

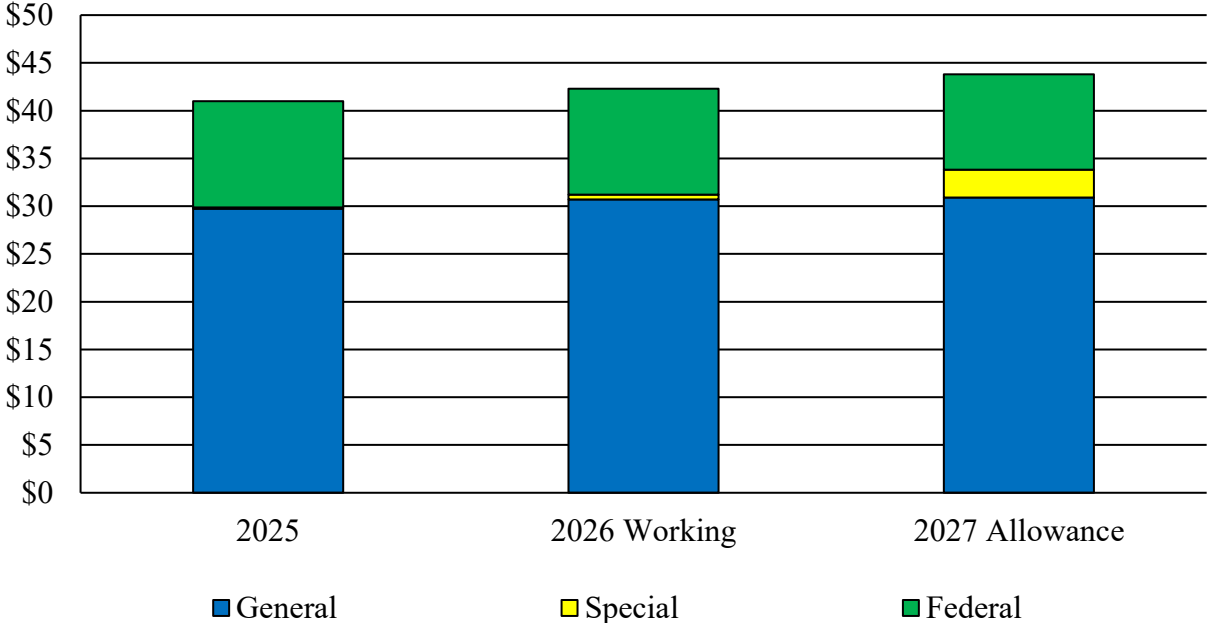
M00B0103
Office of Health Care Quality
Maryland Department of Health

Program Description

The Office of Health Care Quality (OHCQ) within the Maryland Department of Health (MDH) is responsible for monitoring the quality of care and life standards in various health care facilities and programs. OHCQ’s main functions include surveying health care facilities to determine their compliance with minimum standards for licensure and certification for both State and federal regulations. The office issues State licenses and allows facilities to participate in Medicare and Medicaid programs by reviewing and recommending facilities for federal certification. The office is organized into five major units that have separate facility licensing and regulatory responsibility: the Developmental Disabilities Unit (DDU); the Federal Unit; the Assisted Living Unit; the Long Term Care Unit; and the Clinical and Forensic Laboratories Unit. Smaller regulatory units oversee hospice facilities and adult medical day care services.

Operating Budget Summary

Fiscal 2027 Budget Increases \$1.5 Million, or 3.6%, to \$43.8 Million
(\$ in Millions)



Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

- Due to State and federal law requiring OHCQ to license, certify, and survey facilities participating in Medicare and Medicaid, the office’s annual budget is partially supported with federal funds from those programs. The fiscal 2027 allowance slightly decreases the State share, with 71% of the budget supported by general funds compared to 72% in fiscal 2026, driven by an increase in the share of special funds from 1% in fiscal 2026 to 7% in fiscal 2027. The fiscal 2027 allowance includes a substantial increase in special funds from State Civil Money Penalty Fees Fund, increasing from \$506,407 in the fiscal 2026 working appropriation to \$3.0 million in the fiscal 2027 allowance.

Fiscal 2025

State Civil Money Penalty Fees Special Fund and Grants

OHCQ receives special funds from the State Civil Money Penalty Fees Fund, which derives revenue from civil money penalties imposed on long term care facilities that violate Maryland regulations. The fund may be used to support programs that improve the quality of care. At fiscal 2025 closeout, OHCQ canceled \$471,385 in special funds due to less spending than anticipated for civil money penalty reinvestment grants. Actual expenditures for this purpose were \$41,678 in fiscal 2025, although the fiscal 2026 working appropriation reflects \$470,546 in planned spending. Spending for this purpose decreases by \$401,406 in the fiscal 2027 allowance, reflecting \$69,130 in planned spending for fiscal 2027.

The fiscal 2027 allowance includes \$2.7 million in special funds from the State Civil Money Penalty Fees Fund to support a contract for nurse surveyors used to resolve a case backlog in the Long Term Care Unit. Although the contract was supported with \$3.9 million in general funds in fiscal 2026, contract expenditures are mostly supported with special funds in fiscal 2027 with \$2.7 million of special funds and \$1.2 million of general funds. It is unclear why special fund spending from the State Civil Money Penalty Fees Fund increases significantly from the fiscal 2026 working appropriation to the fiscal 2027 allowance. **MDH should explain why special fund availability from the State Civil Money Penalty Fees Fund increases in the fiscal 2027 allowance and discuss how the funding will be spent, including whether the fund has sufficient balance to support \$2.7 million for the nurse surveyor contract in the Long Term Care Unit and whether this purpose of spending is an allowable use of the fund.**

