Maryland Department of Health
Fiscal 2026 Budget Overview

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

January 2025

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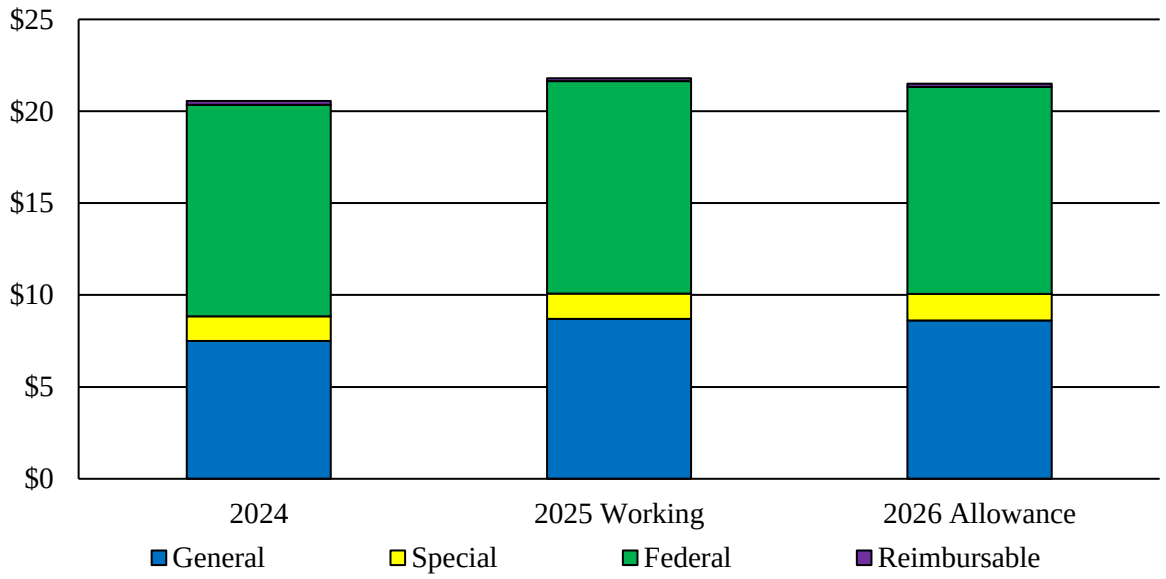
Maryland Department of Health
Fiscal 2026 Budget Overview

Three-year Funding Trends
Fiscal 2024-2026
($ in Billions)

Fiscal 2026 Budget Decreases by $290.2 Million, or -1.3%, to $21.5 Billion



Note: The fiscal 2025 working appropriation accounts for deficiencies, planned reversions, and contingent reductions. The fiscal 2026 allowance accounts for contingent reductions. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

- The fiscal 2026 allowance for the Maryland Department of Health (MDH) totals $21.5 billion, accounting for $240.6 million in reductions contingent on legislation, the Budget Reconciliation and Financing Act (BRFA) of 2025, some of which are replaced with contingent special fund appropriations. The fiscal 2026 budget also includes $2.25 billion in proposed deficiency appropriations for fiscal 2025. The Governor's Budget Plan assumes $28.5 million in general fund reversions at the close of fiscal 2025 from MDH, including two totaling $26.5 million in the Behavioral Health Administration (BHA) related to fiscal 2024 surpluses.

- In July 2024, the Board of Public Works (BPW) approved $26.1 million in reductions to the fiscal 2025 general fund appropriation across MDH.

Key Observations

- ***Home and Community-based Services (HCBS) Waiver Registry Reduction Efforts:*** Chapter 464 of 2022 and Chapter 738 of 2022 required MDH to develop plans to reduce Medicaid HCBS waiver waitlists and registries by 50% and expand outreach to individuals on the registry for the Home- and Community-based Community Options Waiver (Community Options Waiver). Registries for the Community Options Waiver and Waiver for Children with Autism Spectrum Disorder (Autism Waiver) reported declines of over 10% in fiscal 2024 compared to fiscal 2023, though this was in part due to more individuals being removed from the registry rather than higher waiver enrollment. As part of July 2024 cost containment actions approved by BPW, $10 million in general funds in the Dedicated Purpose Account (DPA) for End the Wait initiatives was reduced. The fiscal 2026 budget plan further reduces End the Wait funding by transferring $6 million from the DPA to the General Fund.

- ***Overdose Crisis and the Opioid Restitution Fund:*** Between fiscal 2023 and 2024, overdose fatalities decreased nationwide and in Maryland. Despite the year-to-year decline, Maryland continues to see a high number of overdose deaths compared to historical levels. As of December 2024, Maryland has received $201.2 million in awards from opioid settlement litigation. Of this total, $42.8 million has been distributed directly to local jurisdictions, and $158.4 million has been deposited into the Opioid Restitution Fund (ORF), which holds and allocates settlement revenue as grants to local governments and community-based organizations to address the overdose crisis. The ORF Advisory Council makes spending recommendations and submits financial reports annually.

- ***Cigarette Restitution Fund (CRF):*** Due to unanticipated trends in inflation, volume reduction, and other adjustments to Master Settlement Agreement (MSA) payments, there were CRF revenue shortfalls of over $25 million each year in fiscal 2024 and projected in fiscal 2025. To address these shortfalls in fiscal 2025, proposed deficiency appropriations replace CRF spending with general fund spending for Medicaid expenses and other health programs. In addition, the fiscal 2026 budget plan proposes to eliminate and phase out two CRF-funded mandates. The fiscal 2026 budget plan also fails to meet a requirement in statute that 50% of CRF expenditures support certain programs and activities. The fiscal 2026 allowance does not account for approximately $25 million in CRF revenue that the State will recover following an arbitration panel deciding sales year 2005 through 2007 multistate litigation in Maryland's favor.

Operating Budget Summary

Fiscal 2025

Planned Reversions

The fiscal 2026 budget plan assumes three reversions in fiscal 2025 for MDH. In the Office of the Secretary, MDH will revert $1,971,117 in general funds allocated for oversight of the Board of Nursing operations. Chapters 222 and 223 of 2023 transferred management of infrastructure operations of the Maryland Board of Nursing to the Office of the Secretary through June 30, 2025. Planned reversions in BHA total $26,554,782 and are attributed to unspent fiscal 2024 grant funding for local behavioral health authorities, which rolls over to fiscal 2025 ($22,701,797), and carryover surplus for fiscal 2024 behavioral health Medicaid services paid in fiscal 2025 ($3,852,985).

Proposed Deficiencies

The fiscal 2026 budget includes deficiency appropriations totaling a net increase of $2.25 billion to the fiscal 2025 appropriation, comprised of $1.14 billion in general funds, $68.84 million in special funds, $1.04 billion in federal funds, and $5.5 million in reimbursable funds. **Appendix 1** includes an itemized list of deficiencies. Multiple deficiencies serve as fund swaps, including:

- $50 million in special funds added to the Medicaid budget to increase the hospital deficit assessment, allowing for $46.25 million in general fund savings. Both the special fund appropriation and general fund reduction are contingent on the enactment of the BRFA of 2025, which includes a provision that would increase the hospital deficit assessment;

- $27.2 million in general funds to support behavioral health services, Medicaid expenses, and Breast and Cervical Cancer Diagnosis and Treatment Services backfill an equivalent withdrawal of CRF special funds; and

- $3.0 million in special funds for the Buprenorphine Initiative, available from the ORF, and an equivalent withdrawal of general funds.

Proposed deficiencies also add significant amounts in the Developmental Disabilities Administration (DDA) and Medical Care Programs Administration (MCPA) to cover unanticipated spending growth. This includes:

- $740.74 million in total funds ($356.32 million in general funds) in DDA to support community services net of cost containment actions;

- $857.3 million in total funds ($535.7 million in general funds) across Medicaid and the Maryland Children's Health Program (MCHP) based on enrollment and utilization trends;

- $509.9 million in total funds ($231.7 million in general funds) to cover fiscal 2024 Medicaid service costs paid in fiscal 2025; and

- $149.0 million in total funds ($72.9 million in general funds) to fund Behavioral Health Medicaid services.

- The fiscal 2026 allowance includes several deficiencies withdrawing general funds in fiscal 2025 in the following areas:

- $18.7 million reduction for Substance Use Disorders (SUD) Resident Services in the Community Services for the Uninsured Population;

- $30 million withdrawal due to delayed implementation of behavioral health initiatives;

- $6.8 million reduction to reflect a delay in opening new patient units at the Thomas B. Finan Hospital Center; and

- $3.0 million reduction for the 9-8-8 crisis hotline contingent on legislation that would eliminate the one-time funding mandate, due to availability of special fund revenue.

Additional general fund deficiencies include:

- $9.8 million to fund an emergency contract to temporarily replace HVAC systems at Clifton T. Perkins Hospital Center; and

- $6.8 million for operational and personnel costs at multiple State inpatient facilities.

Cost Containment

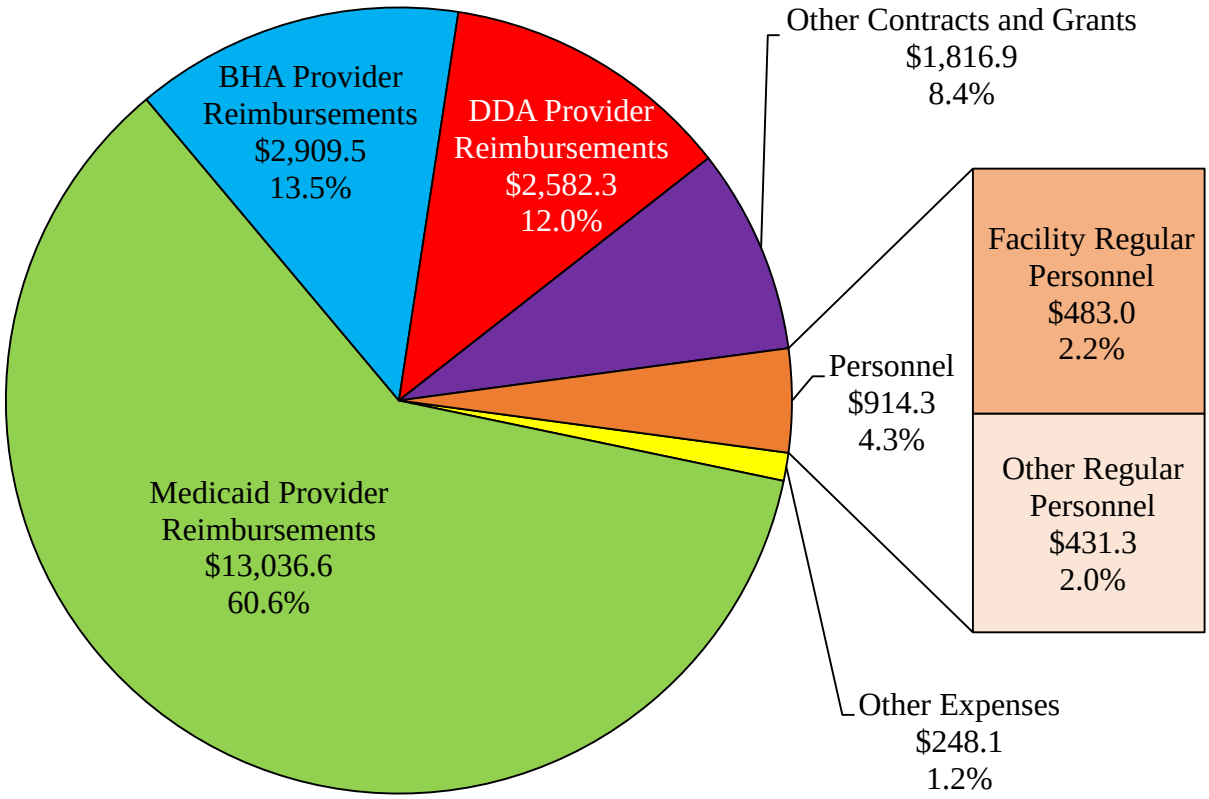
In July 2024, BPW approved fiscal 2025 general fund reductions totaling $26.1 million in MDH, which include:

- $12 million reduction for local health department funding in Core Public Health Services;
- $9 million reduction in general funds for the 9-8-8 Trust Fund, which will be replaced with special funds from fee revenue established by Chapters 780 and 781 of 2024;
- $3.1 million to delay hiring of positions in the Prevention and Health Promotion Administration (PHPA), BHA, DDA, MCPA, and at Thomas B. Finan Hospital Center;
- $1.375 million in reductions to legislative additions authorized in Section 21 of the fiscal 2025 Budget Bill, including $1 million for the implementation of the Assistance in Community Integration Services housing support waiver (100% of the addition), $250,000 for a grant to the Maryland Patient Safety Center (25% of the addition), and $125,000 for a grant for the Chesapeake Regional Information System for Our Patients to distribute to DrFirst (25% of the addition); and
- $600,000 for the Value-Based Purchasing Pilot Program, which BHA reported not launching in fiscal 2025.

