

Senate Budget and Taxation Committee

Senator Guy Guzzone, Chair
Senator James C. Rosapepe, Vice Chair

Agenda
January 23, 2025
3 West Miller
Annapolis, Maryland

Developmental Disabilities Administration – Fiscal Outlook Briefing

Department of Legislative Services

- **David C. Romans, *Fiscal & Policy Coordinator***
- **Victoria Martinz, *Policy Analyst***

Maryland Department of Health

- **Laura Herrera-Scott, *Secretary***
- **Marlan Hutchinson, *Deputy Secretary*, Developmental; Disabilities Administration (DDA)**
- **Amalie Brandenburg, *Chief Financial Officer*, DDA**

The Department of Budget and Management

- **Helene Grady, *Secretary***
- **Marc Nicole, *Deputy Secretary***

Stakeholders

Laura Howell, *CEO*, Maryland Association of Community Services

Ande Kolp, *Executive Director*, The Arc of Maryland General Assembly

Mat Rice, *Executive Director*, People on the Go of Maryland

Developmental Disabilities Administration Fiscal Outlook

**Presentation to the
Senate Budget and Taxation Committee**



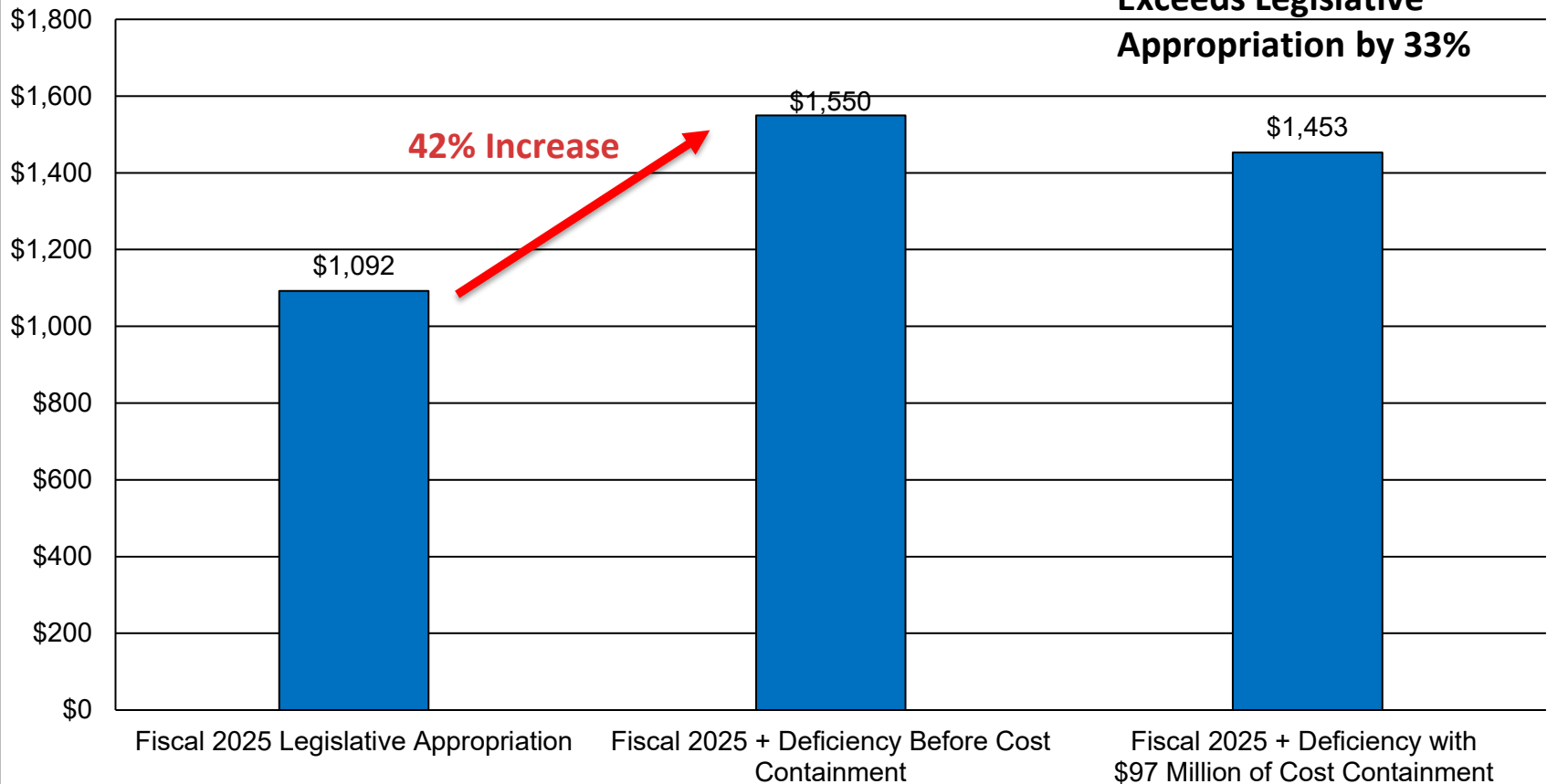
January 23, 2025



Fiscal 2025 General Fund Spending for the Developmental Disabilities Administration Community Services

(\$ in Millions)

**Exceeds Legislative
Appropriation by 33%**



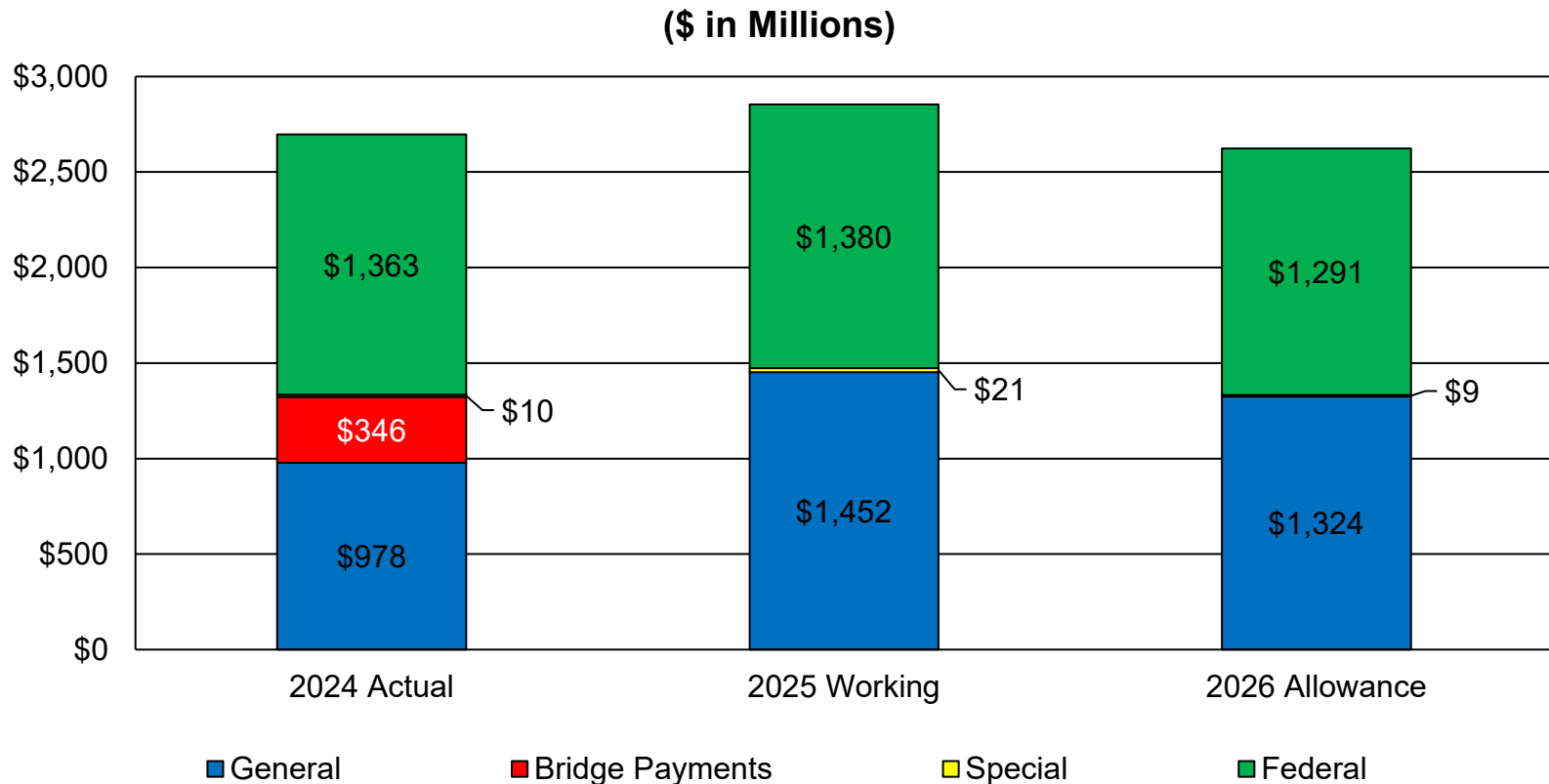


Community Services Overview

- The Developmental Disabilities Administration (DDA) under the Maryland Department of Health (MDH) provides services for individuals with intellectual and developmental disabilities
- DDA operates three Medicaid waivers
 - Community Pathways
 - Community Supports
 - Family Supports