Fiscal 2026

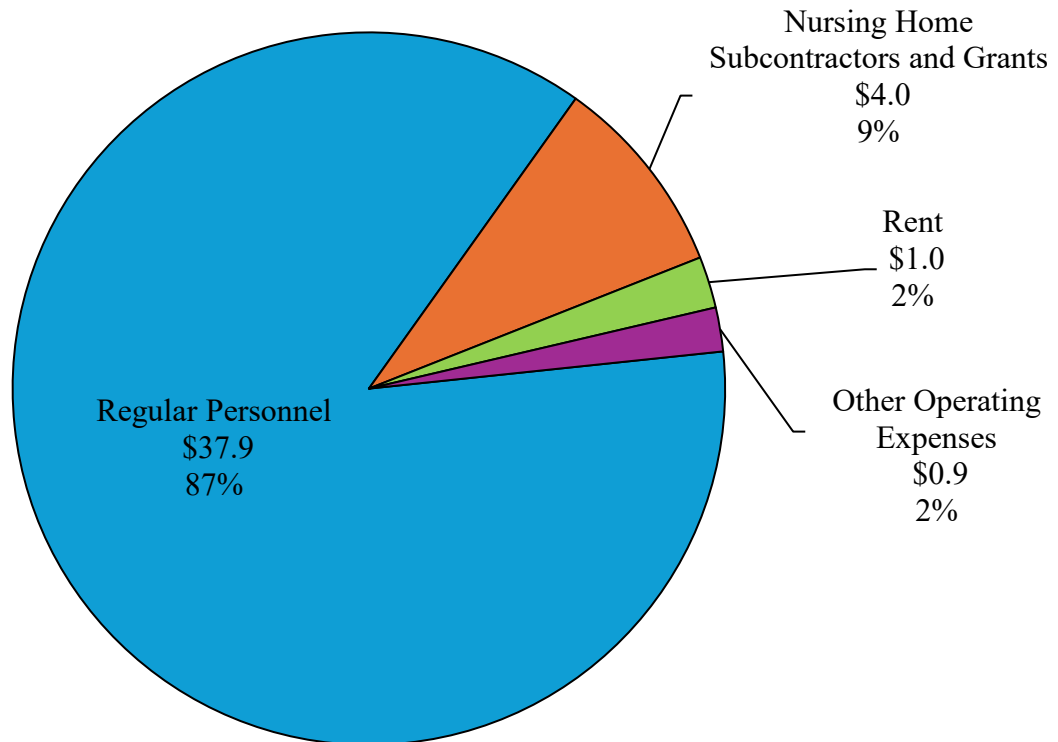
Proposed Deficiency

The fiscal 2027 allowance includes one personnel deficiency appropriation totaling \$1.4 million to support a shortfall related to lower than expected vacancy savings. The funds include \$1.3 million of general funds and \$143,299 of federal funds from Medicaid relating to State survey certifications of health care providers.

Fiscal 2027 Overview of Agency Spending

Exhibit 1 shows the fiscal 2027 allowance of \$43.8 million by use of funding. Considering the office’s regulatory nature, salaries and fringe benefits for regular personnel account for the vast majority (87%) of agencywide spending. The second largest expenditure includes funding for the Long Term Care Unit, including \$3.9 million for subcontractor nurse surveyors to conduct overdue complaint surveys in nursing homes and \$69,130 in civil money penalty reinvestment grants authorized per federal guidelines to support projects that benefit nursing homes.

Exhibit 1
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Millions)

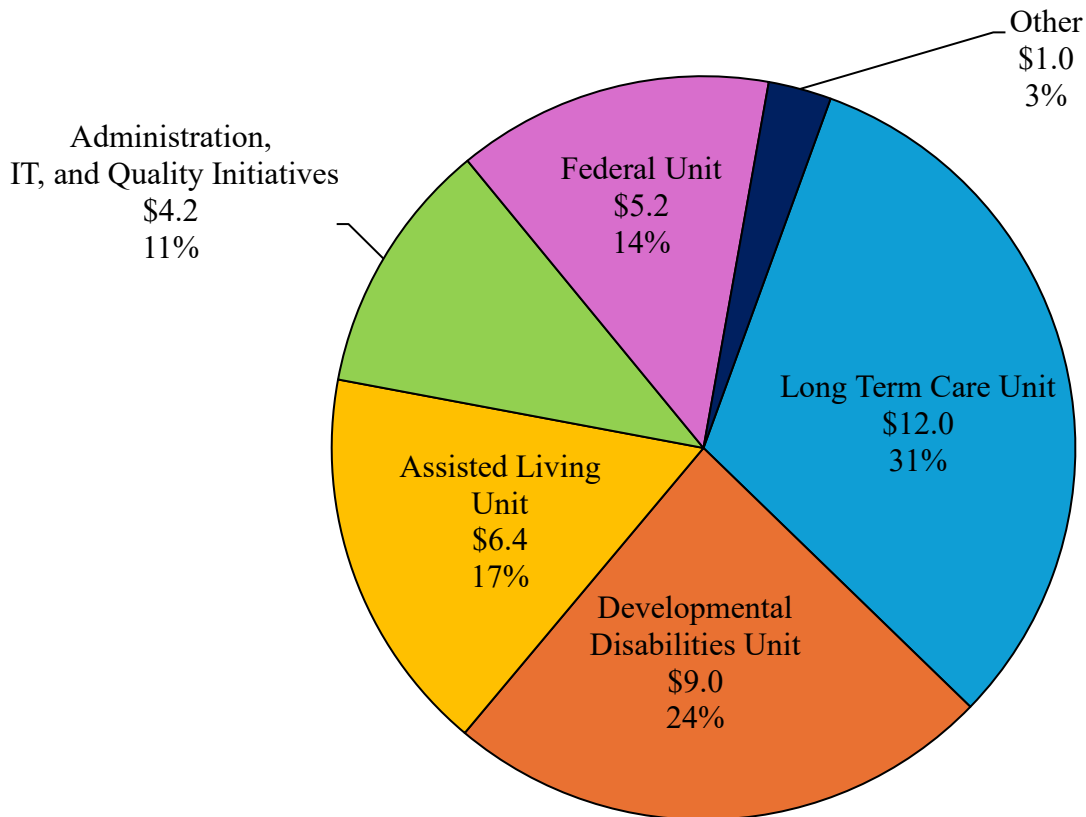


Note: The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Department of Budget and Management

Exhibit 2 provides a breakdown of personnel spending by monitoring unit. More than half of regular personnel costs support the Long Term Care Unit and DDU. As the largest monitoring unit, the Long Term Care Unit comprises 31%, or \$12.0 million, of personnel costs. Funding is also allocated toward DDU (24%), the Assisted Living Unit (17%), and the Federal Unit (13%). Additionally, 11% of resources are dedicated to services that assist all monitoring units, including administrative expenses, information technology (IT), and quality performance monitoring.

