

**M00M**  
**Developmental Disabilities Administration**  
**Maryland Department of Health**

***Executive Summary***

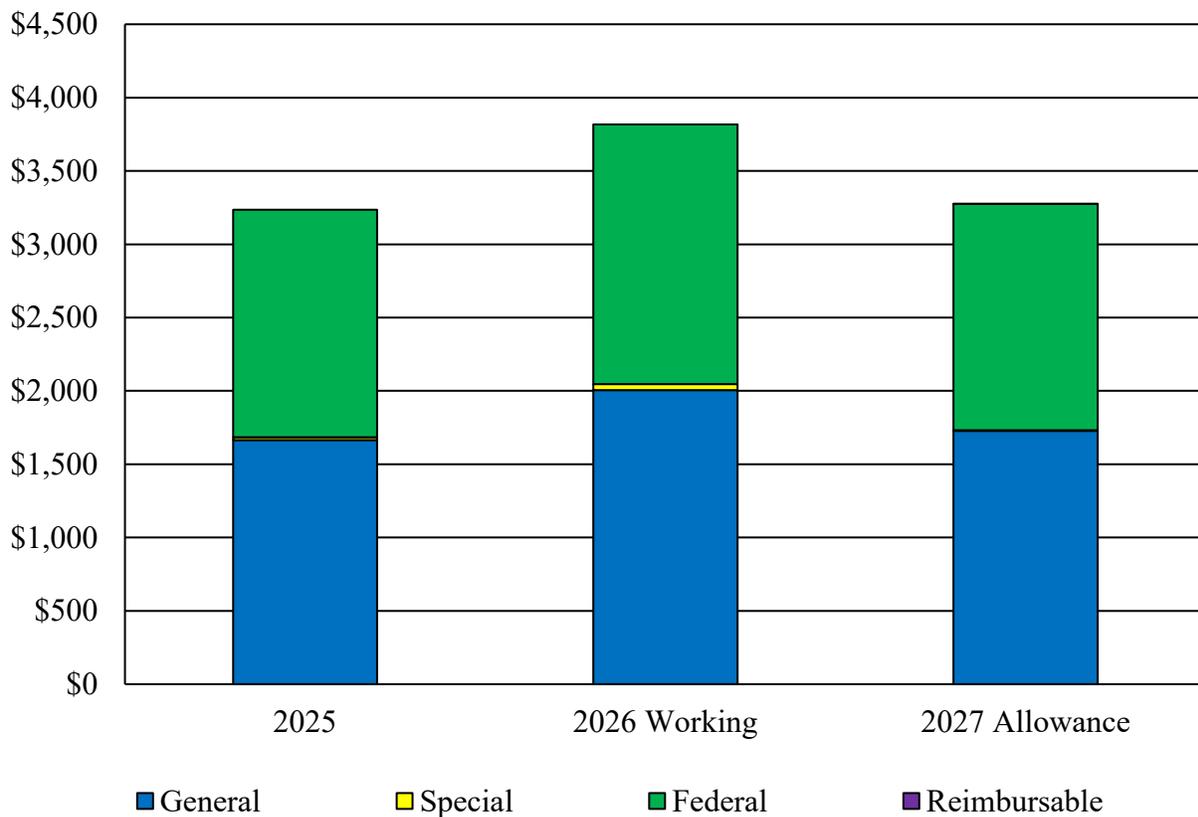
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The Maryland Department of Health (MDH) Developmental Disabilities Administration (DDA) provides direct services to individuals with intellectual and developmental disabilities in home and community-based settings through the funding of a coordinated community-based service delivery system.

***Operating Budget Summary***

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**Fiscal 2027 Budget Decreases \$542.3 Million, or 14.2%, to \$3.3 Billion**  
**(\$ 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.

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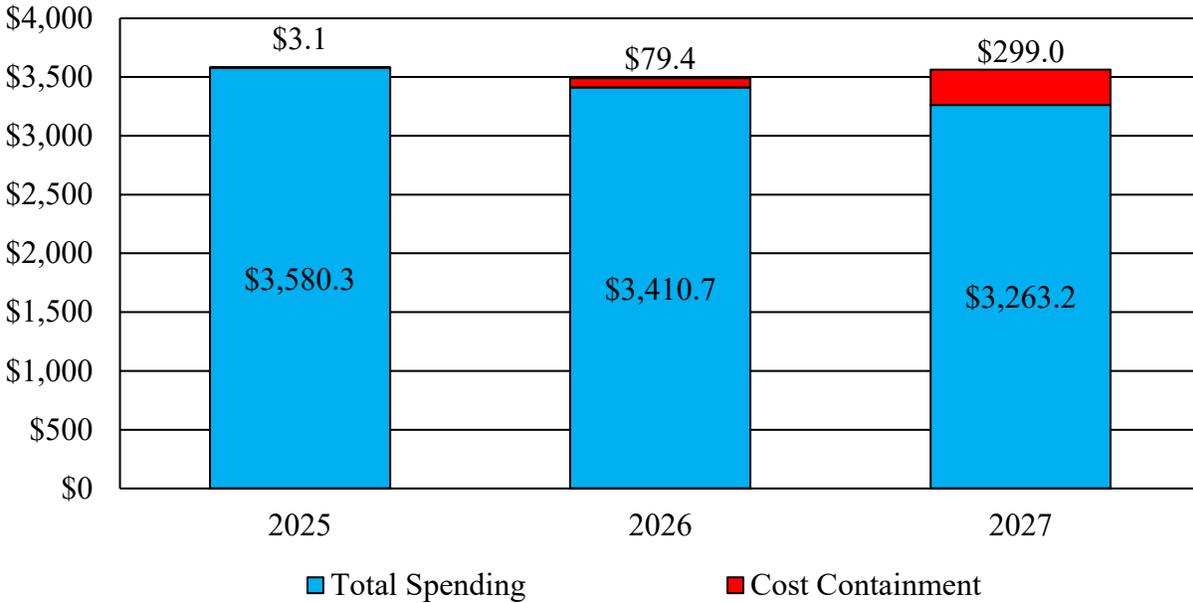
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- The fiscal 2027 allowance decreases by \$542.3 million from the fiscal 2026 working appropriation after accounting for proposed deficiency appropriations that add a total of \$736.6 million in fiscal 2026, including \$356.6 million to cover shortfalls in fiscal 2025 and \$380.0 million to cover shortfalls in fiscal 2026. Most of the remaining change from fiscal 2026 to 2027 is within the Community Services program and is mainly attributed to a decrease of \$299.0 million for proposed cost containment actions, which is partially offset by an overall increase of \$151.4 million to cover expansion of waiver services, including estimates for new enrollment and increases in utilization of services. The allowance also decreases by \$39.3 million due to the one-time payment in fiscal 2026 for a disallowance for unallowable Medicaid costs.
- The fiscal 2027 budget plan includes a total reduction of \$299.0 million (\$149.5 million of general funds) to implement four cost containment actions including enforcement of dedicated hours utilization, modification of reasonable and customary wages, elimination of the wage exception process, and implementation of a person-centered plan (PCP) budget cap of \$500,000.

### **Community Services Three-year Spending Growth**

The fiscal 2027 allowance includes proposed deficiencies to add funding to the fiscal 2026 working appropriation for Community Services spending relating to both fiscal 2025 and 2026, including \$356.6 million to cover shortfalls in fiscal 2025 and \$380.0 million to cover shortfalls in fiscal 2026. To more accurately demonstrate spending trends, **Exhibit 1** shows Community Services spending in the year it was incurred. Additionally, the impact of cost containment actions are shown separately to indicate the projection for the overall cost growth. As shown, the fiscal 2027 allowance totals \$3.3 billion after applying the reductions due to the \$299.0 million in proposed cost containment actions. Without the proposed cost containment actions, the budget would grow to \$3.6 billion in fiscal 2027. From the fiscal 2026 working appropriation to the fiscal 2027 allowance, the budget decreases by 4% when including cost containment actions in both years. Without the proposed cost containment actions in fiscal 2027, the budget would increase by 4% from the fiscal 2026 working appropriation to the fiscal 2027 allowance. The general fund appropriation reflects a similar trend from the fiscal 2026 working appropriation to the fiscal 2027 allowance, with a 4% decrease when including cost containment actions from \$1.8 billion in fiscal 2026 to \$1.7 billion in fiscal 2027, and a 5% increase without any cost containment actions from \$1.8 billion in fiscal 2026 to \$1.9 billion in fiscal 2027.

**Exhibit 1**  
**Community Services Spending**  
**Fiscal 2025-2027**  
**(\$ in Millions)**



Note: Fiscal 2025 expenditures include \$356.6 million proposed in a fiscal 2026 deficiency to cover fiscal 2025 service costs.

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

***Key Observations***

- Community Services Program Funding Sustainability:*** In the past five years, spending in the Community Services program has almost doubled (96% increase) from \$1.7 billion in fiscal 2022 to \$3.3 billion in the fiscal 2027 allowance. Most of the growth in spending is attributed to the provider transition from the legacy Provider Consumer Information System 2 (PCIS2), a prospective payment model, to the Long Term Services and Supports (LTSS) system, a fee-for-services (FFS) reimbursement model, which was finalized as of September 1, 2024. The provider transition to LTSS incorporated higher reimbursements due to both higher rates and utilization. Other increases that contributed to spending growth included mandated provider rate increases and budgeted expansion of services and enrollment.

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- ***Community Services Spending Trends:*** In fiscal 2025, spending totaled \$3.3 billion across all services in both models. The following four services accounted for 85% of all spending: (1) Community Living – Group Home (32%); (2) Personal Supports (20%); (3) Dedicated Hours (18%); and Community Development (15%). Overall, spending within the traditional model totaled \$2.6 billion to serve 14,535 participants, averaging \$179,517 per participant. Comparatively, spending within the self-directed services model totaled \$566.0 million to serve 4,089 participants for a cost per participant of \$138,425.
- ***Implementation of Cost Containment Actions:*** The Governor’s proposed fiscal 2026 budget plan included a reduction of \$52.3 million in general funds in fiscal 2025 and \$202.3 million in general funds in fiscal 2026 for various cost containment actions. The General Assembly added \$34.2 million in general funds in fiscal 2025 and \$132.2 million in general funds and \$15 million in special funds in fiscal 2026 to fully or partially restore funds to prevent most of the proposed cost containment. Throughout fiscal 2025 and 2026, DDA implemented seven cost containment actions in accordance with restrictions in budget bill language. Revised estimates of the impact of cost containment actions show lower general fund savings than initially estimated by \$9.9 million in fiscal 2026. The fiscal 2027 allowance includes a reduction of \$149.5 million in general funds for four proposed cost containment actions, some of which were proposed in the fiscal 2026 budget plan but prohibited by the General Assembly through budget bill language.

## **Operating Budget Recommended Actions**

1. Add language restricting funds pending quarterly reports on community services spending.
2. Add language restricting funds pending the submission of a report on utilization trends.
3. Add language restricting funds pending the submission of a report on implementation of fiscal 2027 cost containment actions.
4. Add language restricting appropriations in the Community Services program for that purpose only.
5. Adopt committee narrative requesting a report on person-centered plan review processing times.

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## ***Operating Budget Analysis***

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### **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. Most DDA-funded services are provided through a coordinated community-based service delivery system. The State also provides direct services to individuals with developmental and intellectual disabilities 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. DDA focuses on services that supports individuals’ self-determination, self-advocacy, independent living, and employment; supports families; and incorporates assistive technology.

DDA’s key goals include:

- the empowerment of individuals with developmental and intellectual disabilities and their families to choose services and supports that meet their needs;
- the integration of individuals with developmental and intellectual disabilities 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***

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### **1. Individuals Served in DDA Waivers**

As of October 6, 2025, DDA consolidated its three Medicaid Home and Community-based Service (HCBS) waiver programs into one waiver program – the Community Pathways Waiver. DDA previously operated three waiver programs – the Community Pathways Waiver, the Community Supports Waiver, and the Family Supports Waiver. Through HCBS waivers,

participants can access a variety of services that can be broken down into three broad categories: Residential Services; Meaningful Day Services; and Supports Services. **Exhibit 2** summarizes the services that were 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. DDA reported that consolidating the waiver programs would streamline service delivery, including making services easier to access, offering more consistent, person-centered support, and enhancing the overall system.

