

# **Senate Finance Committee**

*Senator Pamela Beidle, Chair*  
*Senator Antonio Hayes, Vice-Chair*

**Thursday, January 29, 2026**

## **Agenda**

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**1:00 p.m.**

### **Briefing on Carelon Issue and Medicaid Update**

#### **Maryland Department of Health**

- Perrie Briskin, Deputy Secretary, Healthcare Financing & Medicaid Director
- Alyssa Lord, Deputy Secretary, Behavioral Health



**Maryland Medicaid and Behavioral Health Administration**  
**Behavioral Health Administrative Services Organization (BHASO)**  
**Updates**

**Senate Finance Committee**  
**January 29, 2026**

# Agenda

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1. BHASO Background
2. Challenges
3. 2025 in Data
4. 2026 and Beyond

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# BHASO Background

# Background

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- In January 2023, the Maryland Department of Health (MDH) issued an RFP for a **Behavioral Health Administrative Services Organization (BHASO)** to manage authorizations, claims, provider management, and compliance for the public behavioral health system.
- On February 14, 2024, the **Board of Public Works approved Carelon Behavioral Health** as the next BHASO, based on its technical expertise and experience.
- **Carelon took over BHASO responsibilities from Optum**, whose contract term ran from January 1, 2020, through December 31, 2024.
- Claims processing **transitioned to Carelon on December 22, 2024**;
  - Optum issued its final check run on December 29, 2024.
- On January 1, 2025, customer service, provider/participant digital platforms, and call routing transitioned to Carelon;
  - Carelon issued its first check run on January 6, 2025.

# Transition Activities

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Starting in early 2024, MDH put in **significant work** to transition **from Optum to Carelon** and stabilize the BHASO.

## **Pre–Go-Live (prior to 1/1/2025 go-live):**

- Multi-year historical data ingestion and archival loading from the prior ASO
- Estab. of security controls, access protocols, and implementation foundations
- Initial definition of core business requirements
- User / scenario testing
- Configuration of authorization and claims processing logic

## **Post–Go-Live Stabilization:**

- Ongoing refinement of authorization rules and claims business logic
- Transition from initial configuration to operational optimization
- Daily provider office hours and continued remedial trainings to support transition
- Intensive coordination and oversight of implemented business requirements
- Standing MDH–Carelon meetings across operations, finance, provider relations, and clinical areas to support stabilization

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# Challenges

# Challenges Overview

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Since going live on January 1, 2025, there have been **challenges faced by the BHASO across five key areas:**

1. Claims Payments
2. Customer Service
3. Audits
4. Specialty Provider Configuration
5. Data & Reporting

MDH has worked diligently to **hold Carelon accountable** while **working with Carelon and providers to make significant improvements** and reach greater system stabilization.

# 1. Claims: Inventory Stabilization

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- At go-live, **Carelon inherited 93k pending claims** while continuing to process **Maryland's average volume of ~1.1M claims per month.**
- Through **targeted configuration, automation, and logic updates** reduced key drivers that caused claims to “pend for review” resulting in **faster processing during this first year.**
- Stabilization efforts focused on **reducing all open inventory and improving processing timeliness** while maintaining daily operations through increasing Carelon resources.

*These efforts resulted in, as captured in the Inventory & Aging slide for trend and endpoints, as of December 31, 2025:*

- All inventory reduced from a peak of 437,102 claims in March to 163,566 claims in December
- All aged, >30-day, inventory reduced from a peak of 138,081 claims in April to 4,573 claims in December 2025.

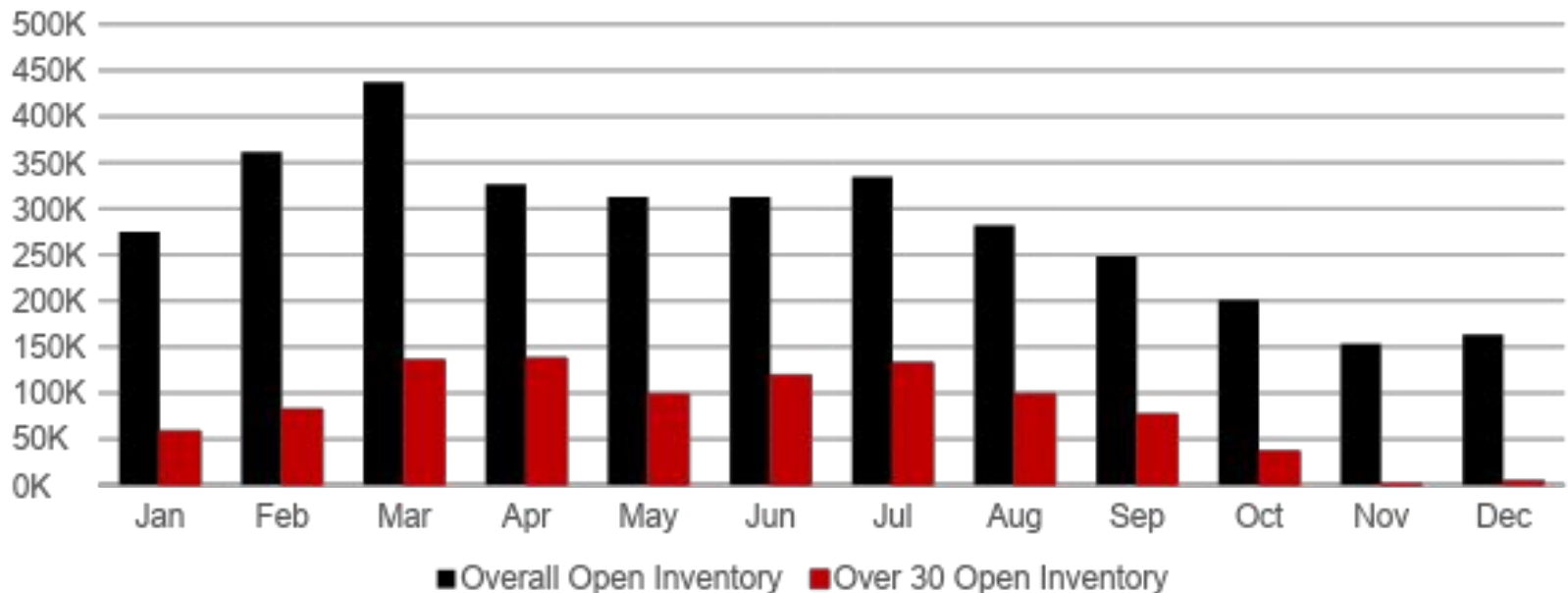
# 1. Claims: Burndown in 2025

**63% Reduction in CY25  
total open inventory**

437,102 (Mar peak) → 163,566 (Dec)

**97% Reduction in CY25  
>30 day open inventory**

138,081 (Apr peak) → 4,573 (Dec)