Exhibit 2
Personnel Spending by Monitoring Unit
Fiscal 2027 Allowance
(\$ in Millions)



IT: information technology

Note: The fiscal 2027 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 and Management; Maryland Department of Health

Proposed Budget Change

As shown in **Exhibit 3**, the fiscal 2027 allowance increases by \$1.5 million compared to the fiscal 2026 working appropriation after accounting for deficiencies. Most of the spending growth is due to a net increase of \$2.1 million in regular personnel costs, driven by employee and retiree health insurance costs. Aside from personnel expenses, the largest change in the budget is a decrease of \$401,406 in the Long Term Care Unit for civil money penalty grants to support projects that benefit nursing homes. Because one of OHCQ’s main functions is surveying health care facilities, various smaller changes in operating expenses relate to nurse surveyor activities, including decreases for routine travel costs, vehicle-related expenses, and data processing equipment. The budget also changes due to an increase in contractual staff for the Quality Initiatives Unit and a reduction in grants provided through the Assisted Living Unit. The remaining change in the fiscal 2027 allowance is driven by a net increase in administrative costs, mainly rent, and freight and delivery costs.

Exhibit 3
Proposed Budget
Maryland Department of Health – Office of Health Care Quality
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
Fiscal 2025 Actual	\$29,734	\$125	\$11,136	\$40,995
Fiscal 2026 Working	30,693	506	11,082	42,281
Fiscal 2027 Allowance	30,919	2,916	9,972	43,807
Fiscal 2026-2027 \$ Change	\$226	\$2,409	-\$1,110	\$1,525
Fiscal 2026-2027 % Change	0.74%	475.75%	-10.02%	3.61%

Where It Goes	Change
Personnel Expenses	
Employee and retiree health insurance	\$1,402
Salary increases and associated fringe benefits	699
Deferred compensation match due to change in statewide budgeting.....	106
Workers’ compensation premium assessment	6
Turnover rate increases from 5.4% to 5.75%	-106
Nurse Surveyor Expenses and Equipment	
One-time cost for data processing equipment in fiscal 2025 added to the budget in error	16
Computer equipment budgeted for additional positions in fiscal 2026	-26
Vehicle maintenance and repair	-28

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Where It Goes	<u>Change</u>
Routine travel costs for nurse surveyors.....	-172
Other Operational Costs	
One additional contractual position for the Quality Initiatives Unit	43
Out-of-state routine operations due to no actual costs in prior years	-25
Grants under \$25,000 in the Assisted Living Unit to align with actual costs in prior years.....	-31
Civil money penalty reinvestment grants authorized per federal guidelines to support projects that benefit nursing homes in the Long Term Care Unit	-401
Administrative Changes	
Rent.....	62
Freight and delivery to align with actual costs in prior years.....	43
Cost allocations.....	-16
Cell phone and other telecommunications costs to align with actual costs in prior years.....	-21
Office supplies and equipment	-31
Other	6
Total	\$1,525

Note: Numbers may not sum to total due to rounding. The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Personnel Data

	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>	<u>FY 26-27</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	275.00	273.00	273.00	0.00
Contractual FTEs	<u>2.05</u>	<u>0.00</u>	<u>1.00</u>	<u>1.00</u>
Total Personnel	277.05	273.00	274.00	1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	15.70	5.75%
Positions and Percentage Vacant as of 12/31/2025	22.00	8.06%

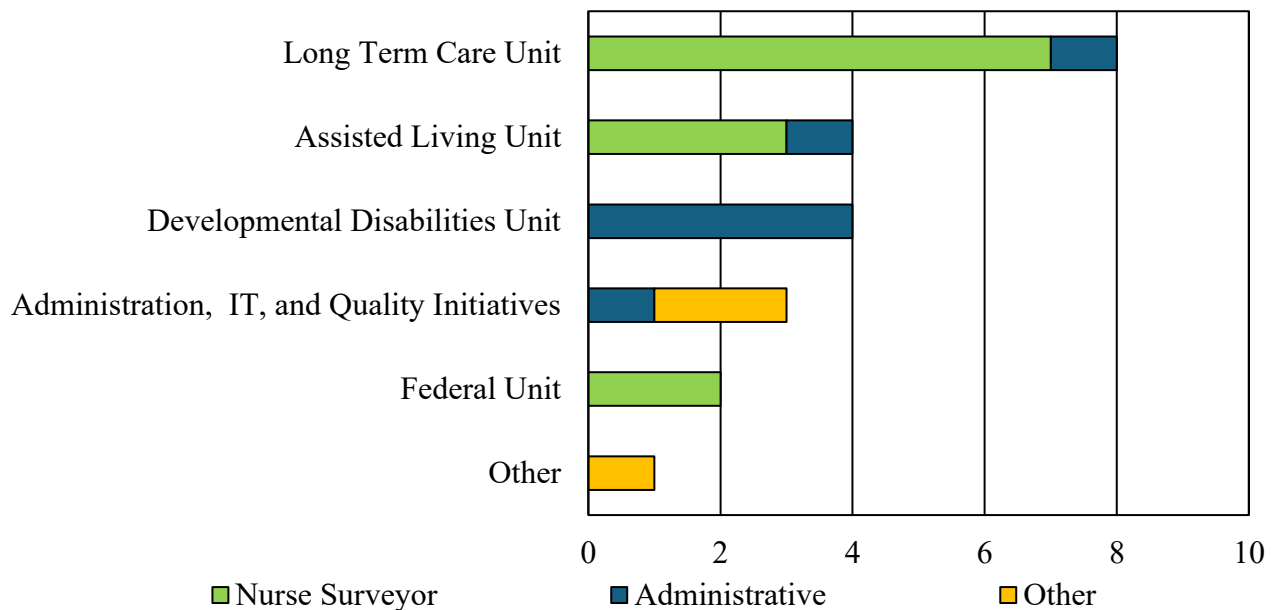
Vacancies Above Turnover 6.30

- On October 22, 2025, the Board of Public Works (BPW) approved the abolition of 2 administrative positions in OHCQ as part of the Voluntary Separation Program.