Fiscal 2026 Overview of Agency Spending

Fiscal 2026 Allowance
($ in Millions)

Total Fiscal 2026 Allowance = $21.5 Billion



BHA: Behavioral Health Administration
DDA: Developmental Disabilities Administration

Note: The fiscal 2026 allowance accounts for contingent reductions. The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget. Other contracts and grants include $29.8 million of fund of required funding to support provider contributions for Family Medical Leave Insurance.

Source: Governor's Fiscal 2026 Budget Books; Department of Legislative Services

Proposed Budget
Maryland Department of Health
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2024 Actual	$7,494,402	$1,354,256	$11,495,774	$213,115	$20,557,546
Fiscal 2025 Working Appropriation	8,693,780	1,376,350	11,575,393	152,485	21,798,009
Fiscal 2026 Allowance	8,616,506	1,446,764	11,268,979	175,525	21,748,481
Fiscal 2025-2026 Amount Change	-77,274	70,431	-306,414	23,040	-290,235
Fiscal 2025-2026 Percent Change	-0.9%	5.1%	-2.6%	15.1%	-1.3%

Where It Goes:	Change
Personnel Expenses	
Salary increases and associated fringe benefits including fiscal 2025 COLA	$48,097
Turnover adjustments	3,018
Other personnel costs, driven by one-time fiscal 2025 reductions related to the delayed opening of a new unit at Thomas B. Finan Hospital Center, operations at Spring Grove Hospital Center and the Interagency Hospital Overstay Initiative	5,822
Savings from 2.0 abolished positions in MDH Administration	-241
End of the Office of the Secretary's oversight of the Board of Nursing operations	-1,298
Overtime decrease drive by fiscal 2025 deficiencies related to overtime costs at multiple state inpatient facilities	-1,614
Employee and retiree health insurance	-5,858
Other fringe benefits	835
Provider Rate Increases	
Other Medicaid provider rate increases, including a 3.5% calendar 2025 rate increase for managed care organizations	291,269
Provider rate increases (1%) in for BHA, DDA and LTSS Medicaid providers	69,411
Physician E&M rate increase and other provider enhancements in Medicaid	37,200
Provider contributions for FAMLI	29,788
COVID-19 Funding	
Extension of CDC Enhanced Detection grant to support COVID-19 testing and surveillance	60,753
One-time replacement of funds initially charged to federal funds	49,373
Supplement to local health departments	-25,000
Expiration of federal stimulus funds for COVID-19 vaccine and surveillance and behavioral health activities	-16,218
Medicaid	
Managed care organization acuity adjustment	124,428

Where It Goes:	**Change**
Medicaid	
Maryland Children's Health Program, including the Healthy Babies Initiative to cover noncitizen pregnant women	90,800
Medicare premiums and claw back	34,908
Primary care initiative related to the AHEAD Model	16,000
Federally Qualified Health Center supplemental payments	13,601
Health home services	10,267
Community First Choice program	7,834
Senior Prescription Drug Assistance program (special funds)	5,017
Administrative contracts and audits	-11,417
Enrollment and utilization	-452,342
Fiscal 2025 deficiency to cover fiscal 2024 accrual shortfall	-509,890
DDA	
Community services growth	37,678
Disallowance for Unallowable Medicaid Costs for Residential Habilitation Add-On Services	39,324
Cost containment	-297,706
BHA	
Third year of State Opioid Response Grant	62,303
Behavioral health investments, net of proposed deficiency withdrawing funds due to delayed program implementation	23,874
One-time reduction in fiscal 2025 to Substance Use Dependency Residential Services	18,676
Administrative Services Organization Contract	9,638
Provider reimbursements for the Medicaid eligible and the uninsured population	-11,405
Decreased enrollment and utilization of behavioral health Medicaid services	-66,162
MDH Administration	
Contracts with UMD for pharmacy and medical services at State-owned facilities	2,358
Grant funds for the new Center for Firearm Violence Prevention and Intervention	1,000
Fiscal 2025 deficiencies for operational expenditures at State inpatient facilities	-1,610
Local health department infrastructure grant	-4,000
Fiscal 2025 deficiency to fund settlement claims in Internal Revenue Service assessment for tax year 2020	-4,830
Fiscal 2025 deficiency to support temporary heating equipment at Clifton T. Perkins Hospital Center	-9,764
Opioid Restitution Fund Revenue	-13,417
Public Health Services	
Local health department funding formula	9,735
Lab services and equipment	3,278

Where It Goes:	**Change**
One-time supplement for MLARP for Nurses and Nursing Support Staff in fiscal 2025	-2,000
Special fund reduction for cancer research funding contingent on the Budget and Reconciliation Financing Act of 2025 that would eliminate the funding mandate for the Statewide Academic Health Center Cancer Research Grants	-13,000
Health Regulatory Commissions	
Maryland Trauma Physician Services Fund, as required by Chapters 717, 718, and 719 of 2024	17,000
R Adams Cowley Shock Trauma Center funding, as required by Chapters 717, 718, and 719 of 2024	2,900
Health Equity Resource Community grants in the Maryland Community Health Resources Commission	-14,754
Other Expenses	
Major Information Technology projects	102,676
Health Information Exchange CRISP	-29,840
Decrease of 86.93 contractual full-time equivalents departmentwide	-6,961
Other	-19,768
Total	**-$290,235**

AFSCME: American Federation of State, County and Municipal Employees
AHEAD: Advancing All-payer Health Equity Approaches and Development
BHA: Behavioral Health Administration
CDC: Centers of Disease Control and Prevention
COLA: Cost-of-living adjustment
CRISP: Chesapeake Regional Information System for Our Patients
DDA: Developmental Disabilities Administration
E&M: evaluation and management
FAMLI: Family and Medical Leave Insurance
LTSS: Long Term Services and Supports
MDH: Maryland Department of Health
MLARP: Maryland Loan Assistance Repayment Program
UMD: University of Maryland

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Fiscal 2026 Contingent Reductions

The fiscal 2026 Budget Bill includes language reducing general, special, and federal funds in five MDH administrations in fiscal 2026, totaling $240.6 million, contingent on the enactment of legislation. A portion of these actions are replaced by contingent special fund appropriation provisions that would effectuate these reductions are contained in the BRFA of 2025. The contingent reductions include:

- $92.5 million in general fund savings under the Medicaid program, contingent on a provision increasing the hospital deficit assessment and a $100 million special fund appropriation to replace that funding also contingent on that provision. The assessment is imposed on Maryland hospitals to support Medicaid, and consists of (1) an amount included in hospital rates (and paid by hospital users) and (2) a remittance from hospitals. The BRFA would increase the deficit assessment to $344.8 million in fiscal 2025 and $394.8 million in fiscal 2026 and on;

- $90 million in special funds from the Blueprint for Maryland's Future Fund are reduced from the Consortium on Coordinated Community Supports under the Maryland Community Health Resources Commission, contingent on legislation that will level fund Consortium grants at the fiscal 2025 amount ($40 million);

- $29 million ($14.5 million in general funds and $14.5 million in federal funds) in DDA contingent on the enactment of legislation that modifies the provisions of the Self-Directed Services Program;

- $13 million in special funds from the CRF for Statewide Academic Health Center Cancer Research Grants in the Family Health and Chronic Disease office contingent on the enactment of legislation that eliminating the mandate for the grants;

- $11.1 million in total funds ($5.5 million in general funds and $5.5 million in federal funds) in DDA are contingent upon the enactment of legislation that eliminates the Low Intensity Support Services Program;

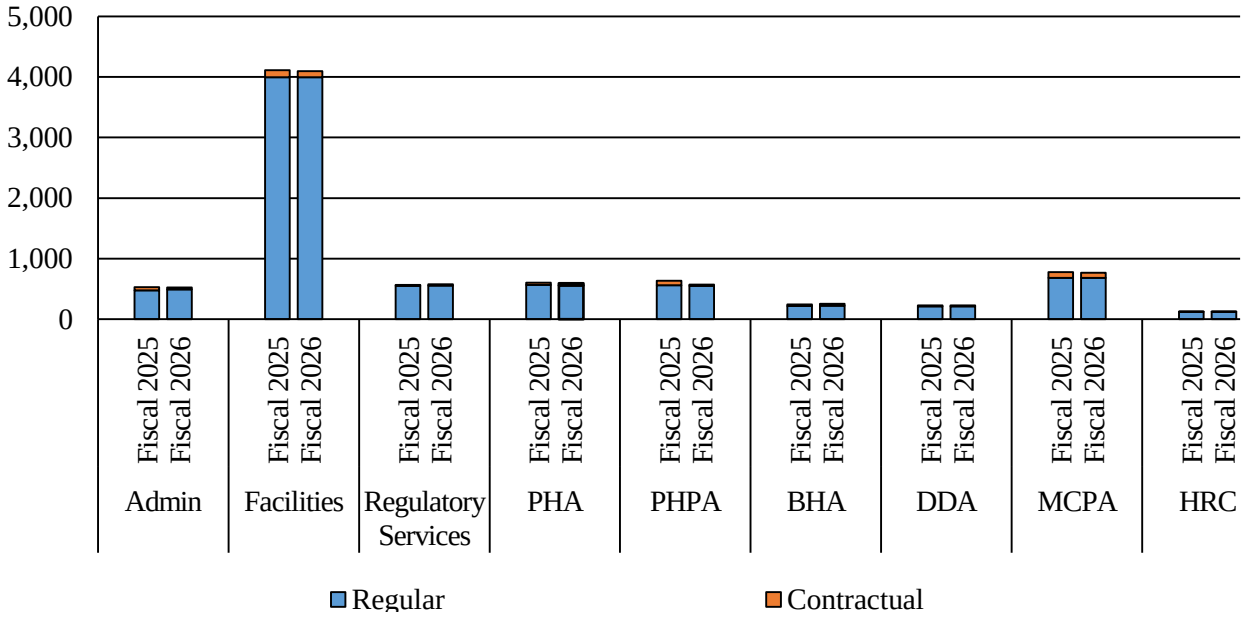
- $4 million in general funds in BHA contingent on the enactment of legislation authorizing the transfer of excess special fund balance from the State Board of Acupuncture; the State Board of Dietetic Practice; the State Board of Chiropractic Examiners; the State Board of Examiners in Optometry; the State Board of Physical Therapy Examiners; the State Board of Social Work Examiners; the State Board of Audiologists, Hearing Aid Dispensers and Speech-Language Pathologists; the State Commission on Kidney Disease; and the State Board of Physicians, which is replaced by $4 million special fund appropriation also contingent on the transfer; and

- $1 million in general funds under the Maryland Health Care Commission for a grant to the Maryland Patient Safety Center contingent on a provision in the BRFA eliminating the mandate for funds distributed to the center.

Personnel Data

MDH staff includes providers in State hospitals and health facilities and local health departments, as well as public health staff who regulate health care providers throughout the State and manage local and State health care policies. The fiscal 2026 allowance includes 7,391.80 regular positions and 349.93 contractual full-time equivalents (FTE). Additional information on regular positions by program and contractual personnel by program from fiscal 2024 to 2026 are shown in **Appendix 5** and **Appendix 6**, respectively. As shown in **Exhibit 1**, departmentwide, the number of regular positions remained nearly level between fiscal 2025 and 2026, although individual parts of MDH experienced changes due to approximately 60 internal transfers. Contractual personnel decreased by a total of 86.93 FTEs in the fiscal 2026 allowance.

