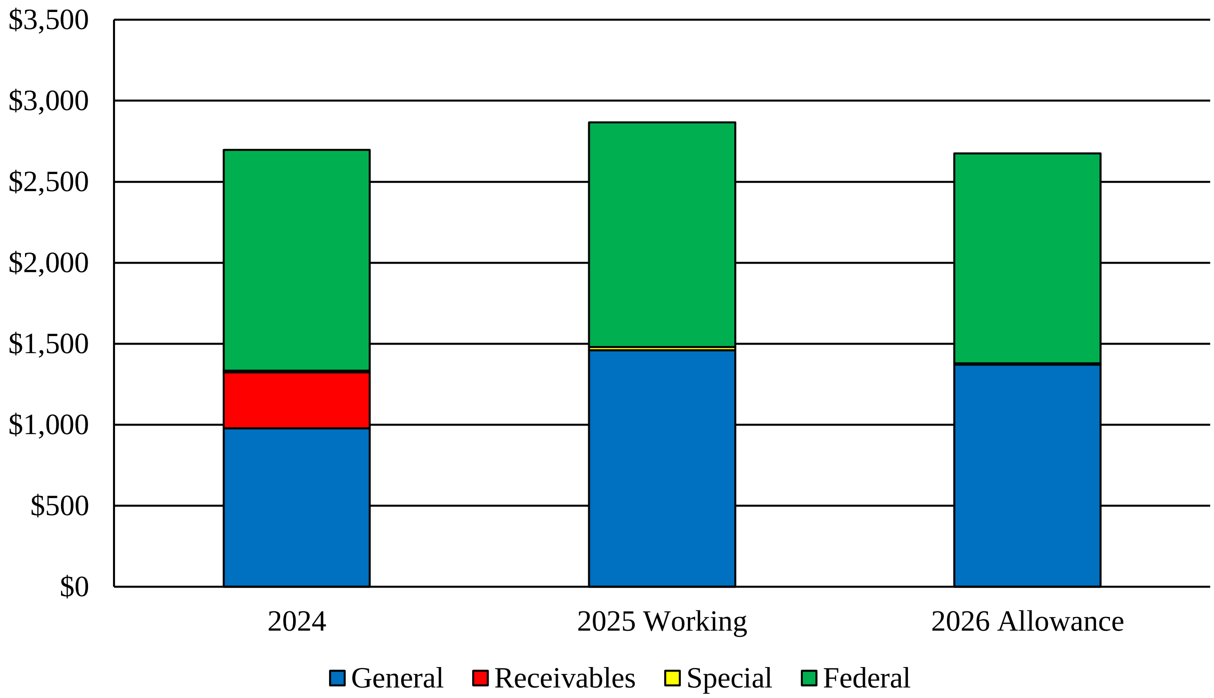
M00M
Developmental Disabilities Administration
Maryland Department of Health

Executive Summary

The Maryland Department of Health (MDH) Developmental Disabilities Administration (DDA) provides direct services to intellectually and developmentally disabled individuals in State facilities and through the funding of a coordinated community-based service delivery system.

Operating Budget Summary

Fiscal 2026 Budget Decreases $190.6 Million, or 6.6%, to $2.7 Billion
($ in Millions)



Note: The fiscal 2025 working appropriation accounts for deficiencies 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. Fiscal 2024 actual spending includes $346 million in payments to community service providers that were paid for with recoupments of bridge payments given to providers and were reported as accounts receivables at closeout, rather than general fund expenditures.

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- The fiscal 2026 allowance decreases by $190.6 million from the fiscal 2025 working appropriation after accounting for proposed deficiency appropriations and contingent reductions. Most of this change is within the Community Services program and is mainly attributed to a year-over-year decrease of $297 million for cost containment actions that are projected to reduce $160.1 million ($96.6 million in general funds) in fiscal 2025 and $457.8 million ($235.5 million in general funds) in fiscal 2026. This is partially offset by increases of $37 million to cover the expansion of waiver services and $28 million for a 1% provider rate increase in fiscal 2026. The allowance also increases by $39.3 million due to the payment of a disallowance for unallowable Medicaid costs for residential habilitation add-on services.

- The fiscal 2026 budget plan includes deficiencies totaling a net $740.7 million in total funds for the fiscal 2025 working appropriation, which includes an increase of $900 million to support community services partially offset by a decrease of $160.1 million due to cost containment actions that take effect in fiscal 2025. Of the reductions applied to fiscal 2025, $5.5 million in total funds ($2.8 million in general funds) is contingent on legislation, eliminating the Low Intensity Services and Supports (LISS) program and a $15.0 million fund swap of general funds for special funds from the Waiting List Equity Fund (WLEF) is contingent on legislation expanding the use of the fund.

- The Budget Reconciliation and Financing Act (BRFA) of 2025 includes three provisions related to DDA. The first provision allows DDA to establish a limit on the maximum dollar amount provided to recipients for Individual and Family Directed Goods and Services (IFDGS). The second provision eliminates the LISS program. The fiscal 2026 allowance includes a total reduction of $40.0 million ($20 million in general funds), contingent on passage of these two provisions in the BRFA. The third provision alters the allowable use of the WLEF to remove a prohibition of the fund supplanting funds for emergency placements or students transitioning to adult services.

Key Observations

- ***Community Services Spending Following Transition to the Long Term Services and Supports (LTSS) System:*** As of September 1, 2024, DDA finalized the transition of providers from the legacy Provider Consumer Information System 2 (PCIS2), a prospective payment model, to LTSS, a fee-for-service (FFS) reimbursement model. Actual spending for community services in recent years has surpassed budgeted spending by significant amounts due to inaccurate forecasts of the cost of the provider transition to LTSS, which included rates for services that were 18% higher than in the legacy system. Actual spending in total funds exceeded the legislative appropriation by $427 million in fiscal 2023 and $724 million in fiscal 2024. Fiscal 2025 spending projected in the working appropriation would exceed the legislative appropriation by $749 million, after accounting for estimated cost containment savings.

- ***Self-directed Services Spending:*** Enrollment and spending in the self-directed services model grew rapidly from June 2021 to June 2024. Over this period, spending per participant in the self-directed services model remained lower than in the traditional model. This does not account for the fact that only the traditional model includes residential services – the most expensive service type. However, individuals in the self-directed services model are able to receive IFDGS, a service type that is not offered for those in the traditional model. In fiscal 2023 and 2024, most requests for goods and services through IFDGS were under $5,000.

- ***Fiscal 2025 and 2026 Budget Adequacy:*** It is unclear whether the fiscal 2025 and 2026 budget for DDA sufficiently addresses increasing Community Services spending in LTSS. Several factors call into question the budget's adequacy, including rapidly increasing Community Services spending, lack of spending data and cost analysis in LTSS, and inaccurate estimates of cost containment savings. The inaccurate cost saving estimates alone lead to a potential shortfall in total funds of $88.6 million in fiscal 2025 and $5.5 million in fiscal 2026.

- ***Status of Federal Disallowance:*** In June 2018, MDH received a formal disallowance letter from the Centers for Medicare and Medicaid Services (CMS) regarding $34.2 million in federal funds overbilled for residential habilitation add-on services. In October 2024, MDH's appeal was denied, and the department will be required to repay the $34.2 million in disallowed claims in addition to assessed interest accrued since the initial disallowance in June 2018. MDH reported that the total amount owed was $39.3 million, including $34.16 million for the disallowance and $5.17 million in accrued interest. The fiscal 2026 allowance includes $39.3 million in general funds to pay for the disallowance.

Operating Budget Recommended Actions

		Funds
1.	Add language restricting funds pending the submission of a report on fiscal 2025 closeout and closeout budget amendments.	
2.	Add language restricting funds pending the resolution of repeat audit findings.	
3.	Add language restricting funds pending quarterly reports on community services spending, enrollment, and utilization.	
4.	Add language restricting appropriations in the Community Services program for that purpose only.	
5.	Delete funding for the 1% provider rate increase budgeted in fiscal 2026.	-$ 28,718,078
	Total Net Change	**-$ 28,718,078**

Operating Budget Analysis

Program Description

Section 7-101 of the Health – General Article defines a developmental disability as a severe chronic disability that is attributable to a physical or mental impairment, other than the sole diagnosis of mental illness, or a combination of mental and physical impairments; is manifested before an individual attains age 22; and is likely to continue indefinitely, among other characteristics. Examples include autism, cerebral palsy, epilepsy, intellectual disability, and other neurological disorders. DDA provides direct services to developmentally disabled individuals in two State Residential Centers (SRC) and a Secure Evaluation and Therapeutic Treatment unit, which shares a campus with one of the SRCs. These State health facilities are included in the budget analysis for M00A01 – MDH Administration. Most DDA-funded services are provided through a coordinated community-based service delivery system.

DDA's key goals include:

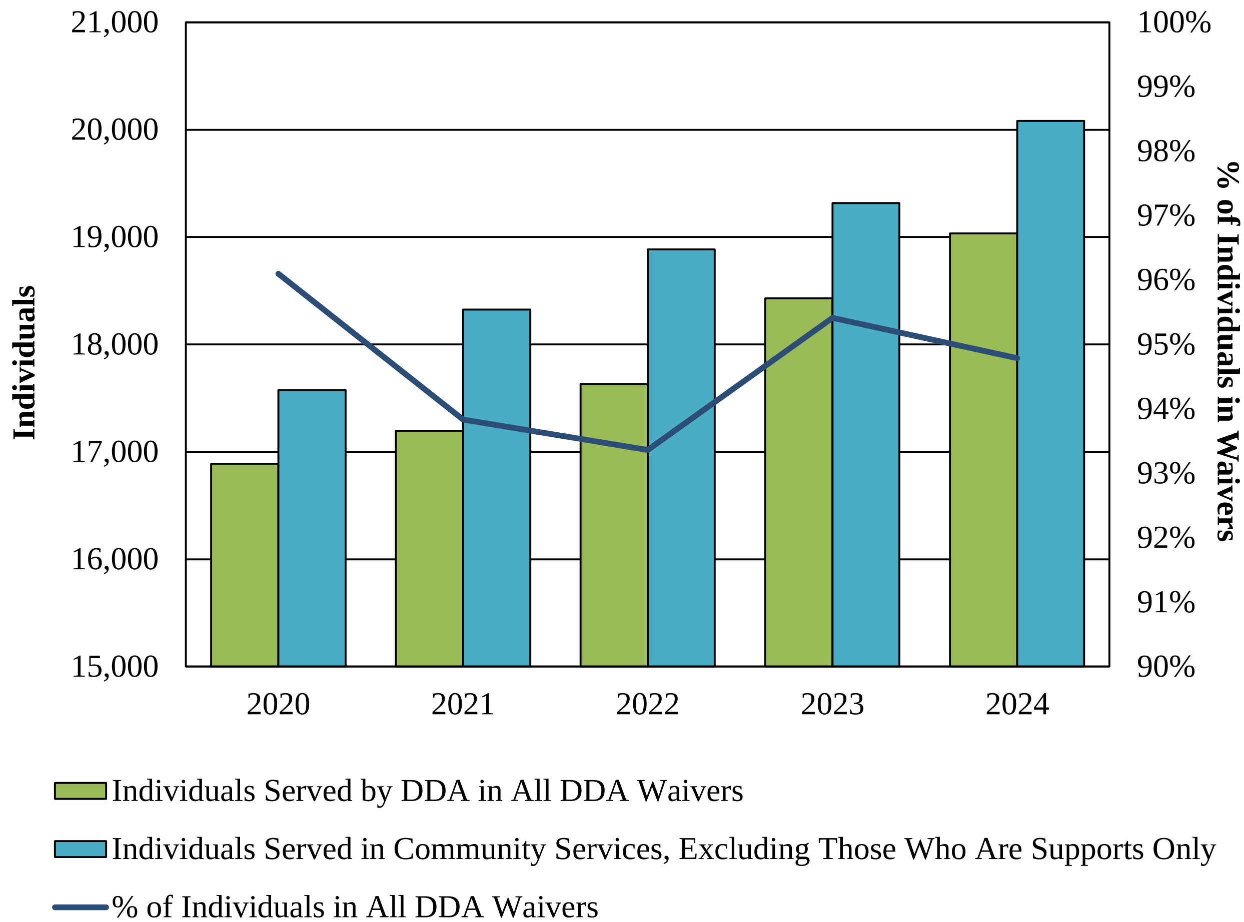
- the empowerment of developmentally disabled individuals and their families to choose services and supports that meet their needs;
- the integration of developmentally disabled individuals into community life;
- the provision of quality supports that maximize individual growth and development; and
- the establishment of a fiscally responsible, flexible service system that makes the best use of available resources.

Performance Analysis: Managing for Results

1. Share of Individuals Served in DDA Waivers Decreases

DDA operates three Medicaid Home and Community-Based Services (HCBS) waivers – the Community Pathways Waiver, the Community Supports Waiver, and the Family Supports Waiver. One of DDA's primary goals is to increase the number of eligible individuals receiving community-based services who are enrolled in a HCBS waiver by 0.3 percentage points over the prior fiscal year. Enrolling eligible individuals into an HCBS waiver allows DDA to claim a 50% federal fund match for services provided. **Exhibit 1** illustrates the growth in individuals served by DDA across all waivers by count and percentage. From fiscal 2023 to 2024, the total number of individuals served in all waivers increased from 18,430 to 19,034. However, the percentage of individuals served in all DDA waivers decreased slightly from 95.4% in fiscal 2023, to 94.8% in fiscal 2024 as overall enrollment in DDA community services increased.

Exhibit 1
Enrollment Across All DDA Waivers and Community Services
Fiscal 2020-2024



DDA: Developmental Disabilities Administration

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

Waiver Slots and Enrollment by Waiver

Exhibit 2 shows enrollment within each HCBS waiver administered by DDA. Of the total 19,034 waiver participants in fiscal 2024, the Community Pathways waiver accounts for the highest enrollment, with 15,602 participants (82%), while the Community Supports waiver served 3,072 individuals (16%), and the Family Supports waiver served 360 individuals (2%). From fiscal 2020 to 2024, the Community Supports waiver increased by 207%, while the Family Supports waiver and Community Pathways waivers increased by 10% and 0.26%, respectively.

Exhibit 2
Enrollment in Each DDA Waiver
Fiscal 2020-2024

Program	2020	2021	2022	2023	2024
Community Pathways Waiver	15,562	15,755	15,716	15,764	15,602
Community Supports Waiver	999	1,093	1,564	2,309	3,072
Family Supports Waiver	327	347	351	357	360

DDA: Developmental Disabilities Administration

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

Despite the increase in participants served across waivers in recent years and the existence of a waiting list, DDA did not fill the total available slots of 20,530 in fiscal 2024. Across all waivers, there were a total of 1,496 unfilled slots in fiscal 2024, with 763 unfilled slots in the Community Pathways waiver, 568 unfilled slots in the Community Supports waiver, and 165 unfilled slots in the Family Supports waiver. DDA has reported that it intentionally leaves slots available in each waiver for reserve capacity categories to provide services more quickly to priority populations.