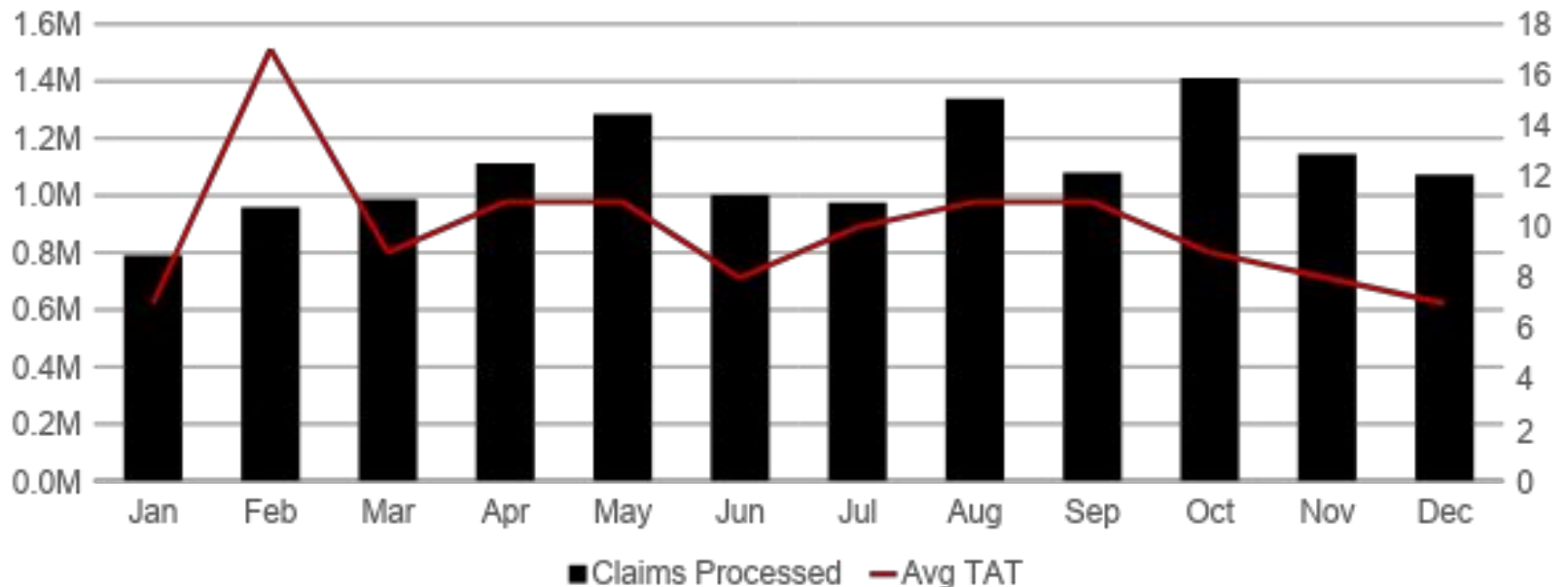


Footnote: Snapshot taken on the last Saturday of each month

# 1. Claims: Throughput and Timeliness in 2025

**Total Claims processed  
in CY25: 13.1M**  
Avg 1.1M per month

**Average Turnaround  
Time (TAT) in CY25:  
9 Days**  
(Q1 – Q4 28% improvement)



# 1.Claims: Hospitals Update (1/4)

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## Issue: 4 major Maryland hospitals raised key concerns:

### Background:

- Hospital claims are complex, containing many data elements requiring higher-touch review stemming from institutional billing rules and validation requirements needed for accurate adjudication.
- During this first year of a new BHASO, hospitals experienced payment delays and higher than anticipated denials for reasons including:
  - Variation in Medicaid business rules from Carelon's standard implementation across their business
  - Implementing accurate claims management specific to Maryland's carve out of Specialty Behavioral Health services

### Solution:

- Recurring individual hospital meetings were initiated, and continue today, to reconcile claims processing, clarify policy, and monitor progress of outstanding claims.
- As issues are remediated, Carelon re-processes claims for **all** hospitals that would have been impacted from a business rule clarification.

# 1.Claims: Hospitals Update (2/4)

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As a result of joint meetings between Carelon and MDH, remediation included some system reconfiguration within Carelon's system logic for claims reprocessing.

*Summary of results for the 4 Major hospitals:*

- All inventory **reduced** from a peak of 26,245 claims in April to 7,978 claims in December.
- All aged, >30-day, inventory **reduced** from a peak of 13,936 claims in April to 422 in December.
- Improved turnaround time: Average **reduced** from a peak of 25 days in July to 11 days in December.
- Corrected Denials: Claims that had been denied were reassessed against the business rules resulting in Carelon reconfiguring its system logic to reprocess claims:
  - ~4.9K hospital claims reprocessed/adjusted representing ~\$7.4M paid.
  - ~1.9K additional hospital claims identified and targeted for reprocessing
- Outstanding issue pending in progress configuration: NDC (National Drug Code)

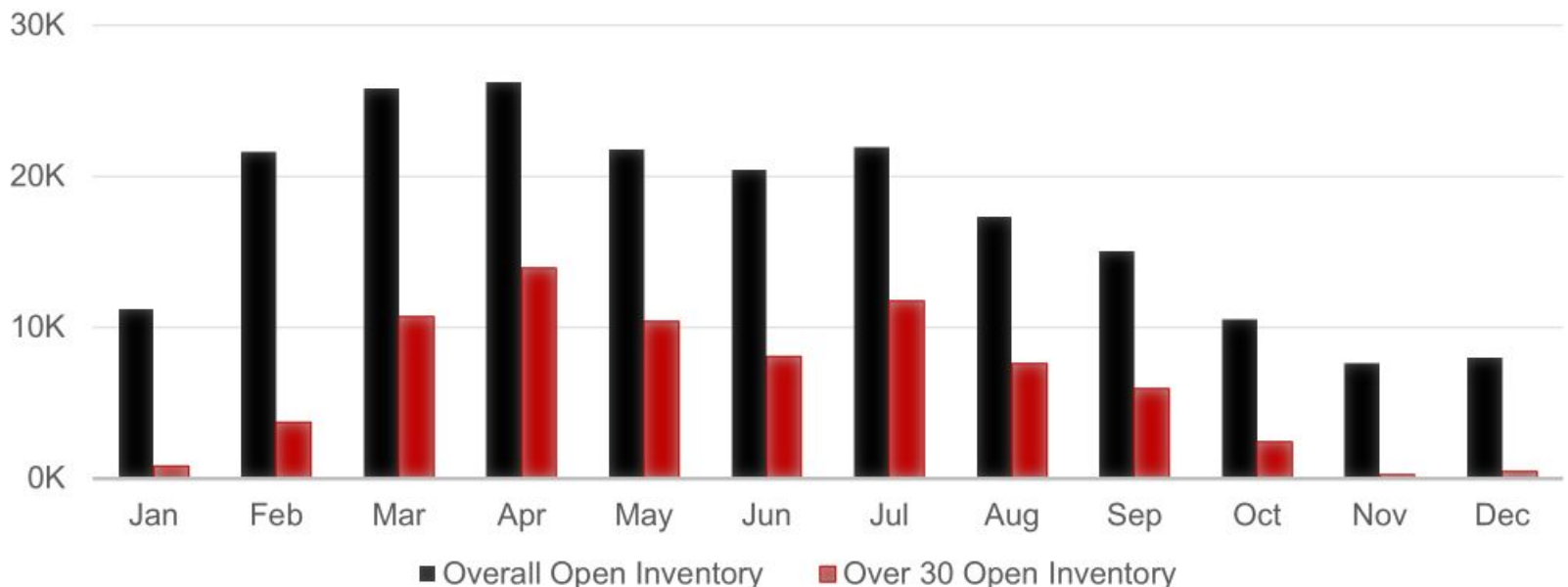
# 1. Claims: Hospital Burndown in 2025 (3/4)

**69% Reduction in CY25  
total open inventory**

26,245 (Apr peak) → 7,978 (Dec)

**97% Reduction in CY25  
>30 day open inventory**

13,936 (Apr peak) → 422 (Dec)

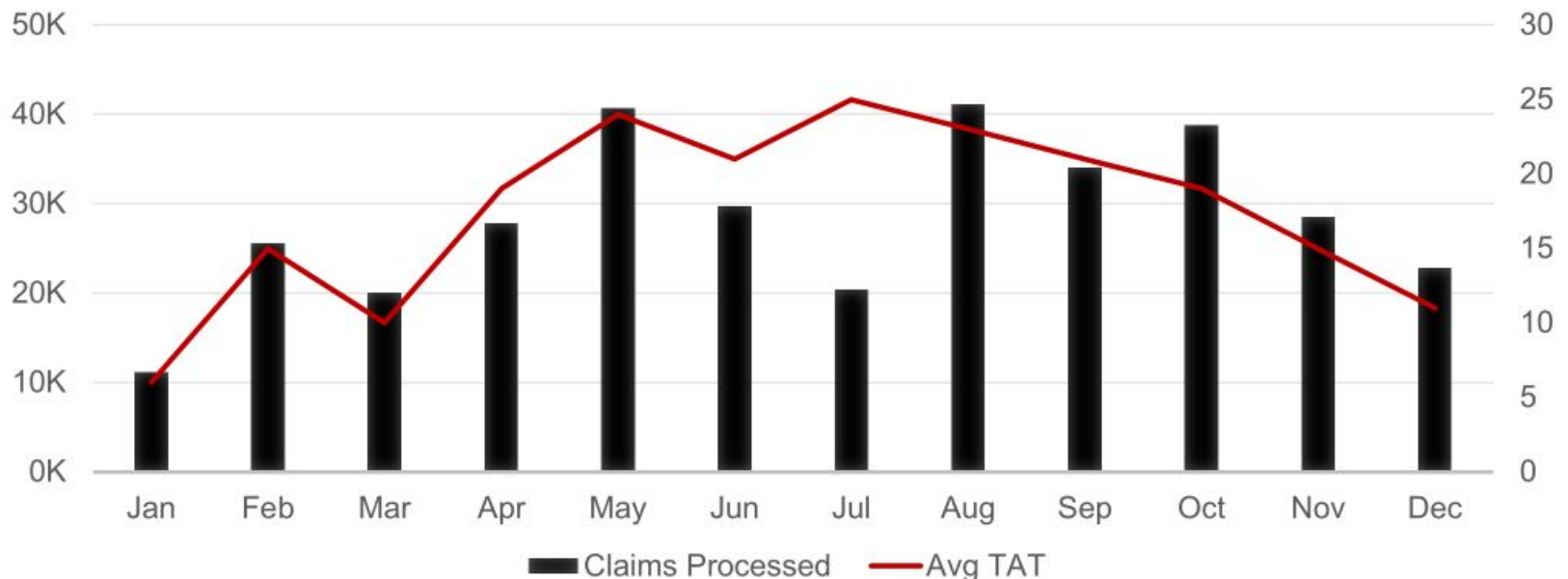


Footnote: Snapshot taken on the last Saturday of each month

# 1. Claims: Hospital Throughput and Timeliness in 2025 (4/4)

**Total Claims processed in CY25:**  
**340K**  
Avg 28K per month

**Average Turnaround Time (TAT) in CY25:**  
**19 Days**  
25 (Jul Peak) → 11 (Dec) 56% improvement



## 2. Customer Service: Provider Relations

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Providers encountered initial challenges in 2025 related to the adoption of a new system and the rollout of a compliant, regulated claims payment portal