Community Services Budget Overview

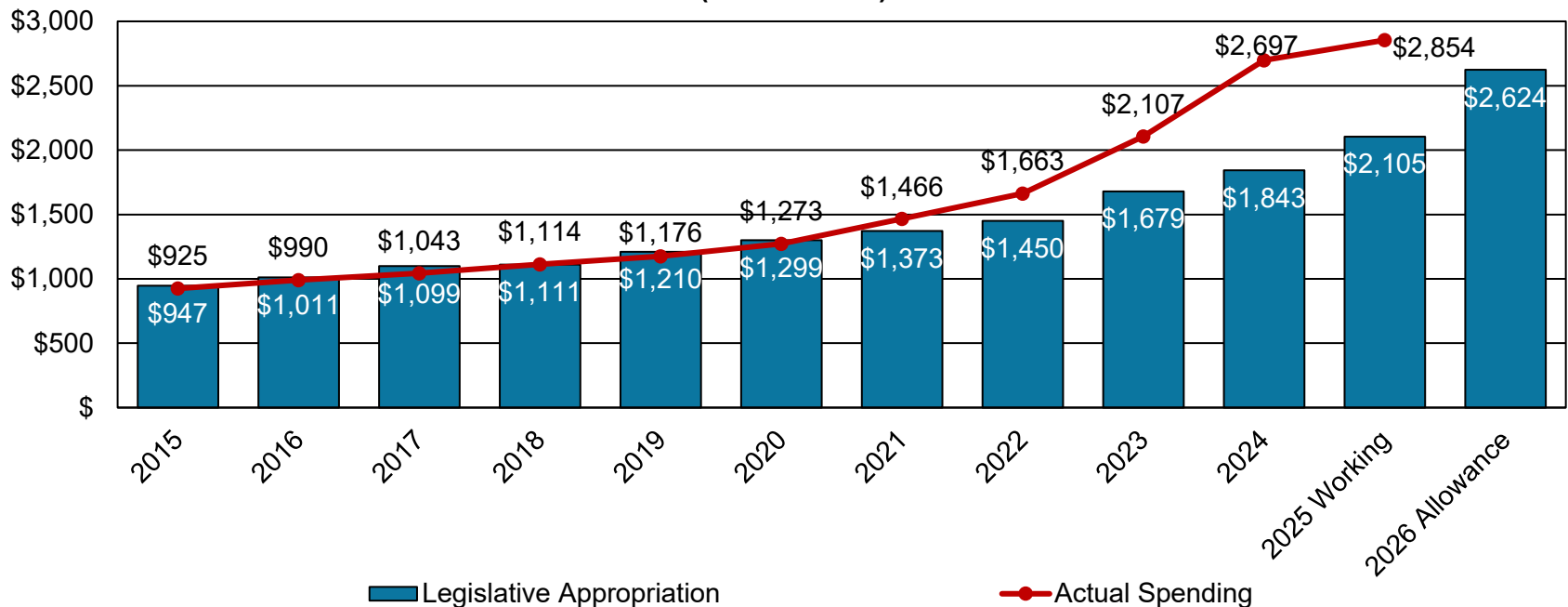


Note: Fiscal 2024 actual spending includes \$346 million in general fund spending that was covered with recoupments of bridge payments. Fiscal 2026 includes contingent reductions.



Community Services Spending

Total Legislative Appropriation and Actual Spending for Community Services
Fiscal 2015-2026
(\$ in Millions)

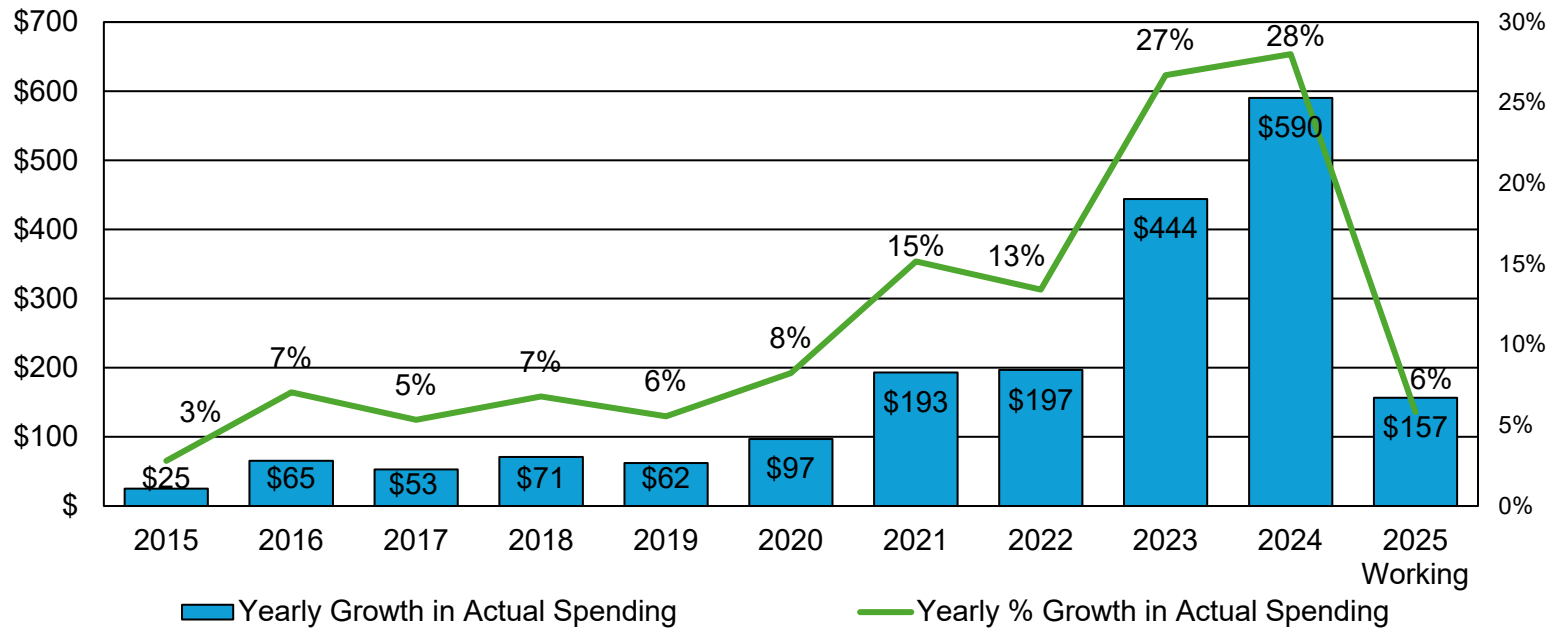


Note: Fiscal 2024 actual spending includes \$346 million covered with recoupments of bridge payments. Fiscal 2025 does not show actual spending and instead shows the working appropriation including approximately \$750 million in proposed deficiencies. Fiscal 2026 includes contingent reductions.