Services Offered by Waiver Program

Through these HCBS waivers, participants can access a variety of services that can be broken down into three broad categories: residential services; meaningful day services; and family supports services. **Exhibit 3** summarizes the services that are offered in each waiver. The Community Pathways waiver is the only waiver that includes all three categories of services and is the only waiver that offers residential services, making it the most expensive waiver in overall spending and spending per participant.

Exhibit 3
Services Offered by Type and Waiver

Services Offered	Community Pathways	Community Supports	Family Supports
Residential: Supported Living, Shared Living, Community Living – Group Home, Community Living – Enhanced Supports	X		
Meaningful Day: Employment Services, Supported Employment, Employment Discovery and Customization, Career Exploration, Community Development Services, Day Habilitation, Medical Day Care	X	X	
Support: Housing Support, Nursing Support, Participant Education, Training and Advocacy Supports, Personal Support, Remote Support, Respite Care, Support Broker, IFDGS, Transportation, Vehicle Modifications	X	X	X

IFDGS: Individual and Family Directed Goods and Services

Source: Maryland Department of Health; Department of Legislative Services

Redetermination for Certain Participants

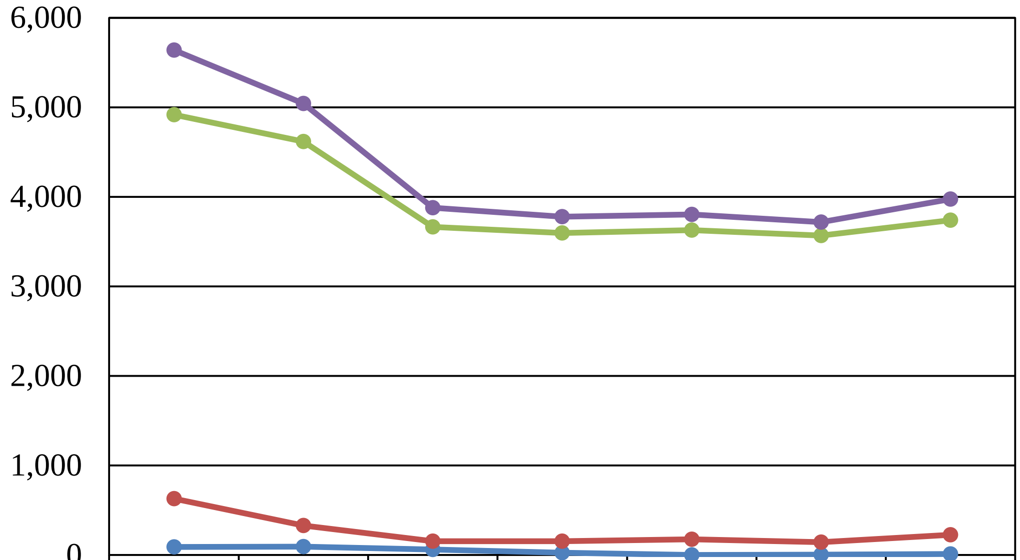
As a condition of receiving an enhanced federal match on qualifying Medicaid spending during the COVID-19 public health emergency, Maryland was required to freeze disenrollment, including for Medicaid HCBS waivers. Beginning in April 2023, Maryland resumed ending coverage for participants ineligible for Medicaid or whose redetermination could not be determined for procedural reasons (cases in which individuals did not complete redetermination or did not submit required documents). For initial enrollment in DDA-operated Medicaid waivers, DDA and its partner organizations perform initial determination of medical eligibility at the time of submitting an application, and MDH’s Medicaid Eligibility Determination Division then performs final Medicaid waiver enrollment procedures once an individual is approved to apply for an available waiver slot. For waiver participants, Medicaid redetermination is based on the applicable financial standards for income and resources. For individuals that require redetermination, participants enrolled in a DDA waiver program have their eligibility redetermined at least every 12 months. Participants are mailed a redetermination reminder notice 90 days prior to the redetermination due date, receive a reminder 75 days prior to the redetermination date, and are issued a closing warning notice if the application is not received and pending by the sixteenth of the month. Recipients that are unable to submit their redetermination application by the due date have 120 days from the redetermination due date to submit their application.

MDH reported that the majority of DDA participants did not complete redeterminations, as they are categorically eligible for Medicaid based on having been determined eligible for Supplemental Security Income. MDH reported that from May 2023 to April 2024, 4,299 DDA participants required a redetermination date. Of these redeterminations, 4,016 participants (93%) had their case extended, 159 participants (4%) were procedurally disenrolled, and 121 participants (3%) were found ineligible for coverage. MDH reported that reasons for procedural terminations included participants being deceased, no longer needing waiver services, or losing financial eligibility. During the redetermination process, some individuals were disenrolled from the waiver program in error. Since April 1, 2024, 346 participants were disenrolled within DDA waiver services. Of these participants, 304 participants have been reinstated due to inappropriate disenrollment related to asset eligibility requirements and other disenrollment reasons.

2. Community Services Waiting List Placements

As shown in **Exhibit 4**, DDA tracks a community services waiting list of over 3,900 individuals who meet the statutory requirements of having a developmental disability. These individuals are categorized into priority groups based on need, from highest need (crisis resolution – individuals at risk of harm or homelessness without services) to lowest need (current request – no risk of harm or homelessness). Additionally, all developmentally disabled individuals on the waiting list for DDA-funded services may receive case management from coordinators of community services (CCS). In the past seven fiscal years, the highest total waitlist was 5,637 individuals in fiscal 2018, while the lowest was 3,716 individuals in fiscal 2023. The total waitlist in fiscal 2024 was 3,976 individuals, an increase of 260 over the prior year. This growth is driven by an increase of 172 individuals in the current request priority category, though all priority categories increased, with crisis resolution increasing by 6 individuals and crisis prevention increasing by 82 individuals.

Exhibit 4
Point-in-time Community Services Waiting List Counts
Fiscal 2018-2024



	2018	2019	2020	2021	2022	2023	2024
Crisis Resolution	91	95	60	27	2	4	10
Crisis Prevention	630	329	155	155	176	144	226
Current Request	4,916	4,618	3,664	3,595	3,627	3,568	3,740
Total	5,637	5,042	3,879	3,777	3,805	3,716	3,976

Note: The point-in-time counts are as of June 30 of each year. The Developmental Disabilities Administration also tracks individuals on the community services waiting list who do not meet the statutory requirement for having a developmental disability. These individuals are grouped into a supports-only category and are not included in the counts shown.

Source: Maryland Department of Health

3. Improvements in Meeting Person-centered Plan Goals

To receive authorization for DDA-funded services, individuals must have a person-centered plan (PCP) developed through a planning process that determines the appropriate and preferred services and supports that an individual needs. The development and approval process for PCPs includes the individual, their families, providers, CCS, and regional DDA offices. Plans must be approved at least annually and can be updated more frequently if service needs change. Individuals need authorized plans for providers to receive reimbursement for services.

Committee narrative in the 2020 *Joint Chairmen's Report* (JCR) requested that DDA establish processing goals and measures related to person-centered planning in the fiscal 2022 Managing for Results (MFR) submission. DDA established the following goals related to the timely submission and review of PCPs:

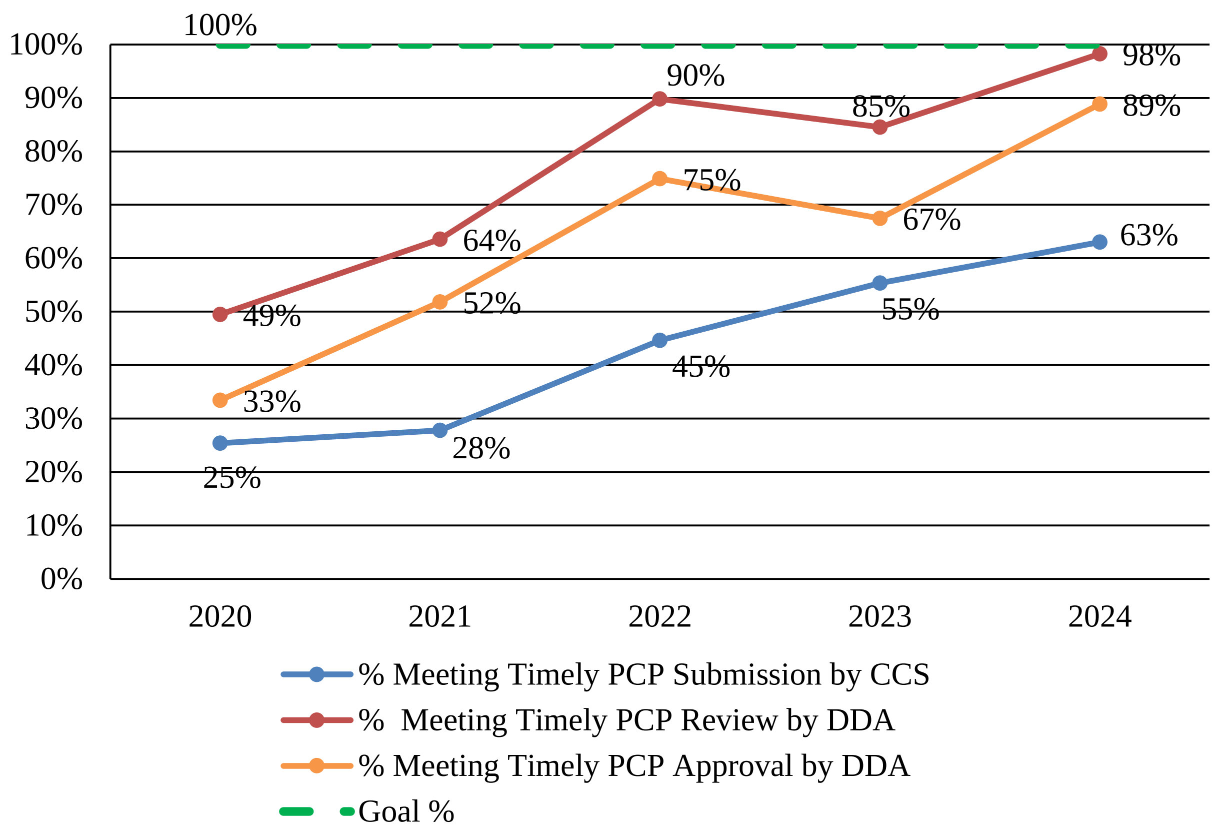
- ***Timely PCP Submission by CCS:*** CCS must submit the annual PCP within 20 business days of the annual plan data;

- ***Timely PCP Review by DDA:*** DDA will review submitted annual, revised, and emergency PCPs within 20 business days of receipt; and

- ***Timely PCP Approval by DDA:*** DDA will approve 100% of annual PCPs submitted by the annual plan date, on or before the annual plan date.

Exhibit 5 shows significant improvement in each of the three goals related to PCPs since fiscal 2020. The percentage of PCPs meeting timeliness standards at least doubled for each goal from fiscal 2020 to 2024, as the percentage of timely PCP submissions by CCS increased from 25% to 63%, the percentage of timely PCP approvals by DDA increased from 33% to 89%, and the percentage of timely PCP reviews by DDA increased from 49% to 98%. Although the goal is that 100% of these reviews and approvals will be completed in a timely manner, these performance measures show significant improvement since their inclusion as MFR goals.

Exhibit 5
Performance in Meeting Person-centered Plan Goals
Fiscal 2020-2024



CCS: coordinators of community services
DDA: Developmental Disabilities Administration
PCP: person-centered plan

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

Fiscal 2024

DDA has recently completed transitioning providers from a prospective billing model in the legacy PCIS2 to an FFS reimbursement model in the LTSS system. In the legacy system, providers were issued payment in advance based on their likely billing in a future quarter. After services were rendered, DDA recouped the previous advances to align the value of the advance with the actual value of services. In the LTSS system, providers submit claims for services already provided, and DDA then pays these claims.

To support providers transitioning from a prospective billing model to an FFS model, DDA gave providers bridge payments to ensure that providers had adequate working capital during their transition. Language in the fiscal 2025 Budget Bill restricted funds from DDA pending a report on the advance payments provided during the LTSS transition and recoupment of the funds. Throughout the transition, DDA administered billing in both the PCIS2 and LTSS system concurrently. Since some providers were already completing billing in LTSS while others were still billing in PCIS2, DDA provided both advance payments to providers billing in PCIS2 and bridge payments to providers transitioning to LTSS in fiscal 2024.

DDA reported that from fiscal 2021 to 2025, it provided a total of $457.0 million in bridge payments, 75% of which were provided in fiscal 2023 and 2024. The advance payments were provided in general funds and, to account for recoupment of the bridge payments, DDA created accounts receivables during the fiscal 2024 closeout to post the payments as discounts on general fund spending. As of January 7, 2025, DDA reported having recouped 72% of bridge payments.

To cover overspending in fiscal 2024, DDA created accounts receivables for estimated recoupments that would be received in fiscal 2025, in addition to recoupments of advance payments received in fiscal 2024. Approximately $346 million in receivables covered spending beyond the amount reported in fiscal 2024 closeout documents shared with the Department of Legislative Services (DLS) after accounting for advanced payments that were paid out and recouped in the same year, and therefore would not count as additional ongoing spending. Without this full picture of fiscal 2024 actual spending, DLS' baseline forecast for community services spending in fiscal 2025 and 2026 was understated. In addition, as of February 10, 2025, DLS has not received closeout budget amendments explaining realignments of funds throughout DDA and MDH for fiscal 2024.

DLS determined the report on advance payments made during the LTSS transition to be in compliance with the language and therefore recommends that $500,000 in withheld general funds be released and will process a letter to this effect if no objections are raised during the hearing.

Due to (1) supplemental information provided at the fiscal year closeout not indicating accounts receivables and (2) the significant delay in DDA providing closeout budget amendments, DLS recommends restricting $500,000 in general funds from DDA for administration until a closeout report and all closeout budget amendments are submitted to the budget committees.

Fiscal 2025

Cost Containment

On July 17, 2024, the Board of Public Works approved a general fund reduction of $21,773 for DDA to delay hiring of new positions until later in the calendar year.