Exhibit 1
MDH Authorized Regular and Contractual Personnel
Fiscal 2025-2026

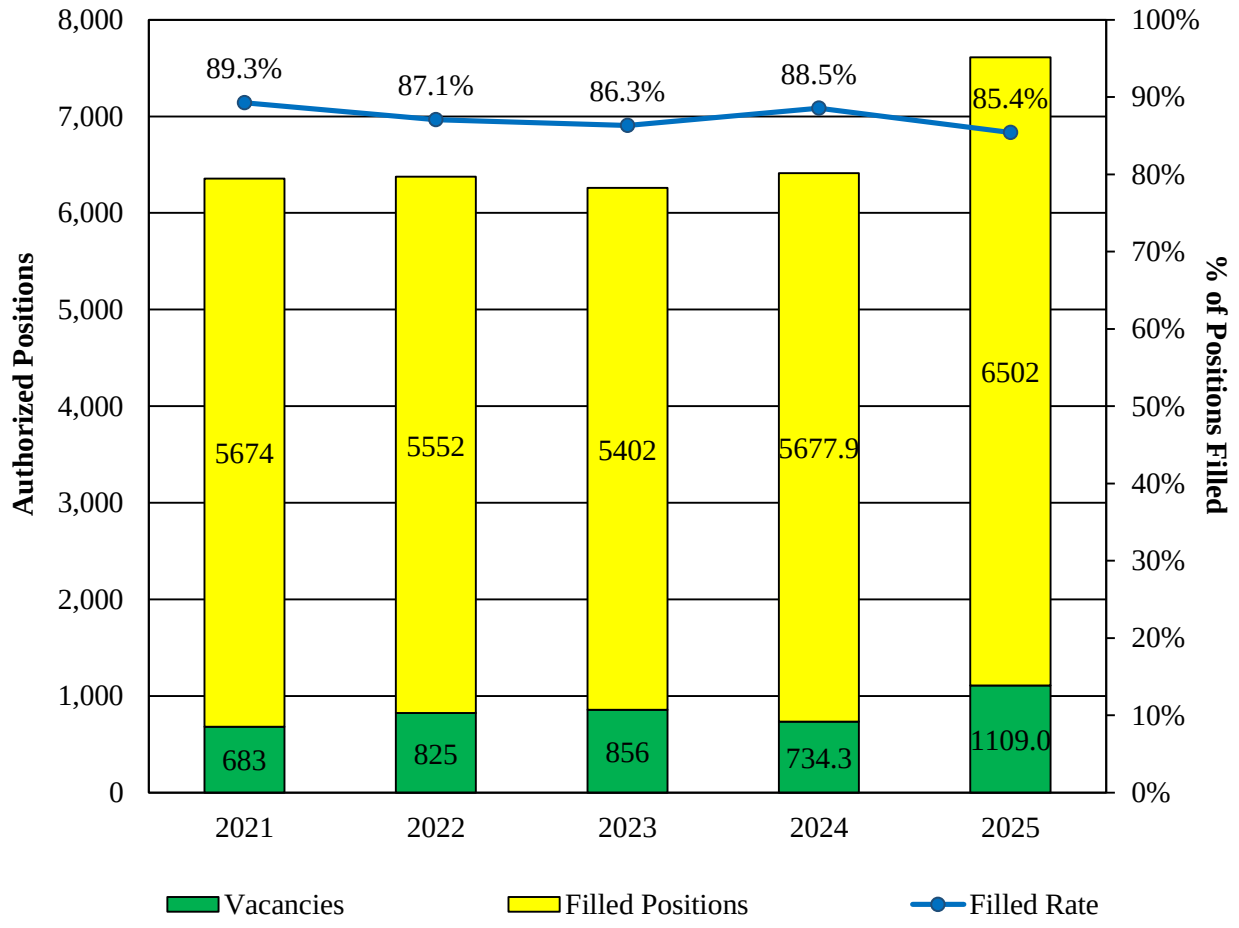


Admin: MDH Administration (including the Office of the Inspector General for Health)
BHA: Behavioral Health Administration
DDA: Developmental Disability Administration
HRC: Health Regulatory Commissions
MCPA: Medical Care Programs Administration
MDH: Maryland Department of Health
PHA: Public Health Administration
PHPA: Prevention and Health Promotion Administration

Source: Governor's Fiscal 2026 Budget Books; Department of Legislative Services

The fiscal 2025 appropriation for MDH added 463 new regular positions and 236 contractual conversions. The majority of the new positions (382) support State-owned facilities. As shown in **Exhibit 2**, while the departmentwide vacancy rate decreased in fiscal 2024 following an upward trend, it increased again in fiscal 2025. MDH indicated in September 2024 that the contractual positions to be converted were filled. However, it is not unexpected that the new positions would take some time to fill. **MDH should comment on the status of filling the new positions.**

Exhibit 2
Maryland Department of Health Filled Positions and Vacancy Rate
Fiscal 2021-2025 (December of Each Year)



Note: Vacancy numbers are reported as point-in-time counts on December 31 of each reported fiscal year.

Source: Department of Budget and Management; Department of Legislative Services

Recruitment and Retention Efforts at MDH

MDH submitted two reports to the budget committees on February 19, 2024, and September 16, 2024, with findings from a staffing survey that included details on annual salary review adjustments applied to some classifications and summarized steps taken by the department to strengthen recruitment and retention of employees. The report estimated impacts of Annual Salary Reviews (ASR) from fiscal 2020 through 2024. MDH indicated that 9 classification series received ASRs in fiscal 2023, and 19 additional classification series received ASRs in fiscal 2024, as shown in **Exhibit 3**. Among most of the classifications that received ASRs in fiscal 2023 and 2024, MDH found the adjustments to be effective in improving recruitment and retention outcomes compared to fiscal 2022. Recruitment outcomes include, for each position, increases in the number of total applications received, the number of eligible applications received, and the hiring success rate (HSR), which is the ratio of postings resulting in a hire. MDH measures retention outcomes by voluntary resignations.

Exhibit 3
Classification Series Receiving Annual Salary Review
Fiscal 2023-2024

Fiscal 2023 ASRs

- Building Security Officers
- Epidemiologists
- Forensic Investigators
- Registered Nurses (CI)
- Registered Nurses (Non-CI)
- Registered Nurse Leadership (CI)
- Registered Nurse Leadership (Non-CI)
- Nurse Practitioners
- High Level Nurses

Fiscal 2024 ASRs

- Art Therapists
- Coordinator of Special Programs
- Dental Hygienists
- Developmental Disabilities Associates (CI)
- Health Policy Analyst
- Health Occupations Investigators
- Hospital CEO and COOs
- IEPP Teachers and Principals
- Medical Care Program Specialists
- Mental Health Professional Counselors
- Peer Recovery Specialists
- Public Health Laboratory Scientists
- Public Health Laboratory Technicians

Fiscal 2023 ASRs	Fiscal 2024 ASRs
	• Physical Therapists • Psychology Services Chief • Psychologists • Psychology Interns • Registered Nurses • Toxicologists

ASR: Annual Salary Review
CEO: Chief Executive Officer
CI: court-involved
COO: Chief Operations Officer

Source: Maryland Department of Health

Classifications with the greatest improvement in recruitment and retention outcomes included epidemiologists and physical therapists. Some classifications received minimal or mixed results, such as psychology interns, which had modest declines in the number of applicants between fiscal 2022 and 2024, and a steady number of voluntary resignations. Medical Care Program Specialists improved in recruitment and retention metrics, but did not see a HSR improvement, illustrating that MDH has had challenges converting applicants for this classification into new hires.

Postings in the nursing and art therapist classifications saw the least improvement in recruitment and retention. MDH noted in its report that art therapists are difficult to recruit due to the specialized licensure and skills required. Aligned with national trends, nursing positions are difficult to recruit due to education requirements, availability of qualified individuals, and competition with other public and private-sector employers. Nurse practitioners saw declines in the number of applicants and qualified applicants in fiscal 2023, but approximately 100% increases in fiscal 2024. The HSR for nurse practitioners decreased by 5 percentage points between fiscal 2022 and 2023, and by 18 percentage points between fiscal 2023 and 2024. Registered Nurses in Clinical Informatics leadership positions saw increases across applicant and HSR metrics in fiscal 2023 but saw declines in fiscal 2024. Master's/High Level Nurses saw increases in applicants, qualified applicants, and HSRs in fiscal 2023, but the number of qualified applicants and HSRs decreased in fiscal 2024, and voluntary resignations increased over this period.

In addition to ASRs, MDH noted recent compensation and noncompensation related benefits implemented largely for all State employees to improve recruitment and retention, including:

- a 3% cost-of-living adjustment, effective July 1, 2024;
- a fiscal 2024 increment;
- a one-time longevity increment for employees tenured for five years, effective January 1, 2025;
- effective July 1, 2023, an employer match for eligible retirement funds up to $600 per fiscal year;
- effective July 1, 2024, the Department of Budget and Management (DBM) removed step two from salary scales, increasing starting rates for all positions by one step, and lowering the threshold at which MDH can hire certain new staff above base;
- equity adjustments for existing employees based on pay in the same classes and locations; and
- a new Leadership Development Program within MDH to strengthen managerial skills among existing employees. The program is detailed in the staffing and salary report MDH submitted in February 2024.

Issues

1. HCBS Waiver Registry Reduction Efforts

The Medicaid program covers HCBS through the Community First Choice program and Community Personal Assistance Services program, among other programs. In partnership with the Centers for Medicare and Medicaid Services (CMS), MDH also implements HCBS waivers that allow older adults, people with disabilities, and children with chronic illnesses who would not otherwise qualify for Medicaid to access HCBS. Waiver participants must meet financial eligibility based on income and asset levels and medical eligibility requiring a need for institutional or facility levels of care. HCBS programs fund a variety of service types, such as case management, residential services, nursing, and personal care, that help individuals live at home, in a community setting, or in an assisted living facility, rather than in a nursing facility or State health facility.

The Office of Long Term Services and Supports (OLTSS) within MCPA administers the following HCBS waiver programs:

- the Community Options Waiver;
- the Medical Day Care Services Waiver; and
- the Model Waiver for Medically Fragile Children (Model Waiver).

DDA implements the following three HCBS waiver programs:

- the Community Pathways Waiver;
- the Community Supports Waiver; and
- the Family Supports Waiver.

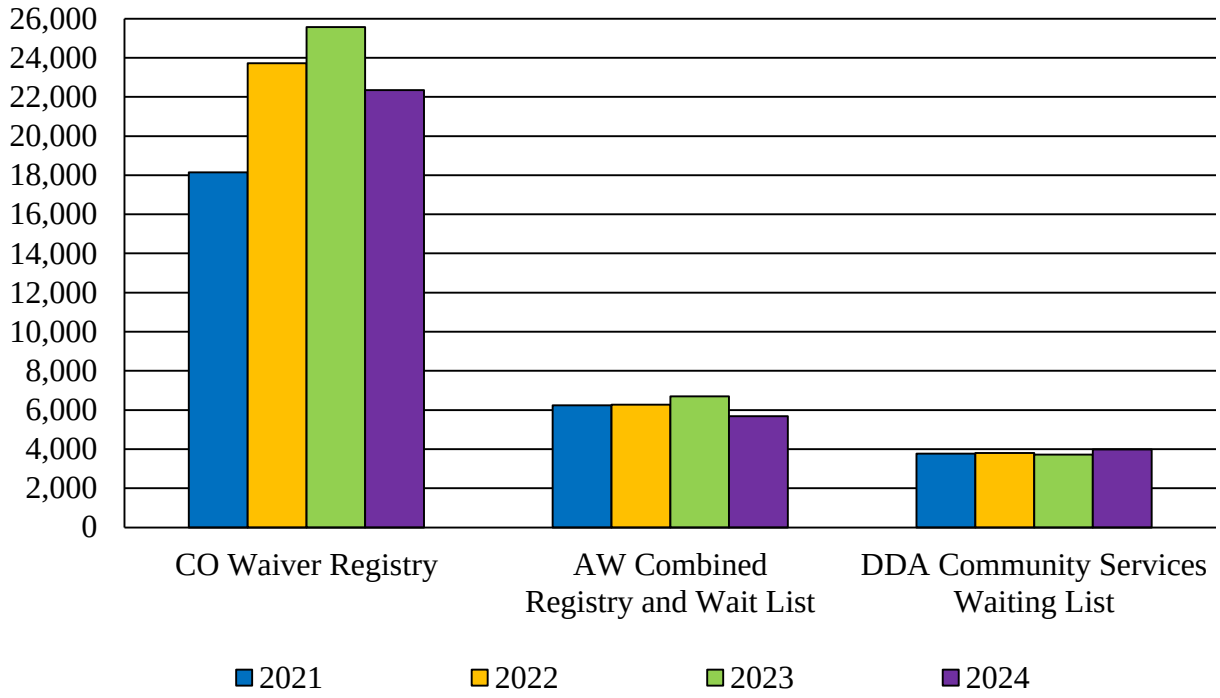
Other HCBS waivers include the Autism Waiver administered by the Maryland State Department of Education (MSDE) in partnership with MCPA and the Waiver for Individuals with Brain Injury (Brain Injury Waiver) administered by BHA.

Current Status of HCBS Waiver Registries

MDH maintains registries for individuals who have requested HCBS through Medicaid waiver programs but have not completed the eligibility determination or application process. As of July 2024, all HCBS waivers had a registry except for the Medical Day Care Services Waiver and Brain Injury Waiver. Individuals requesting HCBS through any of the three waiver programs administered by DDA are tracked in one registry, referred to as the Community Services waiting list.

Exhibit 4 shows that the number of individuals on HCBS registries varies significantly. For example, at the end of fiscal 2024, the registries ranged from 3,976 on the Community Services waiting list to 22,349 for the Community Options Waiver. Although MDH reported that the Model Waiver's registry census was 183 individuals as of August 2024, this registry is not included in the exhibit due to its relative size and the nature of the waiver program being at capacity with 200 participants enrolled.