Vacancies Increase by 6 Positions

As of December 31, 2025, OHCQ had a vacancy rate of 8.06% with 22 vacant positions. Of the vacant positions, 9 positions have been vacant for less than three months, 9 positions have been vacant between three to six months, while an additional 4 positions have been vacant between six to nine months. **Exhibit 4** shows the 22 vacant positions by program and position type. Most vacant roles were nurse surveyor positions, with 12 vacant roles across the Long Term Care Unit, Assisted Living Unit, and Federal Unit. Additional vacant positions include 7 administrative positions and 3 other positions, including a lab scientist, nursing program administrator, and health policy analyst. The Long Term Care Unit remains the unit with the highest number of vacant positions, with 8 vacant positions in 2025.

Exhibit 4
Vacant Positions by Program and Position Type
As of December 31, 2025

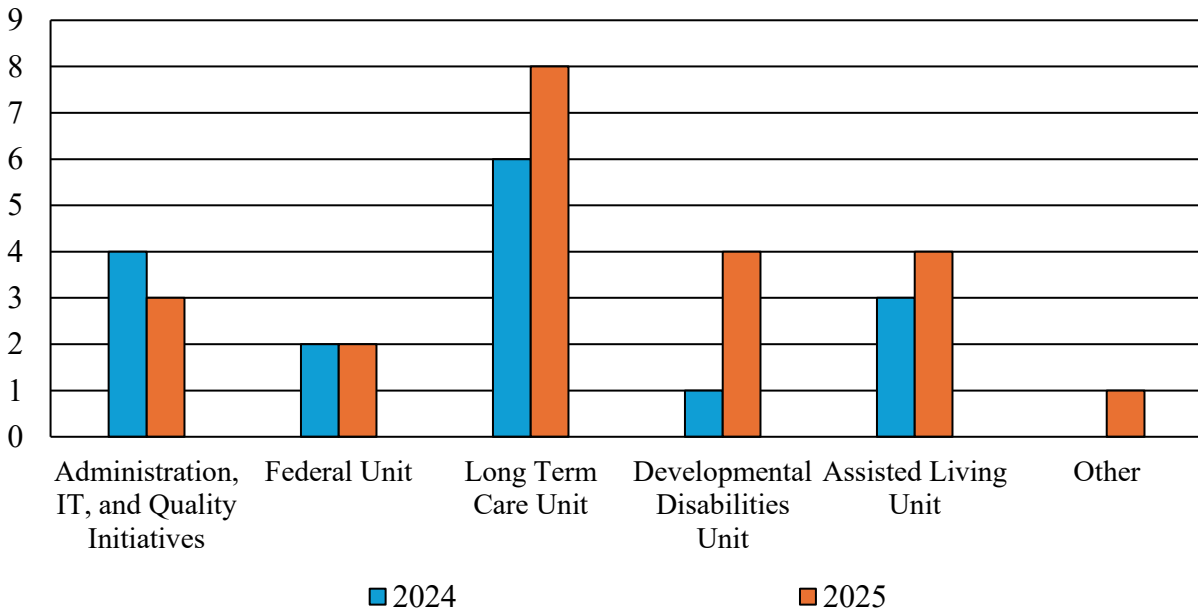


IT: information technology

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

The 22 vacant positions as of December 31, 2025, represent an increase from the 16 vacant positions (5.86% vacancy rate) as of December 31, 2024. From December 2024 to December 2025, the number of vacant positions increased by 6 positions, or 37.5%. **Exhibit 5** shows the number of vacant positions by program as of December 31, 2024, compared to December 31, 2025. DDU had the highest increase in vacant positions, from 1 vacant position on December 31, 2024, to 4 vacant positions on December 31, 2025. From December 31, 2024, to December 31, 2025, the Administration, IT, and Quality Initiatives program decreased its vacant positions by 1 position. The Federal Unit was the only program that did not experience any change in vacant positions, maintaining 2 vacant positions in December 2025.

Exhibit 5
Vacant Positions by Program
As of December 31, 2024, and December 31, 2025



IT: information technology

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

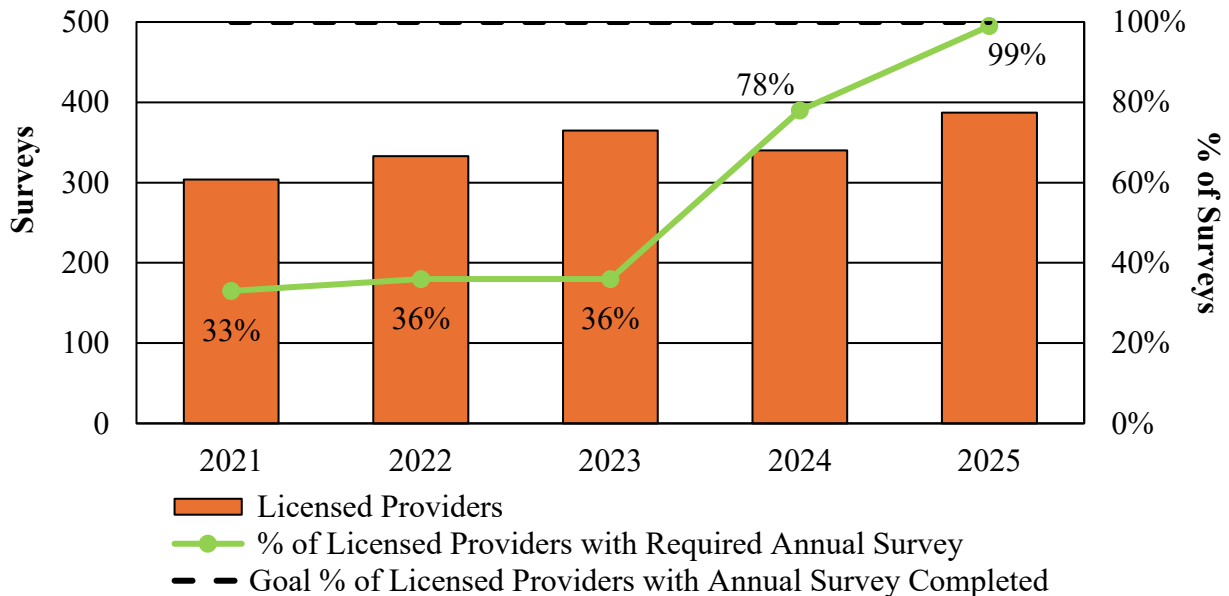
From December 2024 to December 2025, the number of vacant nurse surveyor positions increased from 7 to 12 vacancies. Nurse surveyor positions are responsible for completing various monitoring activities across OHCQ’s programs that evaluate providers’ compliance with certain standards. Vacancies in nurse surveyor positions may delay monitoring activities that ensure the safety of individuals receiving services. **OHCQ should comment on the challenges in filling nurse surveyor positions and discuss its recruitment and retention efforts.**