Proposed Deficiency

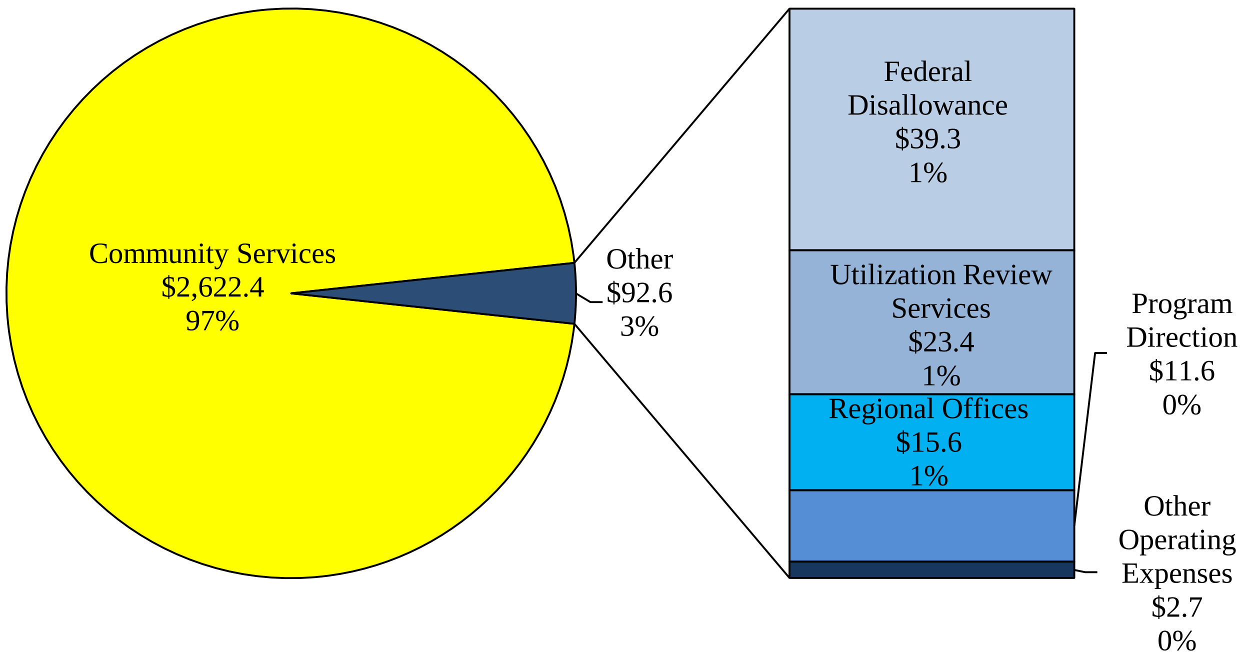
The fiscal 2026 allowance includes nine deficiency appropriations under DDA, totaling $740.7 million in total funds ($356.3 million in general funds) for the fiscal 2025 working appropriation. Proposed deficiencies include increases of $900.9 million in total funds to support unanticipated growth in community services spending and $8.3 million in total funds for the financial management counseling services contract. This is partially offset by a total decrease of $160.1 million ($96.6 million in general funds) due to various cost containment actions, including the following reductions:

- $55,978,020 in total funds ($27,989,010 in general funds) to eliminate higher rates for geographical differentials for providers in certain counties;
- $54,235,750 in total funds ($27,117,875 in general funds) to require Community Living services to exhaust shared hours before utilizing dedicated hours that provide one-to-one support and two-to-one support for individuals with a higher level of need;
- $36,535,190 in total funds ($18,267,595 in general funds) to modify the reasonable and customary wage for providers to align with the U.S. Bureau of Labor Statistics (BLS) wage;
- $5,544,500 in total funds ($2,772,250 in general funds) to eliminate the LISS program, contingent on a provision in the BRFA of 2025;
- $4,714,218 in total funds ($2,357,109 in general funds) to eliminate the wage exception that allows participants to pay providers more than the established BLS wages;
- $3,100,000 in general funds to reduce services for individuals who are ineligible for federal matching dollars by transitioning individuals into a DDA-operated Medicaid waiver; and
- $15,000,000 in general funds for a fund swap of an equivalent amount of WLEF special funds, contingent on a provision in the BRFA of 2025 that expands the allowable use of the WLEF.

Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance for DDA totals $2.7 billion. As shown in **Exhibit 6**, the vast majority of spending ($2.6 billion, or 97%) supports community services provided to individuals with developmental disabilities. The remaining 3%, or $92.6 million, of the fiscal 2026 allowance goes toward administrative and programmatic spending. The largest portion of administrative spending is $39.3 million to cover the cost of a federal disallowance that will be collected in fiscal 2026 for unallowable Medicaid costs. The second largest portion is $23.4 million for Utilization Review Services. These services include various contracts and grants, including $8.4 million for Financial Management Services for individuals in the self-directed services model; $4.5 million for quality improvement, survey, and utilization reviews; $2.9 million for Supports Intensity Scale assessments; and several smaller contracts. The fiscal 2026 budget also includes spending to cover the regional offices, which oversee the services provided, with $15.6 million allocated in fiscal 2026.

Exhibit 6
Overview of Agency Spending
Fiscal 2026 Allowance
($ in Millions)

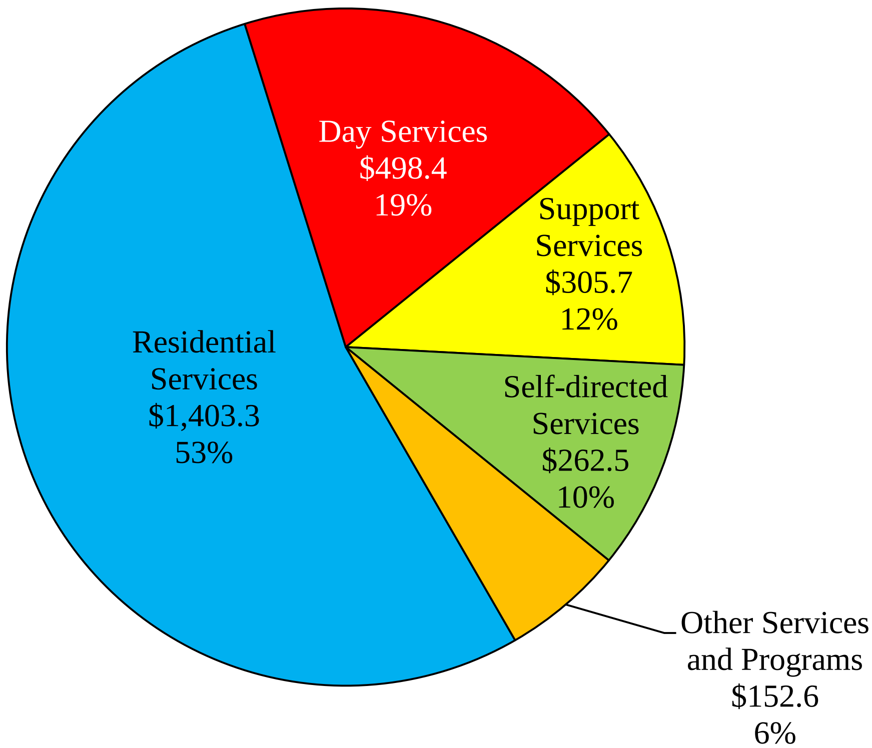


Note: The fiscal 2026 allowance accounts for contingent reductions. The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

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

Exhibit 7 shows agency spending by service type for provider payments within the Community Services program, which accounts for $2.6 billion of DDA's fiscal 2026 budget. Of total spending within the Community Services program, residential services comprise the largest portion at $1.4 billion, or 53%. DDA estimates the average annual cost per residential services client at $203,012 in fiscal 2026, as compared to $183,012 reported in fiscal 2024. For comparison, day programs are expected to serve more clients annually (8,022) as compared to residential services (7,473) in fiscal 2026, but the average annual cost per individual is projected to be much lower at $23,851. The fiscal 2026 allowance also accounts for self-directed services, which represent 10% of the budget ($262.5 million).

Exhibit 7
Overview of Community Services Spending
Fiscal 2026 Allowance
($ in Millions)



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.

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

Proposed Budget Change

Exhibit 8 outlines the changes in DDA's fiscal 2026 allowance, which decreases by $190.6 million compared to the fiscal 2025 working appropriation after accounting for deficiencies and contingent reductions. Most of this change is within the Community Services program and is attributed to a decrease of $297.7 million due to the annualization of several cost containment actions accounted for through fiscal 2025 deficiency appropriations in addition to two additional actions introduced in fiscal 2026. Increases of $37.7 million to cover the expansion of waiver services in addition to $28.7 million for a provider rate increase of 1% partially offset the reduction.

The growth in community services combined with the cost containment actions net to a $230 million decrease in the Community Services program. Additionally, a deficiency appropriation added $8.28 million in the fiscal 2025 working appropriation for Financial Management Services for individuals in self-directed services, and the fiscal 2026 allowance includes an additional $487,120 for this service. The fiscal 2026 allowance also increases by $39.3 million to cover the cost of a federal disallowance that will be collected in fiscal 2026 for unallowable Medicaid costs.

Exhibit 8
Proposed Budget
Maryland Department of Health – Developmental Disabilities Administration
($ in Thousands)

How Much It Grows:	**General Fund**	**Special Fund**	**Federal Fund**	**Total**
Fiscal 2024 Actual	$985,546	$10,222	$1,367,357	$2,363,125
Fiscal 2025 Working Appropriation	1,459,338	21,450	1,384,702	2,865,490
Fiscal 2026 Allowance	1,370,716	8,730	1,295,492	2,674,939
Fiscal 2025-2026 Amount Change	-$88,622	-$12,720	-$89,210	-$190,552
Fiscal 2025-2026 Percent Change	-6.1%	-59.3%	-6.4%	-6.6%

Where It Goes:	**Change**
Personnel Expenses	
Salary increases and associated fringe benefits including fiscal 2025 COLA and increments	$1,244
Turnover adjustments decrease from 10.88% to 10.54%	76
Workers' compensation	22
Accrued leave payout	18
Overtime	-9
Reclassification	-34
Employee and retiree health insurance	-83
Miscellaneous adjustments	-172
Community Services	
Community services growth	37,678
Provider rate increase of 1%	28,718
Annualization of seven cost containment actions introduced in fiscal 2025 in addition to two items introduced in fiscal 2026	-297,706

Where It Goes:	**Change**
Other Changes	
Disallowance for unallowable Medicaid costs for residential habilitation add-on services	39,324
Financial Management Services for individuals in self-directed services, including recruitment, qualification verification and background checks, payroll, and fiscal accounting	487
Other	-114
Total	**-$190,552**

COLA: cost-of-living adjustment

Note: Numbers may not sum to total due to rounding. The fiscal 2025 working appropriation accounts for deficiencies 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.

Fiscal 2026 Budget Plan Includes Significant Cost Containment

There are total reductions of $160.1 million in total funds ($96.6 million in general funds) in fiscal 2025 and $457.8 million in total funds ($235.5 million in general funds) in fiscal 2026 due to a variety of cost containment actions proposed in DDA's budget. State-only funded services reduction savings are in 100% general funds, and the WLEF balance transfer includes a reduction of $15.0 million in general funds for a fund swap of the same amount in special funds. All other cost containment items are funded with 50% general funds and 50% federal funds. **Exhibit 9** provides a breakdown of reductions by service model due to these proposed cost containment actions. Most of the actions are estimated to impact the traditional model.

Exhibit 9
Cost Containment Action Reductions in Total Funds as Budgeted
Fiscal 2025-2026
($ in Millions)

	Fiscal 2025			Fiscal 2026		
	Traditional	**Self-directed**	**Total**	**Traditional**	**Self -directed**	**Total**
Reasonable and Customary Wage Modification		-$36.5	-$36.5		-$146.1	-$146.1
Geographical Differential Elimination	-$56.0		-56.0	-$112.0		-112.0
Dedicated Hours Utilization Policy Change	-54.2		-54.2	-108.5		-108.5
Self-Directed Services Cap on IFDGS*					-29.0	-29.0
Direct Transitioning Youth into the Traditional Model					-19.2	-19.2
Wage Exception Process Elimination		-4.7	-4.7		-18.9	-$18.9
State Only Funded Services Reduction	-3.1		-$3.1	-13.1		-13.1

	Fiscal 2025			Fiscal 2026		
	Traditional	**Self-directed**	**Total**	**Traditional**	**Self -directed**	**Total**
Low Intensity Supports Services Program Elimination *	-5.5		-5.5	-11.1		-11.1
Waiting List Equity Fund Swap*	0.0		0.0	0.0		0.0
Total	**-$118.9**	**-$41.2**	**-$160.1**	**-$244.7**	**-$213.2**	**-$457.8**

IFDGS: Individual and Family Directed Goods and Services

* Contingent on the passage of the Budget Reconciliation and Financing Act of 2025.

Note: The Developmental Disabilities Administration reported that the geographical differential elimination will impact the self-directed services model as well but did not provide the correct breakdown by service model.

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

Overestimated Cost Savings Result in Projected Deficits

The savings from three cost containment actions were incorrectly estimated, leading cost savings to be lower than budgeted, by $88.6 million in fiscal 2025 and $5.5 million in fiscal 2026. The lower than anticipated cost savings are due to DDA not accounting for CMS approval requirements, incorrect budgeted effective dates, and inaccurate fund splits. **Exhibit 10** presents the correct general fund and total savings by cost containment action, as of February 12, 2025. The text highlighted in green reflect changes to the cost containment savings from their original budgeted amounts. For fiscal 2025, the budgeted reduction was $160.1 million in total funds, but the correct reductions are less than half this amount, with only $71.5 million in total funds. For fiscal 2026, the only corrected item was a reduction of $5.5 million from the budgeted amount for the LISS program elimination.

Exhibit 10
Correct Cost Containment Reductions
Fiscal 2025-2026
($ in Millions)

	Fiscal 2025		Fiscal 2026	
	GF	Total Funds	GF	Total Funds
Reasonable and Customary Wage Modification	-$18.3	-$36.5	-$73.1	-$146.1
Geographical Differential Elimination			-56.0	-112.0
Dedicated Hours Utilization Policy Change	-13.6	-27.1	-54.2	-08.5
Self-Directed Services Cap on IFDGS*			-14.5	-29.0
Direct Transitioning Youth into the Traditional Model			-9.6	-9.2
Wage Exception Process Elimination	-2.4	-4.7	-9.4	-18.9
State-only Funded Services Reduction	-3.1	-3.1	-13.1	-13.1
Low Intensity Supports Services Program Elimination *			-5.5	-5.5
Waiting List Equity Fund Swap*	-15.0	0.0		
Total	**-$52.3**	**-$71.5**	**-$235.5**	**-$452.3**
Total Originally Budgeted	**-$96.6**	**-$160.1**	**-$235.5**	**-$457.8**
Difference	**-$44.3**	**-$88.6**	**$0.0**	**-$5.5**

IFDGS: Individual and Family Directed Goods and Services

* Contingent on the passage of the Budget Reconciliation and Financing Act of 2025.

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

DDA reported that the geographical differential elimination, action to direct transitioning youth into the traditional model, and the self-directed services cap on IFDGS require CMS approval prior to implementing these actions. A waiver amendment has not yet been submitted for any of the items that require CMS approval, and DDA stated that CMS would no longer approve changes retroactively. Since the geographical differential elimination is not able to go into effect in fiscal 2025, the savings of $28.0 million ($14.0 million in general funds) for this item in fiscal 2025 will not be included in the cost containment reductions. The timeline for CMS approval of waiver changes includes a 90-day review period and a 30-day public comment period. Considering this timeline, the earliest that DDA could receive approval for cost containment actions is July 1, 2025. This would require DDA to submit a waiver amendment by February 26, 2025. Because of the timeline required for CMS approval, it is unclear whether the geographical differential, action to direct transitioning youth into the traditional model, and the self-directed services cap on IFDGS will be fully implemented in fiscal 2026.