Exhibit 4
Home and Community-based Services Waiver Program
Registries and Waitlists
Fiscal 2021-2024



AW: Waiver for Children with Autism Spectrum Disorder
CO Waiver: Home and Community-based Options Waiver
DDA: Developmental Disabilities Administration

Note: Registries and waitlists are reported as point-in-time counts on June 30. For fiscal 2023, the CO Waiver registry shows the count as of July 1, 2023.

Source: Maryland Department of Health; Maryland State Department of Education

From fiscal 2023 to 2024, the DDA Community Services Waiting List was the only registry that continued to increase, growing by 7%, or 260 registrants. The waiting list increased despite DDA offering 1,300 registrants the opportunity to apply for a waiver program in fiscal 2024. Of

those offered a waiver application, 1,128 were transitioning youth who aged out of services provided by MSDE or the Department of Human Services, and 824 of the youth (73%) enrolled in a DDA waiver. DDA indicated that the Community Services Waiting List is expected to continue to grow, corresponding with greater interest in HCBS. After reporting significant growth in the Community Options Waiver registry from fiscal 2021 to 2023, OLTSS reported a large net decrease of 13% from fiscal 2023 to 2024, removing 3,214 Community Options Waiver registrants. Compared to fiscal 2023, the Autism Waiver registry decreased at an even faster rate of 15% in fiscal 2024, with 1,023 individuals removed.

Community Options Waiver Outreach Changes

Although the Community Options Waiver registry decreased from fiscal 2023 to 2024, the registrants removed were generally not enrolled in waiver services as the number of filled slots declined from 4,590 in fiscal 2023 to 4,309 in fiscal 2024 (through March 2024). This trend differs from the Autism Waiver, which reported a decrease in its registry but also expanded enrollment from 1,710 participants in fiscal 2023 to 1,937 participants in fiscal 2024. The uptake for the Community Options Waiver falls well below the 6,348 slots authorized by CMS to be filled each year and fails to use the 4,971 budgeted slots provided in fiscal 2024. MDH has previously indicated that the following factors contribute to not filling all authorized slots:

- limited capacity of the provider network that serves entitlement and waiver populations (personal assistance agency providers, case management, etc.) with available capacity used by the entitlement programs;

- outdated and ineffective methods for pulling people off the waiver registry, which used a first-come, first-served approach prior to calendar 2019 but transitioned to prioritizing individuals based on risk of institutionalization;

- delays in eligibility determination and application processing due to staffing shortages in OLTSS and the Eligibility Determination Division (EDD), causing MDH to extend the typical six-month Medicaid application cycle as appropriate;

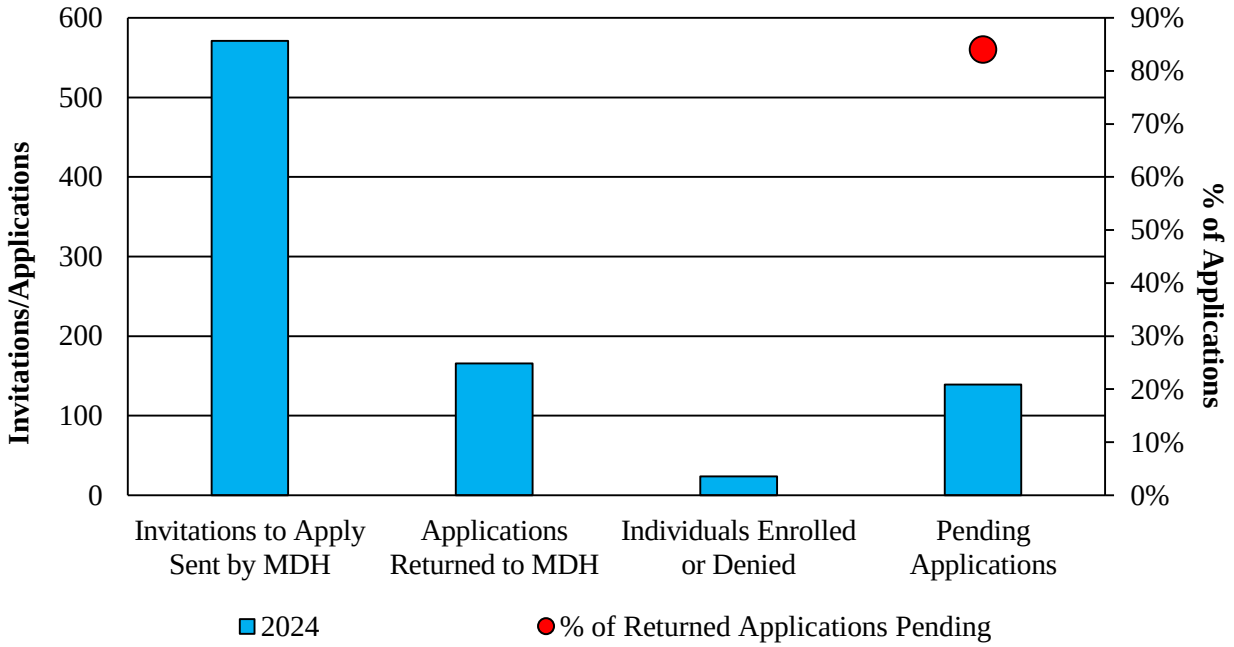
- low return rates for Community Options Waiver applications; and

- a backlog in plans of service for waiver participants that totaled over 15,500 at the beginning of April 2024.

As shown in **Exhibit 5**, OLTSS conducted substantial outreach in fiscal 2024 by distributing over 570 Community Options Waiver applications on average each month. In accordance with Chapter 738 of 2022, effective October 1, 2022, OLTSS must send a waiver application to at least 600 individuals on the registry each month. Chapter 738 also limits applicants' response time from eight weeks to six weeks before being removed from the registry. MDH reported that it phased in the additional outreach from 300 applications distributed in January 2023, to 600 applications distributed in November 2023 and expected to surpass the

minimum outreach by mailing 700 applications each month beginning in December 2024. In addition to expanding outreach, MDH indicated that across all HCBS waivers with registries, the department was taking steps to improve the process for removing deceased individuals and individuals who had moved out-of-state from the registry. These efforts include improving data systems and entering partnerships for data sharing with the Vital Statistics Administration and the Hilltop Institute.

Exhibit 5
Average Monthly Community Options Waiver Registry Outreach Results
Fiscal 2024



MDH: Maryland Department of Health

Note: Fiscal 2024 data was provided in a report submitted on August 15, 2024, and could have changed as applications were received and processed. Individuals enrolled or denied is understated as monthly outcomes with fewer than 10 cases were suppressed.

Source: Maryland Department of Health; Department of Legislative Services

As the number of mailed invitations to apply for waiver services increased, response rates remained low at only 29% of applications being returned in calendar 2024. According to MDH, it prepared for the expansion in outreach by partnering with local health departments to provide additional outreach and encourage a higher application submission rate. However, even with fewer than one-third of applications being submitted, MDH was unable to process the vast majority of the applications each month. Of the 166 monthly applications returned, an average of

24 individuals were approved or denied HCBS, while approximately 140 individuals (84%) still had pending applications at the end of each month.

In response to committee narrative in the 2024 *Joint Chairmen's Report* (JCR), MDH described ongoing staffing shortages in OLTSS and EDD that contribute to administrative delays in processing waiver applications. Across three divisions that support the Community Options Waiver, in fiscal 2024 MDH reported 23 vacant positions (5 regular and 18 contractual) out of a total staff of 62 (38 regular and 24 contractual). This high vacancy rate of 37% occurred despite MDH hiring seven staff members throughout fiscal 2024. Beginning in June 2024, the department supported Community Options Waiver processing by contracting its utilization control agent (Telligen) to review and make determinations on plans of service.

HCBS Waiver Registry Reduction Plans

In addition to Chapter 738 expanding minimum outreach requirements for the Community Options Waiver registry, Chapter 464 (the End the Wait Act) required MDH to develop:

- plans to reduce the waitlists for Medicaid HCBS waiver programs by 50% beginning in fiscal 2024; and

- a plan to reduce the Autism Waiver registry that includes conducting eligibility determination of registrants and, beginning in fiscal 2024, providing services to at least 50% of individuals determined eligible.

The department submitted five-year HCBS waiver registry reduction plans in February 2023 that estimated a wide range of potential cumulative State costs: from $52.9 million for the Model Waiver to just under $300 million for the Autism Waiver. Cost projections also accounted for additional staff and information technology needs, both for the central EDD and within MDH offices administering the waiver programs. While the plan for the Community Options Waiver considered low uptake by estimating only 25.8% of applications would be returned, projected costs are likely overstated as waiver enrollment was expected to reach 5,611 in fiscal 2024, outpacing the actual fiscal 2024 waiver enrollment of 4,309. Based on fiscal 2024 outcomes, the Community Options Waiver registry is starting to decline but more so due to registrants not returning applications and being removed rather than increasing waiver enrollment.

MDH should provide an update on its projected timeframe for reducing the Community Options Waiver registry by 50% and estimated enrollment and slot expansion through fiscal 2028. Additionally, the department should discuss (1) the feasibility of transitioning from a registry to a waitlist that would allow for preliminary eligibility screening or determination and (2) other proposals to more efficiently enroll individuals in the Community Options waiver.

In the registry reduction plan, MDH anticipated challenges in reducing HCBS waiver registries and expanding enrollment because of limited provider capacity and shortages of direct support professionals. In response to narrative in the 2024 JCR requesting a report on efforts to

increase provider capacity, MDH described many capacity building strategies across HCBS waivers, including:

- increasing DDA, Long Term Services and Supports, and behavioral health provider rates by a combined 15% between July 1, 2023, and July 1, 2024;

- using the National Core Indicators State of the Workforce Survey to evaluate workforce challenges among DDA providers in Maryland;

- providing training, technical assistance, and workshops to providers participating in various HCBS waivers; and

- expanding case management through Supports Planning Agencies (SPA) particularly for the Community Options Waiver to eliminate the waitlist for SPA assignment.

Specifically for the Model Waiver, which has limited enrollment due to a cap of 200 participants, OLTSS discussed plans to apply to CMS for a new Technology Waiver to expand capacity. This waiver would also be capped at 200 individuals but would extend services to individuals currently on the registry. MDH estimated that there would be $2.5 million in startup costs to enhance Medicaid's data management system, followed by $5.0 million in the first year to serve new waiver participants. **MDH should provide a status update on applying for and implementing the new Technology Waiver, including whether the fiscal 2026 allowance provides any funding for this program.**

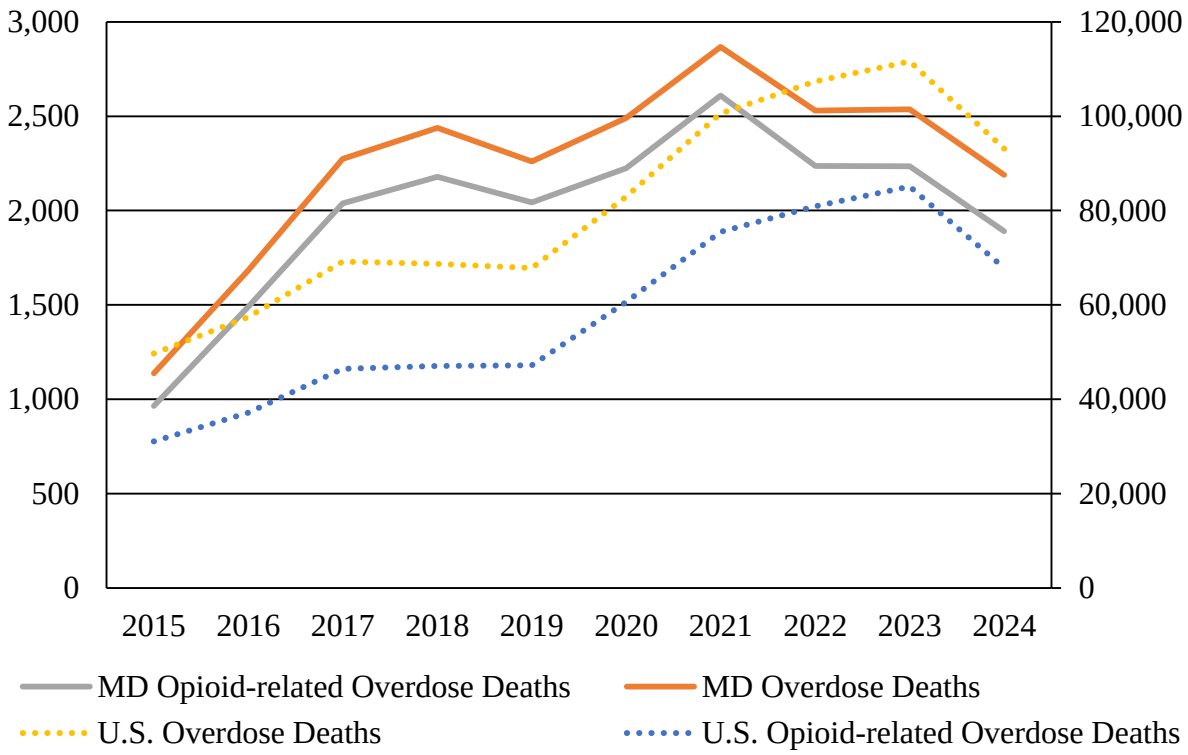
The fiscal 2023 budget included $30 million in the DPA to support the Autism Waiver expansion that could be used over multiple years. Chapters 635 and 636 of 2023 authorized the DPA allocation to be used more broadly for other Medicaid HCBS waiver expansion. MSDE spent a total of $18 million from the DPA across fiscal 2023 and 2024. The fiscal 2026 budget includes a proposed deficiency appropriation under MSDE adding $4.7 million in DPA funding to support the Autism Waiver. No additional DPA funding is budgeted in fiscal 2026 to expand the Autism Waiver or any other Medicaid HCBS waivers, leaving $7.3 million still available in the DPA.