Key Observations

1. OHCQ Shows Improvement in Annual Survey Goals and Federal Reporting Requirements

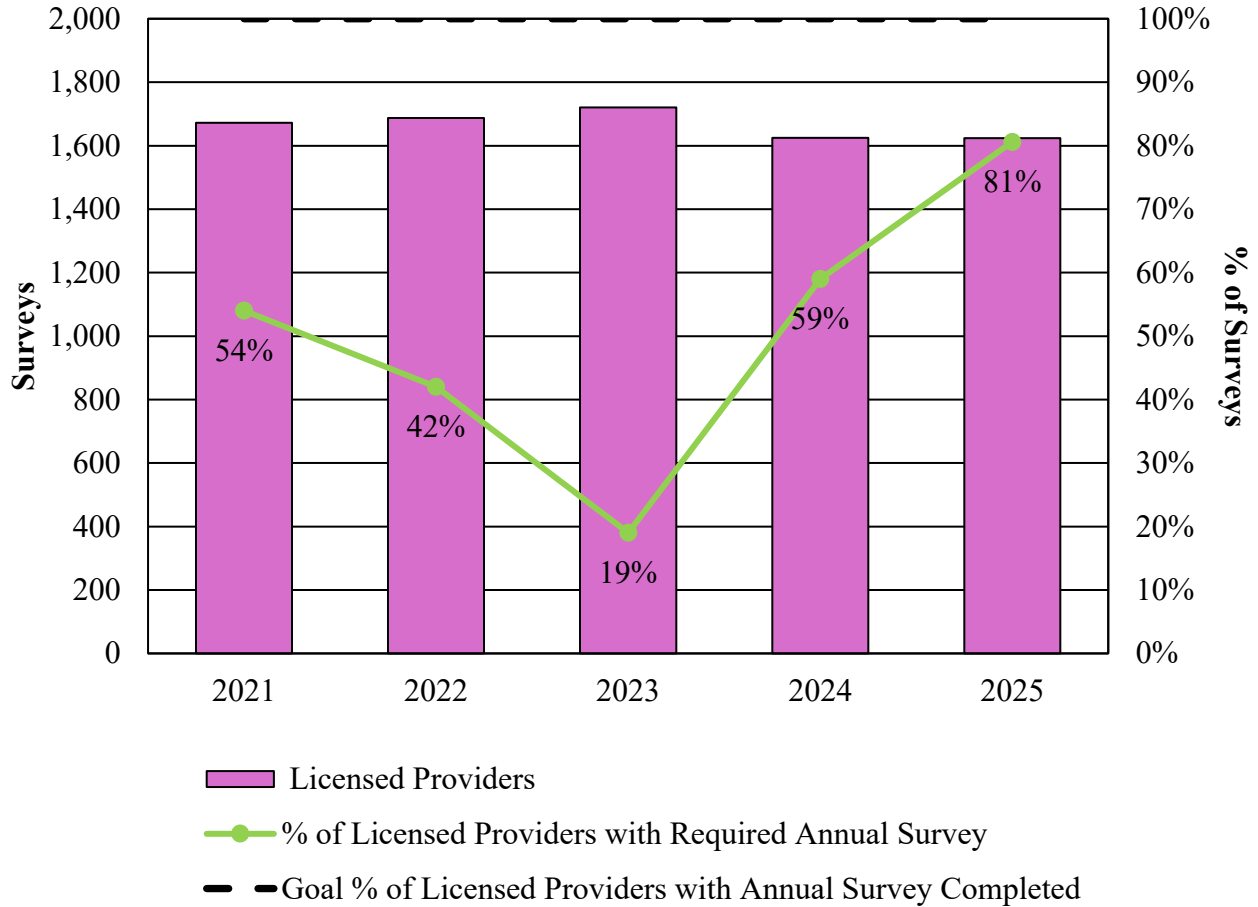
OHCQ monitoring units have mandates for conducting surveys and initiating complaint investigations within certain timeframes. These mandates require DDU and the Assisted Living Unit to conduct annual surveys of all licensed providers. As of July 1, 2025, OHCQ was responsible for overseeing 23,095 providers in 47 industries and programs. As shown in **Exhibit 6** and **Exhibit 7**, both DDU and the Assisted Living Unit made significant improvements in conducting annual surveys in fiscal 2025. In DDU, the percentage of licensed providers with annual surveys completed was between 33% to 36% from fiscal 2021 to 2023 but increased to 78% in fiscal 2024 and 99% in fiscal 2025. Although the number of licensed providers in DDU increased by 14% from 340 providers in fiscal 2024 to 387 providers in fiscal 2025, OHCQ was able to improve the percentage of providers receiving required annual surveys during this timeframe. For the Assisted Living Unit, the percentage of licensed providers with annual surveys completed has been gradually improving from 19% in fiscal 2023 to 81% in fiscal 2025. The total number of providers in the Assisted Living Unit remained stable from fiscal 2024 to 2025.