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**Exhibit 2**  
**Services Offered by Developmental Disabilities Administration Waiver**

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

IFDGS: Individual and Family Directed Goods and Services

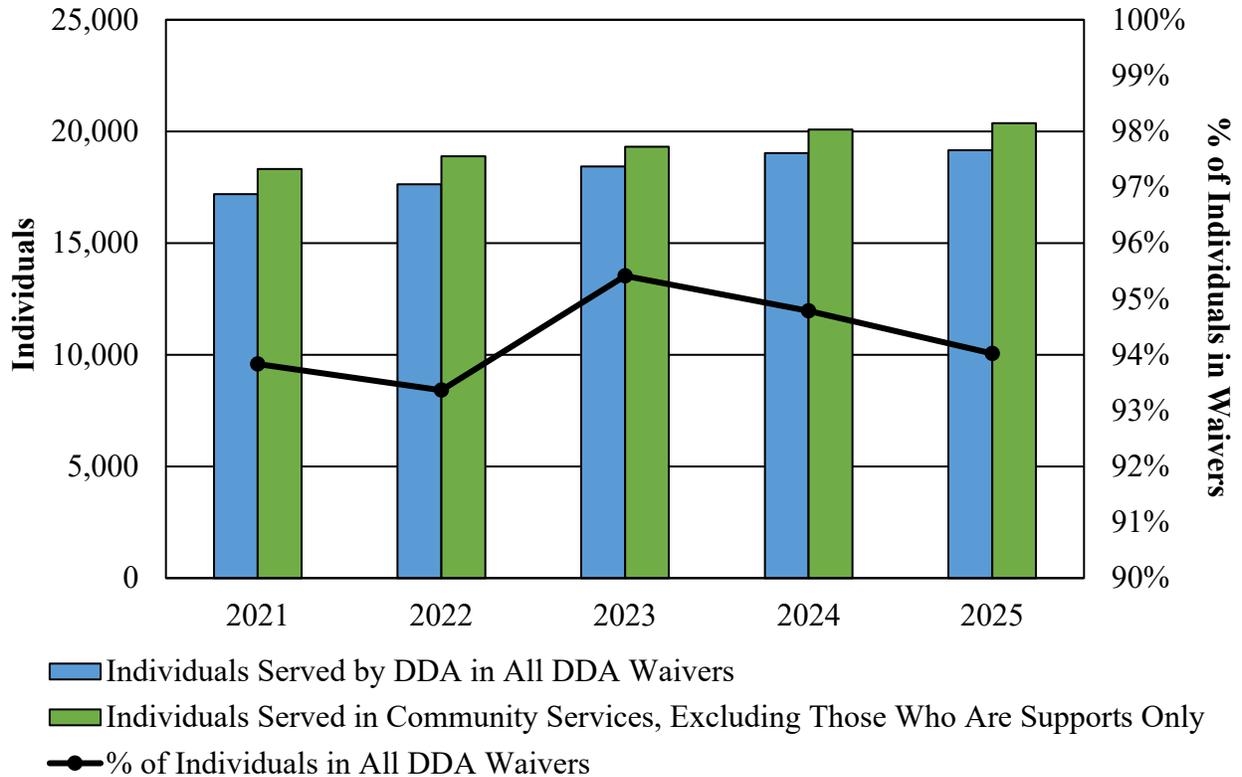
Source: Developmental Disabilities Administration; Department of Legislative Services

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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 a HCBS waiver allows DDA to claim a 50% federal fund match for services provided. **Exhibit 3** illustrates the growth in individuals served by DDA across all waivers by count and percentage. From fiscal 2024 to 2025, the total number of individuals served in DDA’s Community Services program, excluding those who receive supports only, increased by 295 participants (1.5%) from 20,081 to 20,376. The total number of individuals served in all waivers also increased but at a lower rate with an increase of 124 participants (0.7%) from 19,034 to 19,158. As overall enrollment in DDA community services increased, the

percentage of individuals served in DDA waivers decreased slightly from 94.8% in fiscal 2024 to 94.0% in fiscal 2025.

**Exhibit 3**  
**Enrollment Across All DDA Waivers and Community Services**  
**Fiscal 2021-2025**



DDA: Developmental Disabilities Administration

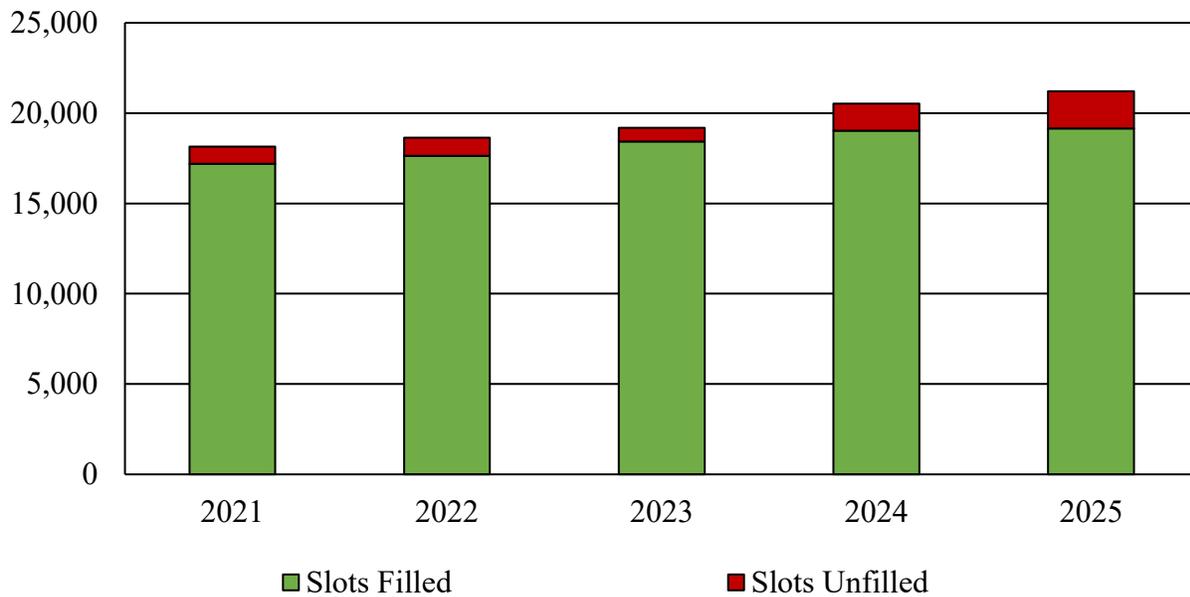
Source: Department of Budget and Management

### Waiver Slot Enrollment and Utilization

**Exhibit 4** shows the total number of slots that DDA’s waiver program is authorized for, broken down by the number of slots that were filled and unfilled in each fiscal year. In the past five years, the total number of authorized slots and total filled slots has increased steadily. In fiscal 2025, DDA filled 19,158 (90%) of the total 21,209 authorized slots. Although there were 2,051 slots that were unfilled in fiscal 2025, a portion of available slots are intentionally left available for priority populations, known as reserved categories. DDA had 17 reserved categories and a total of 1,424 reserved slots in fiscal 2025 across its waiver programs. Reserved categories

include a variety of populations such as Crisis Resolution to serve highest need individuals, State Funded Conversions for individuals funded entirely with State funds, and Transitioning Youth to serve individuals transitioning out of high school, among several other categories.

**Exhibit 4**  
**Waiver Slot Utilization**  
**Fiscal 2021-2025**

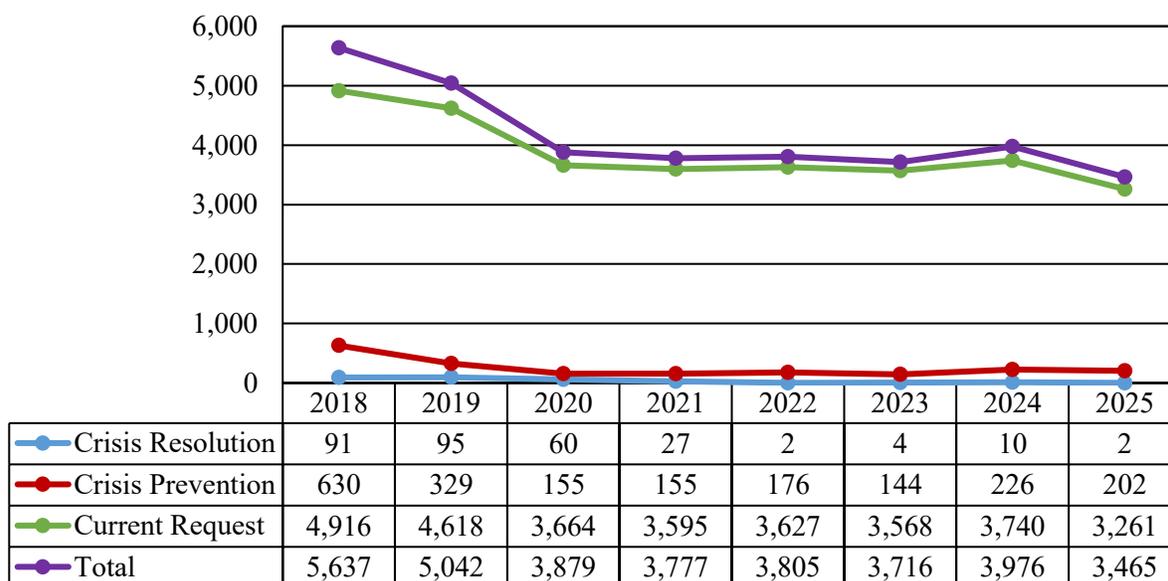


Source: Developmental Disabilities Administration

## 2. Community Services Waiting List Placements

As shown in **Exhibit 5**, DDA tracks a community services waiting list of over 3,400 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 individuals with developmental disabilities on the waiting list for DDA-funded services may receive case management from coordinators of community services (CCS). In the past eight fiscal years, the highest total waitlist was 5,637 individuals in fiscal 2018. The lowest total waitlist of 3,465 individuals was in fiscal 2025, a decrease of 511 from the prior year. All three categories showed decreases in the waitlist, including 476 from current request, 24 from crisis prevention, and 8 from crisis resolution categories.

**Exhibit 5  
Point-in-time Community Services Waiting List Counts  
Fiscal 2018-2025**



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. Person-centered Plan Goals

To receive authorization for DDA-funded services, individuals must have an approved PCP that is 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. DDA has the following goals related to the timely submission and review of PCPs:

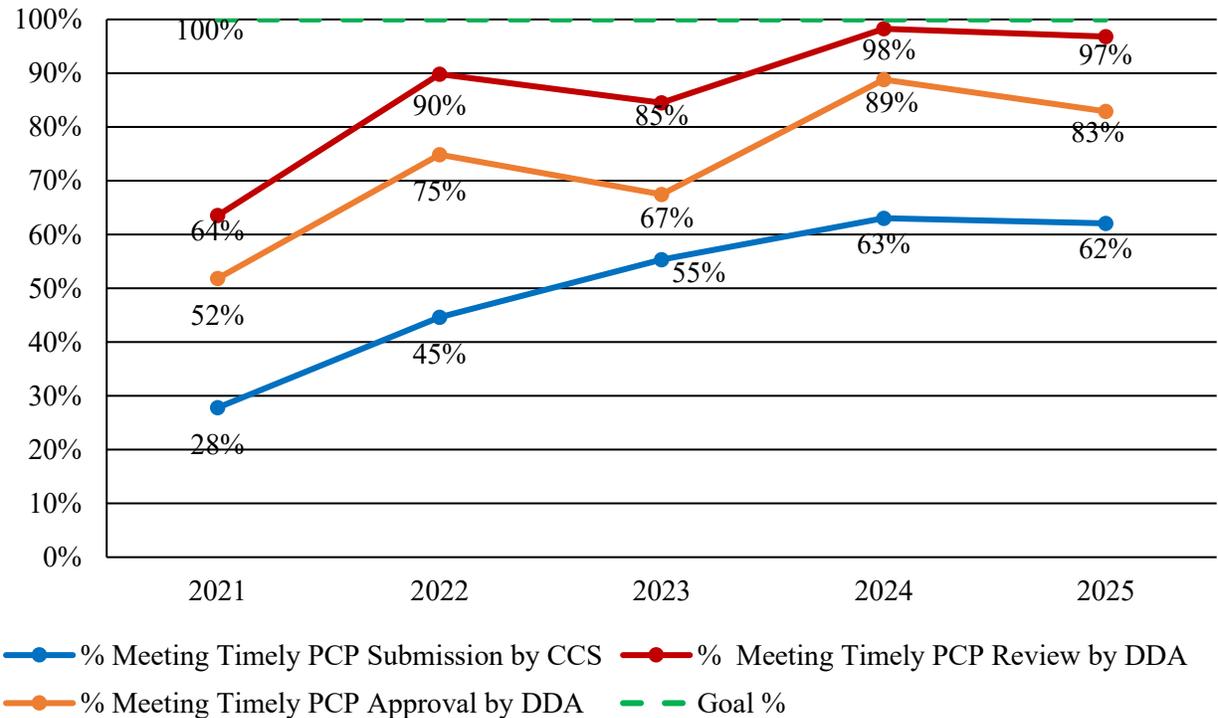
- **Timely PCP Submission by CCS:** CCS must submit the annual PCP within 20 business days of the annual plan date;

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- **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 6** shows significant improvement in each of the three goals related to PCPs since fiscal 2021. The percentage of PCPs meeting timeliness standards at least doubled for each goal from fiscal 2021 to 2025. However, performance on all three goals decreased from fiscal 2024 to 2025, with the largest change being a decrease from 89% to 83% in the percentage of timely PCP approvals by DDA. Performance in the other two measures also decreased but less significantly, with the percentage of timely PCP submissions by CCS decreasing from 63% to 62%, and the percentage of timely PCP reviews by DDA decreasing from 98% to 97%.