- These changes resulted in a high volume of inquiries during the early transition period.
  - In 2025, Carelon Provider Relations received more than 260,000 inquiries.
  - By CY 2026, Carelon had approximately 6,200 open inquiries, representing a **97% reduction** in open issues and demonstrating progress in operational stabilization.
- Training was initiated early and often: To support providers through the transition and improve billing accuracy and system utilization, **Carelon conducted 161 trainings** focused on system navigation, specialty programs, and best billing practices. These efforts were designed to address recurring issues and reduce future inquiry volume.
- In addition to formal trainings, Carelon held **90 sessions of “provider office hours”** to allow for real-time questions, targeted education, and discussion of specific topics.

## 2. Customer Service: Call Center

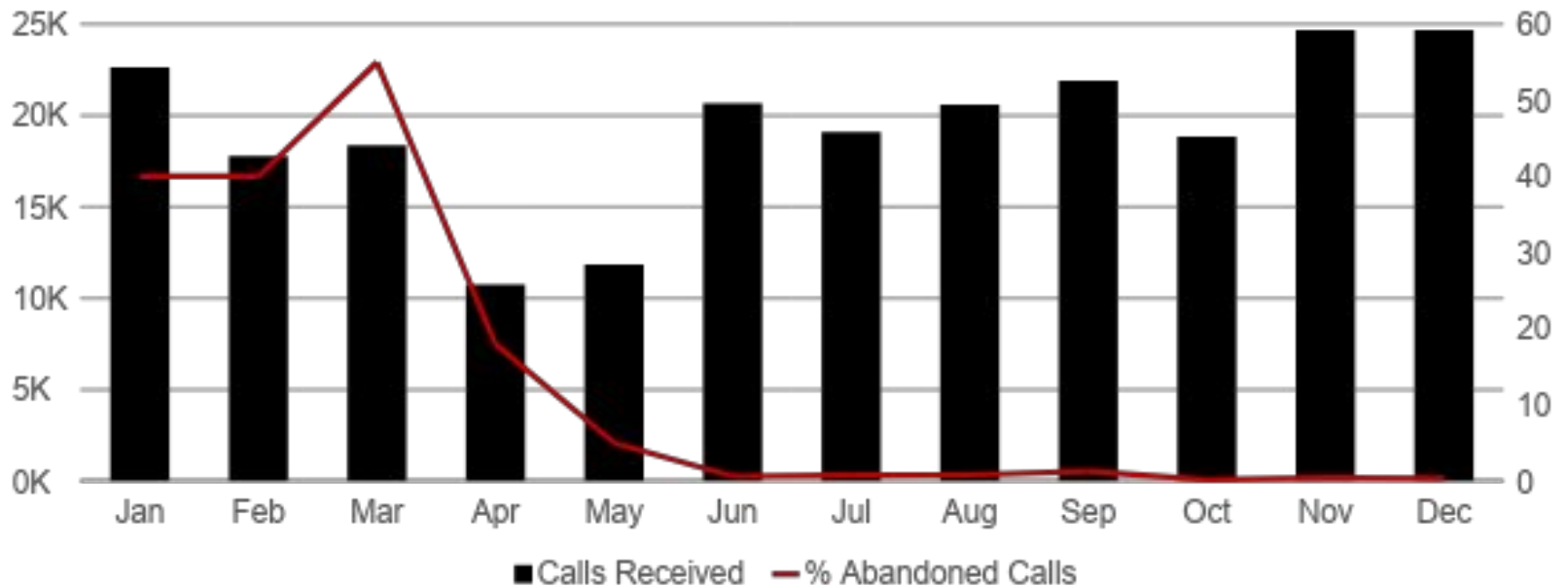
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- In 2025, Carelon Call Center **received more than 205,000** provider and member calls, **averaging over 1700 calls** per month.
- Themes included data transition issues with Optum which drove higher than anticipated call volume at launch.
- Carelon hired and trained **38 additional call center FTEs** who began supporting callers by the end of March, driving a **reduction in call abandonment** and handling time while maintaining responsiveness. This continued even after call volume increased later in the year with the reinstatement of authorizations.
  - Abandonment rate dropped from a peak of 55% in March to 0.3% in December
  - Average speed of answer dropped from a peak of 34 minutes in March to 10 seconds in December

## 2. Customer Service: Progress

### Call Abandonment Rate Decreased by 97%

% of calls abandoned  
55% (March peak) → 0.3% (Dec)



# 2. Customer Service: Progress

## Average Speed of Answer

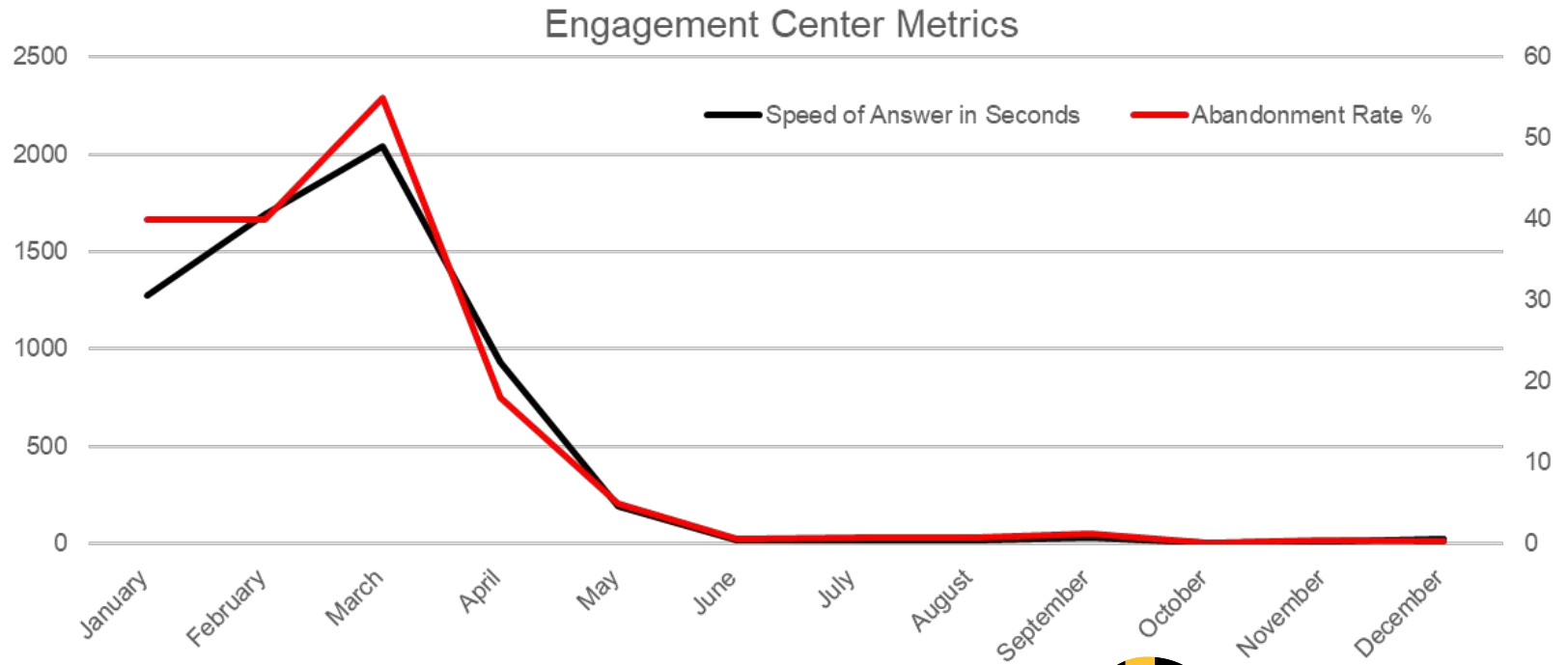
**99% Improvement**

Speed of Answer 2045s (March peak) → 10.6s (Dec)

## Call Abandonment Rate

**Decreased by 97%**

% of calls abandoned  
55% (March peak) → 0.3% (Dec)



# 3. Audits: Audits Completed

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- In the first year, MDH requested Carelon **prioritize system stabilization and provider transition** to new platforms. This allowed providers time to adapt to new processes which supports future audit activity.
- As the contract enters year 2, the availability of more complete and reliable data will enable Carelon to shift focus toward **broader system quality oversight** as well as traditional identification of Fraud, Waste, and Abuse.
- Beginning in July 2025, Carelon initiated a series of strategic **audits concentrated on areas of high-utilization**. Prioritized services experiencing growth, complexity, and importance within the system, requiring closer monitoring for compliance and quality.
- For CY 2025, Carelon **completed 231 audits** across multiple provider types. This metric was cut in half due to the first six months being focused on the transition efforts.
- With more mature systems and data processes, plans are in place for completing the 425 audits in CY 2026, supporting **more comprehensive oversight** and **continued improvement in system performance and program integrity**.