Section 19 in the fiscal 2024 Budget Bill (Chapter 101 of 2023) provided $6 million in general funds in the DPA for costs associated with End the Wait initiatives in Medicaid HCBS waivers, and the fiscal 2025 budget included an additional $10 million of general funds in the DPA for provider recruitment strategies and capacity building for providers as part of the End the Wait initiatives. However, cost containment efforts approved by BPW on July 17, 2024, reduced $10 million from the DPA for End the Wait activities allocated in fiscal 2025. The fiscal 2026 budget plan further reduces this funding by transferring the $6 million from the DPA back to the General Fund through a provision in the BRFA of 2025 as introduced.

2. MDH Continues to Respond to Overdose Crisis

According to the Centers for Disease Control and Prevention, between fiscal 2015 and 2024, 22,406 individuals died from overdoses in Maryland. Approximately 88.9% of the deaths involved opioids, and 73.4% involved synthetic opioids excluding methadone (primarily fentanyl). During the same period, 808,330 individuals died from overdoses nationally, with 71.6% of those fatalities involving opioids. As shown in **Exhibit 6**, compared to fiscal 2023, overdose deaths in fiscal 2024 decreased by approximately 16.6% nationally and 13.7% in Maryland. However, overdose fatalities remain high nationally and within the State, with the number of deaths in fiscal 2024 nearly twice the number of deaths in 2015 (92.5% increase in Maryland; 87.3% increase in the United States).

Exhibit 6
Overdose Fatalities in Maryland and the United States
Fiscal 2015-2024

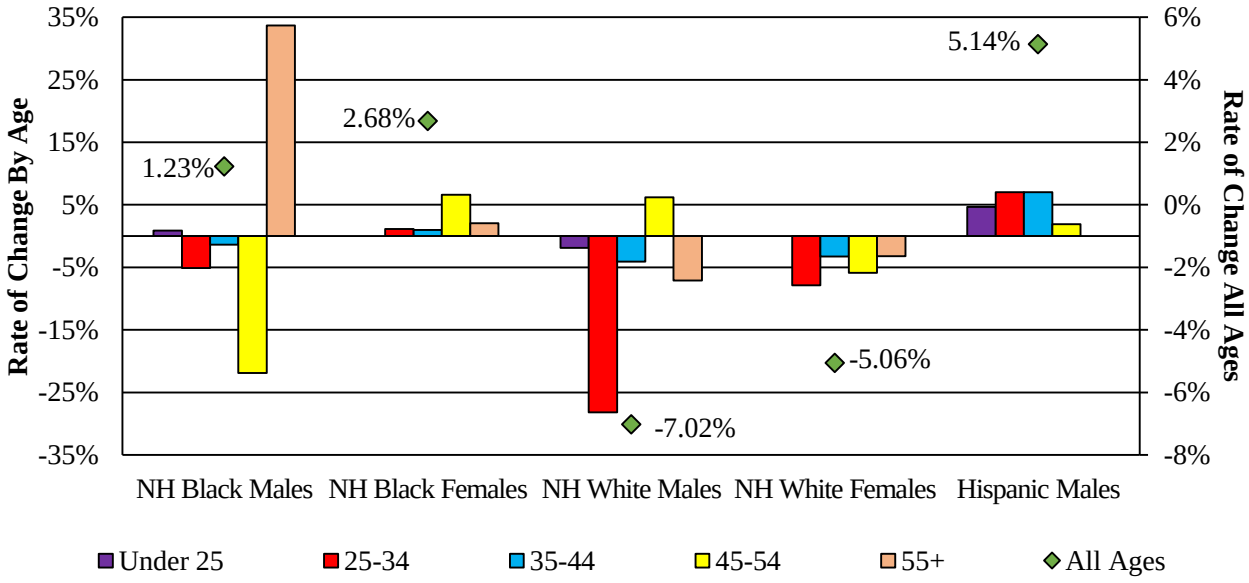


Note: Data for 2022-2024 is preliminary.

Source: Centers for Disease Control and Prevention; Department of Legislative Services

In Maryland, disparities in overdose fatalities persist across race, age, gender, and jurisdiction. Statewide, Black men, particularly those age 55 and older, have the highest overdose fatality rate, about two-thirds that of White men, the group with the second highest overdose fatality rate. As shown in **Exhibit 7**, between calendar 2022 and 2023, MDH reported that overdose fatalities among Black men aged 55 and older increased by 33.7% between calendar 2022 and 2023, and rates among Black men under 25, Black women of all ages, White men ages 45-54, and Hispanic males of all ages rose more modestly. The fatality rate decreased most significantly among White men aged 25-24 and Black men aged 45-54. Across racial and ethnic groups, more than twice the number of males die by overdose compared to females, and individuals aged 55 and older comprise the highest number of overdose deaths among each race and gender category except for White females. The Maryland Overdose Response Advisory Council, comprised of representatives from 18 State agencies working to reduce overdose morbidity and mortality, meets quarterly to discuss overdose response and how best to target resources. The advisory council voted in June 2024 to reinstate the Racial Disparities in Overdose Task Force to study the causes of racial disparities and recommend solutions.

Exhibit 7
Changes in Overdose Fatality Rates by Gender and Race
Calendar 2022-2023



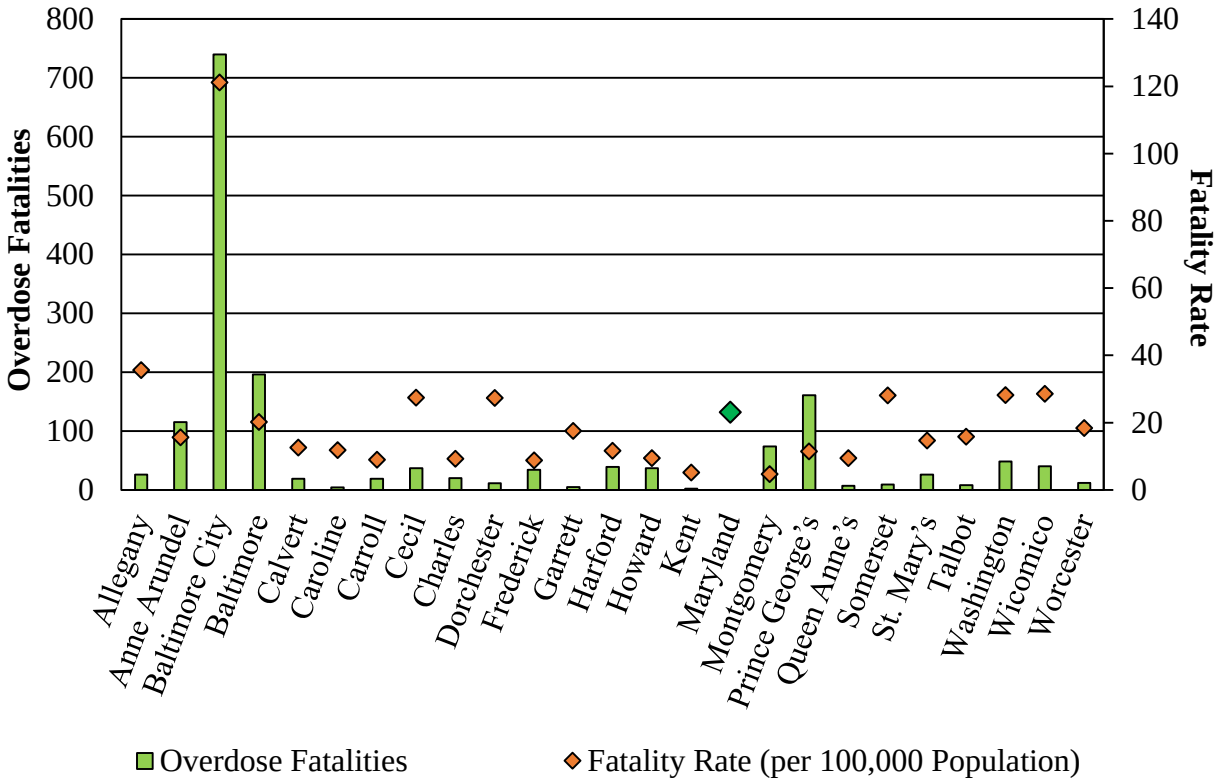
NH: Non-Hispanic

Note: Due to insufficient sample sizes, data is excluded for black and white females under the age of 25 and for Hispanic males aged 55 and above.

Source: Centers for Disease Control and Prevention; Department of Legislative Services

Disparities exist geographically as well, with Baltimore City having an overdose fatality rate nearly twice that of any other U.S. city between calendar 2018 and 2022. Between December 2023 and November 2024, MDH estimates overdose deaths in Baltimore City to be 740, or 43.8% of the total overdose fatalities in the State. As shown in **Exhibit 8**, Baltimore City experienced the highest number of overdoses fatalities and the highest overdose fatality rate during this period compared to any other Maryland jurisdiction, with an overdose fatality rate of 121.19 out of 100,000 population. Maryland's statewide fatality rate during this period was 23.07 per 100,000 population. Six other jurisdictions surpassed the State's rate: Allegany; Cecil; Dorchester; Somerset; Washington; and Wicomico counties. It should be noted however that Somerset's data represented fatality counts of less than 10, which MDH suppresses in its aggregate data per National Center for Health Statistics standards.

Exhibit 8
Overdose Fatalities in Maryland by Jurisdiction
December 2023 to November 2024



Note: Data for 2022-2024 is preliminary. Population data are 2023 estimates from the Census Bureau. Overdose fatality counts for Caroline, Garrett, Kent, Queen Anne's, Somerset, and Talbot Counties are suppressed in alignment with National Center for Health Statistics standards which suppress count values of less than 10.

Source: Maryland Department of Health; United States Census Bureau; Department of Legislative Services

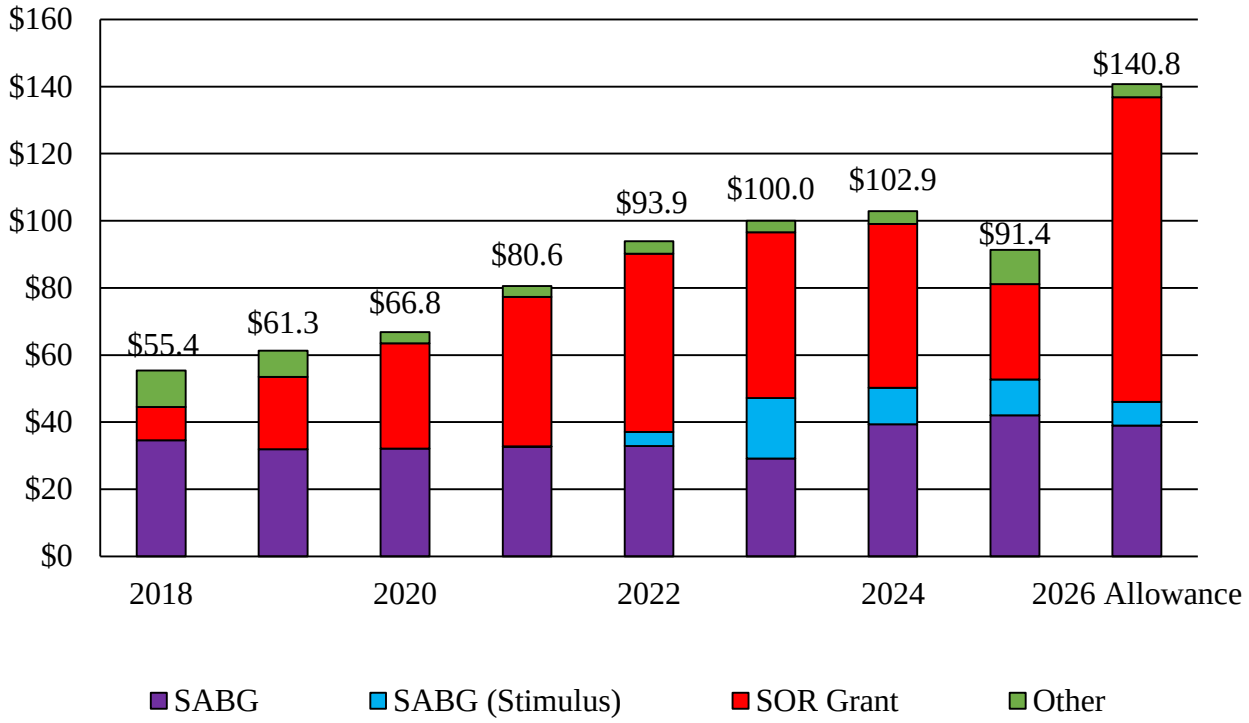
Funding to Address the Opioid Crisis

Federal Funding

Maryland receives federal funding to address opioid misuse and overdoses through the Substance Abuse and Mental Health and Services Administration, and since 2021, has received supplemental COVID-19 relief funding appropriated for behavioral health services, including overdose prevention and opioid response. MDH applies for this funding and distributes it via grants to local jurisdictions. The Substance Abuse Block Grant (SABG) was created in 1981 and is distributed to states to address substance use disorder. MDH distributes SABGs to each jurisdiction across the State for activities related to prevention, education, and treatment for substance use, including alcohol. Federal regulations require that 20% of each SABG be directed toward supporting prevention activities. MDH works with grant recipients to ensure each program meets this requirement.