Growth in Community Services Spending

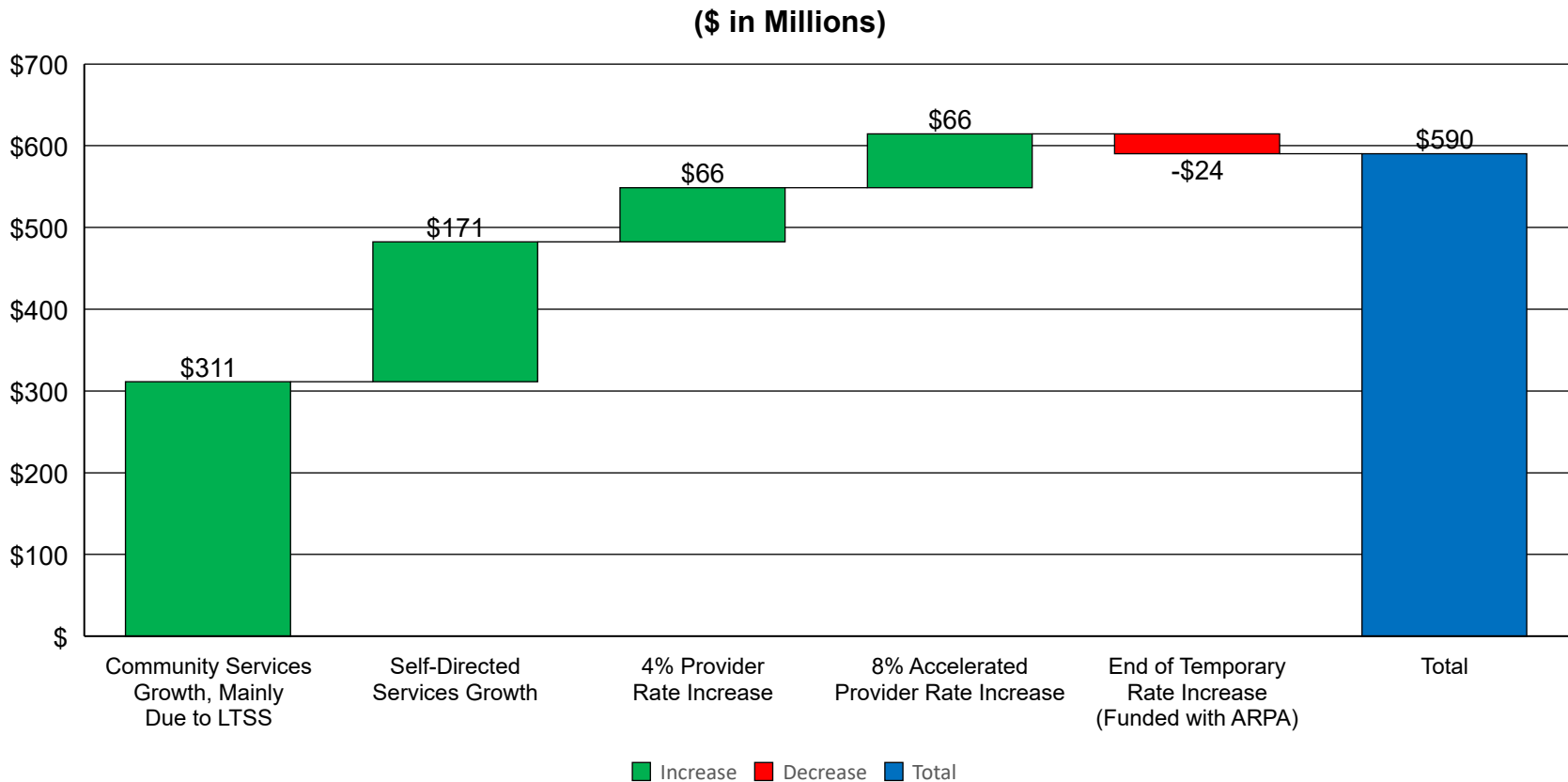
Yearly Growth in Actual Spending for Community Services
Fiscal 2015-2025
(\$ in Millions)



Note: Fiscal 2024 actual spending includes \$346 million covered with recoupments of bridge payments. Fiscal 2025 does not show actual spending and instead shows the working appropriation including approximately \$750 million in proposed deficiencies.



Components of Fiscal 2024 Growth



ARPA: American Rescue Plan Act
LTSS: Long Term Services and Supports



Long Term Services Support Transition

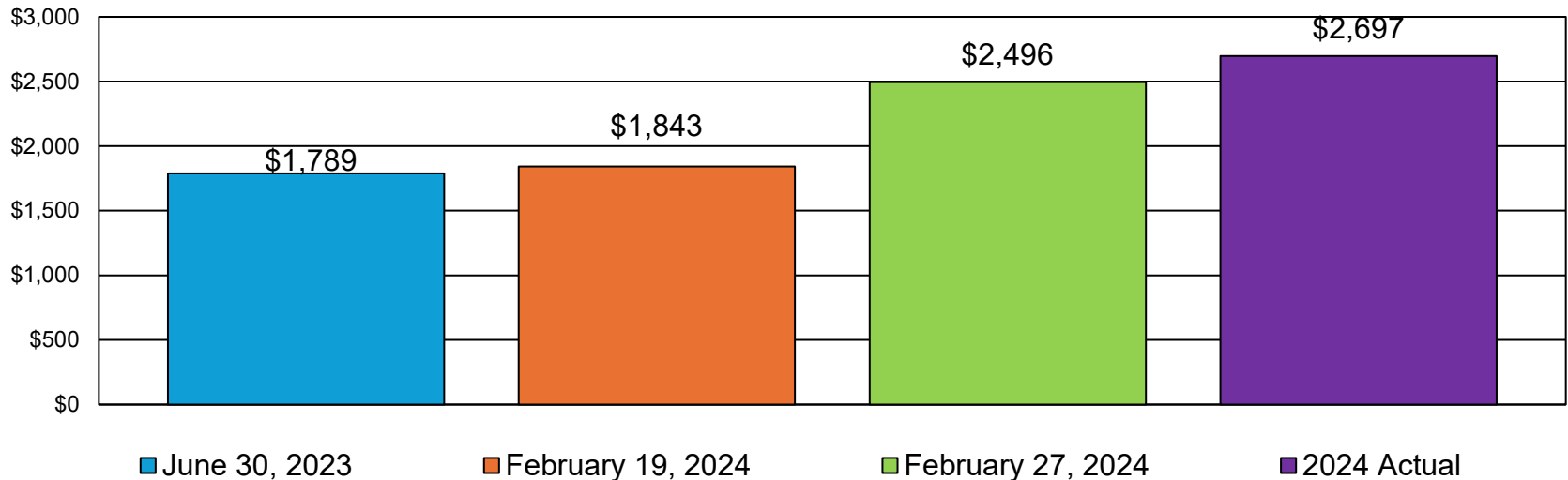
- As of September 2024, providers completed a transition from a prospective payment model to a fee-for-service reimbursement model in Long Term Services and Supports (LTSS)

Group	Transition Dates	Providers	
Initial Pilot	December 2019	10	
Early Adopter	July-October 2021	5	
Pilot 2A	April-June 2022	21	
Pilot 2B	July-September 2022	34	
Main Phase 3A	January-April 2023	29	
Main Phase 3B	May 2023-February 2024	144	
Remaining	March-September 2024	70	



LTSS Spending Forecasts

Maryland Department of Health Spending Forecasts of Long Term Services and Supports Costs for Fiscal 2024 Calendar 2023-2024 (\$ in Millions)