**Exhibit 6**  
**Performance in Meeting Person-centered Plan Timeliness Goals**  
**Fiscal 2021-2025**



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

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

Timely PCP submissions by CCS remain relatively low, with only 62% of PCPs being submitted within 20 business days of the annual plan date. Participants need an approved PCP to be able to receive services, making timely review and submission of PCPs necessary to ensure continuity of service delivery. **Considering the importance of timely PCP reviews in participants’ access to services, the Department of Legislative Services (DLS) recommends adopting narrative requesting a report on PCP review processing times, including the impact of delayed PCP approval on a participants’ access to services and any efforts being taken by DDA and CCS to improve timely PCP submissions by CCS.**

## **Fiscal 2025**

### **DDA Reports a Total Shortfall of \$356.6 Million in Fiscal 2025**

At fiscal 2025 closeout, MDH reported a shortfall of \$356.6 million of total funds (\$189.8 million in general funds) in the DDA Community Services program. The fiscal 2027 allowance includes a proposed deficiency adding funds to the fiscal 2026 working appropriation to cover this spending. The largest portion of the deficiency is \$122.4 million in general funds for the projected fiscal 2025 accrual. Providers have up to one year to submit claims for services provided. Therefore, a portion of all claims for services provided in fiscal 2025 are paid for in fiscal 2026, and MDH typically accrues unspent funds to pay for these services in the following fiscal year. The deficiency of \$122.4 million represents the projected accrual needed to pay for services provided in fiscal 2025 but paid for in fiscal 2026.

The second largest portion of the deficiency for fiscal 2025 expenses was \$61.7 million in general funds to cover unsupported expenditures as Community Services program spending outpaced projections. The deficiency also includes \$5.3 million in general funds for PCIS2 reconciliation provider credits and \$541,181 for anticipated payments that are pending while an individual’s eligibility is being determined.

### **Closeout Report and Status of Recovering Advance Payments**

#### **Closeout Budget Amendments and Special Fund Cancellation**

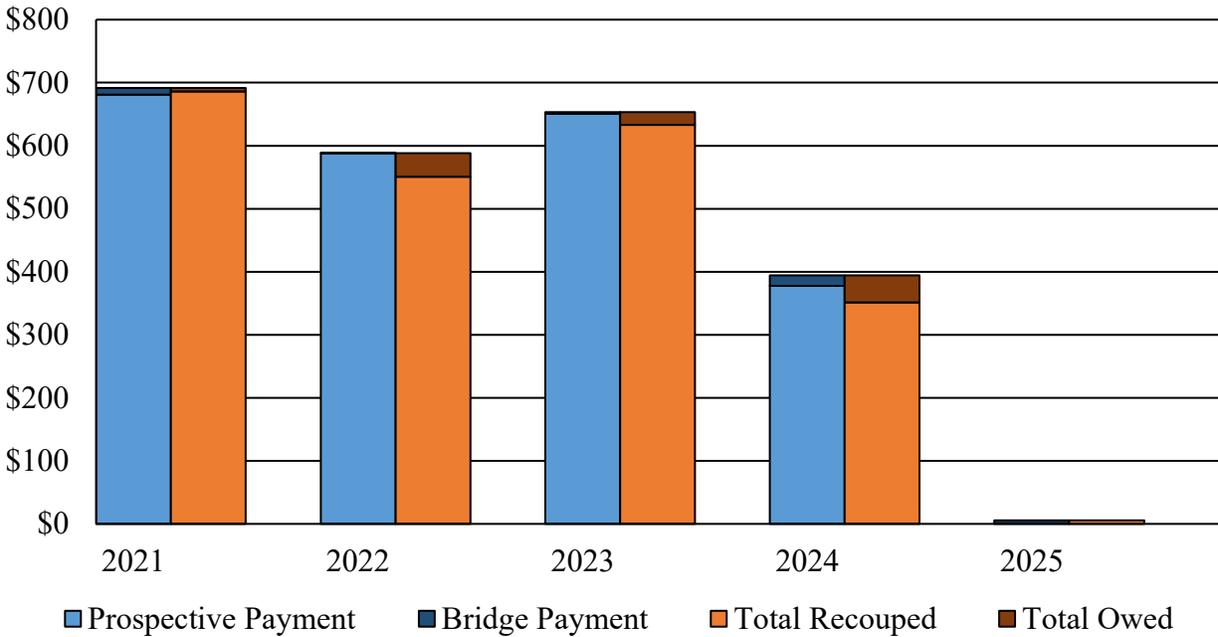
Language in the fiscal 2026 Budget Bill (Chapter 602 of 2025) restricted funds from DDA pending a report on closeout budget amendments and recoupment of advance payments to providers. In the report, DDA indicated that it did not revert any general funds in fiscal 2025 and reported three closeout budget amendments that (1) realigned \$26.0 million of surplus general funds from MDH programs to support the budget shortfall in the Community Services program; (2) realigned \$122,393 in general funds from MDH programs to address budget shortfalls related to restricted health insurance items in DDA’s regional offices; and (3) provided \$28.8 million in federal funds to the Community Services program to represent the federal share of eligible expenditures. DDA also reported \$2.5 million in special funds that were canceled due to overestimated recovery of prior year grant funds.

## **Advance Payments**

DDA's report provided an update on recoupments of advance payments provided during the LTSS transition. As of September 2024, DDA completed its process of transitioning providers from a prospective payment model in PCIS2 to a FFS reimbursement model in LTSS. In PCIS2, providers received prospective payments based on their likely billing, and DDA would reconcile payments after actual services were rendered to align with the value of services. In LTSS, providers submit claims for reimbursement based on actual services provided. Throughout the transition, with some providers already transitioned into LTSS, DDA made payments to providers through both PCIS2 and LTSS. In addition to prospective payments for providers that were still billing in PCIS2, DDA also provided bridge payments to providers to ensure they had sufficient financial capital during their transition. The last advance payment, whether prospective payment or bridge payment, was made in the first quarter of fiscal 2025.

In total, DDA provided \$2.3 billion of advance payments from fiscal 2021 through 2025. As of September 2025, DDA recouped most advance payments, with \$106 million outstanding. **Exhibit 7** provides a breakdown of the prospective payments and bridge payments provided by fiscal year, in addition to recoupment of advance payments. Most advance payments were prospective payments, with a small portion of bridge payments. Between fiscal 2021 and 2023, approximately \$588.1 million to \$681.1 million of prospective payments were provided annually. Prospective payments were reduced to \$377.7 million in fiscal 2023 and \$1.2 million in fiscal 2024, reflecting most providers transitioning to LTSS and fewer providers billing in PCIS2 in these years. In fiscal 2024, DDA implemented an effort to reconcile outstanding advance payments. Advances are typically recouped within a year, except for situations in which providers participate in a payment plan or appeal MDH's action via the Office of Administrative Hearings. DDA created Accounts Receivable during fiscal 2024 closeout to post the recovery of advance payments as discounts on general fund spending. **DLS determined the report on fiscal closeout and advance payments 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. DDA should comment on when the recoupment process will be completed.**

**Exhibit 7**  
**Advance Payments and Recoupments**  
**Fiscal 2021-2025**  
**(\$ in Millions)**

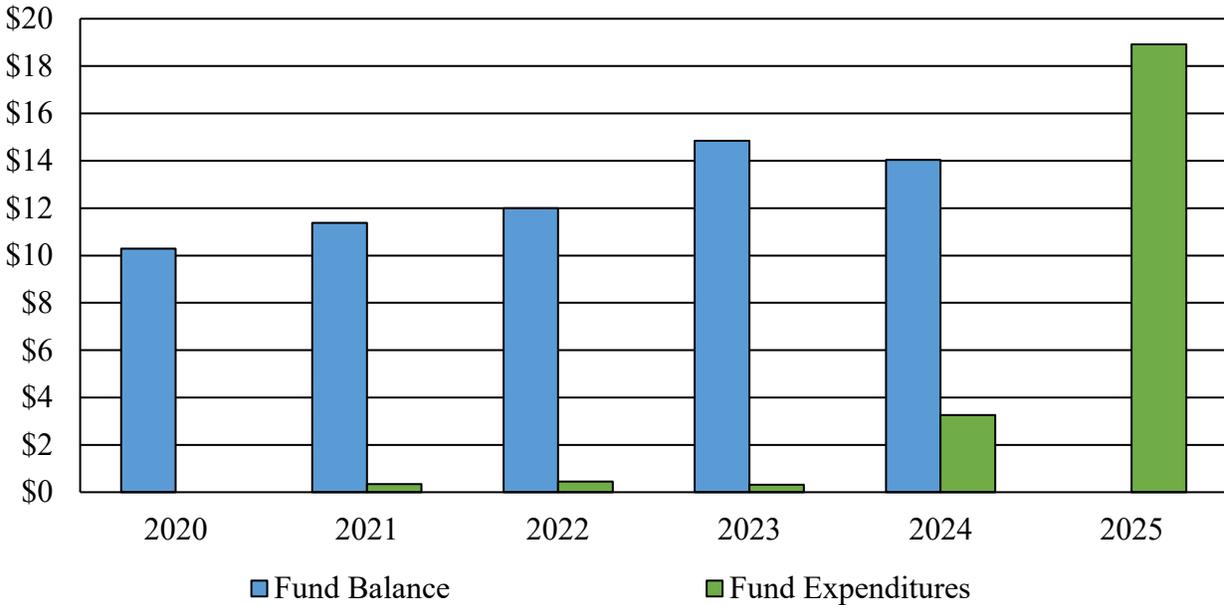


Source: Developmental Disabilities Administration

**Waiting List Equity Fund Balance**

The Waiting List Equity Fund (WLEF) was established to ensure that funding associated with individuals served in an SRC follows them when they transition to a community-based care setting. Statute dictates how the WLEF may be used, restricting funds to the first year of an individual’s placement in the community. After the initial year, the individual becomes part of the base budget. A provision in the Budget Reconciliation and Financing Act (BRFA) of 2025 altered the fund’s allowable uses by removing a prohibition on funds from being used to supplant funds for emergency placements or transitioning youth. **Exhibit 8** shows the WLEF balance and expenditures from fiscal 2020 to 2025. The WLEF accumulated a large annual balance between \$10.3 million and \$14.8 million from fiscal 2020 through 2024, resulting from significant underspending of the fund. Following the enactment of the BRFA provision that expanded the allowable uses of the fund, the entirety of the fund balance was used in fiscal 2025 to supplant general fund spending, and fiscal 2025 spending grew to \$18.9 million.

**Exhibit 8**  
**Waiting List Equity Fund Balance and Expenditures**  
**Fiscal 2020-2025**  
**(\$ in Millions)**



Source: Department of Budget and Management

**Fiscal 2026**

**Status of Legislative Additions**

Section 21 of the fiscal 2026 Budget Bill added \$25,000 in general funds for a grant to the Ethiopian Eritrean Special Needs Community for the Family Support and Empowerment Program. DDA reported that this grant was provided to the grantee.

**Funding Added to Partially Restore Proposed Cost Containment in 2025 Session**

Sections 20 and 21 of the fiscal 2026 Budget Bill also added \$34,224,704 in general funds in fiscal 2025 and \$132,240,000 in general funds and \$15,000,000 in special funds from the Community Services Trust Fund in fiscal 2026 to partially restore funds and modify cost containment actions proposed during the 2025 session. The additional funding in fiscal 2026 included:

- \$51,850,000 to lower the rate for dedicated hours instead of requiring shared hours to be maximized prior to providing dedicated hours;

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- \$37,690,000 to lower the geographical differential rate to 10% for services receiving a higher percentage instead of eliminating the geographical differential rate;
- \$36,000,000 to maintain reasonable and customary wages for self-directed services at their current level and prohibit DDA from lowering the wages in fiscal 2026;
- \$12,700,000 to cap wage exceptions above the reasonable and customary wages to 15% for the standard maximum and 10% for the geographical differential maximum for self-directed service participants instead of eliminating the wage exception process;
- \$7,000,000 to remove the day-to-day administrator category of services from Individual and Family Directed Goods and Services (IFDGS) and place this category on a separate service line; and
- \$2,000,000 to provide funding for the Low Intensity Supports Services (LISS) program and lower the cap per eligible participant to \$1,000 instead of \$2,000, instead of eliminating the program.

The fiscal 2026 Budget Bill included language that specified how certain cost containment actions would be applied and prohibited some cost containment actions. Throughout fiscal 2025 and 2026, DDA implemented the cost containment actions in accordance with the budget bill language. Additional details on the implementation of cost containment actions can be found in Issue 2.