The State Opioid Response (SOR) grant program began in 2016 as the State Targeted Response to the Opioid Crisis in response to the opioid overdose crisis. SOR grants are targeted federal grants to address opioid misuse specifically. Maryland's current SOR grant expired September 2024, and MDH has submitted its SOR-IV (year 4 of funding) application. The fiscal 2026 allowance does not include funding from this source because the application is still pending. **Exhibit 9** shows federal funding for Maryland to address the opioid crisis, from fiscal 2018 through 2026 by grant. The "Other" category includes grants for projects of regional and national significance; emergency grants to address mental and SUD during COVID-19; and Comprehensive Opioid, Stimulant, and Substance Use Program site-based grants. The fiscal 2026 allowance for this type of funding increases by nearly $50 million compared to the fiscal 2025 working appropriation, driven primarily by an increase in SOR funding. Between fiscal 2021 and 2026, MDH has been allocated approximately $50.9 million in stimulus funding to supplement SABG. This funding includes stimulus funds directed to supporting programs and activities eligible under standard SABG regulations. Coronavirus Response and Relief Supplement Appropriations funding expired September 2024 and American Rescue Plan Act funding expires September 2025.

Exhibit 9
Substance Use-related Federal Funding for Maryland
Fiscal 2018-2025
($ in Millions)



SABG: Substance Abuse Block Grant
SOR: State Opioid Response

Note: Funding is budgeted in Public Health Services, the Behavioral Health Administration, and the Medical Care Administration Program. Other funding category includes grants that support both substance use disorder services and mental health specific services.

Source: Governor's Fiscal 2026 Budget Books; Maryland Department of Health

Crisis Response Funding

The fiscal 2025 legislative appropriations included $89.2 million for behavioral health investments, nearly half of which was dedicated to crisis response. However, the fiscal 2026 allowance includes a proposed fiscal 2025 deficiency of $30 million due to implementation delays of programs supported by this funding. The fiscal 2026 allowance includes $73 million for this purpose. **MDH should comment on which programs and efforts were delayed resulting in the withdrawal of fiscal 2025 funds.**

Chapter 209 of 2018 established the Behavioral Health Crisis Response Grant Program mandating annual grant funding for local jurisdictions through fiscal 2022. Chapter 755 of 2021 extended the program and mandate through fiscal 2025. The fiscal 2025 appropriation includes $5 million for the Behavioral Health Crisis Response Grant Program, and there is no funding included in the fiscal 2026 allowance due to the end of the mandate.

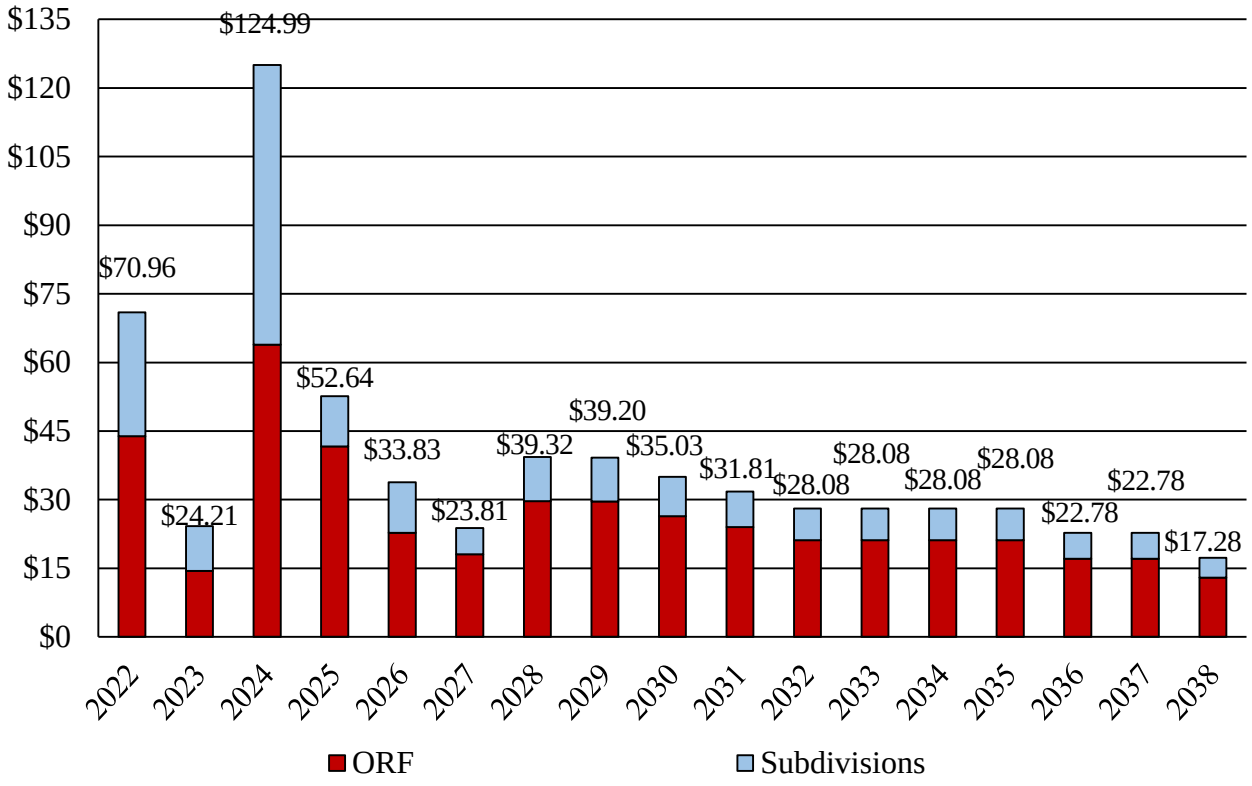
At a May 2024 meeting of the Behavioral Health Commission on Treatment on Access, MDH reported that over the course of fiscal 2024, BHA awarded $13.5 million to 19 jurisdictions to expand mobile crisis team infrastructure and establish crisis stabilization centers. Local crisis services coordinate care for individuals with substance use dependency from opioids and other substances, and/or nonsubstance related mental health crises. As of May 29, 2024, crisis services for eligible patients are reimbursable in Maryland through Medicaid and the public behavioral health system. MDH indicated that as of October 2024, no new providers had enrolled in these Medicaid services and that they intend to continue to reimburse providers for these services.

Opioid Settlement Revenue and the ORF

Opioid settlement revenue is distributed both directly to local jurisdictions and to the ORF (which holds the State share of the settlements) per state subdivision agreements (SSA) by which most settlement awards are bound, except for settlements against McKinsey & Company and Publicis. Awards from McKinsey & Company and Publicis were not required to comply with the SSA. Funding from McKinsey & Company was expended through two different grant programs and data infrastructure improvements, and the award from Publicis will be used at the State's discretion. The SSA requires 25% of award funding to be sent directly to local subdivisions, 45% to be distributed from the ORF to local subdivisions as targeted abatement grants, and 15% to be distributed as competitive grants to local organizations and governments. The remaining 15% of each award is distributed into the ORF and may be used at the State's discretion for opioid abatement. In calendar 2024, the Secretary of Health committed to distributing all discretionary funds through grants to local governments and organizations.

As of the close of fiscal 2024, the ORF had received $158.4 million in fiscal 2023 and 2024, and local jurisdictions had received $42.8 million directly from settlement awards. Since fiscal 2022, MDH has received more than $201.2 million from settlements with opioid distributors and is estimated to receive more than $430 million through fiscal 2038. **Exhibit 10** shows the actual and projected revenue from opioid settlements from fiscal 2022 through 2038, which is expected to total $650 million.

Exhibit 10
Maryland Opioid Settlement Revenue
Fiscal 2022-2039
($ in Millions)



ORF: Opioid Restitution Fund

Source: Brown & Greer (National Opioid Official Settlement); Department of Legislative Services

The ORF Advisory Council meets throughout the year to discuss the best uses of funding and submit recommendations on spending priorities. The Maryland Office of Overdose Response (MOOR) distributes ORF revenue to local health departments, correctional facilities, and community organizations in accordance with the SSA and in alignment with the ORF Advisory Council's recommendations. Local subdivisions and organizations can expend funding received directly from settlements and from MDH on opioid abatement programs and related supportive services per grant agreements. MOOR also submits annual ORF spending reports to the General Assembly. **Appendix 2** and **Appendix 3** list fiscal 2025 grant recipients. MOOR is currently accepting applications for its fiscal 2026 competitive grant program.

While each Maryland county will receive block grant funding through the ORF, Baltimore City will only receive ORF funds from one settlement, as it opted out of all other

settlements to seek separate litigation in pursuit of higher award amounts. As of December 2024, Baltimore City has announced settlement awards totaling $676.7 million, including $7.2 million from the one global settlement in which it participated.

State Oversight and Legislation

MDH also staffs and participates in multiple commissions and advisory councils related to opioid use and overdose prevention, including the Maryland Overdose Response Advisory Council, the Commission on Behavioral Health Treatment and Access, and the Opioid Restitution Fund Advisory Council. These bodies study and make recommendations related to public health infrastructure, funding, and systems that impact the State's ability to prevent and respond to overdoses. In June 2024, MDH also launched a new data dashboard with data from all jurisdictions on overdose fatalities, including demographic and location data.

Legislation has been enacted in recent years aimed at increasing and expanding access to medication for the treatment of opioid use disorder (MOUD) and strengthening the behavioral health crisis response system. Chapter 532 of 2019 requires local detention facilities to screen inmates and provide MOUD as appropriate to treat substance use disorder. Chapter 239 of 2022 authorizes many providers and organizations across the State to offer naloxone free of charge to individual community members. Chapter 886 of 2024 requires hospitals, beginning January 1, 2025, to establish protocols to provide appropriate care for patients admitted for opioid-related conditions, including overdose.

3. Cigarette Restitution Fund – Revenue Shortfalls Leads to Fiscal 2024 and 2025 General Fund Backfill and Fiscal 2026 Contingent Reductions

The CRF, established by Chapters 172 and 173 of 1999, is a special fund supported by payments made by tobacco manufacturers under the MSA. Through the MSA, the settling manufacturers pay substantial annual payments in perpetuity to the litigating parties and conform to restrictions on marketing to youth and the public. Litigating parties include 46 states (excluding Florida, Minnesota, Mississippi, and Texas due to previously settling litigation), 5 territories, and the District of Columbia. The distribution of MSA funds among the states is determined by formula, with Maryland receiving 2.26% of MSA payments, which are adjusted upward for inflation and downward for volume and prior settlements.

Participating manufacturers that are subject to annual payments and other restrictions have long contended that nonparticipating manufacturers (NPM) have avoided or exploited loopholes in state laws that give them a competitive advantage in the pricing of their products. If certain conditions are met, the MSA applies a NPM downward adjustment to participating manufacturers' contribution to create a more "level playing field" between NPMs and participating manufacturers. Under the MSA, participating manufacturers may pursue the NPM adjustment on an annual basis but must prove certain conditions were met to prevail in reducing their payments. According to the Office of the Attorney General (OAG), as the market share of cigarette and tobacco sales attributed to NPMs increases nationally, the adjustments are expected to increase, reducing CRF

revenue paid to Maryland on an annual basis and placing more of the MSA payment in escrow, which Maryland could later recover depending on the results of litigation with the participating manufacturers.