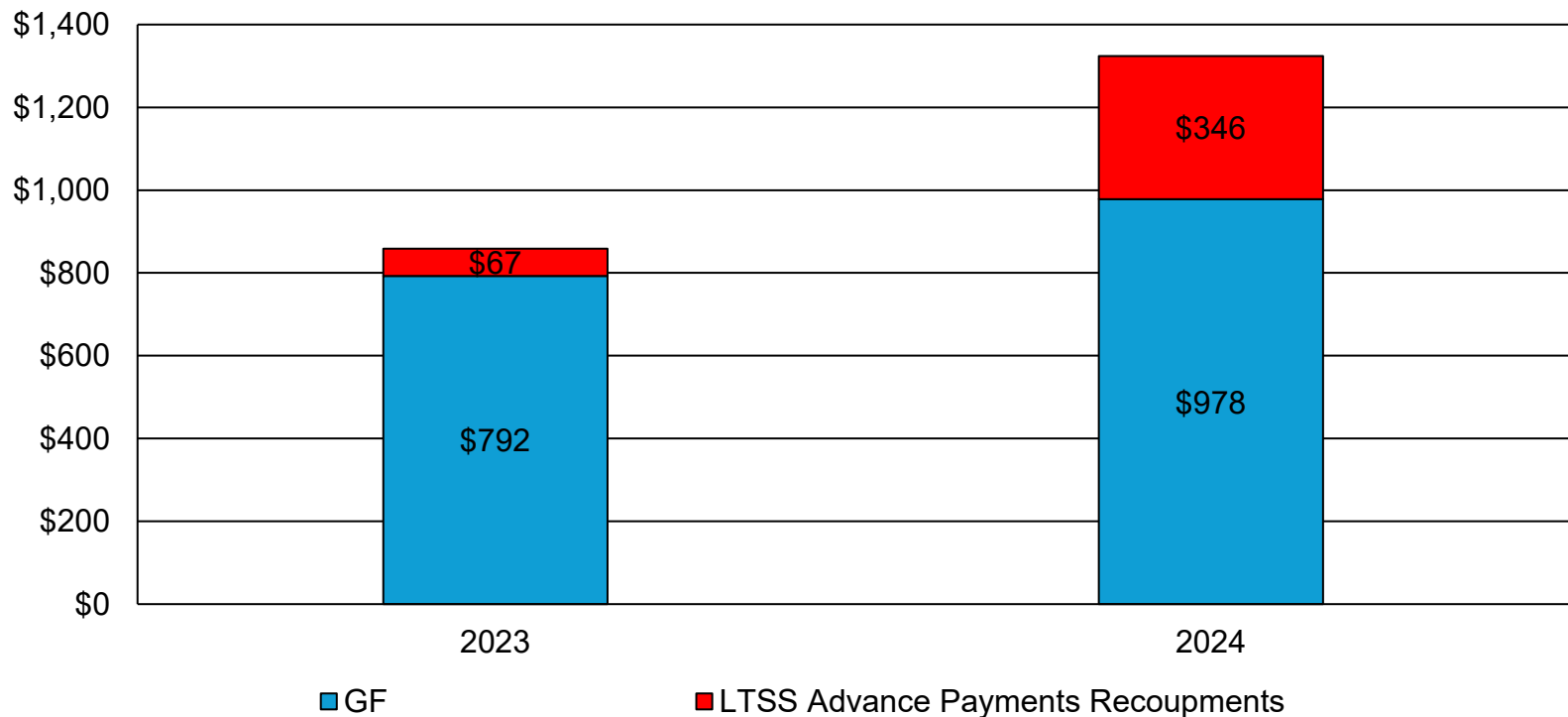


- Claims are approximately 18% higher in LTSS than in the prospective payment model for Meaningful Day and Residential Services
- Actual spending for community services costs for fiscal 2024 through the LTSS transition surpassed spending forecasts by \$908 million



Bridge Payments

General Fund and LTSS Advance Payment Recoupments
Fiscal Year 2023-2024
(\$ in Millions)



GF: General Fund

LTSS: Long Term Services and Supports



Cost Containment Actions

	Fiscal 2025	Fiscal 2026
Reasonable and Customary Wage Modification	-\$36.5	-\$146.1
Geographical Differential Elimination	-56.0	-112.0
Dedicated Hours Utilization Policy Change	-54.2	-108.5
Self-directed Services Cap on IFDGS*	0.0	-29.0
Direct Transitioning Youth into the Traditional Model	0.0	-19.2
Wage Exception Process Elimination	-4.7	-18.9
State Only Funded Services Reduction	-3.1	-13.1
Low Intensity Supports Services Program Elimination *	-5.5	-11.1
Waiting List Equity Fund Swap*	0.0	0.0
Total	-\$160.1	-\$457.8

IFDGS: Individual and Family Directed Goods and Services

*Contingent on the Budget Reconciliation and Financing Act (BRFA) of 2025.

Note: The Waiting List Equity Fund (WLEF) swap decreases general funds by \$15 million and increases special funds by the same amount contingent on a BRFA provision that expands the uses of the WLEF.



Main Takeaways

- Forecasts of costs under LTSS were inaccurate, in addition to DDA policies providing significant enhancements to providers
- This led actual spending to greatly surpass the legislative appropriation in recent years, and the significant fiscal 2024 shortfall was not reported to the Department of Legislative Services (DLS) at closeout
- **DLS recommends that DDA report monthly actual spending to the budget committees and for a workgroup including DLS, the Department of Budget and Management, and DDA to form to develop consistent and robust data sharing**



Developmental Disabilities Administration Session 2025 Brief

Maryland Department of Health

January 23, 2025

Agenda

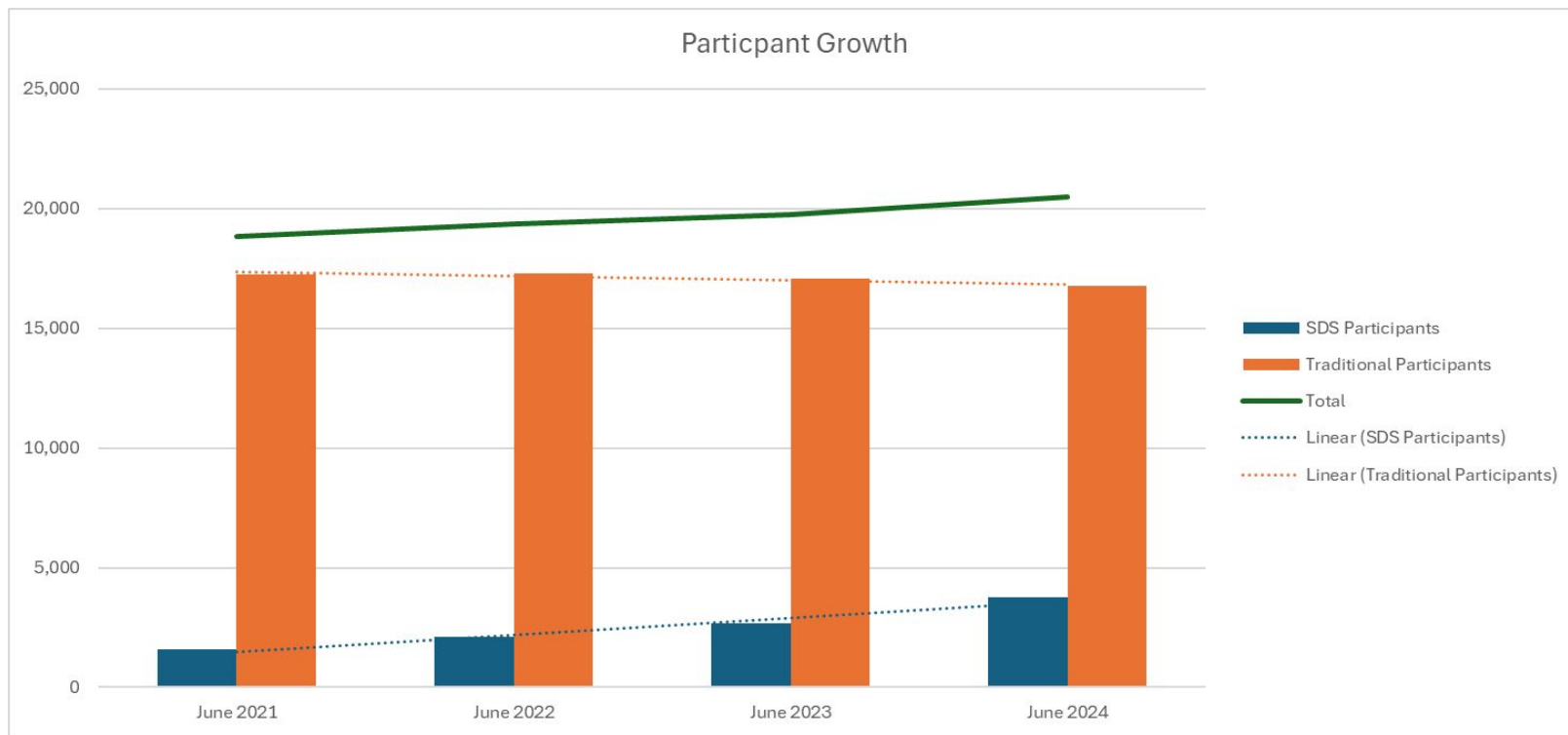
- Background and Program Enrollment
- Cost Drivers
- FY 2024 Closeout Actuals
- Budget Actions
- Next Steps