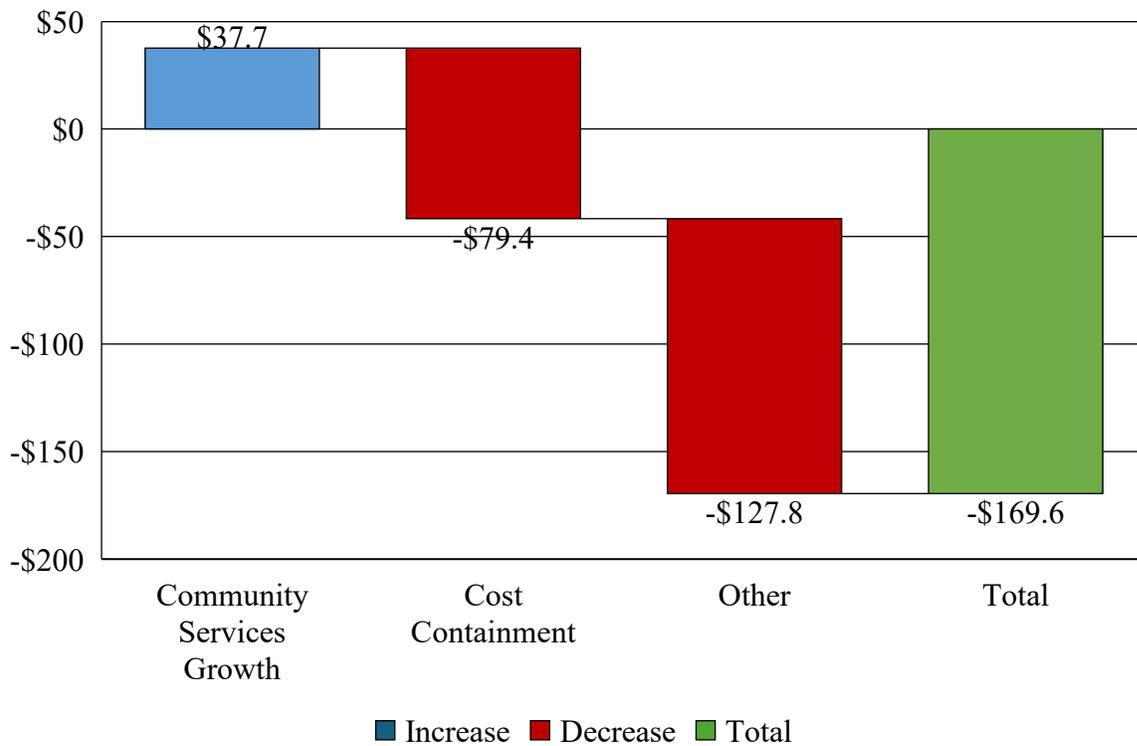
### **Proposed Deficiency**

In addition to the proposed deficiency totaling \$356.6 million for fiscal 2025 shortfalls, the fiscal 2027 allowance includes two deficiency appropriations to provide additional funds for fiscal 2026 expenses. The first deficiency adds \$380.0 million in total funds (\$190.0 million in general funds) for shortfalls in the Community Services program. The second deficiency is a fund swap that provides \$17.6 million in special funds from the Community Services Trust Fund to provide an equivalent amount of general fund relief. Because the fiscal 2026 appropriation already includes a transfer of \$15.0 million in special funds from the Community Services Trust Fund added in § 21 of the fiscal 2026 Budget Bill, the total fund balance transfer including the deficiency would be \$32.6 million. However, the estimated fund balance is currently only \$17.6 million, which is insufficient to support both transfers. Since there is only a \$2.6 million estimated fund balance to support the transfer in the proposed deficiency, there is likely a shortfall of \$15.0 million in general funds in fiscal 2026. **DDA should comment on the current fund balance of the Community Services Trust Fund and whether the fund has a sufficient balance to support the total transfer of \$32.6 million in fiscal 2026. DDA should also discuss its plans to work with the Department of Budget and Management to replace the \$15.0 million general fund need if additional special funds are not available.**

## Fiscal 2026 Community Services Funding Adequacy

The fiscal 2026 working appropriation shows a decrease of 5% from \$3.6 billion in fiscal 2025 to \$3.4 billion, after adjusting funds based on the year in which services were incurred. The total change between fiscal 2025 and 2026 is a reduction of \$169.6 million. **Exhibit 9** shows the factors contributing to the net reduction of \$169.6 million. Of the total reduction, \$79.4 million is attributable to cost containment actions implemented in fiscal 2026. Although the cost containment actions were budgeted to reduce spending by a total of \$93.5 million, updated estimates as actions are implemented anticipate total savings of \$79.4 million – \$14.1 million lower than originally budgeted. The fiscal 2026 budget also originally included \$37.7 million for community services growth.

**Exhibit 9**  
**Fiscal 2026 Spending Change Components**  
 (\$ in Millions)



Note: Fiscal 2025 expenditures include \$356.6 million proposed in a fiscal 2026 deficiency to cover fiscal 2025 service costs.

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

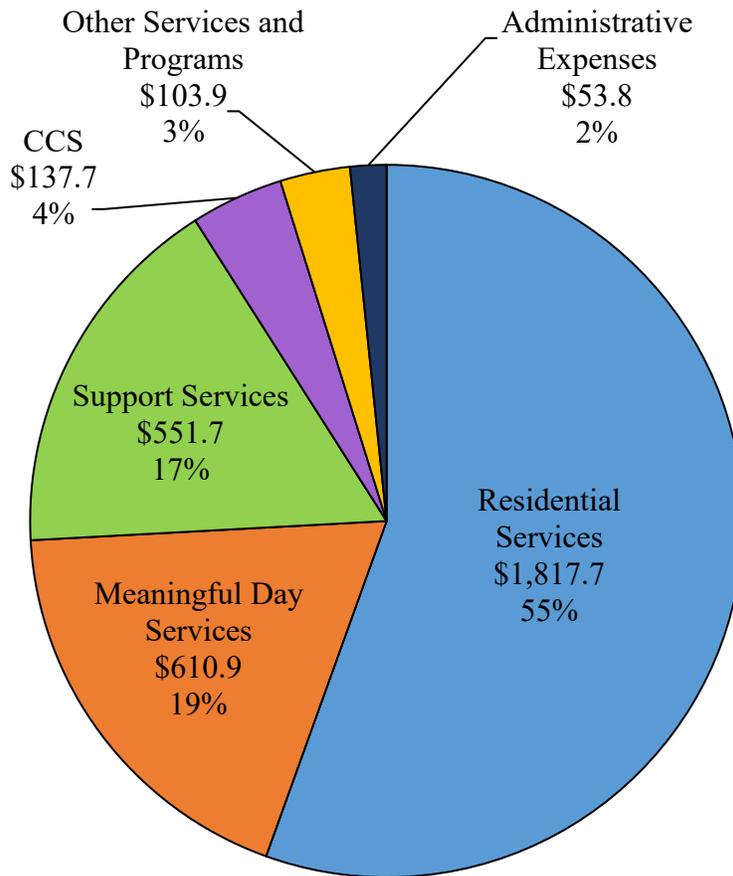
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Data for the first half of fiscal 2026 (July to December 2025) shows total spending including prior year claims of \$1.7 billion. Annualizing this data totals \$3.4 billion in estimated spending in fiscal 2026, indicating that the \$3.4 billion in the fiscal 2026 working appropriation is a sufficient appropriation. However, it is unclear what is driving the remaining \$127.8 million decrease in fiscal 2026, considering that the cost containment actions are the only reductions in services provided in fiscal 2026 and service utilization and enrollment in the Community Services program is projected to increase in fiscal 2027. The lower funding level could also indicate insufficient funds if there is an expectation of higher spending in the second half of fiscal 2026. **DDA should comment on the reason for the decrease of \$127.8 million in fiscal 2026 and whether higher spending is anticipated in the second half of fiscal 2026, including any concerns regarding the sufficiency of the fiscal 2026 working appropriation.**

### **Fiscal 2027 Overview of Agency Spending**

The fiscal 2027 allowance for DDA totals \$3.3 billion. As shown in **Exhibit 10**, the vast majority of spending (\$3.2 billion, or 98%) supports provider reimbursements for community services and case management provided to individuals with developmental disabilities. Of total spending within the Community Services program, residential services comprise the largest portion at \$1.8 billion, or 55%. DDA estimates the average annual cost per residential services client at \$239,616 in fiscal 2027, as compared to \$232,231 reported in fiscal 2025. Fiscal 2025 was the first year in which more participants received Residential Services (6,849) compared to Meaningful Day Services (5,984). The average annual cost per individual for Meaningful Day Services remains much lower at \$37,296 in fiscal 2025. Community Services spending also includes \$137.7 million (4%) for CCS providers, who assist all participants with case management and development of their annual PCPs, and \$103.9 million (3%) for other community services and programs such as State-only funded services or summer programs. Aside from community services spending, the remaining 2%, or \$53.8 million, of the fiscal 2027 allowance goes toward administrative and programmatic spending, including \$24.2 million for utilization review services, \$17.1 million for DDA's four regional offices, which oversee services provided, and \$12.5 million for other personnel and operating expenses.

**Exhibit 10**  
**Overview of Agency Spending**  
**Fiscal 2027 Allowance**  
**(\$ in Millions)**



CCS: coordinators of community service

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

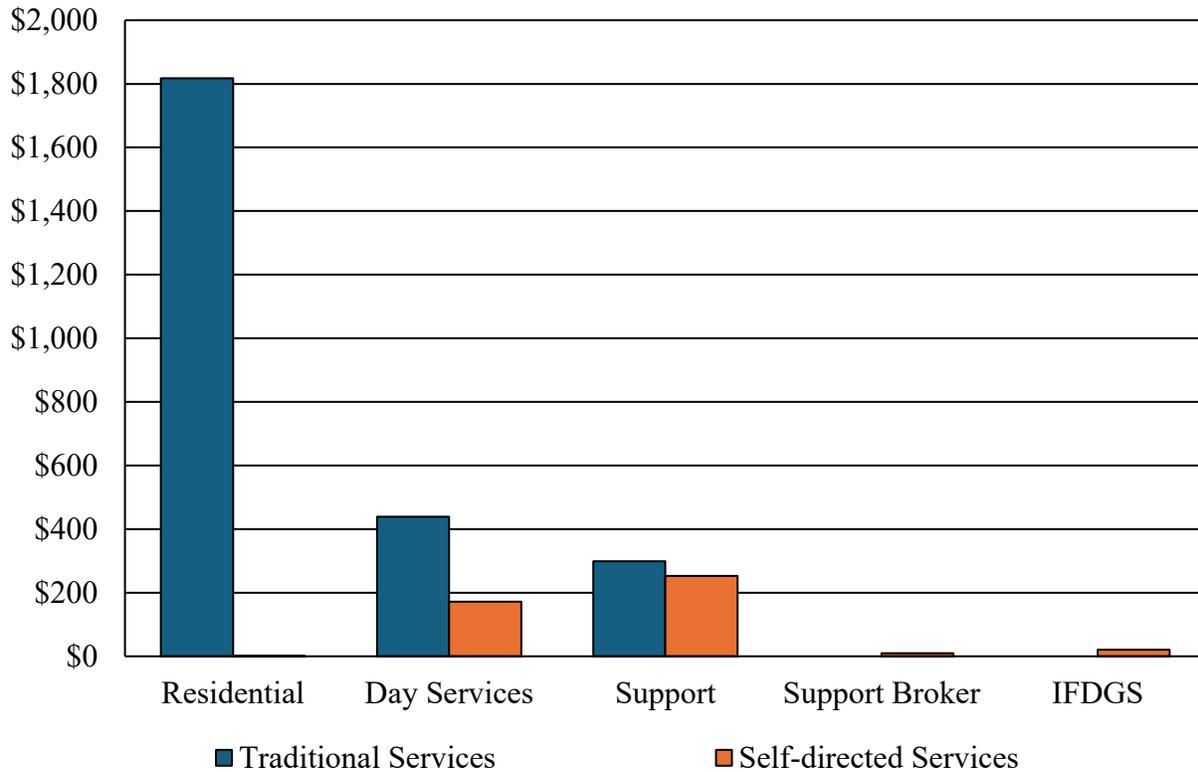
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Participants enrolled in the Community Services program have the choice of participating in two service models: (1) the traditional services model; or (2) the self-directed services model. The key difference between the models is that in the traditional services model, a participant receives services through a provider, whereas in the self-directed services model, a participant has employer and budget authority and can choose who provides their services, including hiring staff. In total, the traditional services model accounts for 85% of the total allowance, while the self-directed services model accounts for 15%. Of the 19,158 individuals enrolled in the waiver

programs in fiscal 2025, 15,190 were enrolled in the traditional services model (79%), while 3,968 participants were enrolled in the self-directed services model (21%).

**Exhibit 11** provides a breakdown of the fiscal 2027 budget allocated for service categories by service model. Almost all spending on residential services is budgeted within the traditional model. Although individuals in the self-directed services model have limited access to residential services, they have access to additional support services through IFDGS and Support Broker services, which are not available under the traditional services model. Both service models account for substantial portions of the budget for Meaningful Day Services and Support Services.