# 4. Specialty Provider Configuration

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- The PBHS includes provider types with unique configuration and business requirements which differ from standard Medicaid provider files.
- Between the implementation of Availity (multi-payer portal) and updates to the claims portal, these non-standard provider types **experienced unique challenges**:
  - Maryland RecoveryNet (MDRN) providers serving Medicaid and dually eligible recipients initially experienced difficulties submitting authorizations. Carelon **updated fund codes** which enabled providers to submit authorizations for eligible services.
  - Residential Crisis (RCS) providers experienced claim denials due to overlapping levels of care. Carelon **established a payment hierarchy** so the RCS claims would be paid and duplicative services would be correctly denied.
- Overall, while provider-specific configuration complexities delayed full stabilization, Carelon **invested additional operational and technical resources to resolve issues** and implement long-term system enhancements to support accurate authorization and claims processing.

# 5. Reporting: Challenges

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As of 2025, the data transition from Optum to Carelon is ongoing which impacts certain reporting capabilities:

- Data across two platforms: Legacy claims data are found in Optum's platform while Carelon data is accessed for current operations. A complete FY25 view requires combining data using consistent identifiers and rules.
  - A subset of Optum legacy claims did not load into Carelon's system during initial intake for various reasons, such as inability to match provider or member information.
- Work is progressing on data alignment and interpretation- full integrated in Carelon will yield all critical reports for the State and for managing the PBHS.

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# 2025 in Data

# CY 2025 Year-End System Snapshot

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## Claims

- **13.1M** total claims processed
- **\$3.2B** total provider payments
- **86.9%** processed within 14 days
- **91.2%** processed within 30 days
- **11.7%** denial rate
- **85.4%** fully paid rate

## Audits

- **231** provider audits conducted

## Call Center

- **10.6s** - Call Center Average Speed of Answer

## Clinical Authorizations

- **865,110** Mental Health Authorizations Received
- **312,859** Substance Use Disorder Authorizations Received
- **1,177,969** Authorizations Received
- **99.9%** - Average Authorizations Turn Around Time

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# 2026 and Beyond

# What To Expect in 2026

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## **Operational Enhancements & System Maturation:**

- Enhancements to provider portal functionality, including alerts for overlapping authorizations and discharge events.
- Refinement of authorization and service request logic for all providers.
- For hospitals, continue refinement of NDC handling and validation logic to support expedited claims processing.
- Publish electronic standard codes that explain denial reasons referred to as CARC/RARC - claim adjustment reason code/remittance advice remark code.
- Implement Interoperability Requirements in collaboration with MDH (federal requirement).

## **What does Steady State look like?**

- Claims and authorizations processed timely and consistently
- Maintain reduced provider and participant wait times
- Reporting produced on a cadence that meets all contract requirements
- Operations meeting contractual performance and compliance standards

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# Discussion



# Maryland Medicaid Updates Senate Finance Committee

January 29, 2026



# Agenda

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1. FY 27 Governor's Allowance Medicaid Overview
2. About Medicaid: What We Pay For and Why
3. Recent Medicaid Cost Drivers
4. One Big Beautiful Bill Act (OBBBA) Impacts
5. Priorities for 2026

# FY 27 Governor's Allowance Medicaid Overview

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# Budget Highlights: Key Investments

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## FY 27 Governor's allowance includes funding for OBBBA:

- Funding of \$1,363,926 GF to support OBBBA implementation.
  - Includes \$900,000 GF (\$1.8M TF) for communications contract related to OBBBA changes
- DBM has also earmarked \$2.5M of a Dedicated Purpose Account funds to support OBBBA implementation to support MHBE, MDH, DHS, and MD Benefits
- Funding to reclass vacant merit MDH positions realigned to Office of Eligibility Services to support OBBBA implementation and ongoing work related to redeterminations and work requirements

# Budget Highlights: Key Investments

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The Governor's FY27 allowance includes:

- **Long Term Services and Supports:**
  - Realigned \$3,915,311 GF funds to LTSS to support operations for the *LTSS Maryland* program application in the FY 27 allowance.
- **AHEAD:** Provides \$882,056 GF approved for Primary Care Quality IT infrastructure needed to implement the AHEAD model.
- **Additional funding** from restoration of \$15M SF in FY 27 from the Cigarette Restitution Fund (CRF), an additional \$8.4M GF CRF resources to Medicaid Somatic Services, and \$1M GF from Community Health Resource Commission Fund.
- **1.5% cost of living adjustment** for state merit employees. Salary equity adjustment made
- **No provider or benefit cuts** included in the Governor's FY27 allowance.

# FY26 Working Appropriation vs FY27 Governor's Allowance

Category	FY 26 Appropriation	FY 27 Governor's Allowance
	<b>Total Funds</b>	
Medicaid (03)	\$12,147	\$13,114
MCHP (07)	\$645	\$603
BH (10)	\$2,633	\$3,202
<b>Totals</b>	<b>\$15,425</b>	<b>\$16,919</b>
	<b>General Funds</b>	
Medicaid (03)	\$4,292	\$4,438
MCHP (07)	\$226	\$211
BH (10)	\$949	\$1,045
<b>Totals</b>	<b>\$5,467</b>	<b>\$5,694</b>

While the total from FY26 to FY27 increased by \$1.5B, the state portion only increased by \$227M due to the federal match the state receives.

*Note: Dollar amounts reported in millions*



# About Medicaid: What We Pay For and Why

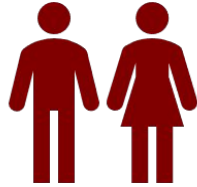
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# Who are Maryland Medicaid Members?



**727,817**

children  
under 21\*



**799,460**

adults 21  
and older\*



**239,591**

people living  
with disabilities\*



**63,093**

pregnant  
women†

We cover close to **1 in 2** children in Maryland (45%)‡

We cover more than **2 in 5** births in Maryland (42%)\*\*

**4 out of 5** members are enrolled in 1 of 9 managed care plans

**Notes:** \*Counts of children, adults, and people living with disabilities are based on monthly enrollment for June 2025 (DataPort).

†Counts of pregnant women are based on enrollment at any time in CY 2025 (DataPort) and include postpartum coverage.

‡The proportion of Maryland children under 21 covered by Medicaid based on monthly enrollment for July 2024 and population estimates for July 2024 from the Maryland Department of Planning. \*\*The proportion of Maryland births covered by Medicaid came from the KFF CY 2024 State Health Facts (<https://files.kff.org/attachment/fact-sheet-medicaid-state-MD>).

# Who are Maryland Medicaid Providers?

130,091

Total Enrolled Providers



12,133

primary care



6,439

behavioral  
health



3,005

dental care



57

hospitals



221

nursing  
facilities



28

FQHCs

Providers received over **\$17 billion** in  
Medicaid payments in FY 2025\*

\*Includes DDA payments.

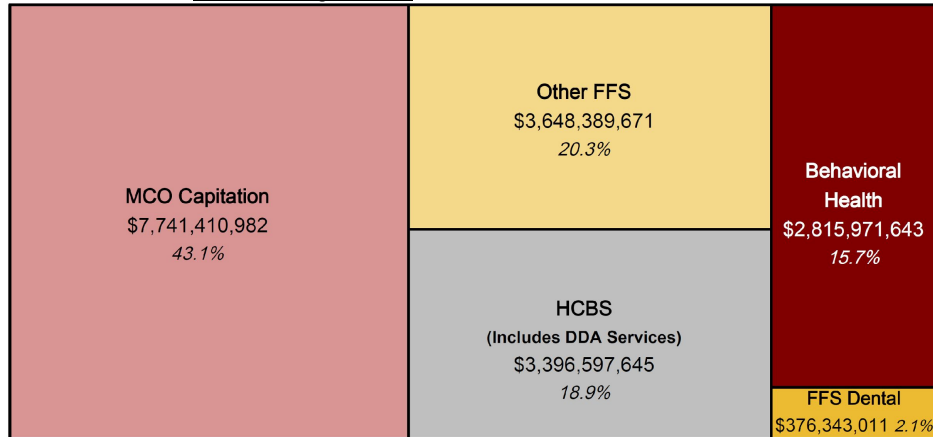
Notes: This data is provided by the Office of Medicaid Provider Services and is compiled from the Medicaid MMIS

# Historical Spending by Delivery System

Total spending **increased 5%** from FY 24 to FY 25, driven primarily by increases in **HCBS (+21%)** and **Behavioral Health (+14.2%)** spending.