Background & Program Enrollment

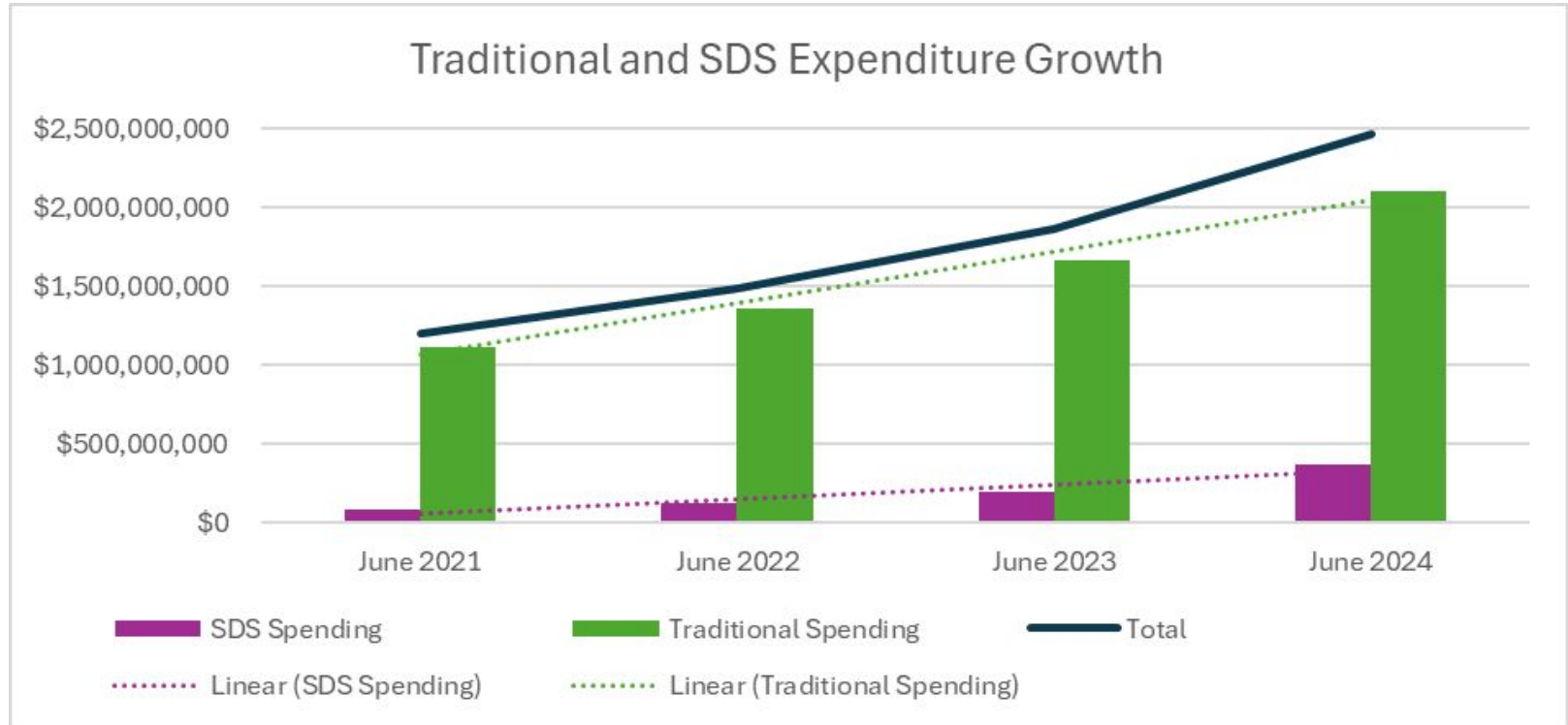
DDA Overview

- Currently operates 3 Medicaid waiver programs
 - Community Pathways Waiver (CPW), Community Supports Waiver (CSW), Family Supports Waiver (FSW)
- 2 Service Delivery Models
 - Traditional & Self-Directed Services
- Mission: create a flexible, person-centered, family-oriented system of support so that all people have the opportunity to thrive.

DDA Participant Growth

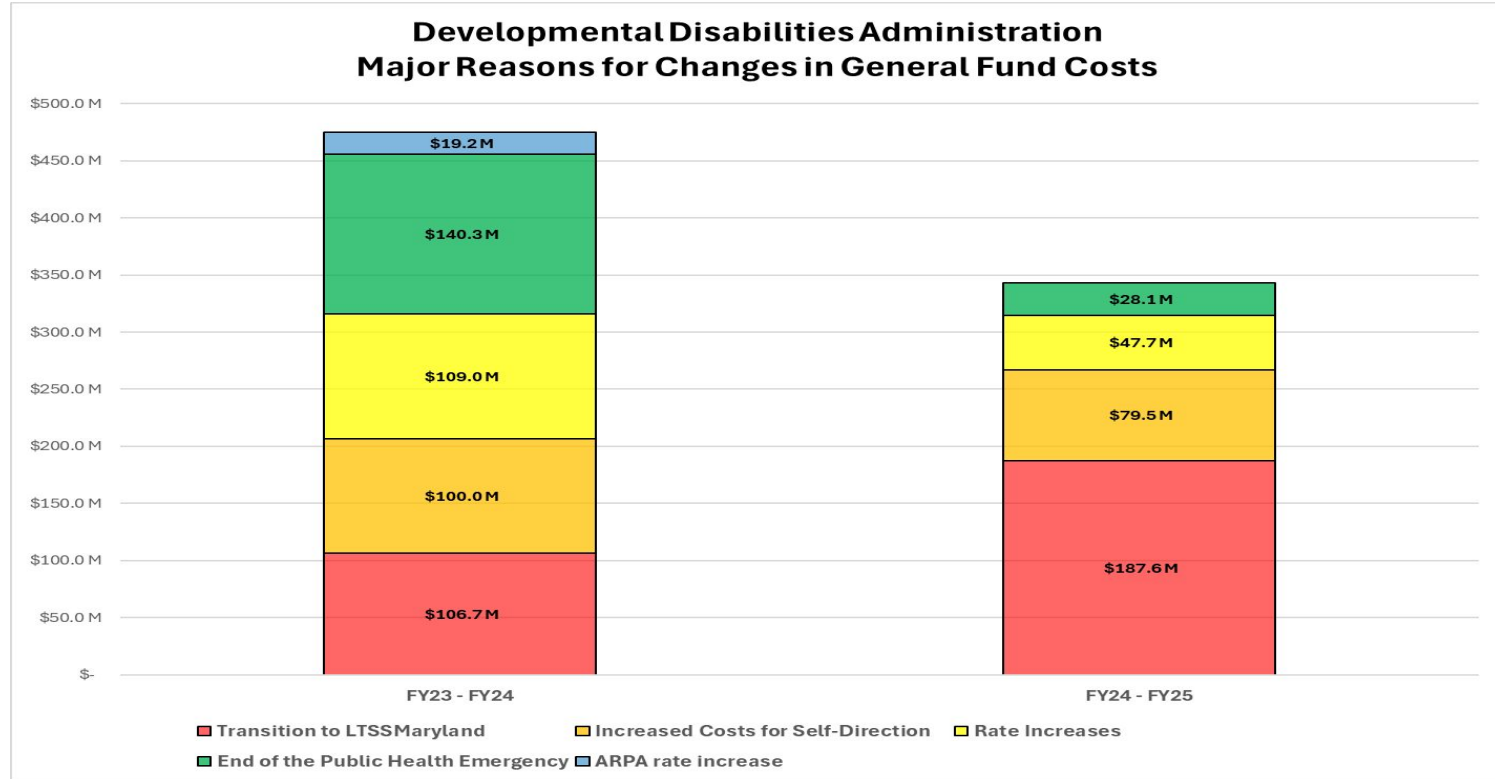


DDA Traditional and SDS Expenditure Growth Compared to Overall Expenditure Growth (Total Funds)