Additionally, DDA clarified that the elimination of the dedicated hours utilization policy change would have an effective date of April 1, 2025. However, the fiscal 2025 reduction amounts for these items are estimated as half of the impact in fiscal 2026, reflecting the savings if the action had gone into effect on January 1, 2025. As a result, the correct estimated cost savings from the elimination of the dedicated hours utilization policy changes will only yield $27.1 million in total fund savings ($13.6 million in general funds) for fiscal 2025 to reflect the correct effective date.

DDA has also stated that it does not plan on implementing the LISS program elimination for fiscal 2025, reducing the fiscal 2025 savings from this action entirely. For fiscal 2026, DDA incorrectly budgeted this action's fund split. The LISS program is funded with 100% general funds, but the budget doubled the contingent reductions with $5.5 million in general funds and $5.5 million in federal funds in fiscal 2026. DDA clarified that the correct cost savings amounts for the LISS program elimination is $5.5 million in only general funds for fiscal 2026.

As a result of the incorrect estimates for the geographical differential elimination, dedicated hours utilization policy change, and the LISS program elimination, the savings from these items are overstated, leaving a deficit of $88.6 million ($44.3 million general funds) in fiscal 2025 and $5.5 million (all federal funds) in fiscal 2026. To the extent that implementation of any other cost containment actions are delayed or do not yield the estimated general fund savings, additional State funds would be needed to backfill the reduction. **DDA should provide an update on the status of submitting a waiver amendment for CMS approval of the geographical differential elimination, action to direct transitioning youth into the traditional model, and the self-directed services cap on IFDGS. DDA should also comment on plans to correct the deficit of $88.6 million ($44.3 million of general funds) in fiscal 2025 from incorrectly estimating the cost containment savings. Additionally, the Department of Budget and Management (DBM) and MDH should replace the federal funding that would be reduced for the elimination of the LISS program through a supplemental budget.**

Cost Containment Action Impacts

Exhibit 11 provides a description of each of the cost containment actions, including what they do and who they impact. Some of the cost containment actions reduce services provided to participants, while others impact the rates that providers receive. The WLEF balance transfer has no direct impact on providers or participants because it only changes the funding source used, rather than the provision of services. There are two cost containment actions that impact both models – the action to direct transitioning youth into the traditional model, and the State-only funded services reduction. The LISS program does not impact either service model as it provides services to individuals that are not enrolled in a waiver program. Of the remaining 6 cost containment actions, half impact the traditional model, while the other half impacts the self-directed services model.

Exhibit 11
Cost Containment Action Impacts

Description	Effective Date	Service Model Impact	Rate or Services Impact	Estimates of Community Impact
Reasonable and Customary Wage Modification: Lowers the reasonable and customary wage for providers from an average of $36 per hour to an average of $32 per hour to align with the BLS wage for Maryland.	April 1, 2025	Self-directed	Rates	5,500 Employees
Geographical Differential Elimination: Eliminates higher rates for geographical differentials for certain providers in Calvert, Charles, Frederick, Montgomery, and Prince George's counties.	July 1, 2025	Traditional	Rates	188 Providers
Dedicated Hours Utilization Policy Change: Requires Community Living services to exhaust shared hours before utilizing dedicated hours that provide one-to-one support and two-to-one support for individuals with a higher level of need.	April 1, 2025	Traditional	Services	197 Providers; 9,273 Participants
***Self-Directed Services Cap on IFDGS:** Places a $5,000 cap on IFDGS requests.	July 1, 2025	Self-directed	Services	4,004 Participants
Direct Transitioning Youth into the Traditional Model: Any incoming youth transitioning into services from high school in fiscal 2026 would be required to enter in the traditional model for their first year of services.	July 1, 2025	Both	Services	850 Participants
Wage Exception Process Elimination: Eliminates wage exception process that allows participants to pay providers up to 180% more than the established BLS wages.	April 1, 2025	Self-Directed	Rates	4,004 Participants

State-only Funded Services Reduction: Transition individuals onto a DDA-operated Medicaid waiver, including requiring eligible individuals to apply for a waiver and reevaluating services for individuals receiving supports only.	April 1, 2025	Both	Services	926 Individuals
***Low Intensity Supports Services Program Elimination:** BRFA provision as written eliminates the program, but DDA reported intending to only suspend the program based on general fund availability.	July 1, 2025	State-Funded	Services	2,549 Individuals
* **WLEF Swap:** Uses funds from the WLEF to supplant funds for emergency community placements or transitioning students. Decreases general funds and increases special funds by the same amount.	April 1, 2025	Traditional	Neither – Fund Swap	None

BLS: U.S. Bureau of Labor Statistics
BRFA: Budget Reconciliation and Financing Act
DDA: Developmental Disabilities Administration
IFDGS: Individual and Family Directed Goods and Services
WLEF: Waiting List Equity Fund

* Contingent on the passage of the BRFA of 2025

Source: Maryland Department of Health; Department of Legislative Services

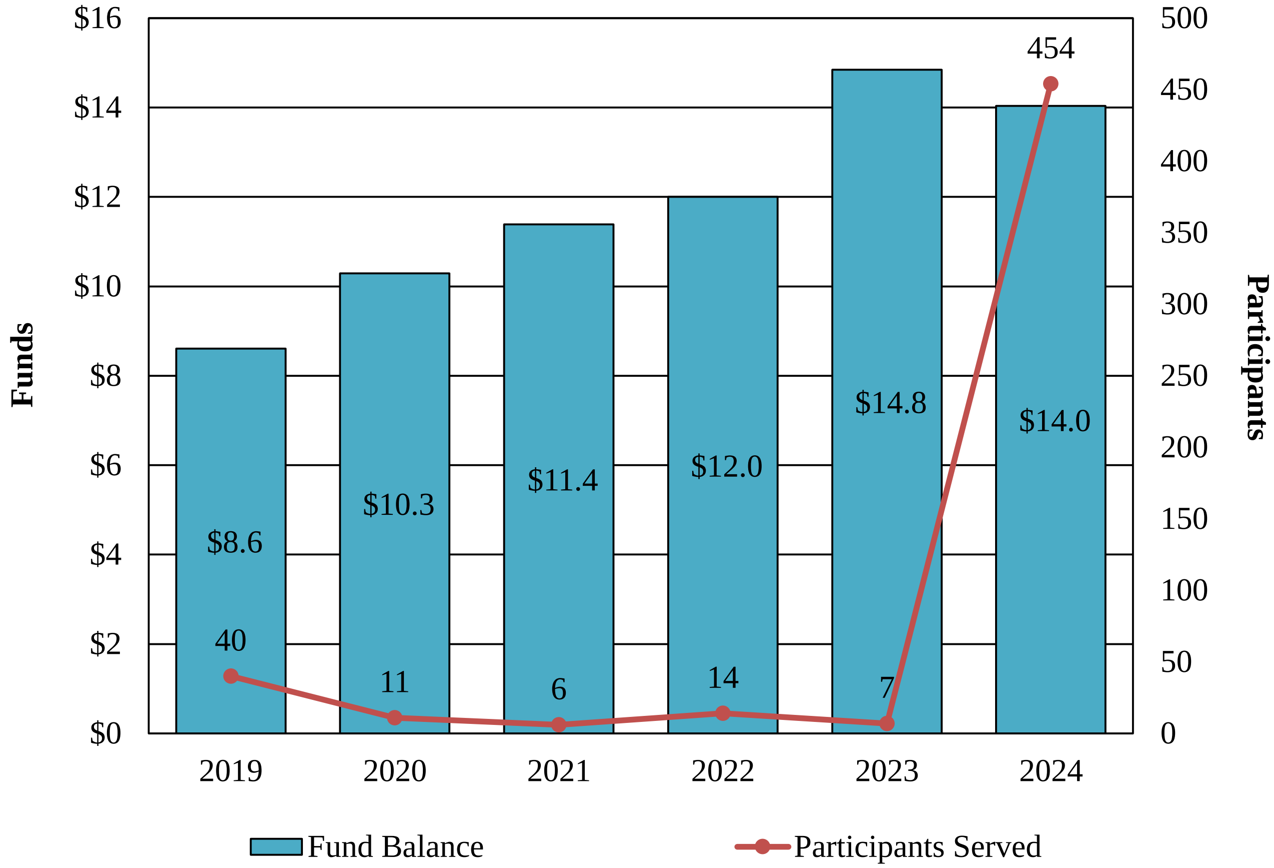
Budget Reconciliation and Financing Act

Three cost containment measures are contingent on the passage of provisions in the BRFA of 2025, including actions relating to the WLEF, the LISS program, and the Self-Directed Services Cap on IFDGS. The elimination of the LISS program and the Self-Directed Services Cap on IFDGS include contingent reductions in fiscal 2025 deficiency appropriations and the fiscal 2026 allowance.

WLEF Transfer

The WLEF was established to ensure that funding associated with individuals served in an SRC follows them when they are transitioned to a community-based care setting. Statute dictates how the WLEF may be used, preventing the funds from being used to supplant funds for emergency placements or transitioning youth as well as restricting them to the first year of an individual’s placement in the community. After the initial year, the individual becomes part of the base budget. **Exhibit 12** highlights the decrease in the WLEF balance in fiscal 2024 compared to the prior year in addition to the increase in participants served. This is the first decrease in the fund balance in the past six years. Since the growth in the WLEF balance from fiscal 2019 to 2023 was primarily due to low spending from the fund, the decrease of $809,298 demonstrates improvements in spending funds. In addition to spending more of the WLEF appropriation, the number of participants served in fiscal 2024 increased significantly from 7 participants in fiscal 2023 to 454 participants in fiscal 2024.

Exhibit 12
Waiting List Equity Fund Balance
Fiscal 2019-2024
($ in Millions)



Source: Maryland Department of Health; Department of Legislative Services

The BRFA provision on the WLEF alters the fund's allowable uses by removing a prohibition of WLEF supplanting funds for emergency community placements or transitioning students. Although the fiscal 2026 budget assumes that $15.0 million in the available special fund balance will replace an equivalent amount of general fund savings in fiscal 2025, contingent on enactment of the BRFA provision, the fiscal 2025 closing WLEF balance is only estimated to be $13.3 million, based on budgeted expenditures and projected revenues. This contingent reduction would underfund DDA's budget by approximately $1.7 million in general funds if the entire WLEF appropriation is spent in fiscal 2025. **DDA should comment on its current estimate for the fiscal 2025 closing WLEF fund balance, including plans to backfill the balance transfer amount, if needed.**

Elimination of the Low Intensity Support Services Program

Another provision in the BRFA as introduced eliminates the LISS program by repealing the authorizing statute, Section 7-717 of the Health General Article. The LISS program provides temporary financial support of up to $2,000 for people on the DDA Community Services Waiting List and/or individuals who do not receive support through the three Medicaid HCBS waivers administered by DDA. Some of the eligible services and items include adaptive items, assistive technology, attendant care, personal care, recreational services and items, therapeutic summer programs, and several other supports. Individuals must submit an application that includes an invoice or receipts for goods and services and must apply annually through a random selection process that occurs twice a year – once in the summer and once in the winter. The fiscal 2026 budget as introduced includes a deficiency withdrawing $2.8 million in general funds and $2.8 million in federal funds in fiscal 2025 and reductions of $5.5 million in general funds and $5.5 million in federal funds in fiscal 2026, all contingent on the enactment of legislation eliminating the LISS program.

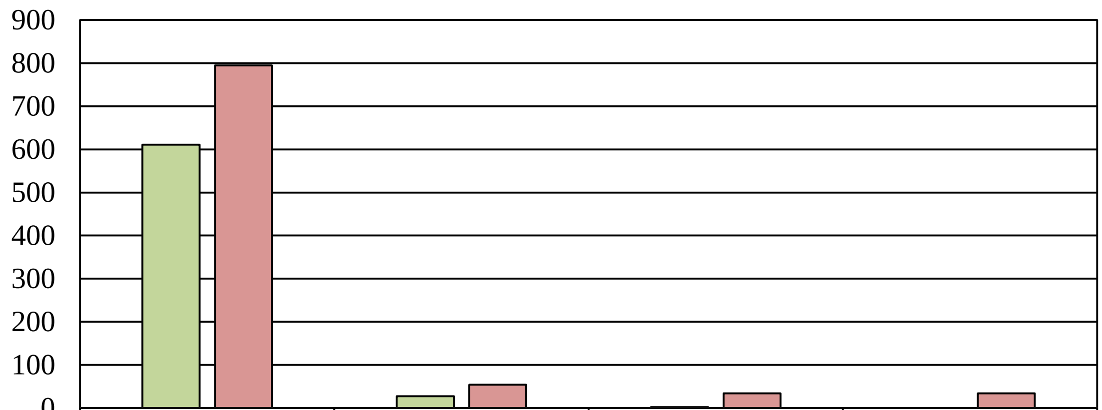
Self-Directed Services Cap on IFDGS

The BRFA provision relating to the Self-Directed Services Cap on IFDGS removes a prohibition on DDA establishing a limit on the maximum dollar amount provided to recipients for IFDGS under the Community Services program. IFDGS are defined as services, equipment, activities, or supplies for individuals who self-direct services that (1) relate to a need or goal identified in the PCP of service; (2) maintain or increase independence; (3) promote opportunities for community living and inclusion; and (4) are not available under another waiver service(s) provided under the State plan.

Chapters 736 and 737 of 2022 (Self-Direction Act) prohibited DDA from establishing a limit on the dollar amount of IFDGS provided to a recipient, but the legislation also prohibited a recipient from receiving services or supports in excess of the recipient’s annual approved budget. Prior to Chapters 736 and 737 taking effect, MDH advised that there was a cap of $7,500 per year for IFDGS. MDH reported that it would seek to implement a cap of $5,000. MDH also reported that reinstating the cap would help control expenditures for self-directed services by controlling utilization of unallocated funds. The fiscal 2026 budget as introduced includes a reduction of $14.5 million in general funds and $14.5 million in federal funds, contingent on the enactment of legislation modifying the provisions of the Self-Directed Services Program.