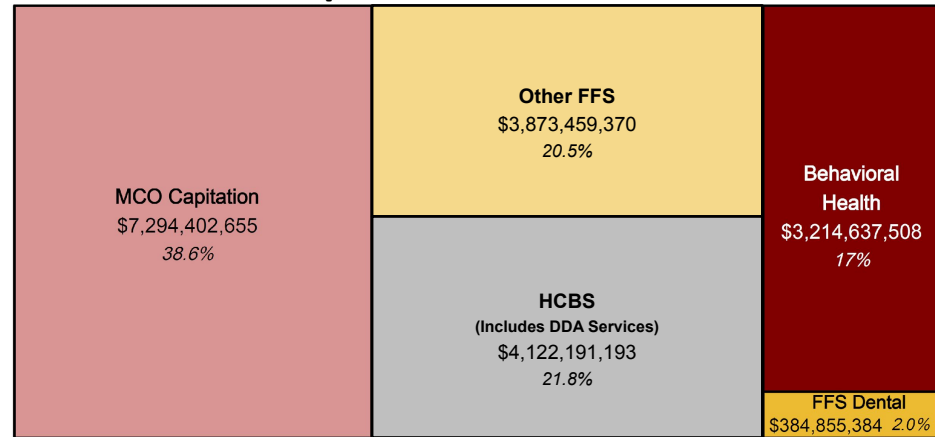
**FY 2024**

**Total Spend: \$17,987,712,952**



**FY 2025**

**Total Spend: \$18,889,546,110**

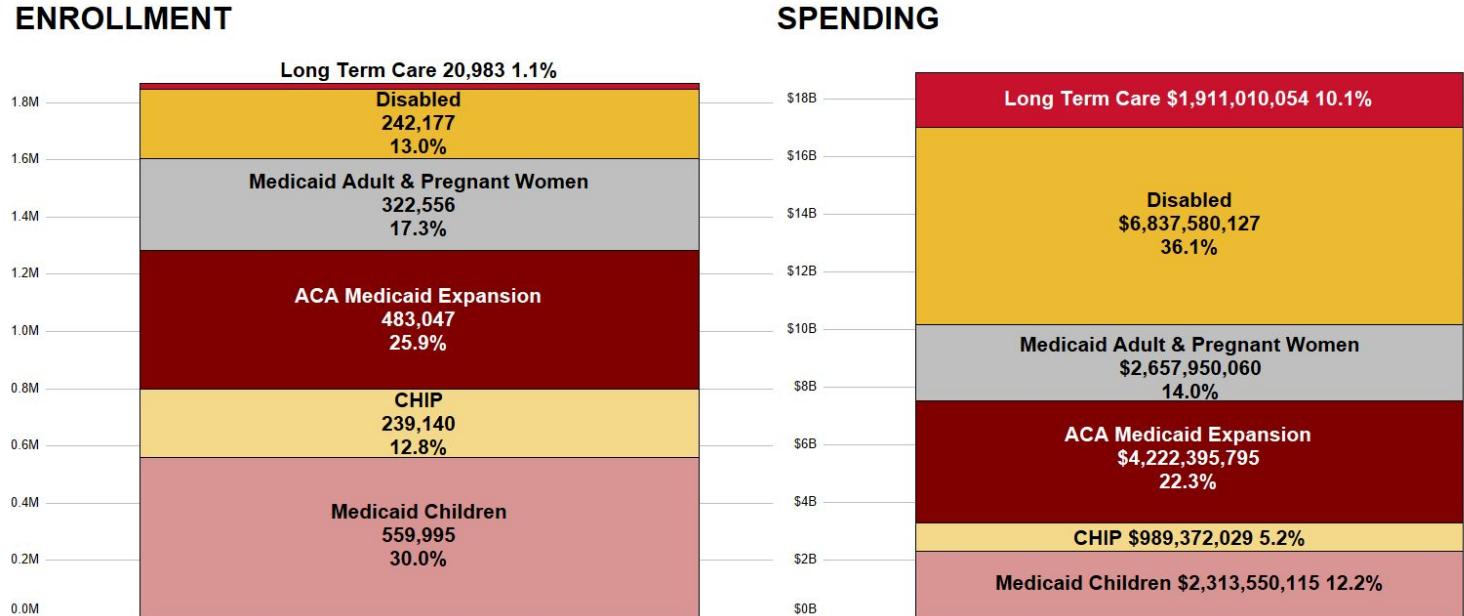


*Note: Spending is based on date of service  
FFS = Fee-for-Service; HCBS = Home and Community-Based Services; DDA = Developmental Disabilities Administration*



# Enrollment vs. Spending by Eligibility Category

Less than **15%** of members drive **nearly 50%** of spend. Includes DDA spend.



*Note: This figure covers enrollment and expenditure for all of FY 2025. Enrollees are included in the coverage category they had on their last day of eligibility during that period.*



# Required and Optional Services

Optional services cost ~\$7 billion (total funds, incl. DDA) in FY 2025 (38% of total costs).

## Required Services

- Inpatient/outpatient hospital stays
- Nursing facilities
- Rural health clinics
- Tobacco cessation
- Certified pediatric and family nurse practitioners
- Freestanding birth centers
- Medical care transportation
- Federally qualified health centers (FQHCs)
- All medically necessary services for children
- Physicians
- Lab/X-ray
- Behavioral health care
- Nurse midwives
- Family planning
- In-home support
- Well-child visits and screenings

## Optional Services

- Private duty nursing
- Certain behavioral health services
- HCBS/LTSS waiver programs
- DDA services
- Adult dental
- Prescription drugs
- Health homes
- 12-month postpartum coverage
- Hospice

# In Recent Years, Provider Rates Have Increased and New Services Have Been Added

In 2023, MDH released a [one-time Joint Chairman's Report](#) describing the **current rate structure** and **rate-setting processes** for various provider categories within Maryland Medicaid.

Category	Recent Provider Rate Changes	Recent New Services	Effective
E&M	<u>FY23</u> : ↑ to 100% of Medicare <u>FY24</u> : No change <i>despite Medicare rate</i> ↓ <u>FY25</u> : ↓ in <i>both</i> Medicaid & Medicare rates	12 Months Postpartum Coverage	4/1/22
		Adult dental	1/1/23
LTSS	<u>FY20-25</u> : 3% to 5.2% ↑ <b>each year</b> for program providers <sup>1</sup>	Biomarker testing	Cancer: 8/1/23 General: 7/1/25
Behavioral Health	<u>FY20-25</u> : 3.25% to 8% ↑ <b>each year</b> for community providers <sup>2</sup>	Healthy Babies ( <i>pregnancy, postpartum expansion</i> )	7/1/23
Dental	<u>FY23</u> : 9.4% ↑ (selected services) <u>FY24</u> : 20% ↑ (selected services)	Gender affirming care ( <i>expanded coverage</i> )	1/1/24

**Notes:** ARPA: American Rescue Plan Act; E&M: Evaluation and management; LTSS: long-term services and supports

1. Rate increases through the Governor's budget and ARPA reinvestment funds;

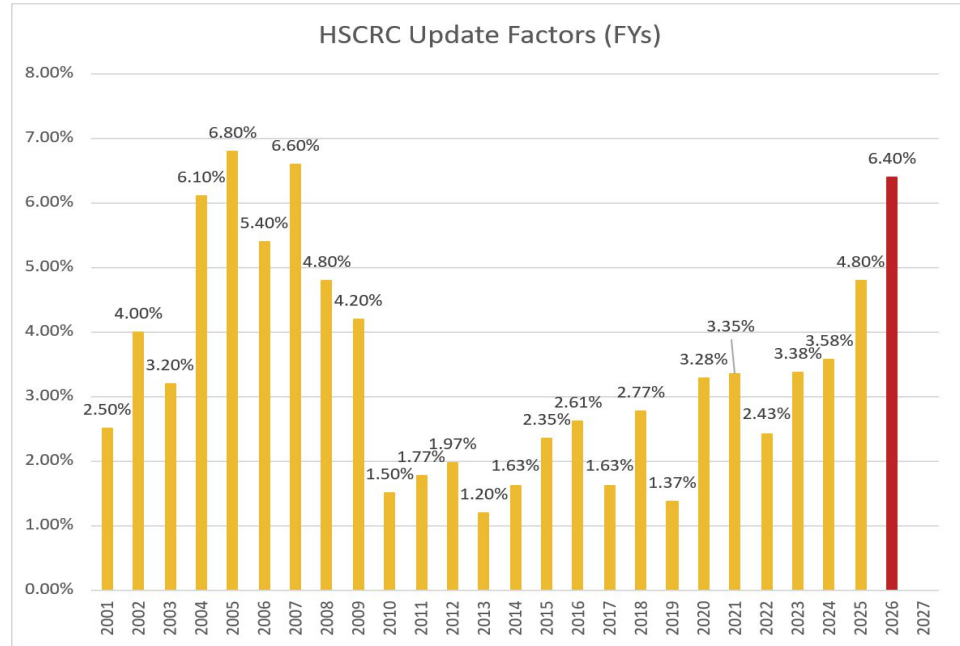
2. Rate increases through legislation, the Governor's budget, and ARPA reinvestment funds

# Hospital Rates also Increase Each Year. Rates Increased by 6.4% in FY 2026.

The HSCRC update factor is an annual increase to all-payer hospital rates, including both Medicaid FFS and MCO hospital payment rates.