Exhibit 6
Developmental Disabilities Unit Annual Surveys
Fiscal 2021-2025



Source: Department of Budget and Management

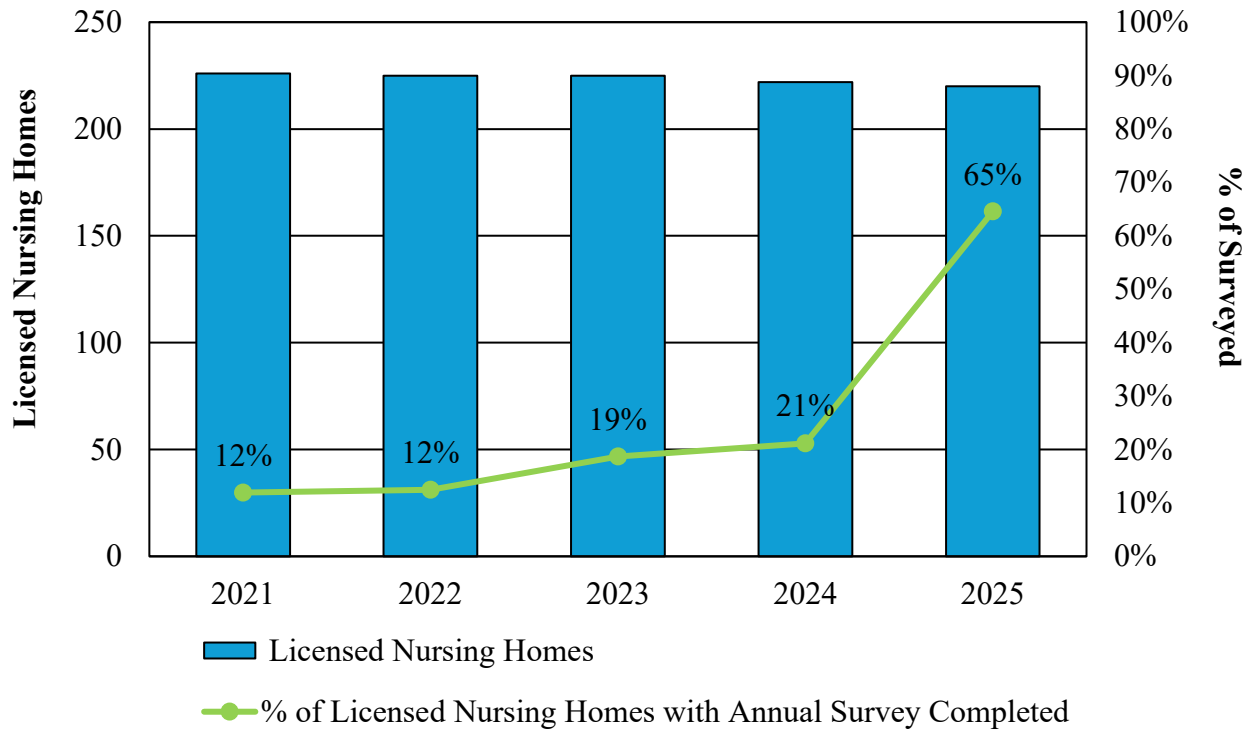
**Exhibit 7
Assisted Living Unit Annual Survey
Fiscal 2021-2025**



Source: Department of Budget and Management

Exhibit 8 displays the Long Term Care Unit’s nursing home annual survey completion rate. For annual surveys, OHCQ surveyors must follow the Centers for Medicare and Medicaid Services (CMS) federal prioritization of survey activities that are structured into four tiers, with Tier 1 having the highest priority and Tier 4 having the lowest priority. CMS guidelines specify that all nursing homes in the State must be surveyed once per year on average, and that no more than 15.9 months may elapse between completed surveys for any particular nursing home. OHCQ made significant improvement, increasing the percentage of licensed nursing homes with an annual survey completed from 21% in fiscal 2024 to 65% in fiscal 2025.

**Exhibit 8
Long Term Care Unit Annual Survey
Fiscal 2021-2025**



Source: Office of Health Care Quality

2. Update on Long Term Care Program Annual Survey and Complaint Investigations Backlog

In addition to completing annual surveys of nursing homes, OHCQ’s Long Term Care Unit is responsible for receiving and investigating complaint investigations in a timely manner to ensure the quality of care and treatment that individuals receive at a nursing facility. CMS provides guidance regarding prioritizing complaint and incident investigations in nursing homes. The intake prioritization ranges from cases alleging Immediate Jeopardy, Non-Immediate Jeopardy High risk, Non-Immediate Jeopardy Medium risk, and Non-Immediate Jeopardy Low risk.

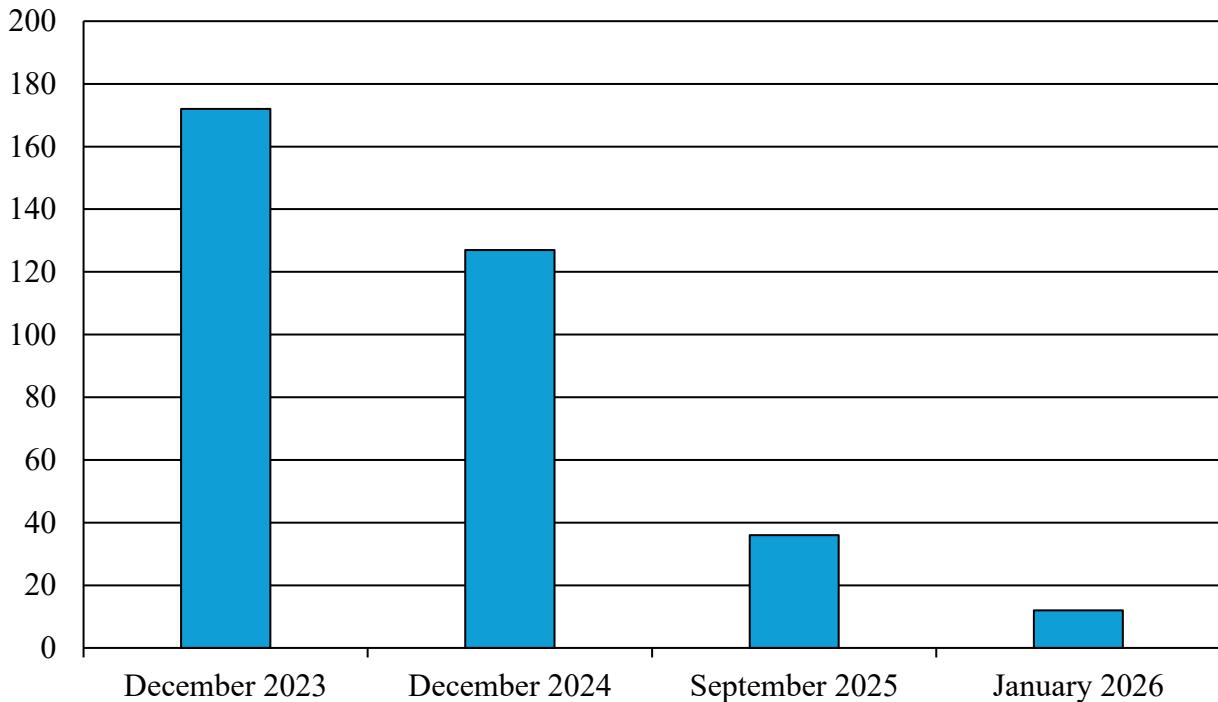
The highest priority cases are those alleging Immediate Jeopardy, in which facilities’ noncompliance with regulations places participant’s health and safety at risk for serious injury, harm, impairment, or death. These priority cases must have an onsite survey initiated within three business days of receipt of the initial report based on the federal CMS requirements. OHCQ

must also meet State guidelines for addressing complaint investigations, which require a quicker timeline than the federal guidelines, requiring that investigations be initiated within 48 hours. For the lowest priority cases, complaints must be monitored for potential focus areas during the next onsite survey or investigated when a new complaint survey is initiated.