Exhibit 11 shows CRF revenue and balance detail for fiscal 2024 to 2026, reflecting a gradual decline of 8.4% in available revenue from $114.3 million received in fiscal 2024 to $104.7 million projected in fiscal 2026. Tobacco use in Maryland has gradually declined since the MSA was first established, in part from the public health efforts supported through the CRF. As a result, CRF revenue is projected to further decrease in the long run as the volume reduction outpaces inflation. The amount expected to be paid into escrow for the NPM adjustment also increases by approximately $200,000 over the prior year in fiscal 2025 and 2026.

Exhibit 11
Cigarette Restitution Fund Revenue and Balances
Fiscal 2024-2026
($ in Millions)

	2024 Actual	2025 Working	2026 Allowance
Beginning Fund Balance	$4.8	$2.4	$0.8
Settlement Payments	124.3	120.7	117.0
NPM Adjustment and Other Shortfalls in	-20.2	-20.4	-20.6
Other Adjustments	5.5	5.0	5.0
Tobacco Laws Enforcement Arbitration	0.0	0.0	0.0
Prior-year Recoveries	0.0	2.5	2.5
Total Available Revenue	**$114.3**	**$110.2**	**$104.7**
Total Expenditures	**$111.9**	**$109.5**	**$103.7**
Ending Balance	**$2.4**	**$0.8**	**$1.0**

NPM: nonparticipating manufacturers

Note: Numbers may not sum to total due to rounding.

Source: Governor's Fiscal 2026 Budget Books; Department of Legislative Services

Due to lower than anticipated inflation, a higher than anticipated volume reduction for cigarette and tobacco sales, and an increase in NPM and other adjustments, the fiscal 2024 budget and fiscal 2025 legislative appropriation overestimated CRF revenue by over $25 million in each year. As shown in **Exhibit 12**, the reduced inflation and increase in the volume reduction led to write downs of available CRF totaling $15.3 million in fiscal 2024 and $19 million projected in fiscal 2025. CRF revenue also declined by $10.5 million in fiscal 2024 and is expected to decrease by $8.7 million in 2025 to cover other adjustments, primarily the NPM adjustment.

Exhibit 12
Cigarette Restitution Fund Adjustments from the Legislative Appropriation
Fiscal 2024-2025
($ in Millions)

	2024	2025
Available Balance	$0	$1.2
NPM and Other Adjustments	-10.46	-8.7
Inflation	-9.9	-11.2
Volume Reduction	-5.4	-7.8
Total Revenue Adjustment	**-$25.8**	**-$26.5**

NPM: nonparticipating manufacturers

Source: Governor's Fiscal 2025 and 2026 Budget Books; Department of Legislative Services

Fiscal 2024 to 2026 CRF Programmatic Support

CRF uses are restricted by statute. For example, at least 30% of the annual appropriation must be used for Medicaid. In addition, each year from fiscal 2025 through 2029, Chapter 644 of 2023 requires the Governor to include $8.0 million in CRF support for the Maryland Community Health Resources Commission Fund. Other uses of the fund are allowed in statute but do not have a mandated funding level, such as nonpublic school support. The fiscal 2026 allowance includes $17.9 million in CRF for education, including $9 million budgeted for the Broadening Options and Opportunities for Students Today Program. Section 7-317 of the State Finance and Procurement Article requires that at least 50% of the CRF appropriation must support the following activities:

- the Tobacco Use Prevention and Cessation Program;
- the Cancer Prevention, Education, Screening, and Treatment Program;
- tobacco enforcement activities;
- the Breast and Cervical Cancer Program;
- alcohol and substance abuse treatment and prevention programs; and
- tobacco production alternatives.

Exhibit 13 shows CRF expenditures by use of funds for fiscal 2024 to 2026, accounting for $27.2 million in negative deficiency appropriations withdrawing CRF support in fiscal 2025 and $13.3 million in reductions in CRF spending in fiscal 2026 that are contingent on the BRFA of 2025. Accounting for these actions, fiscal 2026 CRF spending would decrease by a net of $5.8 million compared to fiscal 2025.

Exhibit 13
Cigarette Restitution Fund Expenditures
Fiscal 2024-2026
($ in Millions)

	2024 Actual	2025 Working	2026 Allowance	2025-2026 Change
Health				
Tobacco Enforcement, Prevention and Cessation	$9.7	$11.3	$11.3	$0.0
Cancer Prevention	27.2	27.2	12.2**	-15.0
Substance Abuse Services	26.0	0.0*	7.3	7.3
Breast and Cervical Cancer Services	13.2	8.6*	13.2	4.7
Maryland Community Health Resources Commission Fund	0.0	8.0	8.0	0.0
Medicaid	16.0	31.6*	31.3	-0.3
Subtotal	**$92.2**	**$86.7**	**$83.4**	**-$3.4**
Other				
Aid to Nonpublic Schools	$17.2	$17.8	$17.9	$0.1
HBCU Settlement	0.0	2.4	0.0	-2.4
Crop Conversion	1.3	0.9	0.8**	-0.2
Attorney General	1.2	1.6	1.7	0.0
Subtotal	**$19.6**	**$22.7**	**$20.3**	**-$2.4**
Total Expenditures	**$111.9**	**$109.5**	**$103.7**	**-$5.8**

* Accounts for Cigarette Restitution Fund uses that are reduced by proposed deficiency appropriations withdrawing special funds and replacing with general funds.
** Accounts for reductions contingent on the Budget Reconciliation and Financing Act of 2025.

Note: Numbers may not sum to total due to rounding.

Source: Governor's Fiscal 2026 Budget Books; Department of Legislative Services

Actions to Address CRF Revenue Shortfalls

To cover the $25.8 million CRF revenue shortfall in fiscal 2024, $25.0 million in general funds backfilled CRF support for Medicaid expenses. In addition, a small amount of planned CRF uses were underspent, such as OAG legal expenses. Considering that the revenue shortfall is projected to continue into fiscal 2025, the fiscal 2026 budget includes three proposed deficiency appropriations that swap a total of $27.2 million in CRF special funds with general funds. These fund swaps occur among substance abuse services administered by BHA, Medicaid expenses, and breast and cervical cancer diagnosis and treatment services provided by PHPA. The fiscal 2026 allowance partially restores the CRF for some of these purposes.

The fiscal 2026 allowance includes the following reductions that are contingent on cost containment measures proposed in the BRFA to address the projected decline in CRF revenues:

- $13 million is reduced for cancer research grants provided to statewide academic health centers contingent on a BRFA provision eliminating the funding mandate for the centers. The fiscal 2025 budget provided a higher appropriation than mandated for this purpose, specifically $12.4 million for the University of Maryland Medical System and $2.6 million for Johns Hopkins Institutions. Therefore, CRF support for the statewide academic health centers decrease by $15 million from fiscal 2025 to 2026; and

- $250,000 is reduced from the Tri-County Council for Southern Maryland (TCC) for activities of the Southern Maryland Agricultural Development Commission, contingent on a BRFA provision reducing the TCC mandate from $1 million to $750,000 in fiscal 2026. The BRFA provision would phase out the TCC mandate entirely by reducing the required CRF funding level by $250,000 each year through fiscal 2028. Chapters 575 and 576 of 2024 extended the CRF mandate for TCC beyond fiscal 2025 and increased the required funding level from $900,000 to $1 million.

After accounting for the two contingent CRF reductions, the fiscal 2026 budget as introduced does not meet the 50% requirement for the specified uses in statute, as CRF support for the listed uses totals only $44.8 million, or 43%.

MDH and DBM should propose an amendment to the BRFA to waive in fiscal 2026 only the requirement that 50% of the CRF appropriation support specified programs to align with the budget.

Status of Litigation Related to the NPM Adjustment

Participating manufacturers have consistently pursued the NPM adjustment to reduce their annual MSA payments, and litigation regarding the adjustment started in calendar 2005, beginning with the NPM adjustment for sales year 2003. To prevail in applying downward NPM adjustments, participating manufacturers must show that they experienced a demonstrable market share loss of over approximately 2%, that the MSA was a significant factor in that loss, and that a state was not diligently enforcing its qualifying statute (Chapter 169 of 1999 in Maryland, with subsequent revisions in the 2001 and 2004 sessions). Chapters 41 and 42 of 2021 require payments received by the State as a result of litigation related to Maryland's enforcement of State law regarding the MSA to go into a separate account that may only be used to supplant the general fund appropriation for settlement payments to historically Black colleges and universities (HBCU).

Arbitration Findings and Budgetary Impacts

Sales Year 2003 and 2004: Arbitration regarding the "diligent enforcement" issue for sales year 2003 commenced in July 2010. Maryland was one of six states that were found to not have diligently enforced their qualifying statute. Based on the arbitration ruling, Maryland not only forfeited approximately $16 million that the participating manufacturers placed in escrow for the 2003 sales year, but under the MSA arbitration framework also saw its fiscal 2014 payment reduced by $67 million based on the panel's assessment that those states that settled before arbitration could not be found as nondiligent. Subsequent litigation reduced Maryland's fiscal 2014 payment loss to $13 million.

The participating manufacturers sought a multistate arbitration related to sales year 2004 for Maryland and the other states that did not settle the sales year 2003 litigation. Arbitration on sales year 2004 began in fall 2018. On September 1, 2021, OAG announced that a panel of three arbitrators decided in favor of Maryland, finding that it diligently enforced the qualifying statute. As a result, Maryland recovered $18.4 million in withheld funds released from escrow in April 2023. In fiscal 2023, $16 million from the separate CRF account required under Chapters 41 and 42 contributed to the State funding for the HBCU settlement and the fiscal 2025 working appropriation includes the remaining $2.4 million for this purpose.

Sales Year 2005 through 2007: An arbitration hearing to determine Maryland's settlements and diligent enforcement of qualifying statute in sales year 2005 through 2007 occurred in March 2023. On November 20, 2023, OAG announced that the panel of three arbitrators unanimously decided in favor of Maryland. OAG indicated that the State is likely to recover approximately $25 million in withheld funds. The Governor's budget plan does not allocate any additional funds attributed to sales year 2005 through 2007 and fully supports required HBCU settlement funds with general funds, though a payment is possible in fiscal 2026.

The Department of Legislative Services recommends (1) adding a provision to the BRFA that expands the allowable uses of CRF paid into the separate account to be used on Medicaid expenses in fiscal 2026 only and (2) reducing $25 million in general funds from the Medicaid budget in recognition of Maryland recovering the funds related to the

sales year 2005 through 2007 litigation. Both recommendations will appear in the M00Q01 – Medical Care Programs Administration analysis.

Future Litigation: As of January 2025, the timing of arbitration hearings for sales year 2008 and on is uncertain. OAG indicates that it continues to aim to arbitrate multiple sales years at once and may pursue sales year 2008 through 2013 in the next few years. For each disputed year since sales year 2000 with some exceptions, an amount of Maryland's payments has been withheld and deposited into a disputed payments account. As of April 2024, there was an estimated $98 million attributed to principal held by Maryland for sales years 2008 through 2013 in the disputed payments account. In total, as of that date, there was an estimated $283 million in principle held on behalf of Maryland in this account for sales years 2008 through 2023. If the State were found to have diligently enforced the statute beginning in sales year 2008 and in the following years, at least this amount could be realized in CRF revenue. Alternatively, Maryland could forfeit these funds and see its payment adjusted downward in certain fiscal years if the State were found to be nondiligent, as occurred for sales year 2003.