**Exhibit 11**  
**Overview of Community Services Spending by Service Model**  
**Fiscal 2027 Allowance**  
**(\$ in Millions)**



IFDGS: Individual and Family Directed Goods and Services

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

## Proposed Budget Change

**Exhibit 12** outlines the changes in DDA’s fiscal 2027 allowance, which decreases by \$542.3 million compared to the fiscal 2026 working appropriation after accounting for deficiencies. Most of this change is within the Community Services program, with the largest change being a decrease of \$356.6 million to reflect the removal of the deficiency to cover shortfalls in fiscal 2025. When excluding the fiscal 2025 expenses from the fiscal 2026 budget, the fiscal 2027 allowance decreases by \$185.7 million. The second largest decrease is a reduction of \$299.0 million in total funds (\$150 million in general funds) resulting from four cost containment actions that are discussed in more detail in Issue 2. Partially offsetting the cost containment actions is \$151.4 million budgeted for overall growth in the community services program, which includes approximately \$76.5 million for increased utilization and \$74.9 million for net new enrollment costs. Aside from changes in the Community Services program, the fiscal 2027 allowance also decreases by \$39.3 million to reflect the removal of funding for a one-time payment for a disallowance of unallowable Medicaid costs paid for in fiscal 2026.

**Exhibit 12**  
**Proposed Budget**  
**Maryland Department of Health – Developmental Disabilities Administration**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
Fiscal 2025 Actual	\$1,665,238	\$18,912	\$1,550,719	\$0	\$3,234,870
Fiscal 2026 Working	2,004,334	41,334	1,772,256	0	3,817,924
Fiscal 2027 Allowance	1,728,262	2,500	1,544,764	115	3,275,641
Fiscal 2026-2027 \$ Change	-276,072	-38,834	-227,492	115	-542,284
Fiscal 2026-2027 % Change	-13.77%	-93.95%	-12.84%	N/A	-14.20%

<b>Where It Goes:</b>	<b>Change</b>
<b>Personnel Expenses</b>	
Salary increases and associated fringe benefits .....	\$1,524
Employee and retiree health insurance .....	1,101
Workers’ compensation premium assessment.....	20
Overtime earnings.....	-16
Other fringe benefit adjustments .....	146
<b>Community Services</b>	
Estimated 2.25% net increase in utilization of community services .....	76,492
Net new enrollment, including estimates to enroll 994 new participants and annualize costs of new participants enrolled in fiscal 2026, while accounting for attrition .....	74,931

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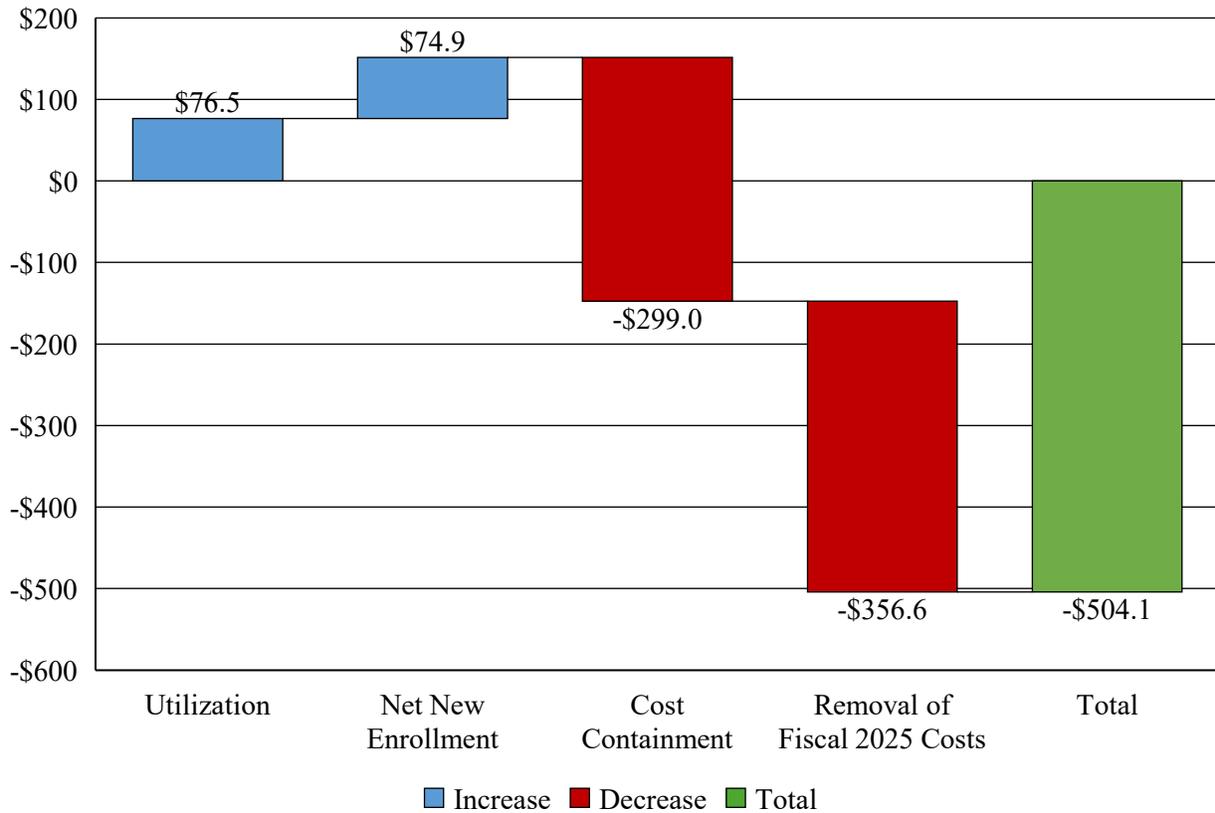
<b>Where It Goes:</b>	<b><u>Change</u></b>
Summer grant program for various county Parks and Recreation departments to support summer programs that serve youth with disabilities.....	233
One-time fiscal 2026 legislative addition for Ethiopian Eritrean Special Needs Community grant.....	-25
Cost containment actions relating to dedicated hours, reasonable and customary wages, wage exception process, and cap on person-centered plan budgets.....	-298,995
Fiscal 2026 deficiency to cover the fiscal 2025 shortfall in the Community Services program.....	-356,572
<b>Other Changes</b>	
Costs associated with increase of 5.65 new contractual positions.....	442
Electricity expenses .....	30
Office supplies and equipment .....	22
Administrative contracts .....	-306
One-time payment in fiscal 2026 of disallowance for unallowable Medicaid costs for residential habilitation add-on services.....	-39,324
Other changes .....	-987
<b>Total</b>	<b>-\$542,284</b>

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.

### **Community Services Spending in Fiscal 2027**

The fiscal 2027 allowance includes a total of \$3.3 billion for the Community Services program, which is a net decrease of \$504.1 million from the fiscal 2026 working appropriation when including proposed deficiencies. **Exhibit 13** explains the net decrease in spending from the fiscal 2026 working appropriation to the fiscal 2027 allowance. Overall Community Services spending increases by \$151.4 million, including \$76.5 million budgeted for estimated increases in service utilization and a \$74.9 million net increase for new enrollment, which includes estimates to serve 994 new participants, the annualization of new participants enrolled throughout fiscal 2026, and attrition. This increase in overall Community Services spending represents an increase of 4% over the fiscal 2026 working appropriation, excluding cost containment actions. Increases in the Community Services program are offset by a larger decrease of \$655.7 million. The decreases include the removal of \$356.6 million in funding added through a proposed deficiency to cover the shortfall in fiscal 2025 and \$299.0 million in proposed cost containment actions that would lower spending for specific purposes.

**Exhibit 13**  
**Fiscal 2027 Spending Change Components**  
**(\$ in Millions)**



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

The largest increase in the fiscal 2027 allowance for the Community Services program is the \$76.5 million estimated for increased utilization of services. However, it is unclear why utilization of services has been increasing at a faster rate in LTSS than in the legacy billing system and how utilization rate estimates for fiscal 2027 compare to utilization trends in fiscal 2025 and 2026. **To better understand and monitor service utilization trends, DLS recommends adding language restricting funds pending submission of a report on utilization trends in LTSS, including a comparison of service utilization and PCP budget utilization in LTSS compared to the legacy billing system, as well as utilization trends in LTSS in fiscal 2025 and 2026.**

## Personnel Data

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	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	211.00	210.00	210.00	0.00
Contractual FTEs	<u>7.41</u>	<u>16.68</u>	<u>22.33</u>	<u>5.65</u>
<b>Total Personnel</b>	<b>218.41</b>	<b>226.68</b>	<b>232.33</b>	<b>5.65</b>

### *Vacancy Data: Regular Positions*

Turnover and Necessary Vacancies, Excluding New Positions		22.13	10.54%
Positions and Percentage Vacant as of 12/31/25		28.00	13.33%

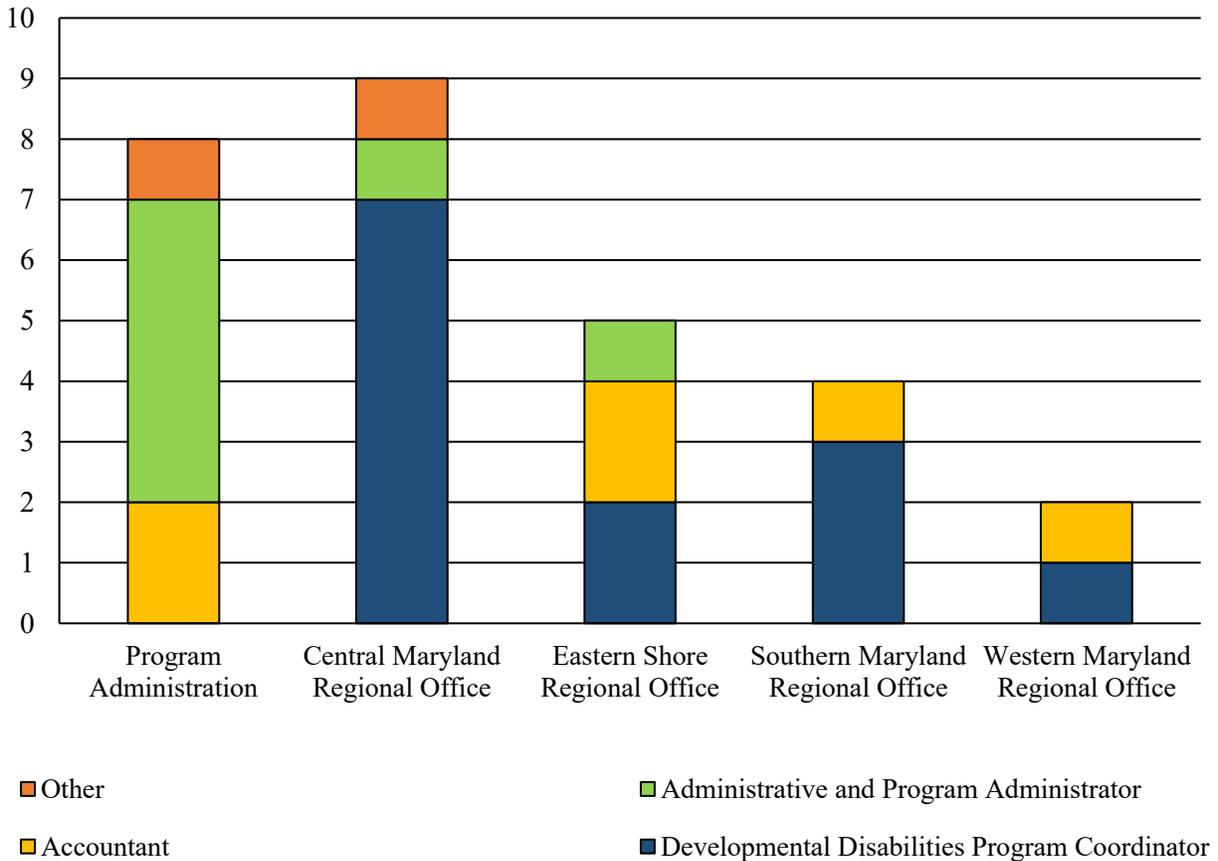
Vacancies Above Turnover 5.87

- The fiscal 2027 allowance does not include any new regular positions but includes an increase of 5.65 contractual full-time equivalent positions. DDA did not have any positions abolished in fiscal 2026 due to the Voluntary Separation Program or any other abolitions of vacant positions.