In response to budget language in the fiscal 2025 Budget Bill (Chapter 716 of 2024), DDA submitted a report on self-directed services and IFDGS spending. IFDGS includes three categories of services: (1) goods and services; (2) day to day administrator; and (3) recruitment and advertising. Although total spending was the highest in goods and services in fiscal 2024, the average cost per participant was the highest in the day to day administrator category. In fiscal 2024, DDA reported spending a total of $4.7 million in goods and services for 1,109 participants (average of $4,211 per participant), $456,097 in day-to-day administrators for 62 participants (average of $14,976 per participant), and $8,161 in recruitment and advertising for 32 participants (average of $255 per participant). In fiscal 2024, MDH approved a total of $16.3 million in goods and services, but only a total of $4.7 million was claimed. The difference between the approved and claimed amounts are due to participants spending less than requested, and there is a claim lag in which MDH may not receive a claim for a service for some time after the services were rendered. **Exhibit 13** provides a breakdown of the total spending by participant in goods and services requested through IFDGS. In fiscal 2024, 87% of total participant spending was under $5,000, 6% was between $5,000 and $7,000, 4% was between $7,000 and $10,000, and 4% was over $10,000. In fiscal 2023 and 2024 combined, DDA reported approving 3,576 requests and denying 2,090 requests for goods and services. DDA reported that individual requests under $5,000 are reviewed by staff at the regional offices, while individual requests for $5,000 or more are reviewed by staff at DDA's headquarters office.

Exhibit 13
IFDGS Goods and Services Total Spending by Participant
Fiscal 2023-2024



	Under $5000	$5,000-$7,000	$7,000-$10,000	Over $10,000
Fiscal 2023	611	27	2	0
Fiscal 2024	795	54	34	34

IFDGS: Individual and Family Directed Goods and Services

Source: Maryland Department of Health; Department of Legislative Services

DDA Loses Appeal and Must Pay Federal Disallowance

In an audit report released in June 2015, the Office of the Inspector General (OIG) at the U.S. Department of Health and Human Services (HHS) documented an overbilling of federal funds, resulting in a recommendation that the State refund $34.2 million to the federal government. This $34.2 million represents the federal share of services provided over a three-year period from July 1, 2010, to June 30, 2013, to individuals with developmental disabilities who were provided additional services beyond residential habilitation services, also known as add-on services, due to their high degree of need. During this same period, the department claimed $329.0 million ($178.7 million federal share) for all add-on waiver services.

After a review by OIG, it was determined that almost every claim represented in that federal share was not consistent with waiver criteria. The audit found that DDA claimed add-on services for beneficiaries who did not meet the waiver's level-of-need requirement under the Community Pathways waiver. It also noted that DDA did not consider the level-of-need of the beneficiary when approving the add-on services. DDA has subsequently amended the Community Pathways waiver to eliminate the requirement that individuals received a level-of-need score of five on the Individual Indicator Rating Scale to claim add-on services.

MDH did not concur with the OIG recommendations in a September 2015 response and disagreed with the interpretation that the waiver required individuals receiving services to meet three separate requirements. In the past, the department operated its program such that an individual who meets any of the three conditions is eligible for add-on services. OIG responded that the agency's interpretation of its waiver would have been unallowable because it would not have required evidence that there was a need for add-on services or that additional payment was necessary to cover the cost of those services.

MDH received a formal disallowance letter from HHS on June 26, 2018, which required the refund of $34.2 million. On August 23, 2018, MDH issued a request for reconsideration letter to HHS to begin the appeals process. During the appeals process, MDH was given the choice to return the funds or retain them and pay any interest that accrues in that time. MDH chose to retain the funds and risk accrued interest charges if the appeal was rejected.

In October 2024, MDH's appeal was denied, and the department will be required to repay the $34.16 million in disallowed claims and $5.17 million in accrued interest. MDH reported that they are currently appealing the payment of the interest, since the interest was accruing while MDH was awaiting a decision on its appeal of the disallowance. MDH reported that if CMS approves the appeal related to the interest payments, then any interest paid will be refunded to department.

Personnel Data

	FY 24 Actual	FY 25 Working	FY 26 Allowance	FY 25-26 Change
Regular Positions	203.00	211.00	210.00	-1.00
Contractual FTEs	27.12	15.82	16.68	0.86
Total Personnel	**230.12**	**226.82**	**226.68**	**-0.14**

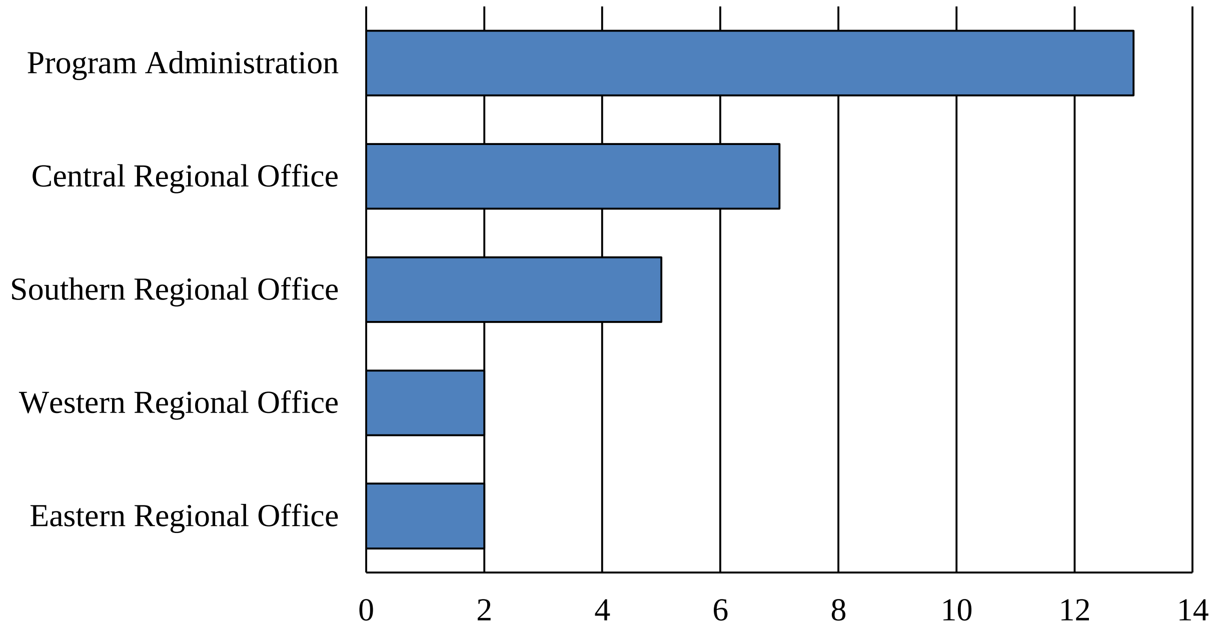
Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	22.13	10.54%
Positions and Percentage Vacant as of 12/31/24	29.00	13.74%
Vacancies Above Turnover	6.87	

- The fiscal 2026 allowance includes a decrease of 1 regular position, which is due to a position transfer within MDH. Contractual positions increased by a net 0.86 full-time equivalent positions from fiscal 2025 to 2026.

- DDA's vacancy rate as of December 31, 2024, remains high with 29 vacant positions, 6.87 more vacancies than necessary to meet the budgeted turnover for fiscal 2026. Of these positions, roughly half (13) are within the program direction for various administrative, program management, and fiscal services positions. The remaining 16 vacancies are within the Community Services program for DDA's four regional offices. **Exhibit 14** shows the vacancies in program administration and in regional offices. There were 7 vacancies at the Central Maryland Regional Office, 5 vacancies at the Southern Maryland Regional Office, 2 vacancies at the Western Maryland Regional Office, and 2 vacancies at the Eastern Shore Regional Office. Of the total 16 vacant positions in the regional offices, 9 are for coordinator of special programs for health services programs, 3 are programmatic and administrative positions, 2 are office secretaries, 1 is an accountant position, and 1 is a social work program administrator position.

Exhibit 14
Vacant Positions by Program
As of December 31, 2024



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

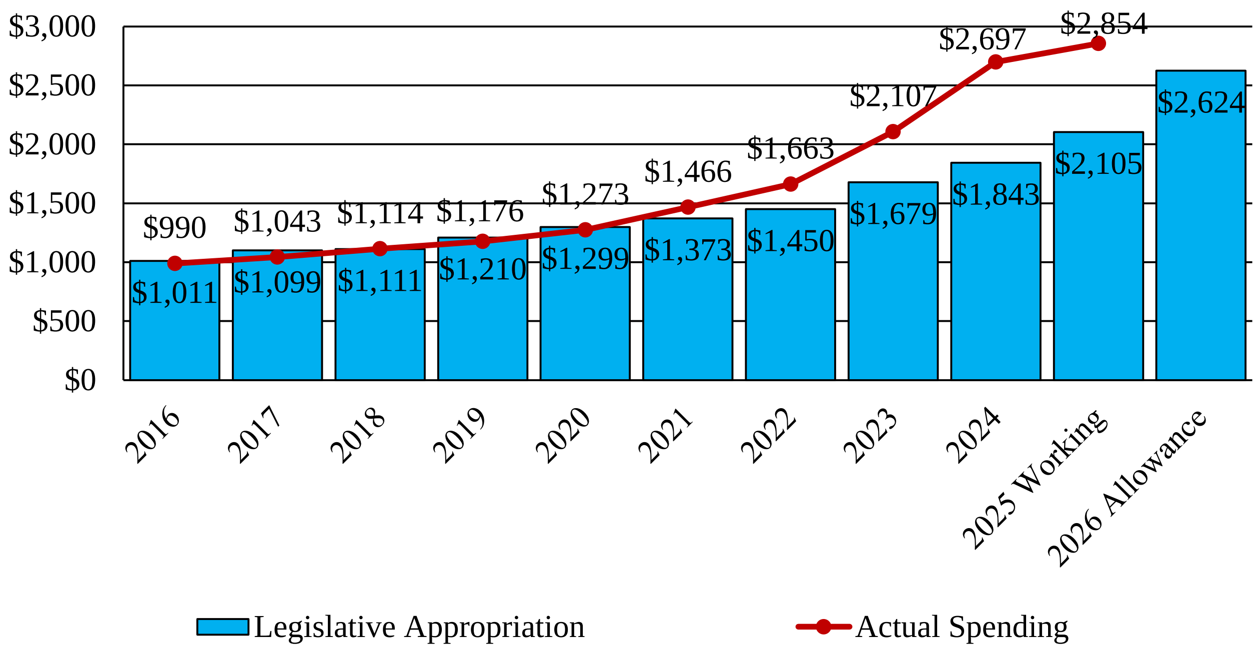
Issues

1. Community Services Spending and Transition to LTSS

Community Services Spending Significantly Exceeds Appropriation in Recent Years

DDA's actual spending for community services has surpassed the legislative appropriation by significant amounts in recent years. **Exhibit 15** shows the legislative appropriation compared to actual spending for community services from fiscal 2016 to 2024, followed by projected fiscal 2025 and 2026 spending based on the budget as submitted. In the past 10 years, the legislative appropriation for DDA more than doubled from $1 billion in fiscal 2016, to $2.6 billion in the fiscal 2026 allowance. From fiscal 2016 to 2020, actual spending was almost always lower than the legislative appropriation as spending was slightly overestimated.

Exhibit 15
Total Legislative Appropriation and Actual Spending for Community Services
Fiscal 2016-2026
($ in Millions)



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

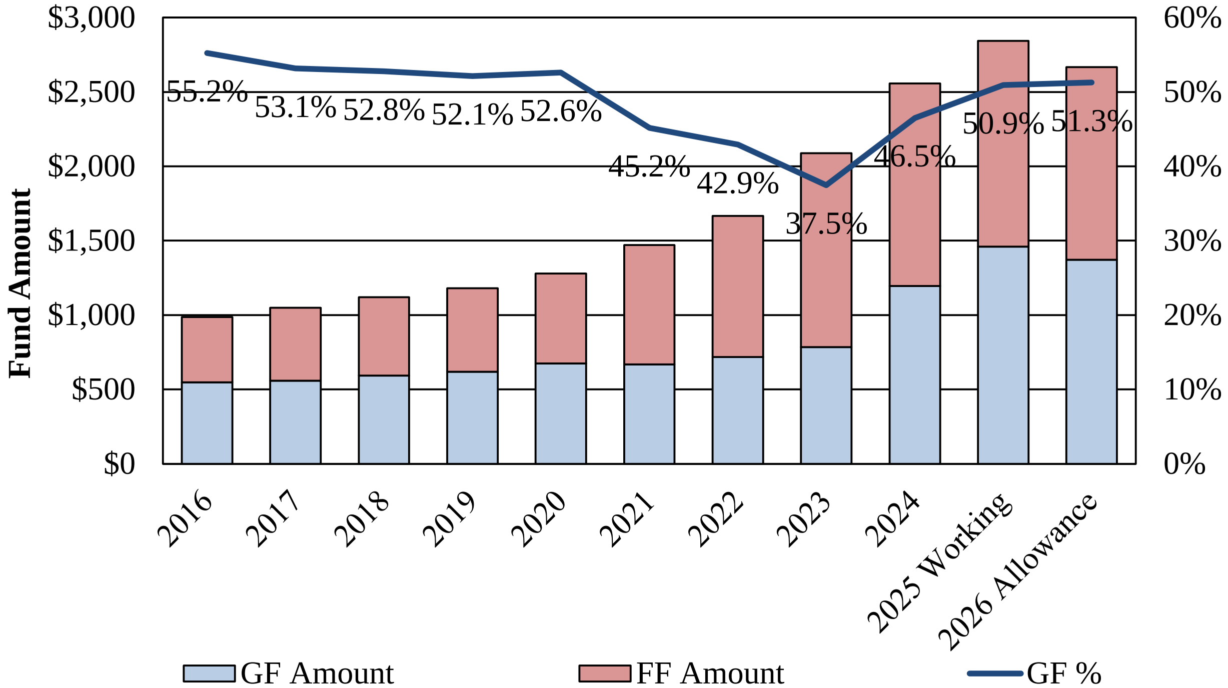
From fiscal 2021 to 2025, actual spending exceeded the legislative appropriation at increasing magnitudes by a total of $2.2 billion across these years**,** with spending surpassing the appropriation by:

- $93.7 million in fiscal 2021;
- $212.9 million in fiscal 2022;
- $427.7 million in fiscal 2023;
- $724.2 million in fiscal 2024; and
- $749.0 million projected in fiscal 2025, when accounting for a $900 million deficiency to the working appropriation that is partially offset by $160 million in cost containment actions.

COVID-19 Federal Funding Covered Growth in Some Years

Although a significant portion of the growth in fiscal 2021 to 2023 was covered by additional federal funding provided throughout the COVID-19 pandemic, fiscal 2024 and 2025 spending growth required more general funds due to the end of this additional federal funding. **Exhibit 16** shows the fund split of general funds and federal funds within DDA's budget. For services provided through Medicaid waivers, State expenditures typically receive 50% federal matching funds. Overall federal fund participation is usually just under 50% because of services and participants not eligible for federal fund reimbursement. Some DDA services are completely state funded and are ineligible for a federal fund match, resulting in the general fund share to typically be slightly higher than 50%.

