



DEPARTMENT OF HEALTH

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

February 24, 2026

The Honorable Heather Bagnall
Chair, House Health Committee
241 Taylor House Office Building
Annapolis, MD 21401-1991

RE: House Bill 971 – Maryland Medical Advisory Committee - Duties and Workgroup to Study the Adoption of a Fee-for-Service Model for All Medicaid Services – Letter of Opposition

Dear Chair Bagnall and Committee Members:

The Maryland Department of Health (the Department) respectfully submits this letter of opposition for House Bill (HB) 971 - Maryland Medical Advisory Committee - Duties and Workgroup to Study the Adoption of a Fee-for-Service Model for All Medicaid Services. HB 971 would require the Maryland Medicaid Advisory Committee (MMAC) to form a workgroup to Study the Adoption of a Fee-for-Service (FFS) Model for All Medicaid Services, and report findings and recommendations by January 1, 2027.

HB 971 would have a significant fiscal impact of \$474,085 total funds (\$237,043 general funds, \$237,043 federal funds) in FY 27 to support study costs and staffing. Today, approximately 85% of Maryland Medicaid's 1.5 million participants are enrolled in the Department's HealthChoice managed care program, which was implemented in 1997 following significant engagement with stakeholders. HealthChoice managed care organizations (MCOs) provide critical resources to support the delivery of care to vulnerable Marylanders, and a managed care model in turn helps support effective use of state taxpayer dollars.

Shifting to a new model of care, from HealthChoice managed care program to a FFS model would be a substantial undertaking by the Department. Operating a FFS program puts the entire administrative burden on the state and it would require significant increase in state operating staff, and the state also bears the full financial risk of providing services to enrollees. The overall success of benefits delivery through a FFS program is dependent on the in-house capabilities of the state, with respect to quality, operations, and controlling cost. The Department anticipates robust financial investments in staffing and systems would be required to support expansion of day-to-day operations at this scale.

In the HealthChoice model, the nine participating MCOs are at financial risk for the medical services delivered. The Department pays MCOs capitation payments set at a fixed monthly rate per member, therefore, the MCOs are responsible for any administrative and benefits costs that

exceed the capitated payments. MCOs also provide essential outreach and care management for participants, and will be key in reaching members about changes to Medicaid under HR1.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Meena Seshamani', with a stylized flourish at the end.

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