## Vacant Positions Remain High

DDA's vacancy rate as of December 31, 2025, remains high with 28 vacant positions, 5.87 more vacancies than necessary to meet the budgeted turnover for fiscal 2027. The number of vacancies showed a slight improvement with a decrease of 1 vacant position from the 29 vacant positions reported as of December 31, 2024. **Exhibit 14** shows the number of vacant positions by program and position type. Most vacant positions were in one of DDA's four regional offices, although there were also 8 vacant positions within Program Administration. Across the regional offices, there were 9 vacant positions in Central Maryland, 8 vacant positions in the Eastern Shore, 4 vacant positions in Southern Maryland, and 2 vacant positions in Western Maryland. Most of these vacant positions were developmental disabilities coordinators of special programs for health services, which are responsible for reviewing participants' PCPs to ensure timely delivery of services. The average budgeted salary for these positions was \$72,467. Other vacant positions include various administrative or program administrator roles, accountant positions, and other positions including a grants specialist in Program Administration and a social worker in the Central Maryland Regional Office. **DDA should discuss (1) the impact of vacant developmental disabilities program coordinator positions on timely review and approval of participant PCPs; (2) the reasons for challenges in filling these roles; and (3) efforts being taken to improve recruitment and retention for these positions.**

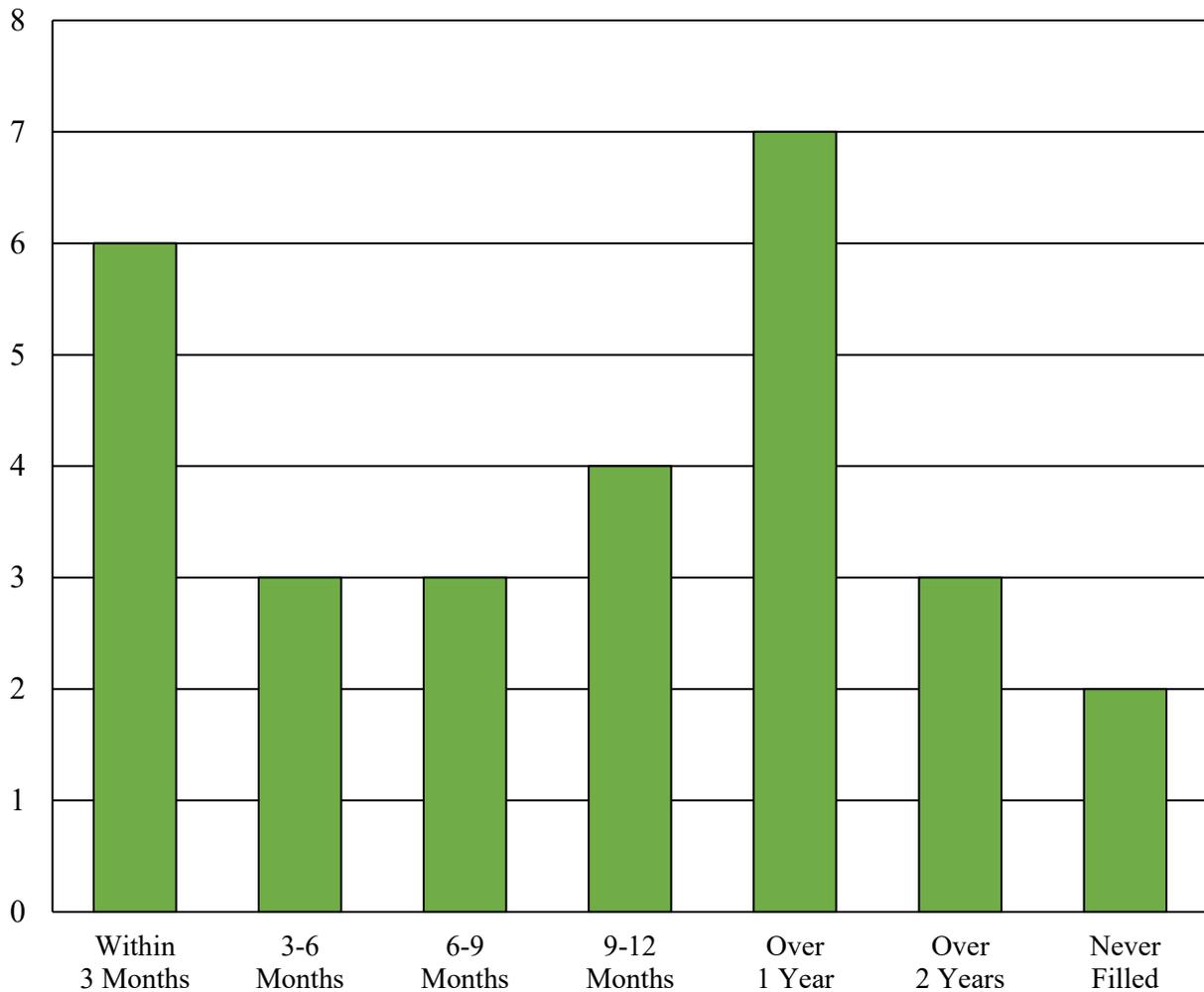
**Exhibit 14**  
**Vacant Positions by Program and Position Type**  
**As of December 31, 2025**



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

**Exhibit 15** shows vacant positions by the length of time that they have been vacant. Most vacant positions (7) were vacant for over a year. Of these positions, 2 were developmental disabilities program coordinator positions within the Western Maryland Regional Office, 2 were accountant positions in Program Administration and the Southern Maryland Regional Office, and 3 were administrative or program administrator roles in Program Administration. There were 3 positions in the Central Maryland Regional Office that have been vacant for more than two years, including 2 developmental disabilities program coordinators and 1 program administrator position. DDA also had 2 positions that have never been filled, and various other positions that have been vacant for less than a year, with 6 positions that have been vacant for less than three months.

**Exhibit 15**  
**Vacant Positions by Length of Vacancy**  
**As of December 31, 2025**



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

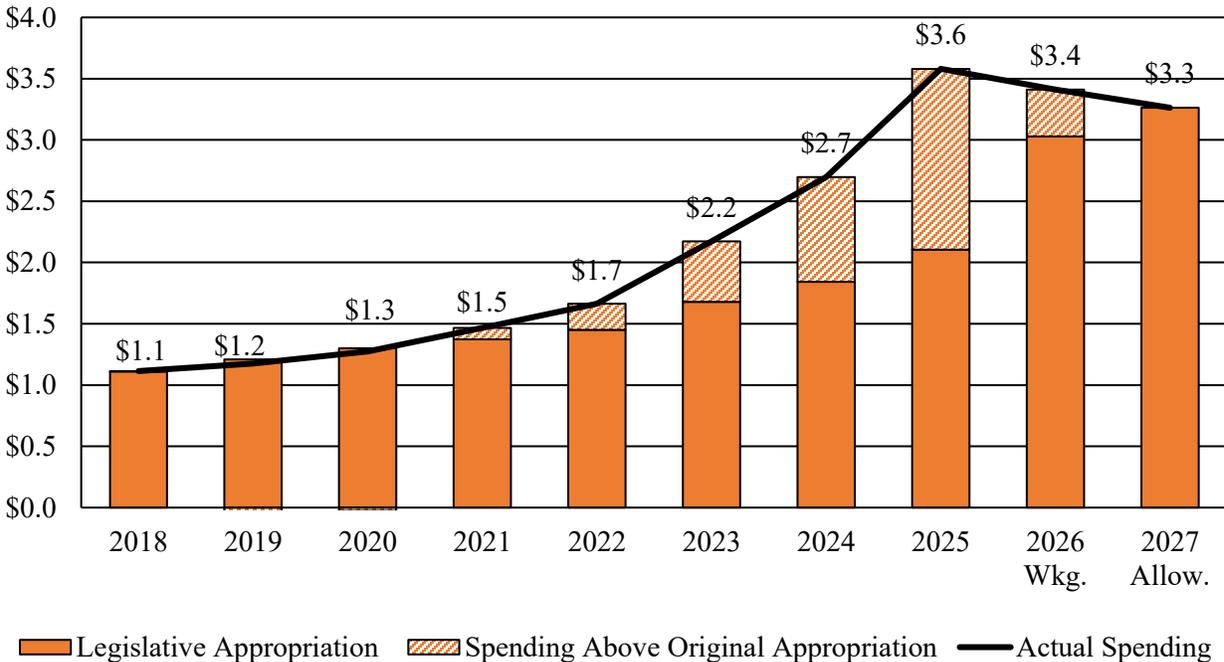
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## Issues

### 1. Community Services Program Spending Growth

In the past 5 years from fiscal 2022 to the fiscal 2026 working appropriation, spending in DDA’s Community Services program has grown rapidly and has repeatedly surpassed the legislative appropriation. **Exhibit 16** shows the total spending in the Community Services program in the past 10 years from fiscal 2018 to the fiscal 2027 allowance, including the amounts that were included in the legislative appropriation and the amounts above the legislative appropriation added through budget amendments and deficiencies. Over this period, community services spending has more than tripled from \$1.1 billion in fiscal 2018 to \$3.3 billion in the fiscal 2027 allowance. Most of this growth occurred between fiscal 2022 and 2025, when spending more than doubled in a three-year period from \$1.7 billion in fiscal 2022 to \$3.6 billion in fiscal 2025. Most of the increased spending was not budgeted for in the legislative appropriation and required significant deficiencies in subsequent years to cover the shortfalls.

**Exhibit 16**  
**Community Services Spending Growth**  
**Fiscal 2018-2027**  
**(\$ in Billions)**

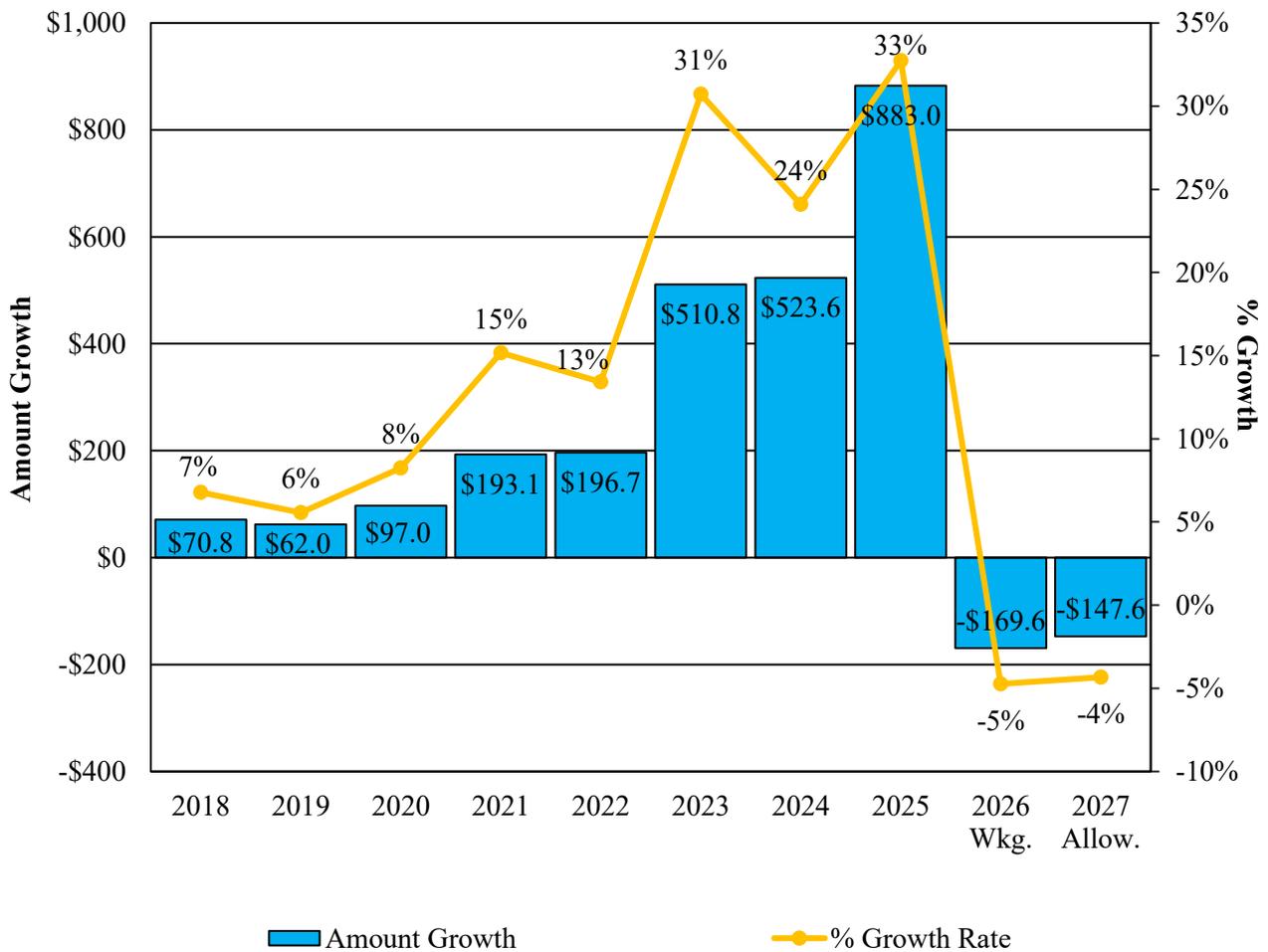


Note: Fiscal 2025 expenditures include \$356.6 million proposed in a fiscal 2026 deficiency to cover fiscal 2025 service costs. Spending includes \$66.6 million in fiscal 2023 and \$345.6 million in fiscal 2024 in expenditures accounted for through Accounts Receivable.

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

As shown in **Exhibit 17**, fiscal 2023 to 2025 had the highest overall increases in spending, while fiscal 2026 and 2027 are projected to decrease in part due to cost containment efforts. The highest rates of growth were 31% from fiscal 2022 to 2023 and 33% from fiscal 2024 to 2025. Fiscal 2025 reflects the greatest year-over-year growth in community services with an increase of \$883.0 million when including the proposed deficiency to cover fiscal 2025 shortfalls.