Some of the update factor drivers were:

- Demographic/volume adjustments
- High-cost drugs
- Behavioral health crisis
- Inflation
- Increased complexity of patients



More information from HSCRC is available [here](#).

# Required and Optional Eligibility Groups

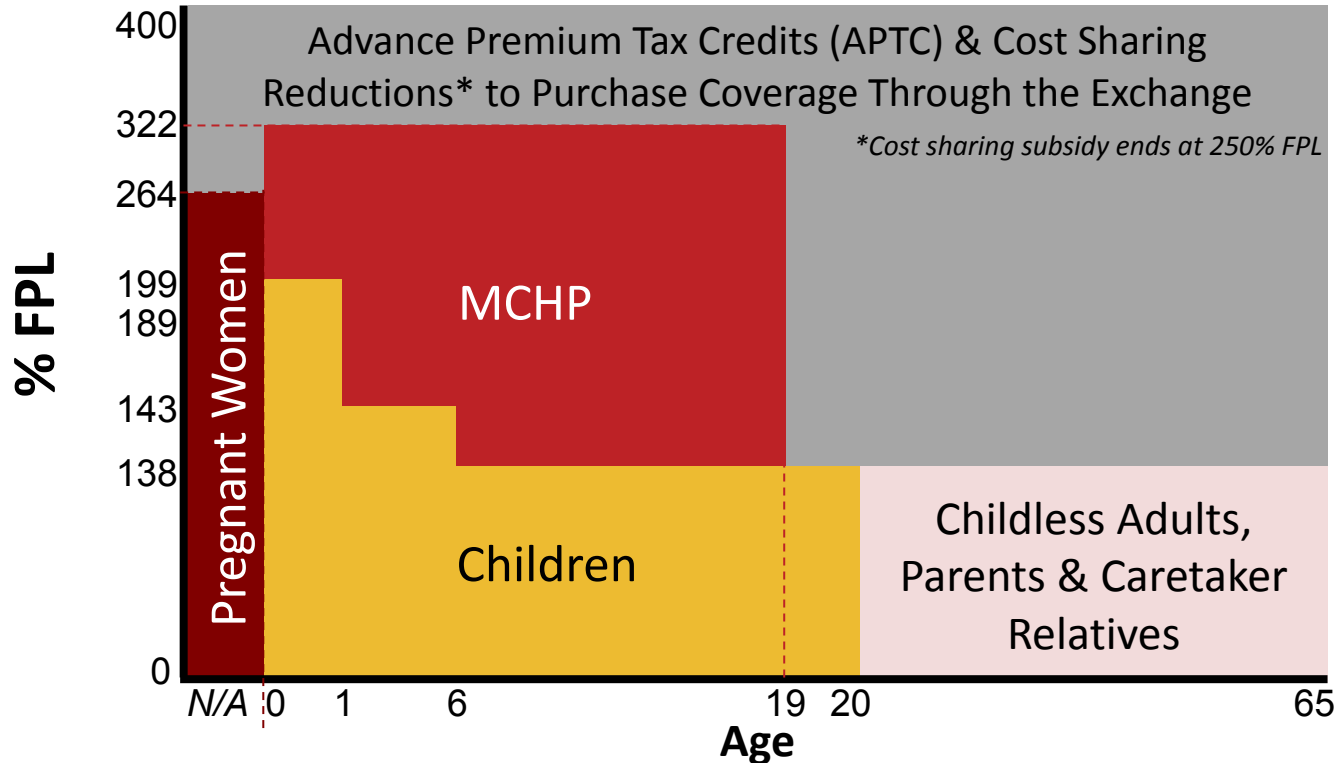
Required Groups	Optional Groups
Children under age 1	Children, families, and pregnant women with incomes above the mandatory limit <i>Maryland covers pregnant women up to 264% FPL (190-264% FPL optional) &amp; children on Medicaid + CHIP up to 322% FPL</i>
Families with children and pregnant women with qualifying income levels	Legal Permanent Resident children and pregnant women in first 5 yrs of residence – income < 250% FPL
Seniors over 65 who receive Medicare and also qualify for Medicaid	Healthy Babies - undocumented pregnant women*
Children in foster care & former foster care to age 26	Pregnant women postpartum up to 1 year
Individuals who are blind or disabled	ACA adults aged 19-64 – income up to 138% FPL
Individuals who are SSI recipients	Family planning – income up to 264% FPL
Emergency medical assistance to non-citizens	Individuals with disabilities with incomes up to 250% FPL while working
Children & certain adults leaving welfare for work as transitional medical assistance	Individuals with disabilities receiving services in the community via HCBS waivers

Notes: FPL: Federal Poverty Level; SSI: Supplemental Security Income; HCBS: home and community-based services

\*Undocumented pregnant women receive coverage through up to 4 months postpartum.

Information based on MACPAC "Federal Requirements and State Options: Eligibility" Fact Sheet

# Maryland Eligibility for Tax Credits, Medicaid Coverage, and Cost Sharing Reductions



## 100% Poverty Level:

- 1 Person = \$15,960
- 2 Person = \$21,640
- 4 Person = \$33,000

*As of January 2026*

# Four Main Ways to Manage Costs in Medicaid

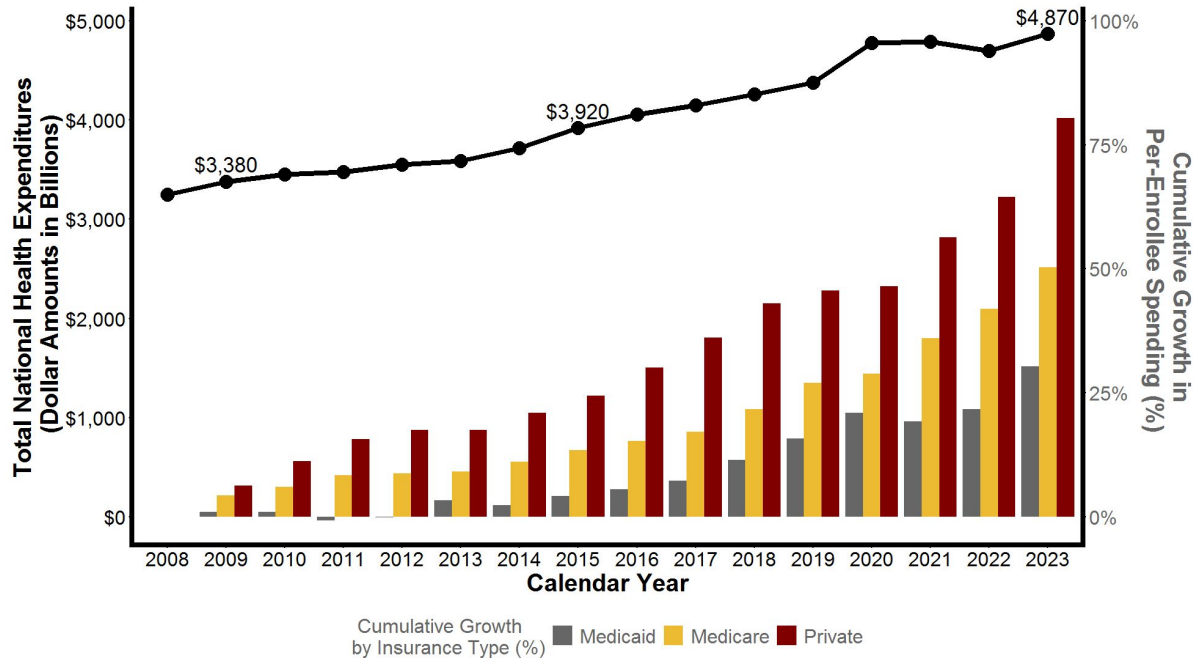
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1. **Benefits:** What services are covered, optional vs. mandatory benefits, scope limits, utilization controls (e.g., prior authorization).
2. **Rates (Provider Payment Rates):** How much the state pays providers and plans (e.g., FFS rates, MCO capitation rates).
3. **Eligibility:** Who is covered and at what income/coverage levels (e.g., optional eligibility groups).
4. **Supplemental Payments:** Additional payments outside base rates (e.g., state directed payments, payments from provider taxes).