Exhibit 16
General Fund and Federal Fund Split
Fiscal 2016-2026
($ in Millions)



FF: federal funds
GF: general funds

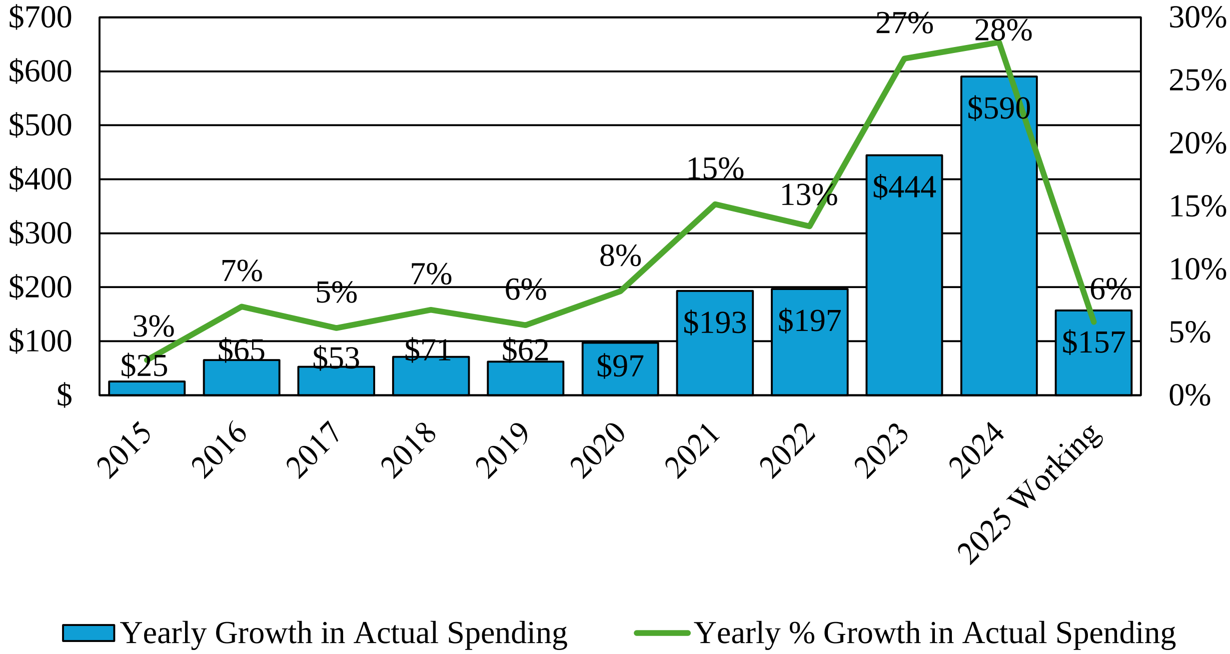
Source: Department of Budget and Management; Department of Legislative Services

DDA received an increase in federal funds between fiscal 2020 and 2024 throughout the COVID-19 public health emergency. DDA received an enhanced federal match for eligible programs, authorized through several COVID-19-related relief measures. The Families First Coronavirus Response Act of 2020 authorized a 6.2% enhanced federal match on qualifying Medicaid expenses during the COVID-19 public health emergency. The Consolidated Appropriations Act of 2023 established a phase-out schedule that reduced the enhanced match each quarter, beginning April 1, 2023, until the match fully expired on December 31, 2023. The American Rescue Plan Act (ARPA) of 2021 provided a temporary 10% federal match on qualifying HCBS waiver program spending from April 1, 2021, through March 31, 2022. Savings from the enhanced match must be reinvested to expand and strengthen HCBS by March 31, 2025. All funds reinvested into HCBS receive the typical federal match rate. DDA's federal fund share peaked at 62% in fiscal 2023, and the federal fund participation has decreased to a more typical level since then to 48% in the fiscal 2025 working appropriation and in the fiscal 2026 allowance.

Increase in Community Services Spending Related to LTSS Transition

Exhibit 17 shows the year-to-year growth in community services by dollar amount and percentage from fiscal 2015 to the 2025 working appropriation. Within this 10-year period, the years with the highest growth were in fiscal 2023 and 2024. The single highest year-to-year growth was from fiscal 2023 to 2024, with a growth of $590 million, or 28%, over the previous year.

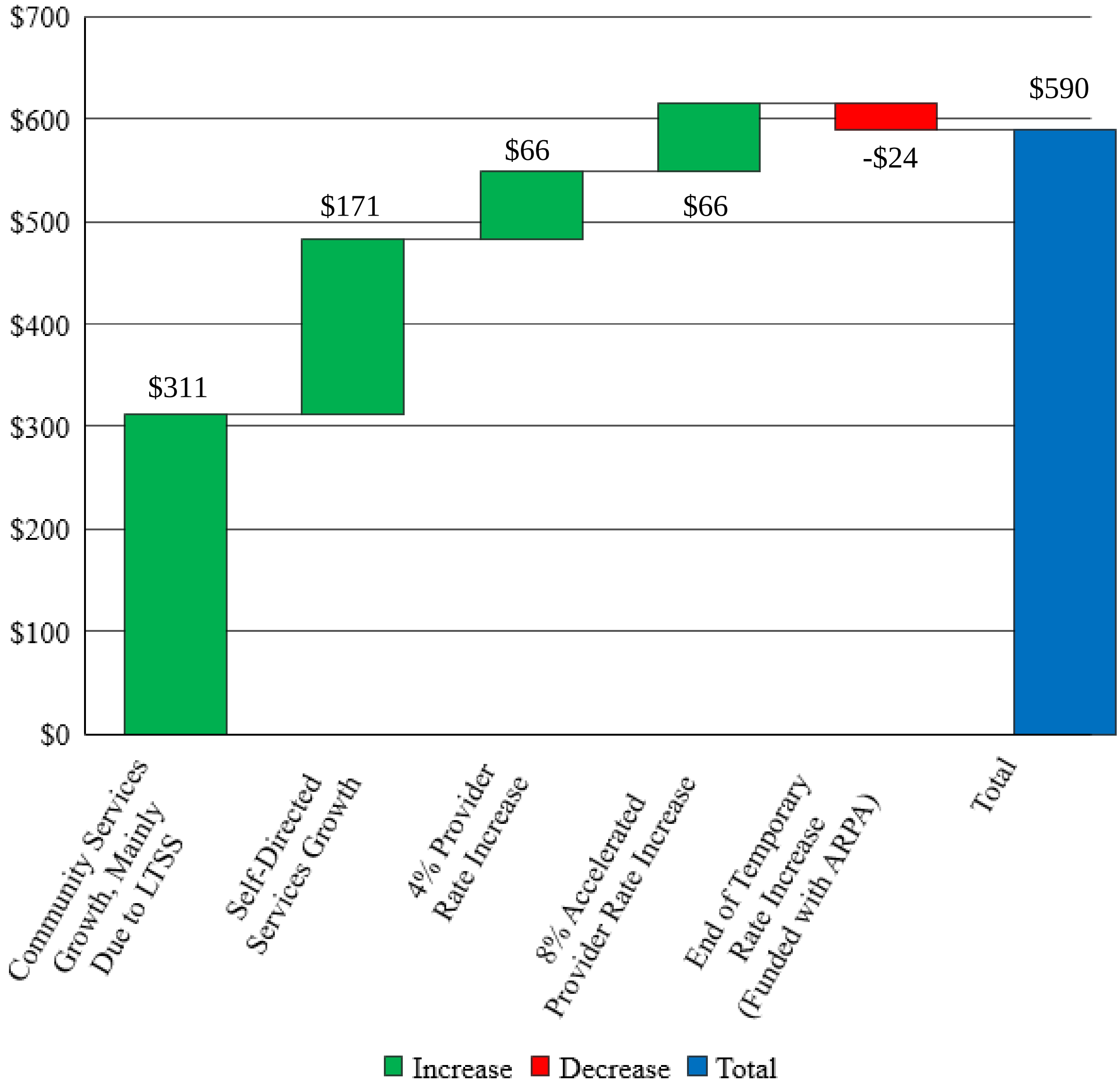
Exhibit 17
Yearly Growth in Actual Spending of Community Services
Fiscal 2015-2025
($ in Millions)



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

Exhibit 18 shows the components of community services spending growth in fiscal 2024. Some of the key components of the increase in costs in fiscal 2024 include spending that was planned and budgeted for, such as a 4% provider rate increase; an 8% accelerated provider rate increase effective January 1, 2024; and the end of a temporary rate increase funded with ARPA funds. Approximately $171.0 million in growth is due to increased costs relating to self-directed services. The main factor of the growth, however, is a $311.0 million increase in community services in the traditional model, which includes yearly expansion but is mainly due to the transition to the LTSS system.

Exhibit 18
Components of Community Services Spending Growth
Fiscal 2023 to 2024
($ in Millions)



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

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

LTSS Transition Complete as of September 2024

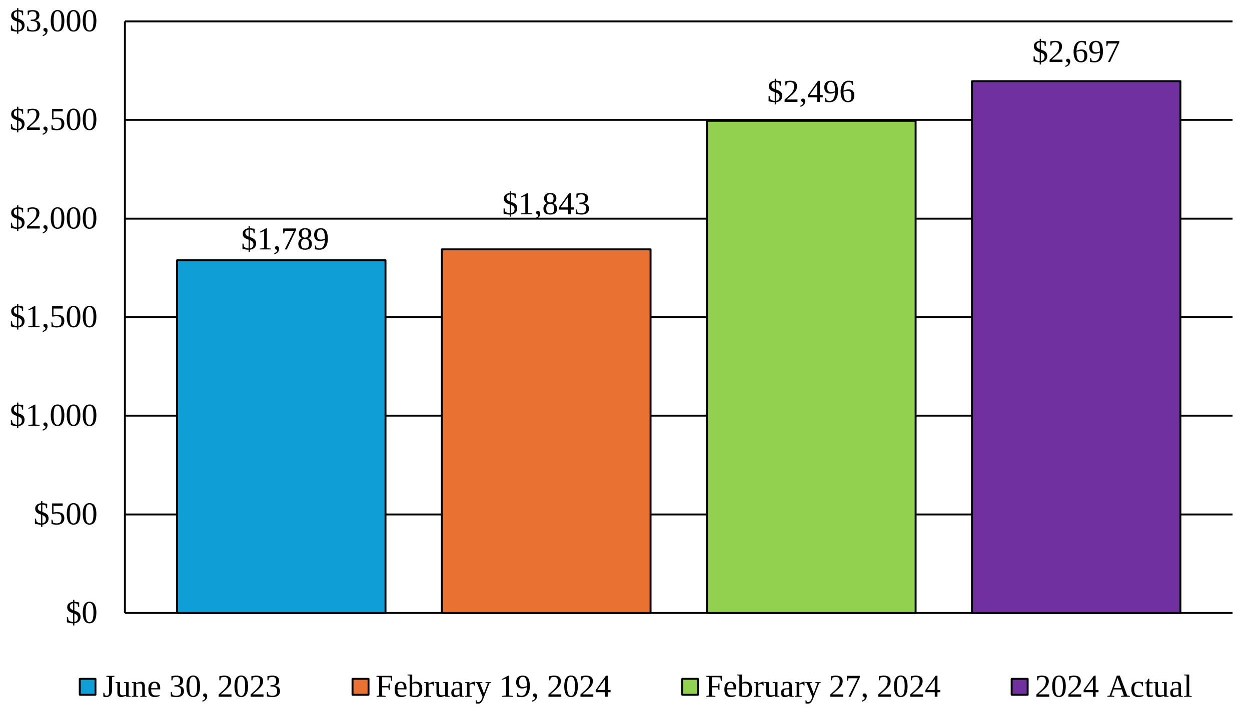
As of September 2024, DDA completed its transition of moving service authorization and billing functionalities from the legacy PCIS2 to a DDA module on Medicaid's existing LTSS system. This transition involved moving from a prospective payment model to the FFS reimbursement model and establishing new community services and provider rates. DDA implemented the transition through a phased pilot process, which began in December 2019. About two-thirds of providers transitioned in calendar 2023 and 2024, mostly within fiscal 2024. These changes are expected to improve DDA's data collection and spending forecast abilities.

DDA reported that billing in PCIS2 was based on 12 services, in addition to add-on services based on assessed needs, while billing in LTSS includes 52 services. Although DDA reported that the increased number of services provides additional flexibilities, providers reported that the changes in billing processes in LTSS has led to fewer flexibilities for participants in accessing services by approving specific services instead of a few broad categories of services that incorporate various services.

Spending for LTSS Transition Surpassed Forecast by $900 Million

Language in the fiscal 2024 Budget Bill required that DDA submit quarterly reports with spending forecasts for fiscal 2024 accounting for costs in LTSS. **Exhibit 19** shows the spending forecasts of LTSS costs for fiscal 2024 included in the first three quarterly reports as of the date that they were submitted when compared to the actual spending for fiscal 2024. For the first two forecasts, DDA estimated costs of about $1.8 billion, using historical billing data in the previous prospective model. For the third forecast, DDA estimated about $2.5 billion, by utilizing actual billing data in LTSS from one of the regional offices. DDA reported that it needed several months of stable billing data in the new system to be able to conduct this more accurate cost analysis. Although this forecast is closer to actual spending of $2.7 billion, the forecast was developed in February 2024, when about a third of providers had already transitioned. Furthermore, MDH certified in a May 2023 report that the fiscal 2024 budget was sufficient, but actual spending was about $900 million more than the original forecast.

Exhibit 19
MDH Spending Forecasts of LTSS Costs for Fiscal 2024
($ in Millions)



LTSS: Long Term Services and Supports
MDH: Maryland Department of Health

Source: Maryland Department of Health; Department of Legislative Services

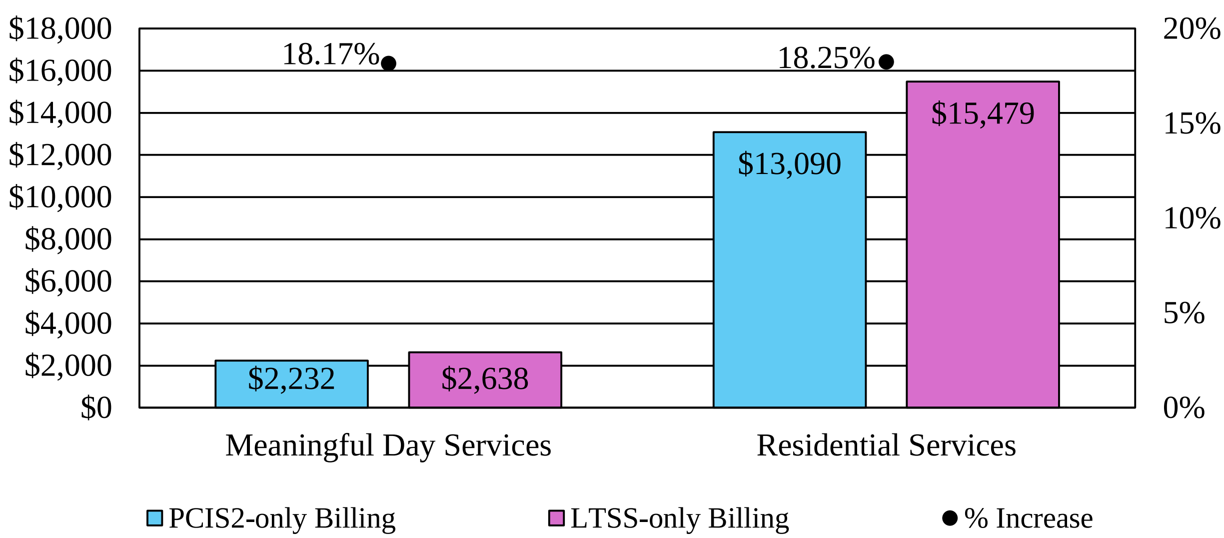
DDA submitted each of the quarterly reports after the due date except for the first quarterly report due on July 1, 2023, which was submitted on June 30, 2023. DDA submitted the second quarterly report on February 19, 2024, and the third quarterly report eight days later on February 27, 2024, although they were due October 1, 2023, and January 1, 2024, respectively. The last quarterly report was due by April 1, 2024, and was submitted on July 5, 2024. Language in the fiscal 2025 Budget Bill also restricts funding until DDA submits a report on year-to-date spending in LTSS by January 1, 2025. **As of February 7, 2025, DDA had not submitted this report. DDA, however, had provided such data to DBM. DDA should explain the reasons for the delayed submission of reports to the budget committees and provide an update for when the report on fiscal 2025 year-to-date Community Services spending will be submitted. Additionally, DLS recommends adding language restricting $2 million pending quarterly reports with monthly spending data in LTSS, including updated spending, enrollment, and service provision data.**

Higher Rates for Services Incorporated into LTSS

Most of the growth in cost throughout the LTSS transition is estimated to be due to the increased rates built into LTSS, though some growth can be attributed to higher utilization of services. Chapter 648 of 2014 required that DDA conduct an independent and cost-driven rate-setting study to set rates for community services based on actual costs of providing services. The results of the rate-setting study were released in November 2017, and rates were provided to DDA providers in August 2019 but were further adjusted subsequently.