Appendix 1
Proposed Fiscal 2025 Deficiencies
($ in Millions)

Program	General Funds	Special Funds	Federal Funds	Reimb. Funds	Total Funds
Office of the Secretary					
Savings due to delays in moving MDH headquarter offices	-$1.27				-$1.27
Funding for a settlement of MDH claims in the Internal Revenue Service's assessment for tax year 2020	4.83				4.83
Supplemental funding for an emergency contract to temporarily replace HVAC systems at Clifton T. Perkins Hospital Center	9.76				9.76
Public Health Services					
Supplemental funding for Breast and Cervical Cancer Diagnosis and Treatment services from available special funds from the CRF	4.67	-4.67			0.00
Behavioral Health Administration					
Savings due to delayed implementation of various behavioral health initiatives	-30.00				-30.00
Savings to reflect actual expenditures for SUD Resident Services in provider reimbursements in the Community Services for the Uninsured Population	-18.68				-18.68
Eliminate mandate for the 9-8-8 Crisis Hotline due to the availability of funds from telecommunications fees*	-3.00				0.00
General fund savings due to using Opioid Restitution Fund dollars to support the Buprenorphine Initiative	-2.97	2.97			0.00
Savings to reflect actual expenditures for the Interagency Hospital Overstay Initiative	-1.87				-1.87
Supplemental funding for provider services Community Services for the Medicaid Eligible Population for non-Medicaid eligible services	2.41				2.41
Funding to support provider reimbursements under Community Services for the Uninsured Population; offset by available special funds from the CRF	14.26	-14.26			0.00

Program	General Funds	Special Funds	Federal Funds	Reimb. Funds	Total Funds
Shortfalls in funding for provider reimbursements for Behavioral Health Medicaid services	72.86		76.18		149.04
MDH Inpatient Facilities					
Savings due to a delay in opening new patient units at Thomas B. Finan Hospital Center	-6.79				-6.79
Funding for overtime expenditures at Holly Center	0.17				0.17
Funding for overtime expenditures at Potomac Center	0.40				0.40
Funding for overtime expenditures at Western Maryland Hospital Center	0.40				0.40
Funding for overtime expenditures at DHHC	0.41				0.41
Funding to reflect actual vacancy rates at DHHC	0.43				0.43
Funding for overtime expenditures at the SETT Program	0.55				0.55
Supplemental funds for operational costs at Potomac Center	0.85				0.85
Supplemental funding for operational costs at Spring Grove Hospital Center	3.61				3.61
Developmental Disabilities Administration					
Shortfall in community services	452.92		447.93		900.85
Contract for financial management and counseling services	4.46		3.82		8.28
Savings due to the elimination of wage exceptions, reducing the number of providers paid above established wage range	-2.36		-2.36		-4.71
Savings due to the elimination of the Low Intensity Support Services Program*	-2.77		-2.77		-5.54
Savings to reflect reduced costs related to services for individuals who are ineligible for federal matching dollars	-3.10				-3.10
Fund swap of general funds to special funds contingent on legislation that would expand the use of the Waiting List Equity Fund*	-15.00	15.00			0.00
Savings due to lower wage ranges for service providers to more closely align with the Bureau of Labor and Statistics	-18.27		-18.27		-36.54
Savings due to policy change impacting how providers charge for different rates	-27.12		-27.12		-54.24

Program	General Funds	Special Funds	Federal Funds	Reimb. Funds	Total Funds
Savings due to the elimination of geographical differential rates that results in lower rates for traditional providers and self-directing participants in select counties	-27.99		-27.99		-55.98
Medicaid					
An anticipated deficit in service year 2024 accrual for traditional Medicaid services	231.74		278.15		509.89
Adjustments to reflect enrollment, utilization, and rate projections for the traditional Medicaid and ACA Expansion populations	473.42	8.64	197.71	5.52	685.29
General fund savings and an increase in special funds contingent upon legislation increasing the Medicaid Hospital Deficit Assessment*	-46.25	50.00			3.75
Reduction of CRF funding and equivalent backfill of general funds for Medicaid to reflect less than expected CRF revenue	8.29	-8.29			0.00
Adjustments for MCHP due to spending trends, including a decrease in special funds due to the end of premium collections	62.28	-2.05	111.83		172.05
Maryland Health Care Commission					
Net increase in special funds for the R Adams Cowley Shock Trauma Center due to changes authorized by Chapters 717, 718, and 719 of 2024		21.50			21.50
Total Proposed Fiscal 2025 Deficiencies	$1,141.29	$68.84	$1037.11	$5.52	$2,255.76

* Denotes deficiency appropriations that are contingent on the Budget Reconciliation and Financing Act of 2025.

ACA: Affordable Care Act
CRF: Cigarette Restitution Fund
DHHC: Deer's Head Hospital Center
MCHP: Maryland Children's Health Program
MDH: Maryland Department of Heath
SETT: Secure Evaluation Therapeutic Treatment
SUD: substance use disorder

Source: Governor’s Fiscal 2026 Budget Books

Appendix 2
ORF Fiscal 2025 Block Grant Awards and Uses

Jurisdiction	Award	Purpose
Allegany	$112,141	Peer recovery services in Drug Court and Social Services Child Welfare Unit
Anne Arundel	246,066	Public awareness activities to address stigma; support for Safe Stations
Baltimore City	931,143	Youth substance use prevention outreach through Behavioral Health Services of Baltimore; harm reduction supplies and services
Baltimore	363,453	Peer recovery services, both in-person and through the REACH hotline; harm reduction supplies and services
Calvert	92,351	Opioid use disorder coordinator in Calvert County Behavioral Health Division; MOUD; First Responders Appreciation Dinner
Caroline	86,929	Psychiatric nurse practitioner in outpatient behavioral health program
Carroll	116,750	Mobile crisis services
Cecil	142,505	Peer recovery services; youth prevention programming
Charles	113,768	Guidance for naloxone distribution for pharmacists; Charles County Health Department ORP coordinator position; prevention education and supplies
Dorchester	89,097	Prevention programming for students; peer recovery services in hospital emergency departments; SBIRT, case management, and peer navigation services
Frederick	122,172	Peer recovery support services in hospitals, peer navigation services, and post-overdose outreach
Garrett	80,964	Peer recovery services; school- and community-based prevention programming
Harford	150,367	Peer recovery services and case management services
Howard	112,412	Crisis services and care connection
Kent	80,151	Overdose Prevention Team peer recovery specialists
Montgomery	184,797	Prevention programming and community awareness
Prince George's	251,217	School-based prevention programming
Queen Anne's	84,217	Overdose Fatality Review Team Overdose Coordinator; MOUD; transportation services; community awareness activities
Somerset	85,031	Peer recovery services and transportation; public awareness activities; harm reduction supplies and services

Jurisdiction	Award	Purpose
St. Mary's	105,364	Opioid Response Supervisor position at St. Mary's County Health Department; public awareness activities
Talbot	85,302	Services for pregnant/postpartum individuals with substance use and co-occurring disorders; harm reduction supplies and services
Washington	161,753	Crisis services and peer support services; public awareness activities
Wicomico	110,514	Public awareness activities to address stigma
Worcester	91,537	Peer recovery services and care connection
Total	**$4,000,001**	

MOUD: medication for the treatment of opioid use disorder
ORP: Overdose Response Program
REACH: Rehabilitate Educate Assess Counsel Health
SBIRT: Screening, Brief Intervention & Referral to Treatment

Source: Maryland Office of Overdose Response

Appendix 3
ORF Fiscal 2025 Competitive Grant Recipients

Organization	Jurisdiction	Award
Prevention		
Queen Anne's County Public Schools	Queen Anne's County	$152,955
Talbot County Public Schools	Talbot County	75,000
Harm Reduction		
Anne Arundel County Health Department	Anne Arundel County	$392,551
Johns Hopkins Bloomberg School of Public Health	Baltimore City	173,711
Associated Catholic Charities, Inc.	Baltimore City	147,780
Baltimore Safe Haven	Baltimore City	219,810
Daniel Carl Torsch Foundation	Baltimore County	188,404
Charles County Department of Health	Charles County	2,095
Howard County Department of Health	Howard County	218,129
Interfaith Works	Montgomery County	183,304
Baltimore Harm Reduction Coalition	Multi-jurisdictional	135,550
Harm Reduction		
Luminis Health Anne Arundel Medical Center	Anne Arundel County	$182,387
Maryland Community Health Initiatives	Baltimore City	239,227
Chase Brexton Health Services	Baltimore City	84,487
Treatment		
Community College of Baltimore County	Baltimore County	$174,362
Recovery		
Horizon Goodwill Industries	Allegany County	$137,225
Helping Up Mission, Inc.	Baltimore City	457,920
MISHA House	Baltimore City	128,750
Baltimore City Mayor's Office of Employment Development	Baltimore City	206,822
PIVOT, Inc.	Baltimore City	180,015
Marian House	Baltimore City	157,864
Clay Pots, Inc.	Baltimore City	162,044
Voice of Hope	Cecil County	101,099
The Jude House	Charles County	242,094
Dorchester County Health Department	Dorchester County	357,793
On Our Own of Frederick County	Frederick County	116,565

Organization	Jurisdiction	Award
Frederick County Workforce Services	Frederick County	90,321
Voice of Hope	Harford County	95,707
Champ House	Prince George's County	17,775
St. Mary's County Health Department	St. Mary's County	59,430
Chesapeake Charities, for Grace Street	Talbot County	159,786
Washington County Board of County Commissioners	Washington County	207,907
Maryland Department of Labor	Multi-jurisdictional	126,831
Mid Shore Behavioral Health	Multi-jurisdictional	176,000
Hoffa Foundation	Multi-jurisdictional	355,751
Maryland Coalition of Families	Multi-jurisdictional	127,102
Total		**$6,234,553**

ORF: Overdose Response Program

Source: Maryland Office of Overdose Response

Appendix 4
Selected Caseload Estimates Used in Fiscal 2026 Budget Plan
Fiscal 2022-2026 Estimated

	2022	2023	2024	Est. 2025	Est. 2026	Amt. Change 2025-2026	% Change 2025-2026
Medical Care Programs/Medicaid							
Traditional Medicaid Enrollees	1,074,294	1,129,433	1,093,570	997,559	1,009,887	12,328	1.2%
MCHP[1]	156,248	164,521	168,394	194,928	201,258	6,330	3.2%
Affordable Care Act Medicaid Expansion	423,935	458,587	443,516	353,870	309,479	-44,391	-12.5%
Total	**1,654,478**	**1,752,541**	**1,705,480**	**1,546,357**	**1,520,624**	**-25,733**	**-1.7%**
DDA							
Residential Services	6,680	6,760	6,943	7,213	7,473	260	3.6%
Day Services	8,201	8,535	7,712	7,838	8,022	184	2.3%
Support Services	6,725	6,613	7,535	7,906	8,297	391	4.9%
Self-directed Services	2,101	2,679	3,746	4,232	4,683	451	10.7%
Total Services	**23,707**	**24,587**	**25,936**	**27,189**	**28,475**	**1,286**	**4.7%**
Targeted Case Management	25,477	25,138	24,620	25,359	26,119	760	3.0%
Unduplicated Count of Individuals Receiving Community-based Services	19,506	19,748	20,501	20,901	21,301	400	2.0%

DDA: Developmental Disabilities Administration
MCHP: Maryland Children's Health Program

[1] Beginning in fiscal 2024, MCHP includes individuals covered under the Healthy Babies initiative, which covers noncitizen pregnant and postpartum individuals.

Source: Maryland Department of Health; Department of Budget and Management; Department of Legislative Services

Appendix 5
Regular Personnel – Authorized Positions by Program
Fiscal 2024-2026

	Actual 2024	Working 2025	Allowance 2026
MDH Administration	3,935.80	4,476.80	4,489.80
State Psychiatric Hospitals	2,619.60	3,129.10	3,129.30
Chronic Disease Hospitals	396.70	401.20	400.20
DDA Facilities	453.00	467.50	468.30
Office of the Inspector General for Health	41.00	43.00	41.00
Administration	425.50	436.00	451.00
Regulatory Services	513.50	552.50	555.50
Public Health Administration	470.75	565.70	558.70
Prevention and Health Promotion Administration	510.00	562.00	550.00
Behavioral Health Administration	165.30	218.80	223.80
DDA	203.00	211.00	210.00
Medical Care Programs Administration	638.00	682.10	682.10
Health Regulatory Commissions	117.90	121.90	121.90
Total Regular Positions	**6,554.25**	**7,390.80**	**7,391.80**

DDA: Developmental Disabilities Administration
MDH: Maryland Department of Health

Note: Health Regulatory Commission figures include the Prescription Drug Affordability Board.

Source: Governor's Fiscal 2026 Budget Books

Appendix 6
Contractual Personnel – Authorized FTE Positions by Program
Fiscal 2024-2026

	Actual 2024	Working 2025	Allowance 2026
MDH Administration	408.51	165.20	130.95
State Psychiatric Hospitals	298.60	87.47	78.88
Chronic Disease Hospitals	25.03	14.40	12.68
DDA Facilities	27.77	13.27	7.30
Office of the Inspector General for Health	3.42	6.51	6.51
Administration	53.69	43.55	25.58
Regulatory Services	45.51	11.79	21.67
Public Health Administration	71.12	39.15	35.00
Prevention and Health Promotion Administration	90.24	71.65	19.34
Behavioral Health Administration	66.63	27.74	30.44
DDA	27.12	15.82	16.68
Medical Care Programs Administration	68.72	97.75	87.57
Health Regulatory Commissions	7.53	7.76	8.28
Total Contractual Positions	**785.38**	**436.86**	**349.93**

DDA: Developmental Disabilities Administration
FTE: full-time equivalent
MDH: Maryland Department of Health

Note: Health Regulatory Commission figures include the Prescription Drug Affordability Board.

Source: Governor's Fiscal 2026 Budget Books