Cost Drivers

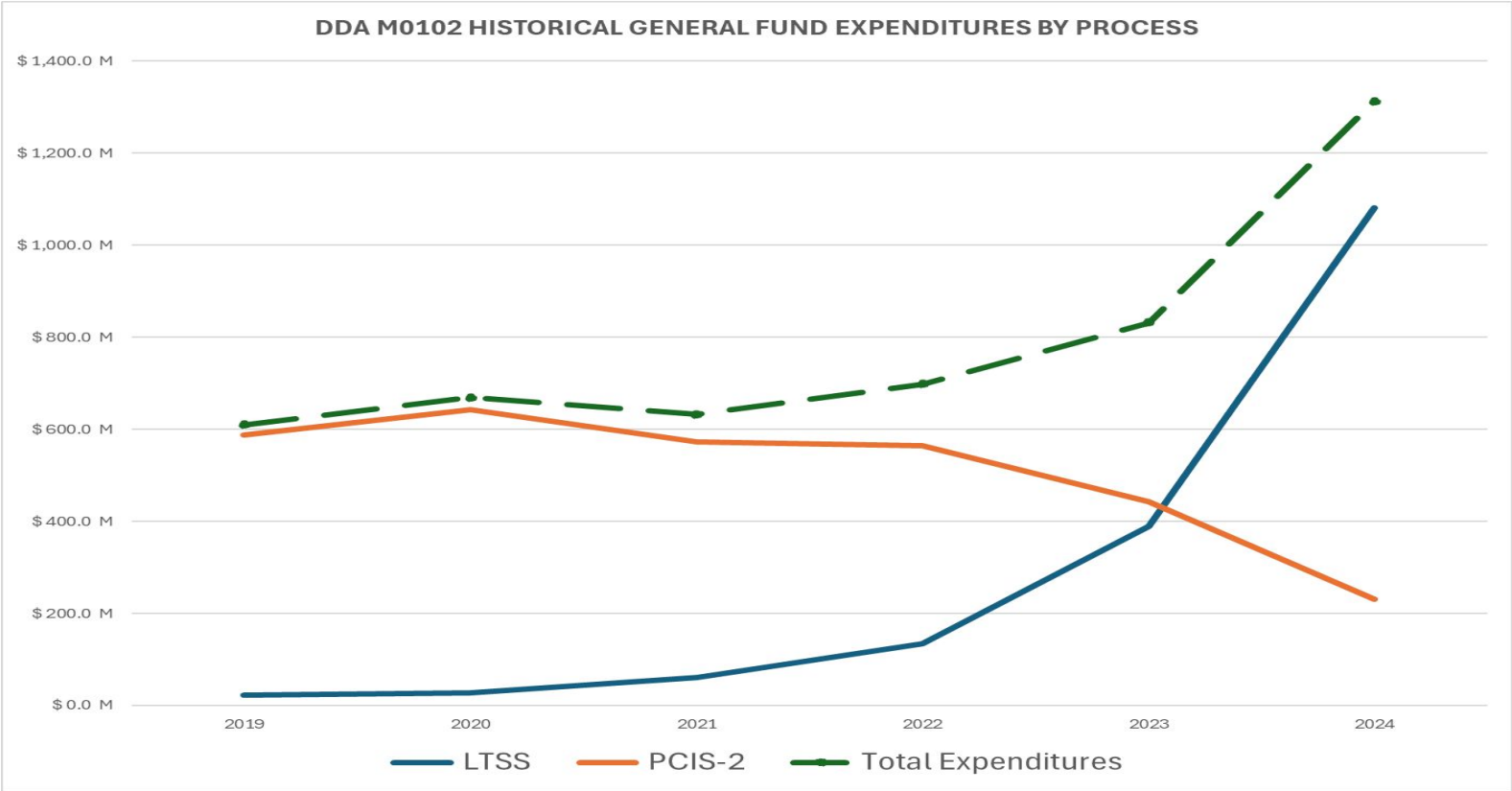
Drivers of Expenditure Increases



Transition of Payment Systems

- Transition from a prospective payment system (no longer in use) to a fee-for-service payment system.
- Prior to FY 2025, providers were paid advances and then reconciled at a later date based on actual claims.
- Current system reimburses providers based upon claims as services are rendered.

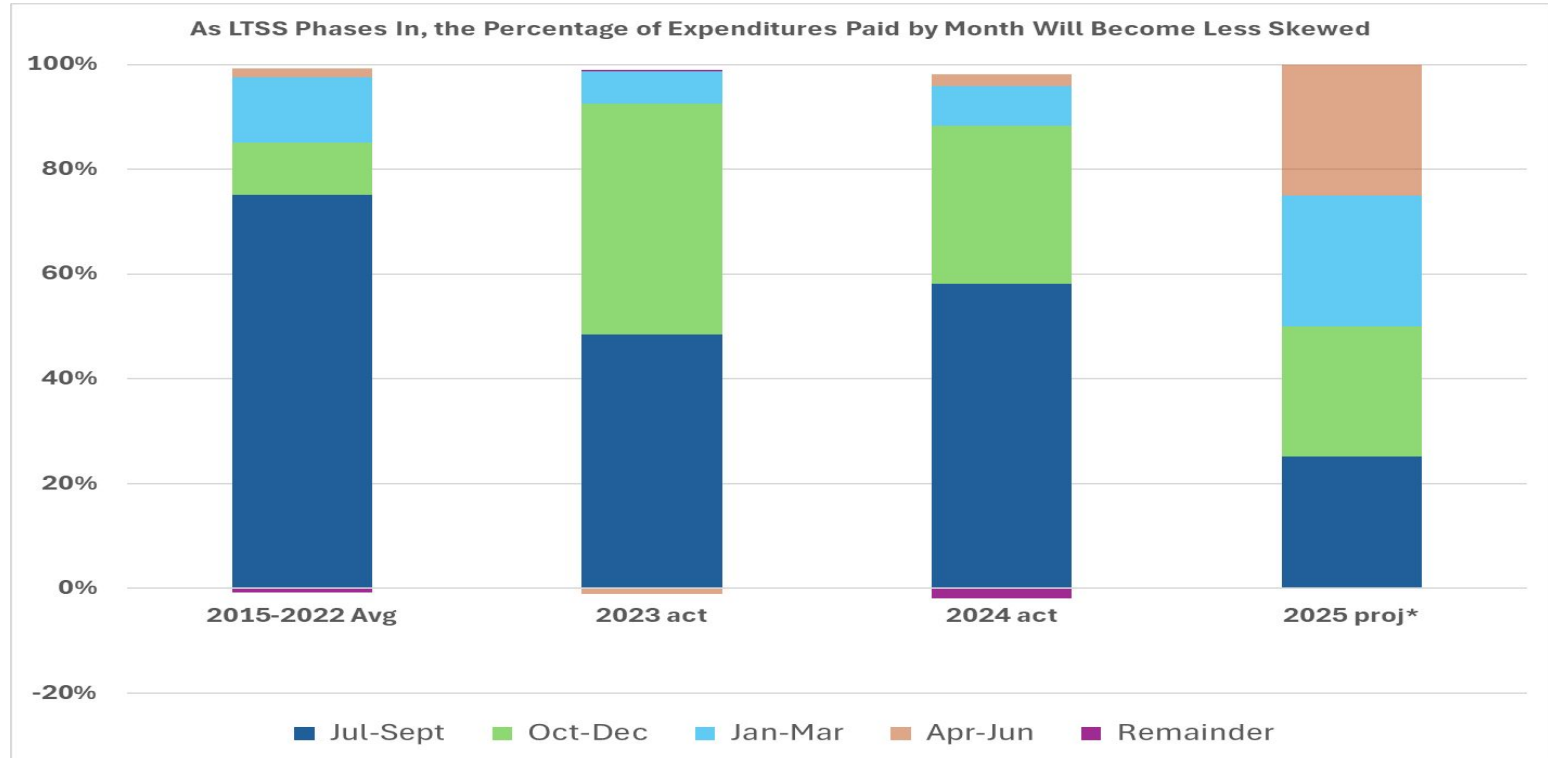
General Fund Expenditure by Payment System