**Exhibit 17**  
**Year-to-year Spending Growth in Community Services**  
**Fiscal 2018-2025**  
**(\$ in Millions)**

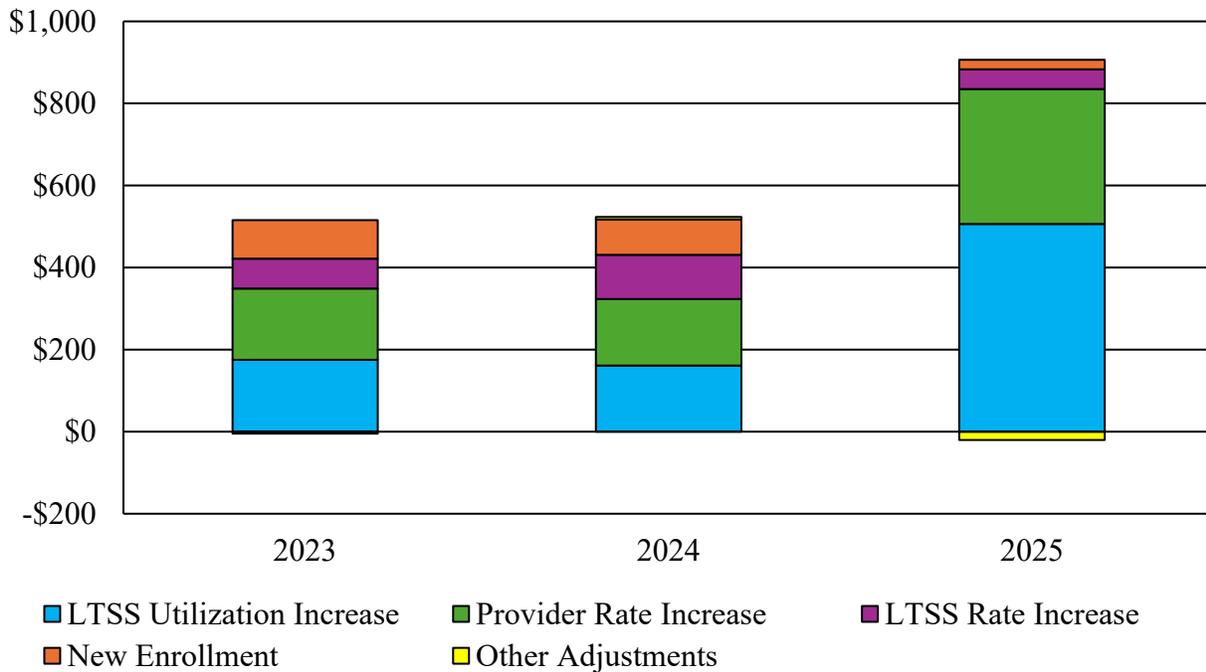


Note: Fiscal 2025 expenditures include \$356.6 million proposed in a fiscal 2026 deficiency to cover fiscal 2025 service costs. Spending includes \$66.6 million in fiscal 2023 and \$345.6 million in fiscal 2024 in expenditures accounted for through Accounts Receivable.

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

**Exhibit 18** provides an overview of the components of growth in each year between fiscal 2023 to 2025. As shown, the biggest component of growth between fiscal 2023 to 2025 were costs related to the LTSS transition, which incorporated total provider rate payments approximately 18% higher than in the legacy billing system. Although most providers transitioned in fiscal 2024, fiscal 2025 represented the first year in which all providers were completely transitioned to the LTSS billing system. Because providers transitioned at varying dates throughout fiscal 2024, fiscal 2025 also included the annualization of providers fully billing in LTSS. Additionally, the transition to a reimbursement-based system allows for claims to be submitted up to a year after the service is provided, which shifted some of the initial spending growth to fiscal 2025 as well. Other components of growth were expected and included in the budget for each year, such as various provider rate increases and increases for expansion of community services.

**Exhibit 18**  
**Cost Drivers of Spending Growth**  
**Fiscal 2023-2025**  
**(\$ in Millions)**



LTSS: Long Term Service and Supports

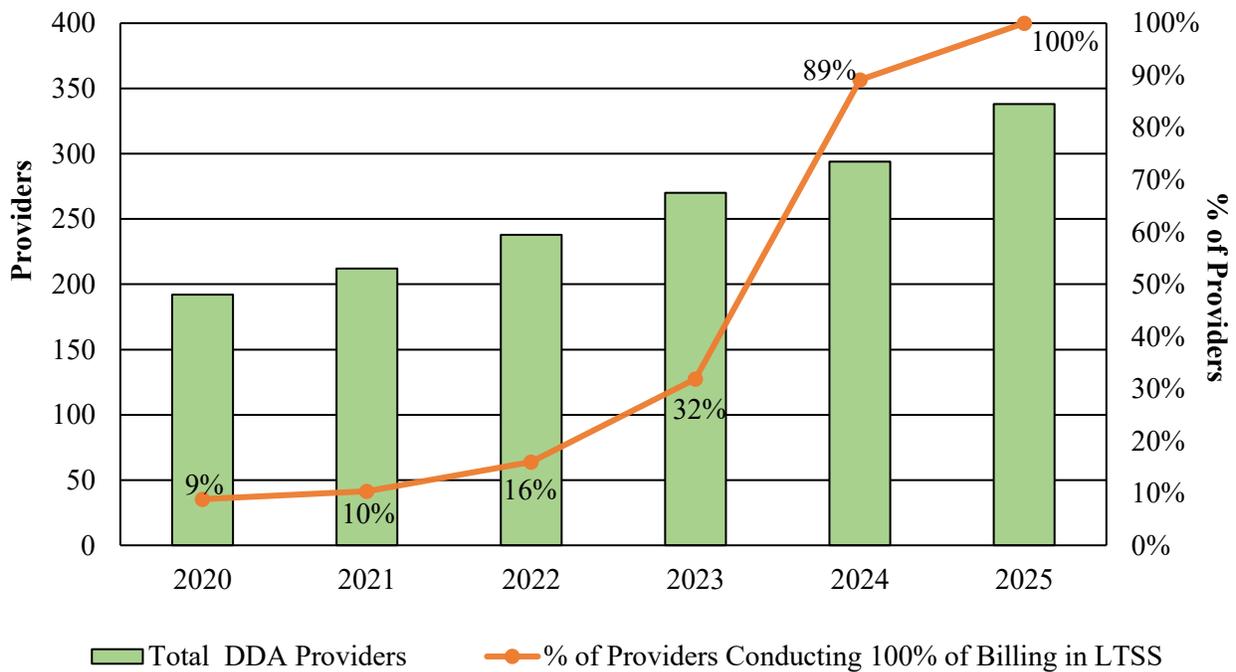
Note: Fiscal 2025 expenditures include \$356.6 million proposed in a fiscal 2026 deficiency to cover fiscal 2025 service costs. Spending includes \$66.6 million in fiscal 2023 and \$345.6 million in fiscal 2024 in expenditures accounted for through Accounts Receivable.

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

## LTSS Transition

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. **Exhibit 19** shows the total number of providers and percentage of providers conducting 100% of their billing in LTSS by fiscal year. Most providers, approximately 176 of 338 total providers, transitioned in fiscal 2024. Fiscal 2025 had the second highest number of providers transitioning with 76 providers, and in fiscal 2023, 48 providers transitioned.

**Exhibit 19**  
**Providers Conducting 100% of Billing in LTSS**  
**Fiscal 2020-2025**



DDA: Developmental Disabilities Administration  
 LTSS: Long Term Services and Support

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

The LTSS transition led to higher overall costs for two main reasons – (1) higher rates for services and (2) increased utilization over time due to additional flexibility in service billing. The transition to LTSS included moving from billing for services by the day to billing for services at

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much smaller increments, including services billed by the hour and quarter hour. The rates established in LTSS were based on a rate-setting study that assessed the total cost of providing services and set rates based on the Brick Method. The foundation of the rate is the wage for direct support professionals, but the rate also includes various other components related to the cost of providing services, including employment related expenses, facility costs, program support, general and administrative expenses, transportation, and training.

As required by language in the fiscal 2024 Budget Bill, DDA submitted data comparing costs in the legacy billing system to LTSS for one of its regional offices. Data showed that for providers billing for residential services in LTSS compared to those billing in PCIS2 at the same time, the total cost of providing services in LTSS was 6% higher. This shows services billed at the same time; therefore, this 6% increase is estimated to reflect the cost of services in LTSS that is attributable to the higher rates. Data from the same report also analyzed costs in LTSS compared to PCIS2 when separated by time, which reflects increases due to changes in utilization trends after a provider transitioned. When comparing costs in LTSS compared to PCIS2 not concurrently, there is an estimated 18% increase in overall costs in LTSS compared to the legacy system. In the report, DDA noted an increase in utilization in both systems due to recovery from the COVID-19 pandemic but also increase in utilization in LTSS due to more flexible construction of PCPs. Thus, there was an estimated 12% to 18% increase in costs due to increased utilization of services.

### **Rate Increases**

In addition to higher rates in LTSS 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 20** shows the rate increases that providers have received from fiscal 2016 to the fiscal 2027 allowance. DDA providers have received a rate increase of at least 3% each year from fiscal 2016 to 2025. Additionally, DDA providers received a discretionary rate increase of 3% in fiscal 2025 after receiving a 4% rate increase in fiscal 2024 and accelerated rate increases totaling 8% on January 1, 2024, to keep pace with the accelerated increase of the minimum wage in accordance with the Fair Wage Act of 2023 (Chapter 2). Most recently, the fiscal 2026 working appropriation and fiscal 2027 allowance do not include provider rate increases.

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**Exhibit 20**  
**Developmental Disabilities Administration Mandated Provider Rate Increases**  
**Fiscal 2016-2027**

<u>Fiscal Year</u>	<u>Rate Increase</u>	<u>Effective Date</u>
2016	3.5%	July 1, 2015
2017	3.5%	July 1, 2016
2018	3.5%	July 1, 2017
2019	3.5%	July 1, 2018

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<u>Fiscal Year</u>	<u>Rate Increase</u>	<u>Effective Date</u>
2020	4%	July 1, 2019
2021	4%	Jan. 1, 2021
	5.5%*	April 1, 2021
2022	4%	July 1, 2021
2023	4%	July 1, 2022
	Supplemental 4%	July 1, 2022
	Temporary 10%*	Oct. 1, 2022, to Dec. 31, 2022
2024	4%	July 1, 2023
	8%	Jan. 1, 2024
2025	3%	July 1, 2025
2026	0%	
2027	0%	

\* 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

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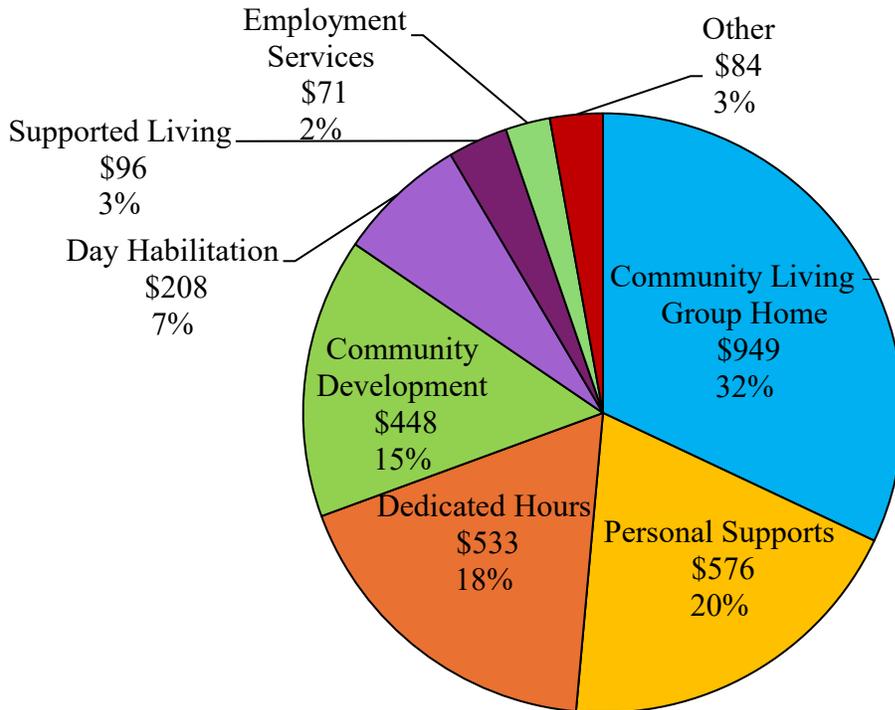
In addition to provider rate increases approved through the annual budget process, provider rates are reviewed annually through a rate review process. **Appendix 3** shows traditional provider rates and percentage of rate increases overall as of July 1 from fiscal 2023 to 2025 for services that are billed in 15-minute increments. Traditional service provider rates have increased significantly since fiscal 2023, averaging a 23% increase from fiscal 2023 to 2025. On average, rates increased by 12% from July 1, 2022, to July 1, 2023, which included a mandated 4% provider rate increase. Rates also increased due to adjustments made to reflect updated U.S. Bureau of Labor Statistics (BLS) wages through the rate review process. Rate increases from July 1, 2023, to July 1, 2024, reflect the legislatively mandated provider rate increases. The rates as of July 1, 2025, for fiscal 2026 remain the same as in fiscal 2025.