# Recent Medicaid Cost Drivers

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# Healthcare Costs Are On the Rise Nationwide



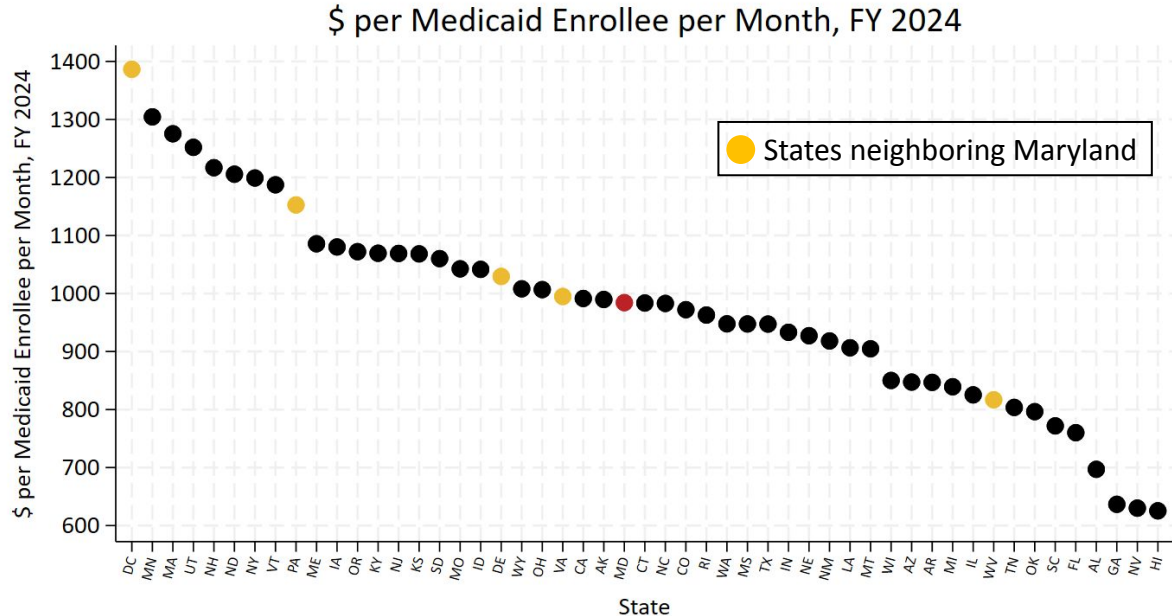
U.S. health spending has risen sharply over recent decades.

Medicaid per-enrollee spending is growing at a **slower rate** than both private and Medicare insurance.

**Note:** Adapted from a KFF analysis of National Health Expenditure (NHE) data. Total spending is reported in billions of dollars and amounts are inflation-adjusted to based on the personal consumption expenditures (PCE) annual index for 2023. *Source: Cox, Ortaliza, Wager, & Amin, 2025*

<https://www.kff.org/health-costs/health-policy-101-health-care-costs-and-affordability/?entry=table-of-contents-introduction>

# Spending Per Medicaid Enrollee, FY 2024

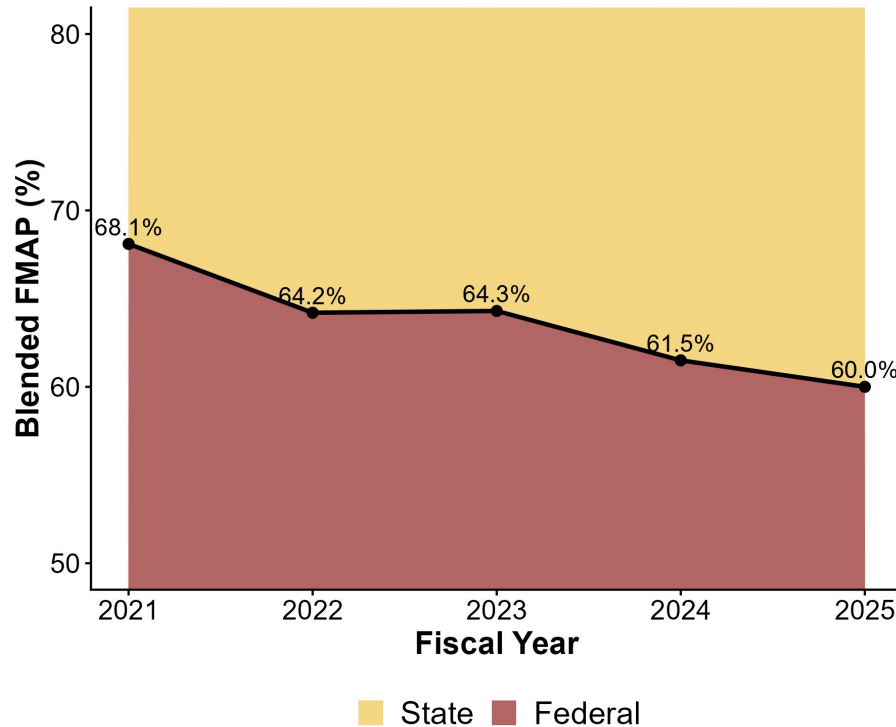


Per-enrollee Medicaid spending in Maryland is in line with the national average and is lower than in **4 of 5** neighboring states

Monthly enrollment data are from Medicaid and CHIP eligibility operations and enrollment snapshot data (<https://data.medicaid.gov/medicaid-chip-eligibility-enrollment-snapshot-data>). Expenditure data are from the Medicaid Budget Expenditure System/State Children's Health Insurance Program Budget and Expenditure System (MBES/CBES), (<https://www.medicaid.gov/medicaid/financial-management/state-budget-expenditure-reporting-for-medicaid-and-chip/expenditure-reports-mbes/cbes>)



# The Federal Share for Medicaid Has Decreased since FY 2021 due to Sunset of COVID Provisions



- **Enhanced COVID-related FMAP was 56.2%** and phased down to **50%** with the end of the PHE.
  - CHIP FMAP was also increased during PHE
- **ARPA: temporary enhanced FMAP for HCBS**, which had to be reinvested
- **100% FMAP for COVID vaccine** expenditure ended in CY 2024
- If FMAP remained at 68.1% in FY 2025, the state would have received **\$1.3B in additional federal funding**
- **FMAP is anticipated to continue to decrease** due to OBBBA-related ACA adult eligibility losses beginning January 1, 2027
  - Services for ACA adults are reimbursed at **90% FMAP**

# Top Recent Cost Drivers

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1 Pharmacy

2 Inpatient Utilization  
(Somatic)

3 Higher Acuity Population  
Post-PHE

4 New Program Benefits

5 Rising Provider Rates

6 Behavioral Health  
Utilization

Due to the decreasing FMAP,  
**state share of these costs is increasing**

# MCO Deep Dive | HealthChoice Overview

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HealthChoice is Maryland's mandatory Medicaid managed care program

- Covers most participants under age 65
- Enrolls 1.28 million participants, or **86%**, of Maryland's Medicaid population
- Operates under a Section 1115 waiver from the federal government initially approved in 1997
- Contracts with 9 MCOs to coordinate care and bear financial risk
- MCO payment rates must be actuarially sound and approved by the federal government

# MCO Deep Dive | Current Financial Position

While MCO payment rates were increased, the MCOs are currently reporting an **aggregate loss** for CY 2025.

- Combining both mid-year 2025 adjustments and provisional 2026 rates, MCO rates **increased by 10.7%**.
  - This increase includes claims trend, increased acuity, and other costs.
  - Inpatient hospital and pharmacy costs are the main drivers of the increased claims trend.
- Even with these rate increases, the 9 MCOs reported a **preliminary aggregate loss of -\$119.8 million** (-2.2% of revenue) vs. a target of +1.3%.\*

\*Based on third quarter CY 2025 Maryland Insurance Administration filings.

# OBBBA Impacts

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# Medicaid OBBBA Eligibility Provisions (1/2)

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- **Changes to Immigrant Eligibility (October 1, 2026).**
  - Certain immigrants are no longer eligible for Medicaid. This includes refugees, asylees, immigrants granted parole for at least one year, and certain victims of abuse and trafficking. **Note:** Pregnant women and children are not impacted.
  - **Impact: ~15,000 non-citizens may lose coverage.** (Note: this is a reduction from previously published est. of ~60,000).
- **Medicaid work requirements (January 1, 2027).**
  - Requires states to implement work requirements as a condition of Medicaid eligibility for ACA expansion adults aged 19 through 64.
  - **Impact: ~115,000 ACA Adults could lose coverage.** Requirements apply to the more than **~320,000 adults\*** in this coverage group.

