



DEPARTMENT OF HEALTH

Wes Moore, Governor · Aruna Miller, Lt. Governor · Meena Seshamani, M.D., Ph.D., Secretary

March 3, 2026

The Honorable Pamela Beidle
Chair, Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 39 – Behavioral Health - Certified Community Behavioral Health Clinics and Outpatient Mental Health Centers - Reimbursement Rates – Letter of Opposition

Dear Chair Beidle and Committee Members:

The Maryland Department of Health (the Department) respectfully submits this letter of opposition for Senate Bill (SB) 39 – Behavioral Health - Certified Community Behavioral Health Clinics and Outpatient Mental Health Centers - Reimbursement Rates. The Department notes this legislation is duplicative of existing efforts already underway, will pose an additional administrative burden, and will be associated with a substantial fiscal impact in excess of \$5M general funds (GF) annually.

Creation of the Behavioral Health Rate Methodology Modernization Workgroup within the Behavioral Health Administration (BHA) is duplicative. Under the Heroin and Opioid Prevention Effort and Treatment (HOPE) Act of 2017 (HB1329/SB 967; Chapters 571 and 572 of the Acts of 2017), the Department is required to:

1. Conduct an independent cost-driven, rate-setting study to set community provider rates for community-based behavioral health services that includes a rate analysis and an impact study that considers the actual costs of providing community-based behavioral health services
2. Develop and implement a payment system incorporating the findings of the rate-setting study, including projected costs of implementation and recommendations to address any potential shortfall in funding; and
3. Consult with stakeholders, including community providers and individuals receiving services, in conducting the rate-setting study and developing the payment system.

BHA convened the Behavioral Health System of Care Optimization and Integration Workgroup and corollary stakeholder discussion groups. As a result, the workgroup determined that a two-phased process was needed to conduct the study and a Request for Proposal for a contractor to perform the study. A contract for the rate-setting work, to be monitored by Maryland Medicaid, was approved by the Board of Public Works on June 5, 2024 to Myers and Stauffer, LC for a one-year term, with two, one-year renewal options.

As part of the contract, in Phase One, Myers and Stauffer will design and develop a cost report template to capture the cost of Behavioral Health Services. The cost report will be developed with the input from Department personnel as well as external stakeholders. Stakeholders will be provided with a draft of the cost report template and given an opportunity to provide comments in a virtual meeting. Using provider payment data provided by BHA, Myers and Stauffer will select a statistically valid sample of providers that will be required to complete the cost report template. The sample size for each provider type will consider the number of providers, the payments of the sample providers relative to the total payments for the provider type, and geographical representation for counties in Maryland.

Once the cost report template is final and the provider samples have been selected, Myers and Stauffer will conduct provider training to ensure timely and accurate completion of cost reports. In Phase Two, Myers and Stauffer will collect cost reports from providers by an agreed upon due date and will perform a desk review of the completed cost reports. The desk review will verify the reported costs have been incurred and are allowable per Maryland and CMS regulations. Once all desk reviews for a provider type are complete, the cost report data will be collected in a database that can be used for future rate study activities.

Additionally, there will be a substantial fiscal impact associated with implementing mandatory OMHC rate increases beginning in FY26 - at minimum, from FY26 through FY31, the rate increases will cost \$81,594,825 TF (\$29,569,965 GF, \$52,024,861 FF). For purposes of its fiscal estimate, the Department assumes the rate increase for FY26 would take effect in the last quarter of the fiscal year although the Act itself specifies a July 1, 2027 effective date. To implement a rate increase for OMHCs, a state plan amendment (SPA) will need to be submitted to the Centers for Medicaid and Medicare Services; retroactive rate increases prior to the first day of the quarter in which the SPA is submitted are permitted.

Certified Community Behavioral Health Clinics (CCBHCs)

SB 39 requires one site participating in the Certified Community Behavioral Health Clinic Demonstration (Demonstration) to participate in the Workgroup. Currently, no sites are participating in the Demonstration. Congressional appropriations expire January 30, 2026. The Department was awarded a Planning Grant (Grant) that ends December 30, 2026. CCBHC activities will continue through Dec. 30, 2026 under the Grant.

As with rate setting, some of the tasks of SB 39 related to CCBHCs are duplicative, including tasks required by the CCBHC Planning Grant. The Department is required to complete a study on CCBHCs by May 1, 2026 (2025 JCR p. 172, Study on Cost Savings Associated with Certified Community Behavioral Health Clinics). The study must include, among other elements:

- Anticipated implementation costs to participate in the demonstration program and a description of the methodology used to estimate these costs;
- Potential payment for services, including prospective payment methodologies; and
- A cost benefit analysis of the CCBHC model that includes potential cost savings related to emergency department visits and potentially avoidable hospital utilization, as well as improved health outcomes for CCBHC participants.

The Department started meeting monthly with CCBHC stakeholders in August 2025 to discuss CCBHC implementation, including CCBHC payment systems and provider capacity. The monthly stakeholder meetings have already covered provider concerns and feedback about data-sharing and reporting, and discussed the certification criteria for licensure.

The federal statute requires states to select from one of four prospective payment rates (PPS) (daily or monthly cost-based rates). With support of stakeholders, the Department selected PPS-1. PPS-1 is a daily rate for all CCBHC costs, and was chosen and supported by stakeholders because it is the most direct payment method. Most states participating in the Demonstration use PPS-1. Organizations interested in being certified as CCBHCs will submit cost reports in April detailing their anticipated expenses for CCBHC service delivery. These will be reviewed by a third-party auditor and used to develop the PPS-1 rate for each organization.

If you would like to discuss this further, please do not hesitate to contact Meghan Lynch, Director of Governmental Affairs at Meghan.Lynch@maryland.gov.

Sincerely,



Meena Seshamani, M.D., Ph.D
Secretary of Health