A fiscal impact analysis by the Hilltop Institute examined the difference in payment to providers from the prospective payment model to the FFS model. As compared to the previous payment model where providers were paid by the day (PCIS2), the new LTSS payment model where providers are paid per hour of service showed an increase in the average reimbursement to providers. In its fourth quarterly report, MDH provided a cost analysis of the rates paid to providers that transitioned to the LTSS system. **Exhibit 20** shows the change in costs between billing in the legacy PCIS2 and LTSS between July 2022 and November 2023 for the Western Maryland Regional Office. This comparison of reimbursements through PCIS2 and LTSS demonstrate an increase of 18% in costs for meaningful day and residential services.

Exhibit 20
Total Per Person Per Month Cost Comparison of LTSS and PCIS2
July 2022 to November 2023
($ in Millions)



PCIS2: Provider Consumer Information System 2
LTSS: Long Term Services and Supports

Source: Maryland Department of Health; Department of Legislative Services

DDA indicated that as of January 7, 2025, compared to the rate chart provided by the department's actuarial firm, residential services are funded between 87% and 100%, meaningful day services are funded between 88% and 104%, and support services are funded between 100% and 104%. MDH reported that it finances portions of the total comprehensive rate, rather than 100% of all rates, due to the limited availability of State funds. Considering the significant growth in State fund spending beyond budgeted levels in fiscal 2024 and the projected general fund shortfall of at least $450 million to be covered with a fiscal 2025 deficiency appropriation, DDA was unable to accurately project the affordability of the new rates and impact on the State budget before implementing the LTSS transition. **DDA should discuss how it will track the affordability of LTSS rates and set rates within its budget moving forward.**

Provider Rate Increases

In addition to higher rates in the LTSS system compared to PCIS2, DDA providers have also received several rate increases mandated in various legislation, funded with federal stimulus funding provided during the COVID-19 pandemic, and more recently on a discretionary basis. **Exhibit 21** shows the rate increases that providers have received from fiscal 2016 to the fiscal 2026 allowance. DDA providers have received a rate increase of at least 3.5% each year in the past decade. The fiscal 2026 allowance includes a 1% provider rate increases for a total of $28.0 million in additional spending. **Due to the fiscal outlook, DLS recommends eliminating the provider rate increase of 1% in the fiscal 2026 allowance. The General Assembly may wish to reinvest these savings to restore specific cost containment actions proposed in the allowance.**

Exhibit 21
Developmental Disabilities Administration Provider Rate Increases
Fiscal 2016-2026

Fiscal Year	Rate Increase	Effective Date
2016	*3.5%*	July 1, 2015
2017	*3.5%*	July 1, 2016
2018	*3.5%*	July 1, 2017
2019	*3.5%*	July 1, 2018
2020	*4.0%*	July 1, 2019
2021	*4.0%*	Jan. 1, 2021
	5.5%*	April 1, 2021
2022	*4.0%*	July 1, 2021
2023	*4.0%*	July 1, 2022
	Supplemental 4.0%	July 1, 2022
	Temporary 10.0%*	October 1, 2022, to December 31, 2022
2024	*4.0%*	July 1, 2023
	8.0%	Jan. 1, 2024

Fiscal Year	Rate Increase	Effective Date
2025	*3.0%*	July 1, 2025
2026 Allowance	*1.0%*	July 1, 2026

* Funded with enhanced federal matching funds authorized in the American Rescue Plan Act that were limited to home- and community-based services providers.

Note: Italics denote provider rate increases that were required by budget language or legislation, including Chapter 262 of 2014, Chapters 571 and 572 of 2017, and Chapters 10 and 11 of 2019.

Source: Maryland Department of Health; Department of Legislative Services

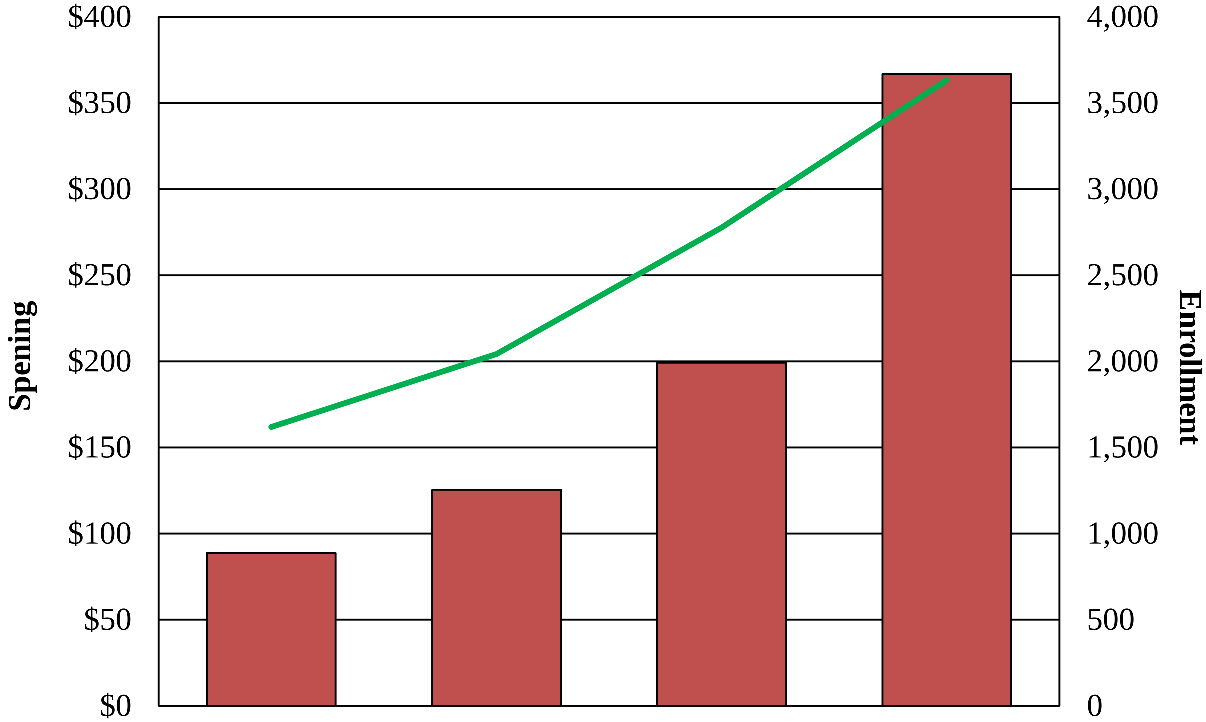
2. Spending Growth under the Self-directed Services Model

Individuals receiving community services have the choice of participating in two service models: (1) traditional services model; or (2) self-directed services model. The key difference between both models is that in the traditional services model, a participant receives services through a provider, whereas in the self-directed services model, a participant has employer authority and can choose who provides their services, including hiring staff. In both models, individuals receive an approved budget based on their PCP, in which a participant meets with a case manager to determine services and supports that they need. Budgets for both models are based on the provider rates in the traditional model, which includes allocations for overhead and administrative costs. Individuals in the traditional model receive services based on their PCP but do not retain any savings from underutilization of services. Since individuals in the self-directed services model have employer authority and additional flexibilities, individuals manage their own budgets and can spend unallocated funds.

Growth in Enrollment and Spending in Self-directed Services

Exhibit 22 shows the growth in enrollment and total spending in the self-directed services model. From June 2021 to June 2024, enrollment in the self-directed services model more than doubled, indicating that more participants are choosing the self-directed services model. Participants in either model have access to 52 waiver services approved by CMS, and an individual can elect to self-direct services at any time.

Exhibit 22
Enrollment and Total Spending in Self-Directed Services
Calendar 2021-2024



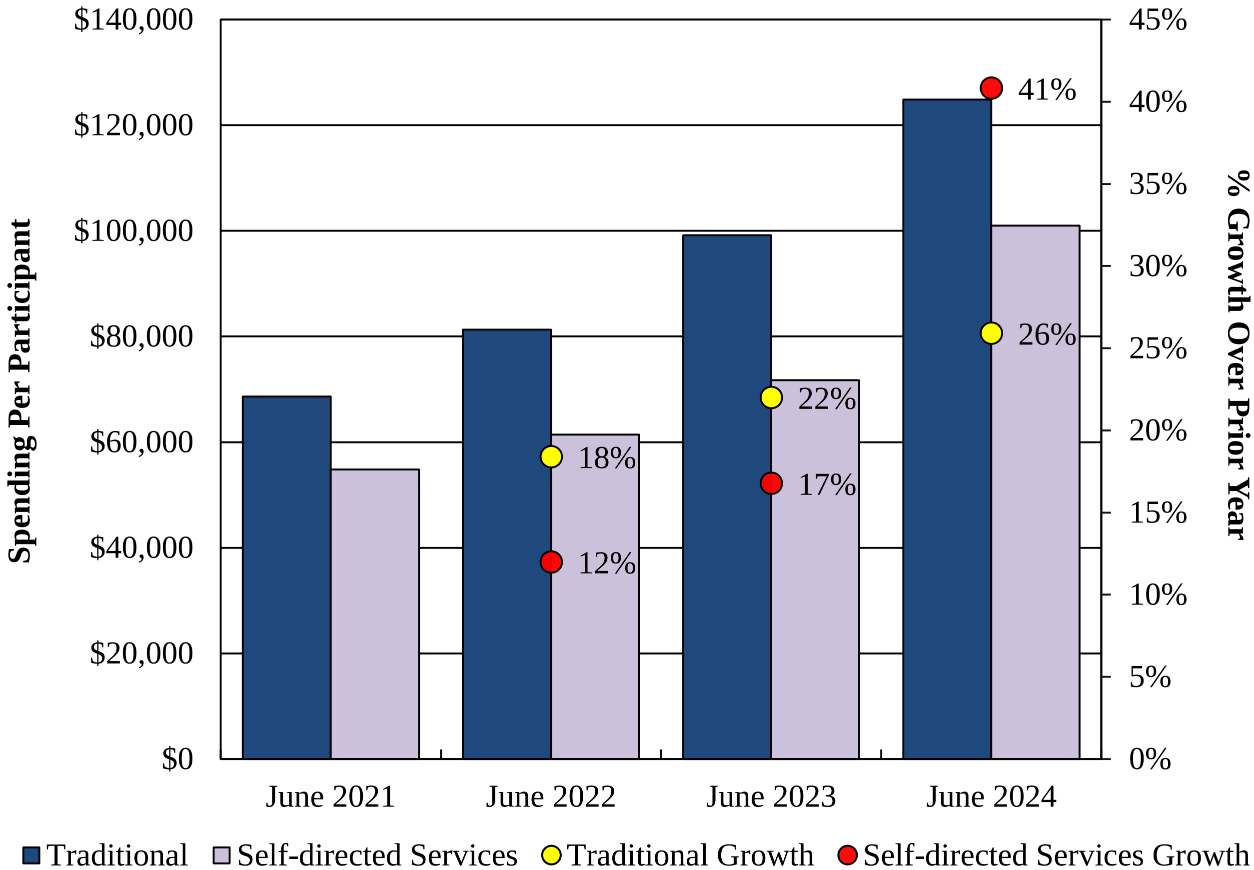
	June 2021	June 2022	June 2023	June 2024
Spending	$88,731,580	$125,421,870	$199,180,194	$366,860,837
Enrollment	1,618	2,042	2,777	3,632

Source: Maryland Department of Health; Department of Legislative Services

Spending Per Participant by Service Model

Exhibit 23 compares spending per participant for each service model. The traditional model had higher per participant spending from calendar 2021 to 2024. It is important to note that only individuals in the traditional model receive community residential supports, which is the most expensive service type. Spending per participant in both service models is growing, but spending in the self-directed services model grew by a larger percentage from calendar 2023 to 2024. The traditional model has seen year-to-year growth range from 18% from calendar 2021 to 2022 to 26% from calendar 2023 to 2024. The self-directed services model grew by smaller percentages in calendar 2022 and 2023 but by a much larger percentage (41%) from calendar 2023 to 2024.