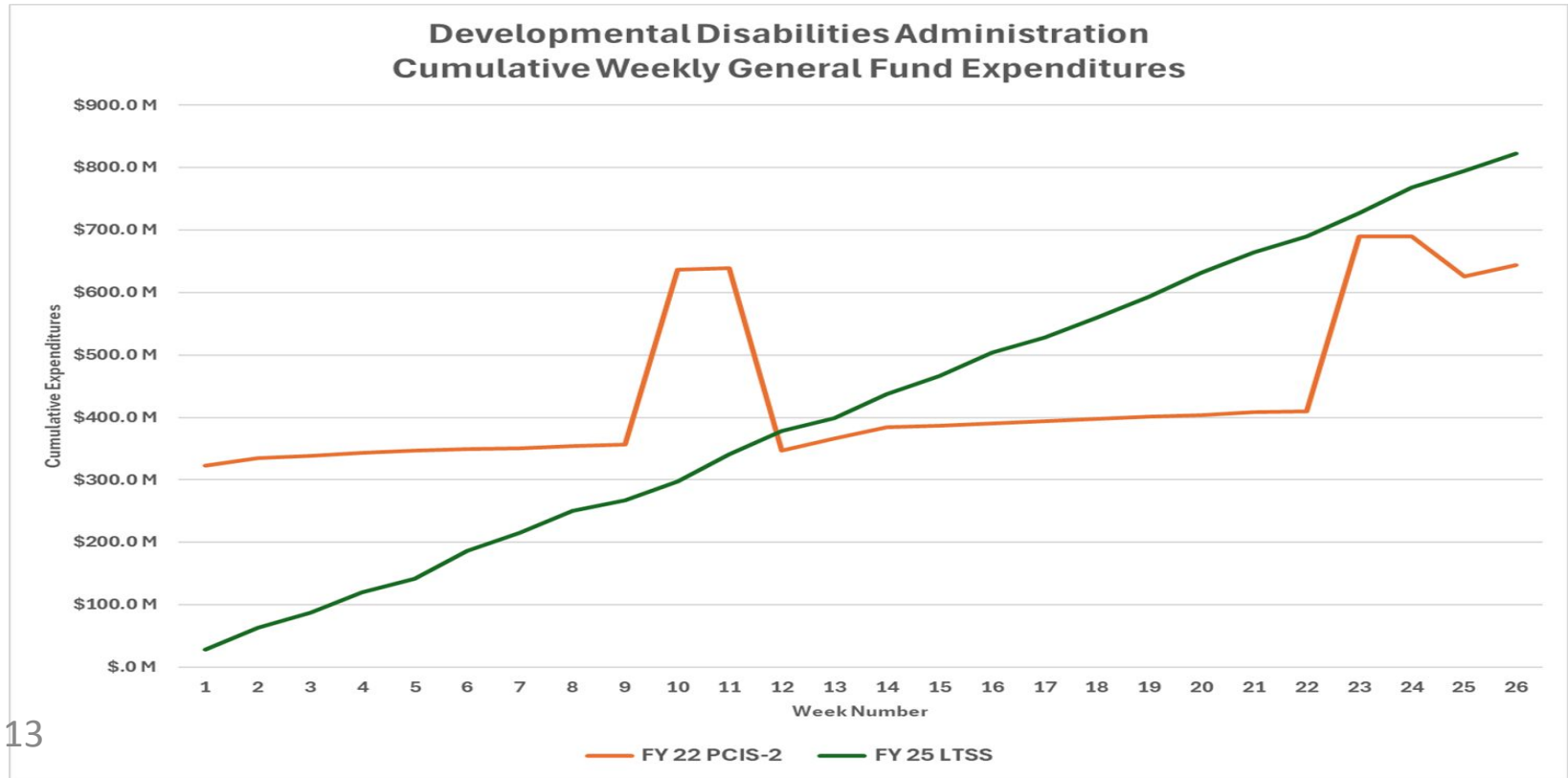
Benefits of New Payment System

- Additional Service and Billing Flexibilities for Providers and Participants
- Enhanced Quality of Services
- Supports the Person-Centered-Planning process
- Enhanced Claims Reporting to support Provider operations and planning
- Ninety-Six (96) Percent Payment Rates in Real Time

Greater Expenditure Predictability in LTSS



FY 2022 vs FY 2025 Weekly General Fund Spend



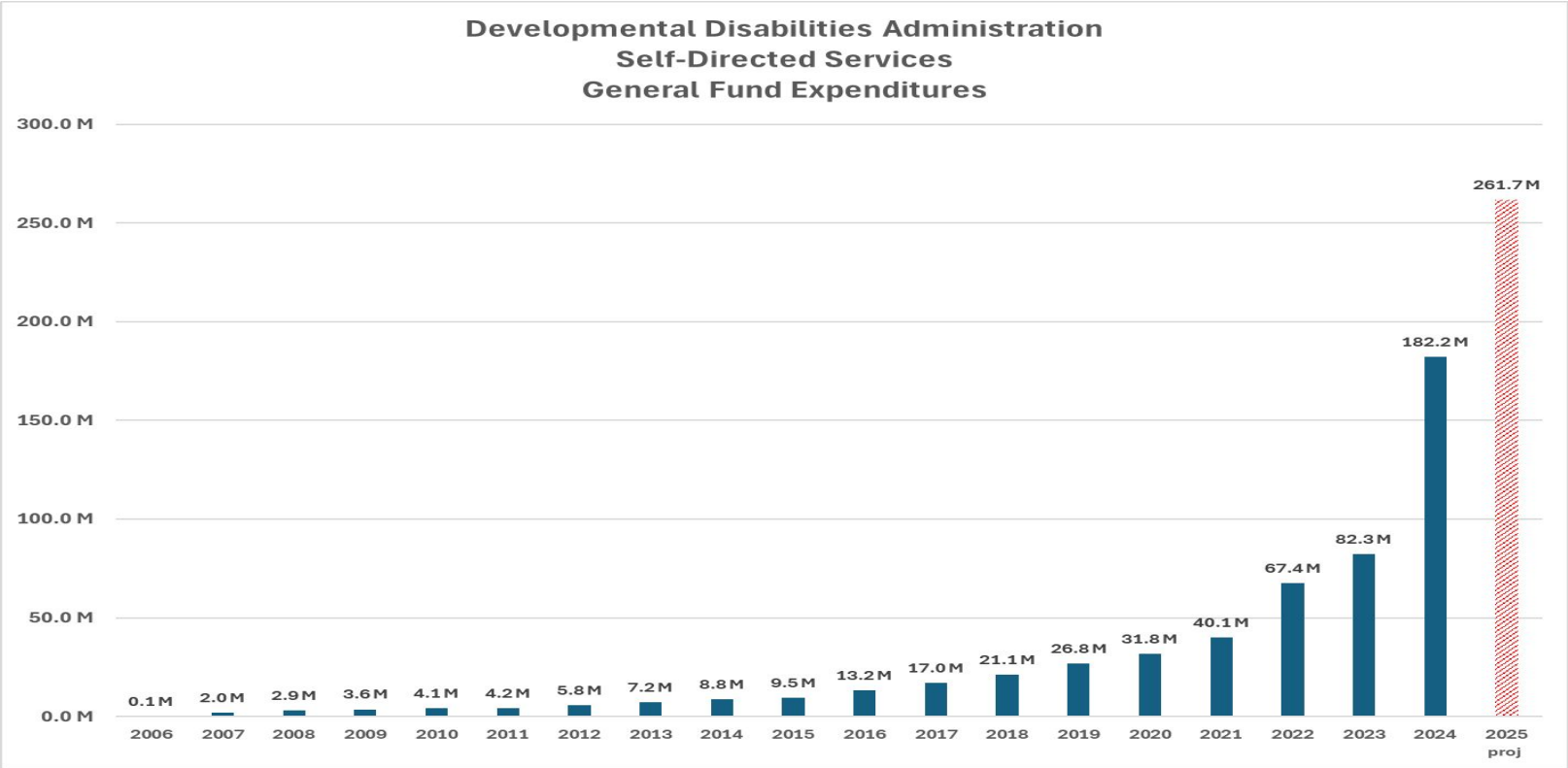
End of The Public Health Emergency

- Enhanced Federal Match Wind down

Fund Type	Enhanced Federal Match	Standard Match
General Funds	43.8%	50%
Federal Funds	56.2%	50%