# Medicaid OBBBA Eligibility Provisions (2/2)

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- **Increased Medicaid redeterminations (January 1, 2027)**
  - Requires states to conduct eligibility redeterminations once every six months for ACA expansion adults. (Current requirement is annual).
  - **Impact:** Requirement impacts the more than **320,000 adults** eligible under the ACA Expansion.
- **Shortened Medicaid retroactive coverage opportunities (January 1, 2027)**
  - Reduces retroactive coverage from three months to one or two months depending on eligibility category.
  - **Impact:** ACA expansion adults are limited to **one month of retroactive coverage**, and all other enrollees are limited to two months retroactive coverage.

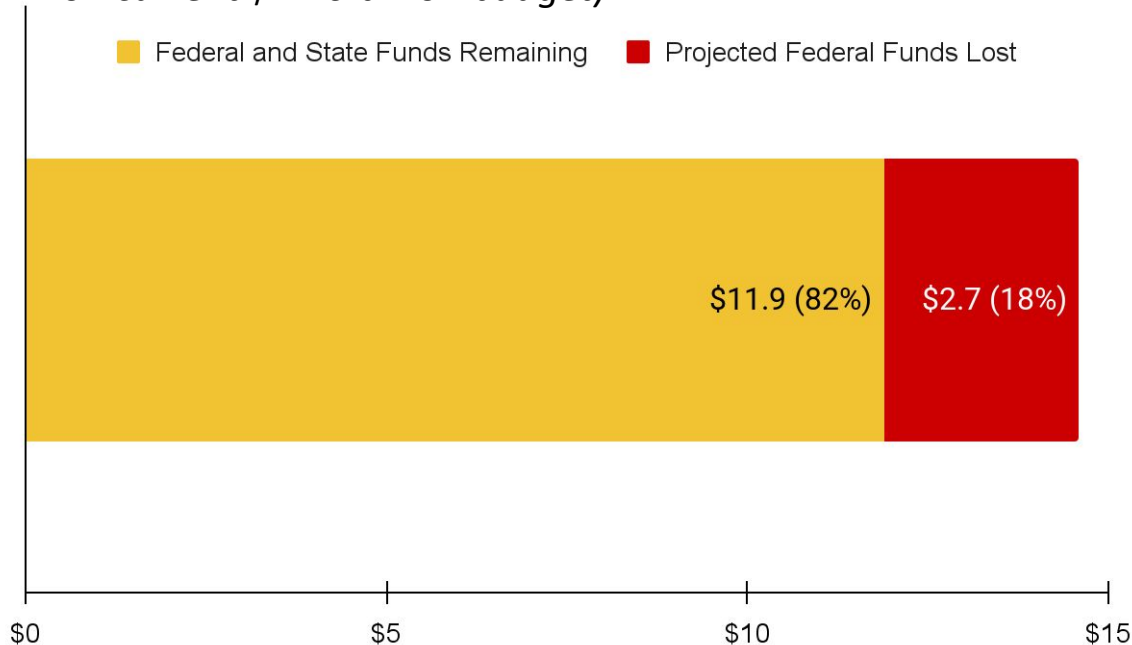
# Other OBBBA Provisions

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- **Payments to Planned Parenthood**
  - Sec. 71113. Federal payments to prohibited entities. (July 4, 2025)
- **Provider Taxes**
  - Sec. 71115. Provider taxes. (July 4, 2025)
  - Sec. 71117. Requirements regarding waiver of uniform tax requirement for Medicaid provider tax. (July 4, 2025)
- **State Directed Payments**
  - Sec. 71116. State directed payments. (July 4, 2025, Maryland impacted January 1, 2027)
- **Budget Neutrality**
  - Sec. 71118. Requiring budget neutrality for Medicaid demonstration projects under section 1115. (January 1, 2027)
- **Cost Sharing**
  - Sec. 71120. Modifying cost sharing requirements for certain expansion individuals under the Medicaid program. (October 1, 2028)
- **Erroneous Excess Payments**
  - Sec. 71106. Payment reduction related to certain erroneous excess payments under Medicaid. (October 1, 2029)

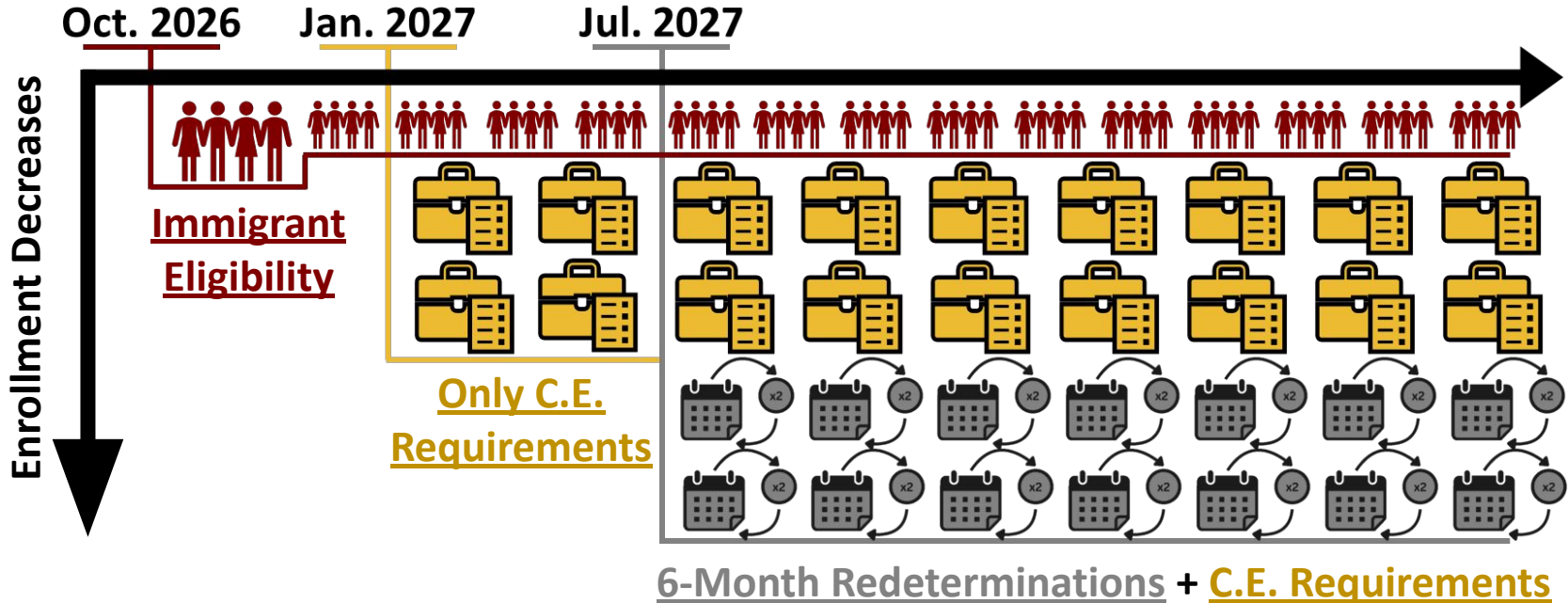
# \$2.7 Billion in Annual Federal Funding Potentially Lost

*This is the estimate of funding lost once all bill provisions are fully implemented (based on current \$14.6 billion budget).*



This represents **almost 20%** of Maryland's current Medicaid budget.

# Enrollment Reductions Starting in Late 2026



# Longer-Term Impacts of OBBBA

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- Enrollment reductions focused on ACA adult group
  - Limited savings to *state*
- Adverse economic impact to Maryland resulting from reduction in federal spending on ACA adult group
- Increased churn in ACA adult group (mostly MCO) □ difficulties for setting rates
  - How to risk a population consistently losing and returning to coverage?
- Increase in uninsured population □ increase in uncompensated care for Maryland's hospitals

# Priorities for 2026

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# Maryland Medicaid Priorities for 2026

In 2026, Maryland Medicaid is focused on implementation of OBBBA and strengthening of core eligibility services for all populations.

1. **Implement OBBBA:** Focus on protecting coverage for eligible Marylanders, consistent with federal requirements.
2. **Execute and Plan for AHEAD:** Collaborate with state partners to execute the multi-agency AHEAD work plan.
3. **Improve HCBS Waiver Eligibility Processes:** Improve systems, processes, and communications for waiver applications and redets.
4. **Strengthen Behavioral Health Administrative Services Organization:** Continue to improve Carelon payments and processes.
5. **Drive HealthChoice Quality and Savings:** Work with HealthChoice plans to help control costs while continuing to advance quality.

# Discussion

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