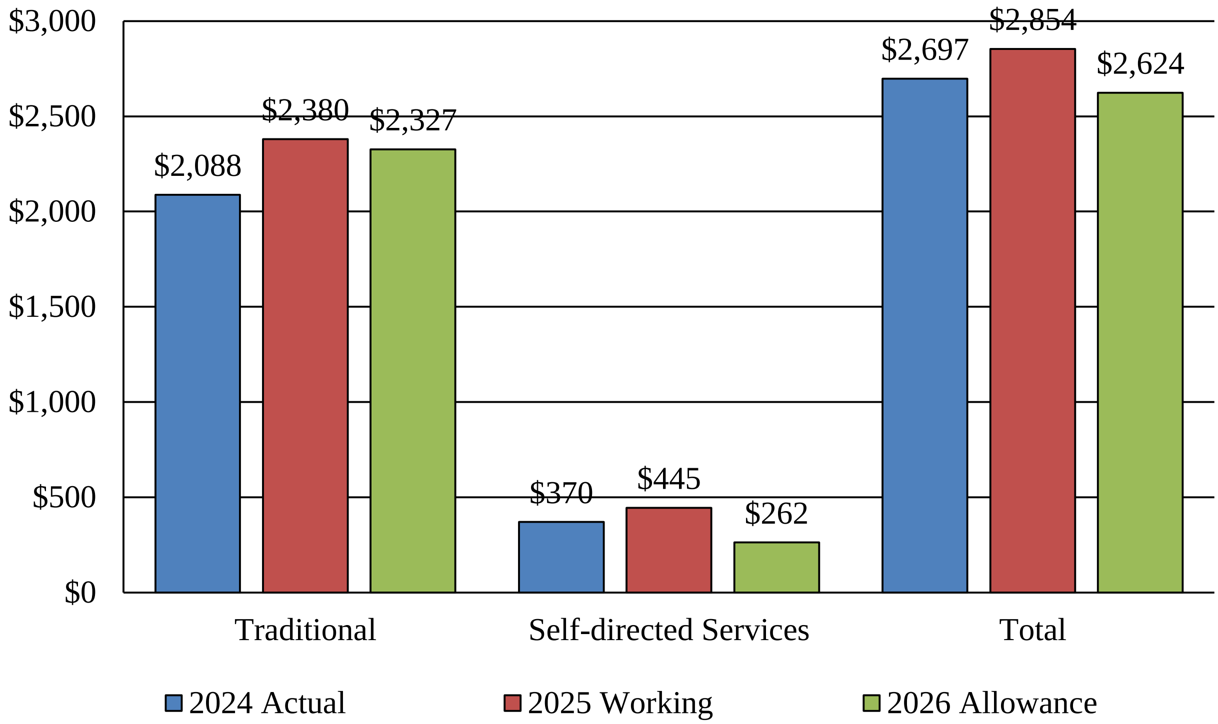
Exhibit 23
Spending Per Participant by Service Model
Calendar 2021-2024



Source: Maryland Department of Health; Department of Legislative Services

Exhibit 24 shows the increase of community services spending from fiscal 2024 to the fiscal 2026 allowance by service model. As shown, community services spending in the traditional model increases from fiscal 2024 to 2025 but decreases by 2% in fiscal 2026. Spending in the self-directed services model shows a similar trend with spending growing from fiscal 2024 to 2025 but decreasing by a much larger amount – 41% in fiscal 2026. In addition to the known decrease of $213.2 million in fiscal 2026 cost containment actions under the self-directed services model, there is a decrease of $16.8 million for this service model that is not explained, as enrollment in self-directed services has increased rapidly in recent years. **DDA should explain what is driving the additional $16.8 million decrease in the self-directed services model and discuss how it would cover continued enrollment growth in the program with the current budget.**

Exhibit 24
Growth in Community Services by Service Model
Fiscal 2024-2026
($ in Millions)



Note: Fiscal 2024 actuals for traditional model spending do not include $162 million in bridge payments for providers. Total spending includes a small portion of community services spending that is not a part of either service model.

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

Recent Changes to Self-directed Services

DDA published on October 24, 2024, and revised on November 6, 2024, the Self-Directed Services Manual and Self-Directed Services Comprehensive Policy, with an effective date of November 21, 2024. The manual clarifies service provision guidelines and includes new documentation requirements for participants in the self-directed services model regarding:

- wage exceptions, retroactive pay increases, holiday pay differentials, and family as staff overtime;

- IFDGS;

- support broker services requirements, code of conduct, and certification and recertification; and

- timesheet and invoice documentation.

DDA reported implementing these policy changes to provide a comprehensive manual on service provision; clarify service guidelines; and to prevent fraud, waste, and abuse. The additional regulations and documentation requirements provide DDA added oversight of service provision. On the other hand, waiver participants and stakeholders have reported concerns regarding a lack of transparency and involvement of stakeholders in the policy development and in potential administrative burden regarding the new documentation requirements for accessing services. **DDA should provide an estimate of the cost impact of these changes and how they are incorporated into the fiscal 2026 budget plan.**

IFDGS is a category of services that is only available to participants in the self-directed services model and includes recruiting and advertising, day-to-day administrative supports, and other goods and services. Participants in the self-directed services model have budget authority to utilize cost savings to purchase other allowable goods and services. A provision in the BRFA of 2025 removes a prohibition on DDA establishing a limit on the maximum dollar amount provided to recipients for IFDGS under the Community Services program. In addition, the policy change alters access to the other goods and services category by updating the IFDGS request form and requiring supporting documentation. Participants are now required to submit personal banking account documentation showing that they do not have other funding available to purchase other goods and services.

DDA reported planning to review requests on a case-by-case status by reviewing three months of bank statements and a list of all planned monthly expenses. DDA reported that if the amount of funding available after the planned monthly expenses can cover the request, then the request will be denied. However, DDA did not explain how requests will be processed, how the review of this requirement will be standardized, or guidelines for approving or denying requests. Lack of standardization has the potential to produce disparities across participant's access of this service. Approving requests only if they exceed individual's available funding could lead to a review process that only approves services if the request would lead to a participant's personal bank balance being $0. Not only could this incentivize requests of larger amounts, but it does not make a determination based on participant's potential need of the service.

DDA should comment on any privacy concerns regarding requesting participant's bank statements and any additional administrative burden to the participant in providing additional documentation and to DDA in reviewing additional documentation.

3. Fiscal 2025 and 2026 Budget Adequacy

Several factors call into question the adequacy of DDA's fiscal 2025 and 2026 budget. Community services spending has rapidly increased in recent years, and actual spending has consistently surpassed the legislative appropriation. Although the fiscal 2025 Budget Bill required that DDA submit a report to the budget committees on year-to-date spending in LTSS by January 1, 2025, DDA has not submitted this report.

Data provided by DBM indicates that DDA general fund spending over the first six months of fiscal 2025 totals $824 million. Doubling this amount to annualize the costs results in expected spending of $1.65 billion before cost containment. Doubling the number is a simplistic approach to estimating the deficit, but adequate data (including utilization data by service type) are not available to DLS at this time to prepare a more nuanced estimate. After applying the revised general fund cost containment savings estimate of $52 million for fiscal 2025, the projected need is $1.6 billion. **DLS's rough estimate of projected fiscal 2025 costs exceeds the available general funds for fiscal 2025 by about $150 million. A fiscal 2026 shortfall is also very likely given current trends.**

MDH should comment on the adequacy of the fiscal 2025 working appropriation and fiscal 2026 allowance for community services. In addition, MDH should provide the anticipated deficits for fiscal 2025 and 2026 and plans to reconcile the shortfall.

Operating Budget Recommended Actions

1. Add the following language to the general fund appropriation:

   , provided that $500,000 of this appropriation made for the purpose of administration may not be expended until the Developmental Disabilities Administration submits a report to the budget committees with all fiscal 2025 closeout budget amendments and reasons for reversions. The report shall also include an update on the total amount of recoupments of bridge payments provided during the Long Term Services and Supports transition, the balance of the accounts receivables reflecting the recoupments, and any spending paid for with accounts receivables.

   The report shall be submitted by September 15, 2025, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

   Explanation: The Developmental Disabilities Administration had significant delays in submitting fiscal closeout budget amendments in fiscal 2024 and did not report spending paid for with accounts receivables created for recoupments of bridge payments given in the Long Term Services and Supports transition. The delays in submitting fiscal closeout information presents challenges to understanding agency spending.

Information Request	**Author**	**Due Date**
Fiscal closeout report and budget amendments	Maryland Department of Health	September 15, 2025

2. Add the following language to the general fund appropriation:

   , provided that since the Developmental Disabilities Administration (DDA) has had four or more repeat audit findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), $250,000 of this agency's administrative appropriation may not be expended unless:

   (1) DDA has taken corrective action with respect to all repeat audit findings on or before November 1, 2025; and

   (2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected.

   The budget committees shall have 45 days from the date of the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal 2026.

General funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise and shall revert to the General Fund if the report is not submitted.

Explanation: The Joint Audit and Evaluation Committee (JAEC) has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. OLA shall submit a report to the budget committees on the status of repeat findings.

If OLA reports that an agency failed to completely resolve or make adequate progress toward resolving those repeat audit findings, JAEC requests that $250,000 in general funds is withheld from each agency's appropriation in the fiscal year following the OLA report until more satisfactory progress has been made toward resolution of those repeat findings.

Information Request	**Author**	**Due Date**
Status of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds

3. Add the following language to the general fund appropriation:

, provided that $2,000,000 of this appropriation made for the purpose of administration may not be expended until the Maryland Department of Health submits a report each quarter to the budget committees on spending for the Developmental Disabilities Administration (DDA) Community Services program. The report shall include the following data on a monthly basis:

- spending in the Long Term Services and Supports system by service provided, subprogram, number of participants receiving the service, and fund split;
- enrollment by DDA waiver;
- utilization by service;
- annualized cost estimates for the rest of the fiscal year; and
- monthly rates and year-to-date rates for each service type.

The first report shall be submitted by August 1, 2025, and shall include actual data for the Community Services program in the final quarter of fiscal 2025 and aggregate fiscal 2025 data. The other reports shall be submitted quarterly thereafter. The funds may be released in $500,000 increments following the submission of each report. The budget committees shall have 45 days from the date of the receipt of each report to review and comment. Funds restricted pending receipt of these reports may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the reports are not submitted to the budget committees. Funds will not be released if reports are late.

Explanation: DDA has completed transitioning all providers from a prospective payment model in the legacy system to a fee-for-service (FFS) reimbursement model in the Long Term Services and Supports (LTSS) system. This transition included establishing new rates based on an FFS reimbursement model. During the LTSS transition, actual spending in DDA's Community Services program significantly surpassed the legislative appropriation and spending forecasts of services in LTSS were inaccurate. This language restricts funds budgeted for administration until the Maryland Department of Health (MDH) submits quarterly reports to the budget committees with monthly spending, enrollment, and utilization data.

Information Request	**Author**	**Due Date**
Report on community services spending	MDH	August 1, 2025 November 1, 2025 February 1, 2026 May 1, 2026

4. Add the following language to the general fund appropriation:

All appropriations provided for program M00M01.02 Community Services are to be used only for the purposes herein appropriated, and there shall be no budgetary transfer to any other program or purpose.

Explanation: This annual language restricts funds appropriated to the Community Services program to that use only and prevents budgetary transfers.

		Amount Change	
5.	Delete funding for the 1% provider rate increase budgeted in fiscal 2026. The General Assembly may wish redirecting these savings to restoring some of the cost containment actions proposed in the allowance.	-$ 14,359,028 -$ 14,359,050	GF FF
	Total Net Change	**-$ 28,718,078**	
	Total General Fund Net Change	**-$ 14,359,028**	
	Total Federal Fund Net Change	**-$ 14,359,050**	

Appendix 1
2024 *Joint Chairmen's Report* Responses from Agency

The 2024 JCR requested that DDA prepare three reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Spending Data in the LTSS System:*** As of February 7, 2024, this report had not been submitted. Further discussion of the transition to the LTSS system can be found in Issue 1.

- ***Upfront Lump Sum Payments and a Plan to Recoup Advance Payments:*** Approximately $346 million in advance payments were provided to providers during the transition to the LTSS system in fiscal 2024. Actual spending in fiscal 2024 was supported with an estimated $346 million in recoupments of advance payments. Further discussion of this data can be found in the Fiscal 2024 section of the budget analysis.

- ***Self-directed Services and IFDGS Spending:*** Enrollment and spending in the self-directed services model has steadily grown from June 2021 to June 2024. For fiscal 2024, MDH reported approving a total of $16.3 million in goods and services within IFDGS but that only a total of $4.7 million was claimed and that 87% of participant requests were under $5,000. Further discussion of this data can be found in Issue 2 of this analysis.

Appendix 2
Object/Fund Difference Report
Maryland Department of Health – Developmental Disabilities Administration

Object/Fund	FY 24 Actual	FY 25 Working Appropriation	FY 26 Allowance	FY 25 - FY 26 Amount Change	Percent Change
Positions					
01 Regular	203.00	211.00	210.00	-1.00	-0.5%
02 Contractual	27.12	15.82	16.68	0.86	5.4%
Total Positions	**230.12**	**226.82**	**226.68**	**-0.14**	**-0.1%**
Objects					
01 Salaries and Wages	$ 22,061,517	$ 22,324,859	$ 23,386,662	$ 1,061,803	4.8%
02 Technical and Special Fees	1,878,355	560,469	782,087	221,618	39.5%
03 Communication	266,494	195,707	235,302	39,595	20.2%
04 Travel	13,603	25,444	25,444	0	0%
06 Fuel and Utilities	24,301	46,067	24,301	-21,766	-47.2%
07 Motor Vehicles	4,213	3,069	1,997	-1,072	-34.9%
08 Contractual Services	2,333,338,926	2,090,338,960	2,648,240,210	557,901,250	26.7%
09 Supplies and Materials	37,728	55,013	49,080	-5,933	-10.8%
10 Equipment – Replacement	42,878	41,404	39,561	-1,843	-4.5%
11 Equipment – Additional	18,098	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	4,888,600	2,175,000	2,175,000	0	0%
13 Fixed Charges	550,780	696,607	40,068,044	39,371,437	5651.9%
Total Objects	**$ 2,363,125,493**	**$ 2,116,462,599**	**$ 2,715,027,688**	**$ 598,565,089**	**28.3%**
Funds					
01 General Fund	$ 985,546,073	$ 1,098,559,432	$ 1,390,760,477	$ 292,201,045	26.6%
03 Special Fund	10,222,042	6,450,203	8,730,258	2,280,055	35.3%
05 Federal Fund	1,367,357,378	1,011,452,964	1,315,536,953	304,083,989	30.1%
Total Funds	**$ 2,363,125,493**	**$ 2,116,462,599**	**$ 2,715,027,688**	**$ 598,565,089**	**28.3%**

Note: The fiscal 2025 appropriation does not include deficiencies or contingent reductions. The fiscal 2026 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.

Appendix 3
Fiscal Summary
Maryland Department of Health – Developmental Disabilities Administration

Program/Unit	FY 24 Actual	FY 25 Wrk. Approp.	FY 26 Allowance	Change	FY 25 - FY 26 % Change
01 Developmental Disabilities Administration	$ 2,363,125,493	$ 2,116,462,599	$ 2,715,027,688	$ 598,565,089	28.3%
Total Expenditures	**$ 2,363,125,493**	**$ 2,116,462,599**	**$ 2,715,027,688**	**$ 598,565,089**	**28.3%**
General Fund	$ 985,546,073	$ 1,098,559,432	$ 1,390,760,477	$ 292,201,045	26.6%
Special Fund	10,222,042	6,450,203	8,730,258	2,280,055	35.3%
Federal Fund	1,367,357,378	1,011,452,964	1,315,536,953	304,083,989	30.1%
Total Appropriations	**$ 2,363,125,493**	**$ 2,116,462,599**	**$ 2,715,027,688**	**$ 598,565,089**	**28.3%**

Note: The fiscal 2025 appropriation does not include deficiencies or contingent reductions. The fiscal 2026 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.