay from the bill's June 1, 2026 effective date. This estimate reflects the cost of hiring (1) one Placement Manager to serve as the point of contact for the pediatric hospital overstay coordinators, and oversee the work of the review panel; (2) one policy advisor to support the review panel, advisory council, and interagency council, and to complete required reports; and (3) one contractual data analyst to oversee the creation and operation of the electronic tracking system required by the bill. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and consultant costs of \$900,000 in fiscal 2027 (\$100,000 in fiscal 2028 and 2029) to oversee development of an electronic tracking and data collection model, and assist State entities in assessing collected data, consistent with the bill's requirements. This analysis assumes the contractual position terminates on September 30, 2029, consistent with the termination of the interagency council.

Permanent Positions	2.0
Contractual Position	1.0
Salaries and Fringe Benefits	\$325,983
Consultant Services	900,000
Other Operating Expenses	<u>28,088</u>
Total FY 2027 GOC Expenditures	\$1,254,071

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

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.

To the extent the governor chooses to transfer positions and associated funds from the Workgroup on Children in Unlicensed Settings and Pediatric Hospital Overstays to GOC, special fund expenditures are reduced. However, this analysis assumes that special funds will be required to meet the bill’s requirements, as discussed below.

Maryland Department of Health

As discussed above, the bill requires pediatric overstay coordinators to report any instance of a pediatric hospital overstay patient to the Placement Manager and provide specified monthly reports to the Secretaries of Health and Human Services and the Child and Youth Placement Review Panel. Additionally, the bill requires the Secretary of Health (or designee) to participate on the review panel and the Interagency Council on Children, Youth and Families. MDH advises that current staff are not sufficient to meet the requirements of the bill.

Therefore, MDH expenditures increase by \$89,439 in fiscal 2027, which accounts for a 90-day start-up delay from the bill’s June 1, 2026 effective date. This estimate reflects the cost of hiring one health policy analyst to participate on the review panel and interagency council, as well as assist the pediatric hospital overstay coordinator with monthly data reporting. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$80,076
Operating Expenses	<u>9,363</u>
Total MDH 2027 State Expenditures	\$89,439

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

Uncodified Language

The bill authorizes the Governor to transfer positions and associated funds from the Workgroup on Children in Unlicensed Settings and Pediatric Hospital Overstays to GOC. However, the Department of Legislative Services advises that there are no positions (or associated funds) designated for the workgroup.

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, advisory council, or interagency 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, advisory council, or interagency council, as appropriate, with existing budgeted resources.

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

Fiscal Note History: First Reader - March 2, 2026
caw/jc

Analysis by: Amberly E. Holcomb

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