Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 39 (Senator Lam)
Finance

Behavioral Health - Certified Community Behavioral Health Clinics and Outpatient Mental Health Centers - Reimbursement Rates

This bill establishes a Workgroup on Certified Community Behavioral Health Clinic (CCBHC) Implementation and Rate Methodology and requires the Maryland Department of Health (MDH) to conduct a cost-driven rate study of outpatient mental health centers (OMHCs), determine a cost-based reimbursement methodology for OMHCs, and convene a related advisory council. MDH must increase reimbursement for OMHCs in fiscal 2026 and 2027 by at least 3% and the Governor's proposed budgets for fiscal 2027 and 2028 must include at least a 3% rate adjustment for OMHCs. Beginning in fiscal 2028, the Governor's proposed budget must include sufficient funding to implement the cost-based reimbursement methodology adopted by MDH. **The bill takes effect July 1, 2026; the workgroup terminates June 30, 2028.**

Fiscal Summary

State Effect: MDH expenditures (63.76% federal funds, 36.24% general funds) increase by at least $18.3 million in FY 2027 and $33.5 million in FY 2028 for rate increases; expenditures increase by an additional amount beginning in FY 2028 to reflect the mandated appropriation for the cost-based reimbursement methodology. Federal fund revenues increase accordingly. MDH general fund expenditures increase by $280,800 in FY 2027 and $245,500 in FY 2028 for contractual staff. **This bill establishes a mandated appropriation beginning in FY 2028.**

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
FF Revenue	$11,684,600	$21,327,000	-	-	-
GF Expenditure	$280,800	$245,500	$0	$0	$0
GF/FF Exp.	$18,325,800	$33,448,800	-	-	-
Net Effect	($6,922,100)	($12,367,400)	($-)	($-)	($-)

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:

Workgroup on Certified Community Behavioral Health Clinic Implementation and Rate Methodology

The workgroup consists of members of the General Assembly, the Deputy Secretary of Behavioral Health, a representative of Medicaid, representatives of behavioral health providers and advocates, and any additional members determined necessary.

The Presiding Officers must jointly designate one legislative member and one provider member to serve as co-chairs. A member of the workgroup may not receive compensation but is entitled to reimbursement for expenses. The Community Behavioral Health Association of Maryland, in collaboration with MDH, may staff the workgroup.

The workgroup must:

- review the cost of operating CCBHCs in the State, including staff, infrastructure, and compliance requirements;
- evaluate rate methodologies used in other states for CCBHCs and recommend a prospective payment system (PPS) or alternative rate methodology for the State;
- assess the financial and clinical outcomes of existing CCBHCs in the State, including data on utilization, quality measures, and cost offsets;
- recommend strategies to integrate CCBHCs into the State's behavioral health and Medicaid financing system, including alignment with the Achieving Healthcare Efficiency through Accountable Design (AHEAD) model and other federal initiatives;
- identify regulatory or statutory barriers to statewide implementation of CCBHCs, including licensure, reporting, and data-sharing requirements; and
- propose a timeline for statewide implementation and sustainability of CCBHCs.

By December 1, 2027, the workgroup must report its findings and recommendations to the Governor and General Assembly. The workgroup terminates June 30, 2028.

Cost-driven Rate Study of Outpatient Mental Health Centers

The cost-driven rate study must determine (1) the actual cost of providing OMHC services, including personnel, overhead, and compliance requirements; (2) the adequacy of current program reimbursement rates relative to the costs identified; and (3) a methodology for establishing sustainable, cost-based reimbursement rates that align with access, workforce retention, and parity with somatic health care.

In conducting the study, MDH must:

- seek input from relevant stakeholders;
- review rate methodologies from other states and federal programs, including CCBHCs;
- consider the impact of inadequate reimbursement on service access, provider solvency, workforce recruitment and retention, continuity of care, and emergency room utilization and boarding;
- consider societal impacts, as specified; and
- develop recommendations, including legislative and budgetary recommendations, for a transparent, cost-based rate-setting methodology for OMHC services.

MDH must convene an OMHCs rate reform advisory panel, with specified members, to review and approve the recommended rate-setting methodology.

Implementation of Cost-based Reimbursement Methodology

By July 1, 2027, MDH must adopt regulations establishing a cost-based reimbursement methodology for OMHC services that incorporates the findings of the cost-driven rate study and the input of the advisory panel.

By December 1, 2026, and annually thereafter until the recommended methodology is fully implemented, MDH must report its findings and recommendations to the Senate Finance Committee and the House Health and Government Operations Committee (now the House Health Committee). The report must include (1) a progress update on the rate study; (2) an implementation timeline for the reimbursement methodology; (3) the estimated fiscal impact and funding needs to implement the reimbursement methodology; and (4) interim outcomes for outpatient mental health services providers from the required annual rate increases.

Rate Increases and Mandated Appropriation

For fiscal 2026 and 2027, MDH must increase the reimbursement rate for OMHCs by at least 3% based on the reimbursement rate in the immediately preceding fiscal year.

The Governor's proposed budgets for fiscal 2027 and 2028 must include rate adjustments for OMHCs of at least 3% based on the funding provided in the legislative appropriation for the immediately preceding fiscal year. Beginning in fiscal 2028, the Governor's proposed budget must include funding for OMHCs sufficient to implement the cost-based reimbursement methodology adopted by MDH.