Significant Improvement in Resolving Backlog

OHCQ reported significant progress in resolving both annual survey and complaint investigation backlog. **Exhibit 9** shows the backlog in annual surveys in nursing homes from December 2023 to January 2026. As shown, the Long Term Care Unit reduced their annual survey backlog by 93% from 172 overdue surveys in December 2023 to 12 overdue surveys in January 2026. OHCQ estimated resolving all backlogged annual surveys by March 2026. OHCQ reported that contracting nurse surveyors, filling full-time nurse surveyor positions, implementing training programs for nurse surveyors, and improved efficiencies such as enhanced technology for field-based employees helped to reduce the backlog.

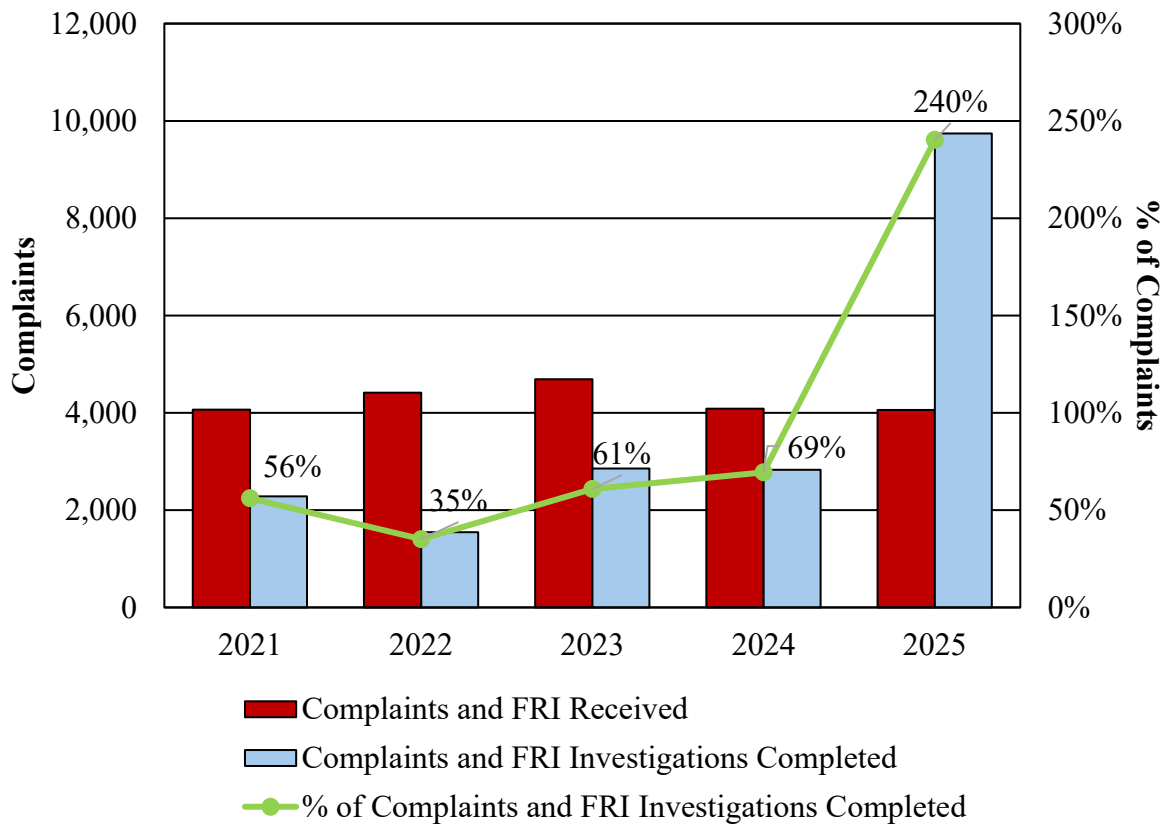
Exhibit 9
Annual Survey Backlog
December 2023 to January 2026



Source: Office of Health Care Quality

Although OHCQ also experienced a backlog of complaint investigations in the Long Term Care Unit in recent years, fiscal 2025 showed significant improvement toward resolving complaints. **Exhibit 10** shows the total number of complaints and facility reported incidents (FRI) received compared to completed investigations in each fiscal year between 2021 and 2025. The percentage of completed investigations jumped from 69% in fiscal 2024 to 240% in fiscal 2025. In fiscal 2025, OHCQ completed 9,741 complaints and FRI investigations compared to only 2,832 complaints in fiscal 2024. In the past five years, fiscal 2025 was the first year in which the number of complaint investigations completed exceeded the number of complaints received, reflecting progress in reducing the backlog of complaints.

Exhibit 10
Complaint Investigations Received and Completed
Fiscal 2021-2025



FRI: facility reported incidents

Source: Office of Health Care Quality

Because OHCQ did not have sufficient nurse surveyor positions to complete State and federal mandates, on June 5, 2024, BPW approved an expedited procurement request for subcontractor nurse surveyors to conduct overdue complaint surveys in nursing homes. On October 7, 2024, MDH awarded two contracts for certified nurse surveyor subcontractors that were able to independently survey nursing homes to lower the overdue complaint investigations. The contracts provided for a total of 5 nurse surveyors but allowed for a maximum of 13 nurse surveyors depending week-to-week on the contractor’s ability to secure available, qualified, and certified nurse surveyors.