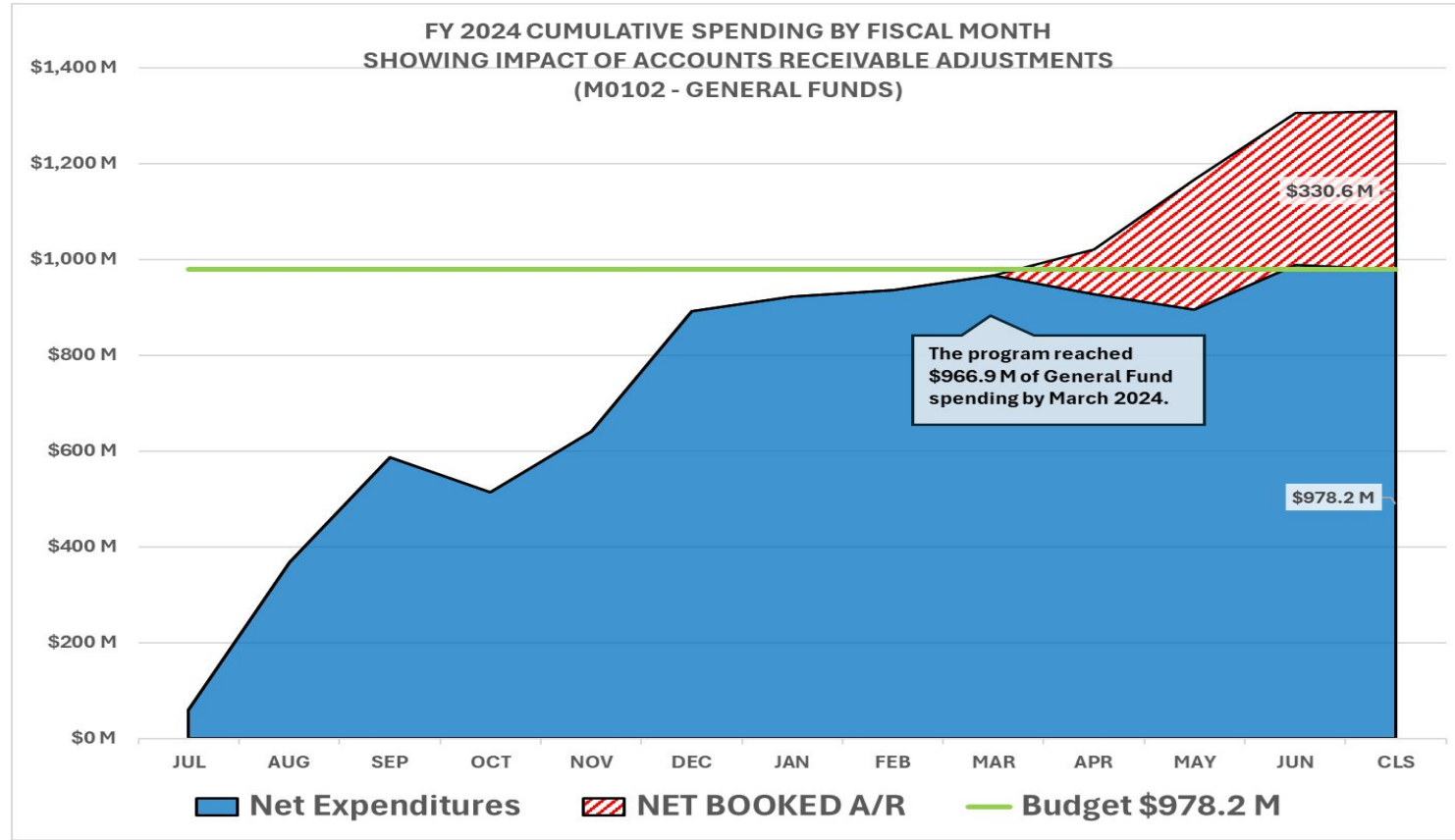
- \$140.27M in General Fund Expenditures (FY24)
- ARPA 5.5% Rate Increase
 - Fiscal Year 2021: 5.5% rate increase funded by ARPA
 - Starting Q4 FY 2024, State Funds support this increase
 - \$19.2M in General Funds (FY24)

Historic Self-Directed Services General Fund Spending

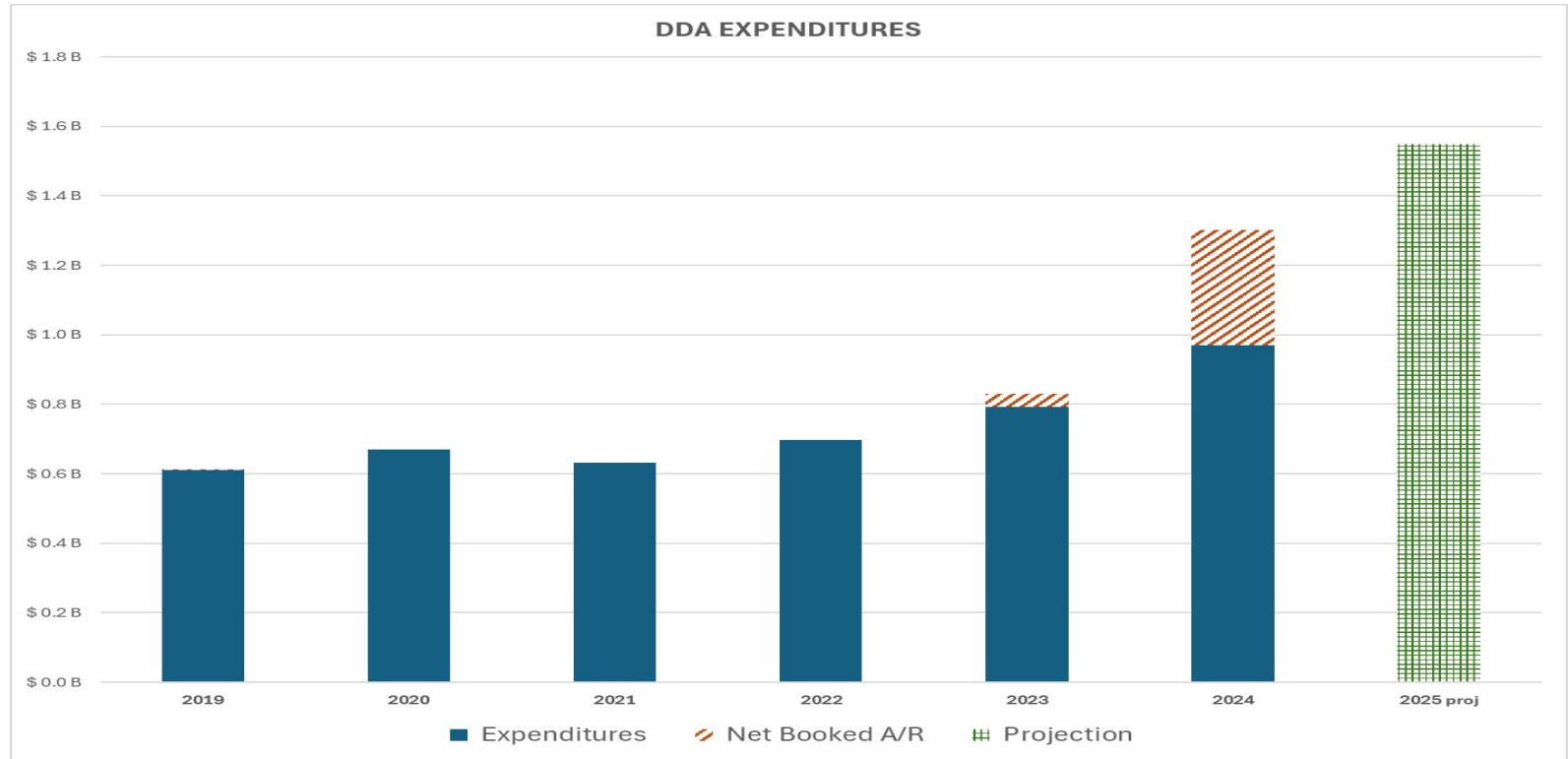


Fiscal 24 Closeout

Fiscal Year 2024 Actuals by Month



FY 2019 - FY 2024 Actuals, FY 2025 Working General Fund Appropriation



Proposed Allowance & Next Steps

Budget Actions FY25/FY26

- Reasonable and Customary Wages
- Elimination of Wage Exception
- Elimination of Geographic Differential Rates
- Change Policy to Dedicated Hour Utilization
- BRFA Language - Suspend Low Intensity Support Systems (LISS)*
- BRFA Language for SDS*
- BRFA Language - Immediately Expend Waiting List Equity Fund*
- State Funded Services Reassessment
- Direct Transitioning Youth from Self-Directed Services to the Traditional Model

20 *Contingent on BRFA passage

Next Steps

- Expand the Medicaid Consensus meetings to include DDA
 - Met with DLS Wednesday, January 22
- Established with DBM and DLS appropriate data pulls and at what intervals

Questions

Thank you