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 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 OMHC 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 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 Fiscal Effect: The bill requires MDH to participate in and assist in staffing a workgroup on CCBHCs, conduct a rate study of OMHCs and convene a related advisory group, increase reimbursement rates for OMHCs, and adopt regulations implementing a new cost-based reimbursement methodology for OMHCs. MDH advises that additional personnel resources and funding are required to implement the bill, as discussed below.

Personnel

MDH advises that additional personnel are required to staff the workgroup, convene the advisory panel, and conduct related analyses. Thus, MDH general fund expenditures increase by $280,784 in fiscal 2027, which accounts for the bill's July 1, 2026 effective date. This estimate reflects the cost of hiring one contractual program manager, one contractual data analyst, and one contractual health policy analyst to staff the workgroup, convene the advisory panel, and conduct qualitative and quantitative analyses. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Positions	3.0
Salaries and Fringe Benefits	$251,279
Operating Expenses	29,505
Total FY 2027 MDH Personnel Expenditures	**$280,784**

Future year expenditures reflect annual increases and employee turnover as well as annual increases in ongoing operating expenses. As MDH must adopt regulations establishing the cost-based reimbursement methodology for OMHC services by July 1, 2027, and the workgroup terminates June 30, 2028, this analysis assumes that all three contractual positions terminate at the end of fiscal 2028.

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 additional personnel are needed in future years to oversee the cost-based reimbursement methodology for OMHC services, general fund expenditures increase by an additional amount not reflected in this analysis.

Rate Increases

The bill requires MDH, for fiscal 2026 and 2027, to increase reimbursement for OMHCs by at least 3% based on reimbursement in the immediately preceding fiscal year. However, the bill does not take effect until fiscal 2027. MDH assumes that the bill would, therefore, require a *retroactive* 3% rate increase. To implement a rate increase for OMHCs, MDH must submit a Medicaid State Plan Amendment (SPA) to the federal Centers for Medicare and Medicaid Services. A retroactive rate increase is permitted but can only be provided for the quarter immediately preceding the date on which the SPA is submitted. OMHC costs are eligible for a 63.76% blended federal matching rate.

MDH advises that total Medicaid reimbursement to OMHCs in fiscal 2025 (for claims received as of January 14, 2026) was $485.8 million. Claims runout continues through June 30, 2026; therefore, actual fiscal 2025 spending may be higher. To provide a 3% rate increase over fiscal 2025 reimbursement, costs increase by at least $14.6 million on an annual basis, or $3.6 million for the last quarter of fiscal 2026.

Thus, MDH expenditures increase by at least $3.6 million (63.76% federal funds, 36.24% general funds) to provide a retroactive 3% rate increase to OMHCs for the fourth quarter of fiscal 2026. As the bill takes effect July 1, 2027, these costs are incurred in fiscal 2027. Federal fund revenues increase accordingly. Total reimbursement to OMHCs will, therefore, be at least $489.4 million for fiscal 2026.

In fiscal 2027, to provide a 3% rate increase to OMHCs over fiscal 2026 reimbursement, MDH expenditures increase by at least $14.7 million (63.76% federal funds, 36.24% general funds). Combined with expenditures to provide the 3% rate increase for the last quarter of fiscal 2026 (which is incurred in fiscal 2027), MDH expenditures

increase by a total of $18.3 million in fiscal 2027 (63.76% federal funds, 36.24% general funds). Federal fund revenues increase accordingly.

Mandatory Appropriation

The bill, which takes effect July 1, 2026 (fiscal 2027), requires the Governor's proposed budget for fiscal 2027 and 2028 to include 3% rate adjustments for OMHCs. Beginning in fiscal 2028, the Governor's proposed budget must include funding for OMHCs sufficient to implement the cost-based reimbursement methodology adopted by MDH.

The Department of Legislative Services (DLS) notes that any legislation mandating funding 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.

The fiscal 2027 budget as introduced does not include funding for a 3% rate increase for OMHCs. Therefore, this analysis assumes discretionary funding is provided.

In fiscal 2028, the Governor must include a 3% rate increase for OMHCs over the prior year appropriation, as well as funding for OMHCs sufficient to implement the cost-based reimbursement methodology adopted by MDH. Based on the impact of the bill's rate increases for the last quarter of fiscal 2026 and for fiscal 2027, the compounded cost to implement a 3% rate increase for fiscal 2028 is at least $33.5 million (63.76% federal funds, 36.24% general funds).

However, the mandated appropriation for fiscal 2028 also specifies that the budget must include funding for OMHCs sufficient to implement the cost-based reimbursement methodology adopted by MDH. DLS notes that MDH must adopt regulations establishing the cost-based reimbursement methodology for OMHCs by July 1, 2027. These regulations will drive the funding required to implement the cost-based reimbursement methodology which must be included in the fiscal 2028 budget. This analysis assumes that at least $33.5 million is required to provide the mandatory 3% rate increase, but that additional expenditures, potentially significant, may be required based on the results of the study and the regulations adopted by MDH.

The impact on fiscal years beyond fiscal 2028 cannot be reliably estimated at this time and is not reflected in this analysis. Nevertheless, based on the rate increases discussed above, out-year costs increase by at least $33.5 million each year.

Small Business Effect: To the extent that OMHCs or their providers are considered small businesses, additional reimbursement is provided as discussed above.

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 2026 to fiscal 2029.

MDH advises that the rate study requirements may be duplicative of the ongoing rate study required by Chapters 571 and 572.

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

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