The contracts were funded with \$1.9 million general funds in fiscal 2025 and \$3.9 million in general funds in the fiscal 2026 working appropriation in the Long Term Care Unit. The fiscal 2027 allowance provides level funding for the contract but funds the project with mostly special funds, including \$2.7 million from the State Civil Money Penalty Fees Fund and \$1.2 million in general funds. MDH previously indicated that the complaint investigation backlog was estimated to be completely resolved within two years with the subcontractor nurse surveyors. However, the fiscal 2027 allowance provides a third year of funding for subcontractor nurse surveyors. **OHCQ should provide an update on the status of and timeline for resolving the complaint investigation backlog and comment on the plan for use of subcontract nurse surveyors and funding sustainability for the contract in the future. Additionally, OHCQ should discuss full-time State employee and subcontractor nurse surveyor staffing needs to continue ensuring timely complaint investigations.**

3. Delegation of Authority to Conduct Nursing Home Surveys and Complaint Investigations in Montgomery County

A provision in the Budget Reconciliation and Financing Act (BRFA) of 2025 (Chapter 604) authorizes Montgomery County to request, and accordingly requires MDH to delegate, authority for the county to conduct nursing home surveys and complaint investigations if MDH failed to comply with specified survey requirements in fiscal 2023 and 2024. The BRFA required, within 90 days of a request, that MDH execute a memorandum of understanding (MOU) with Montgomery County that (1) delegates to the county the requirement to conduct surveys and complaint investigations, as specified; (2) commits the county to paying 50% of the costs for up to 60 months; and (3) is modeled after a specified MOU that MDH executed with the county on July 1, 2019.

Compliance with Annual Survey and Complaint Investigation Requirements

OHCQ’s state requirements include:

- **Annual Surveys:** making a site visit and conducting a full survey of each licensed nursing home at least once per calendar year;

- ***Complaint Investigations:*** initiating an investigation within 10 business days after a nursing home complaint alleging actual harm; and
- ***Complaint Investigations for Immediate Jeopardy:*** if OHCQ receives a complaint alleging immediate jeopardy to a resident, making every effort to investigate the complaint within 24 hours, and no later than 48 hours, after receiving the complaint.

As described in more detail in Key Observation 1, OHCQ did not meet federal and State requirements for completing annual surveys and conducting complaint investigations in fiscal 2023 and 2024. OHCQ received 7 complaints in fiscal 2023 and 20 complaints in fiscal 2024 that alleged Immediate Jeopardy. OHCQ met the goal of initiating complaints alleging Immediate Jeopardy within 48 hours in fiscal 2023 (100% of complaints) but not in fiscal 2024 (70% of complaints). Managing for Results (MFR) performance data does not report on whether complaint investigations were initiated within 10 business days, so it is unclear whether OHCQ met this goal.

Although MFR data shows that OHCQ did not meet certain survey and complaint investigation requirements, the provision in the BRFA of 2025 delegates authority for annual surveys and complaint investigations if they are not completed for a nursing home in Montgomery County and if Montgomery County requests the authority to conduct surveys and complaint investigations. MFR data is reported for all nursing homes across the State and not by jurisdiction. However, OHCQ reported that it has drafted a MOU that it has sent to Montgomery County that formalizes responsibilities, communication protocols, and areas of cooperation related to oversight and inspection of Montgomery County’s nursing homes. **OHCQ should comment on details of the MOU with Montgomery County, including the responsibilities delegated to Montgomery County, the start date and length of delegated authority, and costs associated with conducting surveys and complaint investigations, including the amounts that are State funded and county funded.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

**Appendix 1
Audit Findings
Regulatory Services**

Audit Period for Last Audit	September 25, 2019 – July 31, 2023
Issue Date	April 2025
Number of Findings	1
Number of Repeat Findings	1
% of Repeat Findings	100%
Rating: (if applicable)	n/a

Note: This audit included a review of OHCQ and the Health Professional Boards and Commissions. Of the five findings that were not redacted, one pertained to OHCQ. This summary is limited to that finding but references the finding number in the audit. The Office of Legislative Audits also noted four redacted cybersecurity-related findings.

Finding 3: OHCQ did not conduct required annual inspections of certain assisted living facilities, developmental disabilities service providers, and long-term care facilities.

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 2
Object/Fund Difference Report
Maryland Department of Health – Office of Health Care Quality

<u>Object/Fund</u>	<u>FY 25</u> <u>Actual</u>	<u>FY 26</u> <u>Working</u> <u>Appropriation</u>	<u>FY 27</u> <u>Allowance</u>	<u>FY 26 - 27</u> <u>\$ Change</u>	<u>% Change</u>
Positions					
01 Regular	275.00	273.00	273.00	0.00	0.0%
02 Contractual	2.05	0.00	1.00	1.00	N/A
Total Positions	277.05	273.00	274.00	1.00	0.4%
Objects					
01 Salaries, Wages, and Fringe Benefits	\$36,691,992	\$35,799,437	\$37,905,602	\$2,106,165	5.9%
02 Technical and Special Fees	82,011	0	43,360	43,360	N/A
03 Communications	219,731	240,947	219,693	-21,254	-8.8%
04 Travel	587,094	408,579	215,719	-192,860	-47.2%
07 Motor Vehicle Operation and Maintenance	210,493	150,568	120,802	-29,766	-19.8%
08 Contractual Services	2,036,515	4,024,843	4,075,162	50,319	1.3%
09 Supplies and Materials	44,451	46,638	38,027	-8,611	-18.5%
10 Equipment – Replacement	2,018	39,322	19,684	-19,638	-49.9%
11 Equipment – Additional	15,352	36,397	2,332	-34,065	-93.6%
12 Grants, Subsidies, and Contributions	46,678	506,407	74,130	-432,277	-85.4%
13 Fixed Charges	1,058,406	1,028,129	1,092,166	64,037	6.2%
Total Objects	\$40,994,741	\$42,281,267	\$43,806,677	\$1,525,410	3.6%
Funds					
01 General Funds	\$29,733,776	\$30,693,022	\$30,919,131	\$226,109	0.7%
03 Special Funds	124,772	506,407	2,915,660	2,409,253	475.8%
05 Federal Funds	11,136,193	11,081,838	9,971,886	-1,109,952	-10.0%
Total Funds	\$40,994,741	\$42,281,267	\$43,806,677	\$1,525,410	3.6%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.