### **Fiscal 2025 Spending Trends**

Language in the fiscal 2026 Budget Bill restricted funds pending the submission of quarterly reports with Community Services spending data. DDA’s first quarterly report provided aggregate and monthly fiscal 2025 spending data by service type and model, showing a total of \$3.3 billion in spending in fiscal 2025 across all services in both models. Total fiscal 2025 spending includes payments for services provided in fiscal 2024, as providers have one year from the date of the service to submit claims.

**Exhibit 21** shows spending by service type, with four services accounting for 85% of all spending: (1) Community Living – Group Home (32%); (2) Personal Supports (20%); (3) Dedicated Hours (18%); and (4) Community Development (15%). Community Living – Group Home is a type of Residential Service that supports participants to live in a home rented or owned by a provider, and Dedicated Hours may be used in conjunction with Community Living services to provide one-to-one support and two-to-one support for individuals with a higher level of need. Personal Supports is a type of Support Service that helps participants build independent living skills and provides support for interests in community participation. Community Development is a type of Meaningful Day Service that supports the participant to develop and maintain skills to interact in the community.

**Exhibit 21**  
**Fiscal 2025 Spending by Service Type**  
**Fiscal 2025**  
**(\$ in Millions)**



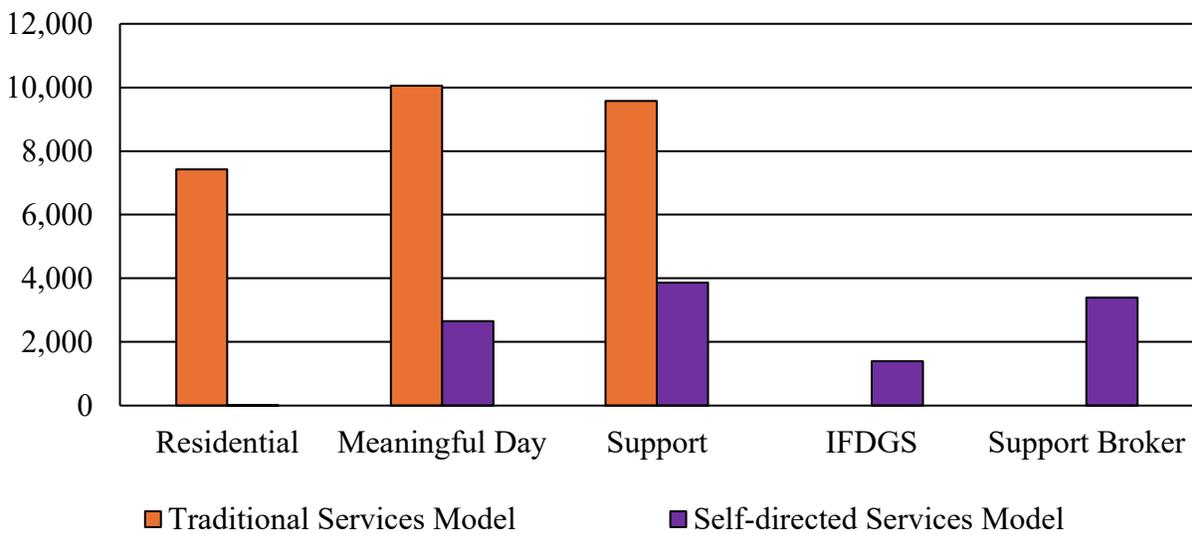
Source: Developmental Disabilities Administration; Department of Legislative Services

### Participants Served

Overall, in fiscal 2025, more participants were enrolled in the traditional services model (14,358 participants) than in the self-directed services model (3,968 participants). As shown in

**Exhibit 22**, the service category with the highest number of participants was Meaningful Day Services in the traditional services model. However, within service categories, one residential service accounted for the largest enrollment as Community Living – Group Home services were provided to 6,700 participants enrolled in the traditional model (46.7%). Under the self-directed services model, the most utilized service was Personal Supports within the Support Services category, with 3,726 participants (93.9%) utilizing this service.

**Exhibit 22**  
**Participants by Service Type and Model**  
**Fiscal 2025**



IFDGS: Individual and Family Directed Goods and Services

Note: This exhibit shows duplicated participant counts due to participants receiving multiple types of services.

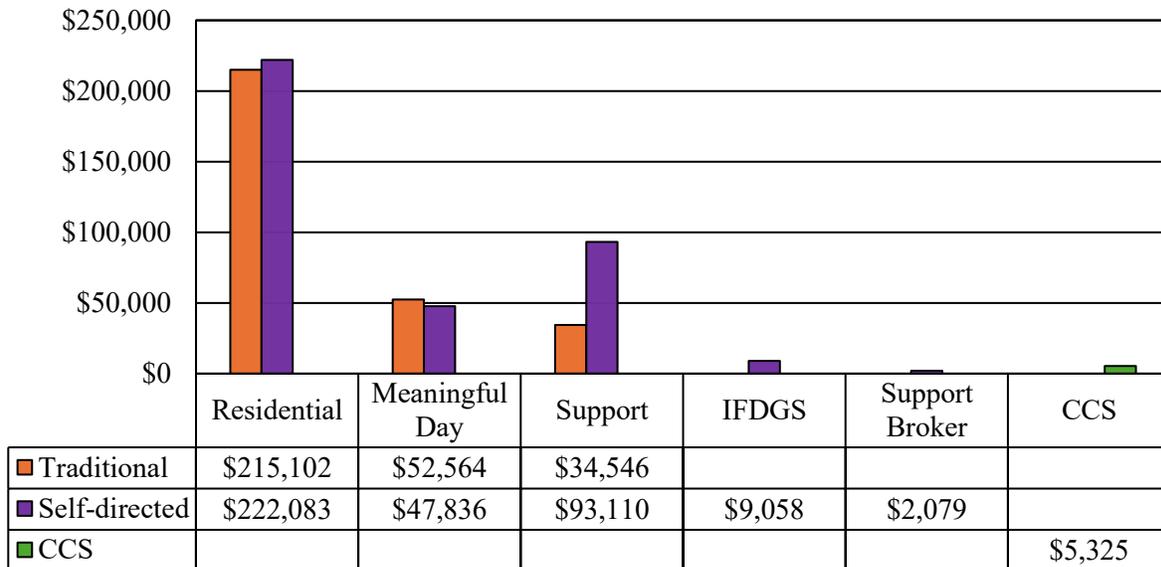
Source: Developmental Disabilities Administration

### Cost Per Participant

Overall, spending within the traditional services model totaled \$2.6 billion to serve 14,535 participants, averaging \$179,517 per participant. Comparatively, spending within the self-directed services model totaled \$566.0 million to serve 4,089 participants for a cost per participant of \$138,425. **Exhibit 23** shows the average cost per participant for each service type in fiscal 2025, excluding claims paid for services provided in fiscal 2024. The most expensive service was Residential Services, averaging \$215,102 per participant in the traditional services model and \$222,083 per participant in the self-directed services model. While the cost per participant for Meaningful Day Services was \$4,728 higher in the traditional services model, the cost per

participant for Support Services was \$58,564 higher in the self-directed services model. Furthermore, individuals in the self-directed services model have access to additional Support Services through IFDGS and Support Broker services, which cost an average of \$9,058 and \$2,079 per participant, respectively. More participation in Personal Supports, which cost more per person than most other Support Services, drove the significantly higher cost for Support Services in the self-directed services model. For example, Enhanced Personal Supports have an average cost of over \$100,000 per participant, and 281 more participants in the self-directed services model received that service compared to the traditional services model.

**Exhibit 23**  
**Cost Per Participant by Service Type and Model**  
**Fiscal 2025**



CCS: coordinators of community services  
 IFDGS: Individual and Family Directed Goods and Services

Source: Developmental Disabilities Administration

**Exhibit 24** shows that cost per participant varies widely by service and service model. It is important to note that cost per participant varies widely for participants both within and across service models because plans for receiving services are tailored to each participant’s needs. The service with the highest cost per participant was the same in both service models, with Supported Living, a type of Residential Service, costing \$173,023 in the traditional services model and \$222,083 in the self-directed services model. Although the cost for Supported Living was higher in the self-directed services model, overall spending on this service was higher in the traditional services model because only 2 participants received this service in the self-directed services model compared to 551 participants in the traditional services model. Additionally, the following three

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most costly services, Community Living – Enhanced Supports, Dedicated Hours, and Community Living – Group Home, which account for significant portions of overall spending, were only provided in the traditional services model. On the other hand, Personal Supports were \$17,954 more expensive per person in the self-directed services model. Cost per participant does not meaningfully reflect the cost of providing services by service model but highlights differing trends in service utilization. While traditional service participants utilize more Residential Services, self-directed service participants utilize more Support Services, particularly Personal Supports.

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**Exhibit 24**  
**Cost Per Participant by Service and Service Model**  
**Fiscal 2025**

	<u>Traditional</u>	<u>Self-directed</u>	<u>Difference</u>
Assistive Technology	\$877	\$1,081	\$204
Behavioral Support Services	2,041	2,243	203
Career Exploration	9,459	-	-
Community Development	46,071	35,878	-10,193
Community Living – Enhanced Supports	139,844	-	-
Community Living – Group Home	106,066	-	-
Day Habilitation	27,126	19,605	-7,521
Dedicated Hours	117,422	-	-
Employment Services	11,514	12,778	1,264
Environmental Assessment	581	545	-36
Environmental Modification	16,045	19,160	3,115
Family and Peer Mentoring Supports	1,353	6,426	5,073
Family Caregiver Training and Empowerment	-	69	-
Housing Support	1,575	732	-843
Individual and Family Directed Goods and Services	-	8,818	-
Live In Caregiver Supports	-	5,497	-
Nursing	1,687	2,747	1,060
Participant Education, Training, and Advocacy	271	-	-
Personal Supports	57,832	75,786	17,954
Remote Support	11,129	4,568	-6,561
Respite	9,471	6,531	-2,940
Shared Living	53,077	-	-
Support Broker	-	2,079	-
Supported Living	173,023	222,083	49,060
Transition Services	3,919	4,961	1,042
Transportation	2,196	1,644	-552
Vehicle Modification	-	9,231	-

Source: Developmental Disabilities Administration; Department of Legislative Services

## **Fiscal 2026 First Quarter Spending Trends**

DDA's second quarterly report provided aggregate and monthly spending data by service type and model for the first quarter of fiscal 2026, with spending totaling \$839.0 million across all services in both models. Most spending supported Residential Services (50.2%), followed by Meaningful Day Services (22.3%) and Support Services (22.7%). Other services comprised a small portion of total spending, including case management services (4.0%), IFDGS (0.4%), and Support Broker services (0.3%). Overall, spending within the traditional services model in the first quarter of fiscal 2026 totaled \$662.9 million to serve 13,150 participants, averaging \$50,408 per participant. Comparatively, spending within the self-directed services model totaled \$142.6 million to serve 3,953 participants for a cost per participant of \$36,062.

**DLS determined that the second quarterly report on community services spending 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.**

**To continue monitoring community services spending, DLS recommends adding language restricting funds pending the submission of quarterly reports with spending data in LTSS for fiscal 2026 and 2027, including updated spending, participation, and service provision data.**

## **2. Cost Containment Implementation and Cost Neutrality**

### **Fiscal 2025 and 2026 Cost Containment Actions**

The Governor's fiscal 2026 budget plan included proposed reductions of \$160.1 million in total funds (\$81.6 million in general funds) for fiscal 2025 and \$457.8 million in total funds (\$235.5 million in general funds) for fiscal 2026 to implement nine cost containment measures. Many of the proposed reductions in the budget as introduced were revised in Supplemental Budget No. 1 to correct for budgeting errors. The General Assembly fully or partially restored funds to undo much of the remaining proposed cost containment.

The combination of revisions to the cost containment savings through Supplemental Budget No. 1 and funding added by the General Assembly restored almost all DDA Community Services funding in fiscal 2025, with only a change to State-only funded services and a fund swap using the WLEF balance taking effect. For fiscal 2026, in addition to fully restoring funding for reasonable and customary wages for self-directed service participants to maintain them at their current level, the General Assembly partially restored funding to modify six cost containment actions. Most of the modifications include lowering the rates and funding provided for certain services instead of eliminating programs or processes, as was initially proposed. Other modifications include specifying how certain cost containment actions must be implemented.

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Language in the fiscal 2026 Budget Bill restricted funding pending submission of a report on details on the implementation of cost containment actions in fiscal 2025 and 2026. DDA implemented seven cost containment actions: (1) State-only funded services reduction; (2) IFDGS cap; (3) LISS program reduction; (4) geographical differential rate reduction; (5) wage exception cap; (6) dedicated hours rate reduction; and (7) WLEF fund swap. Two cost containment actions, State-only funded services and the WLEF fund swap, were implemented beginning in fiscal 2025, while all others were implemented in fiscal 2026. For actions requiring Centers for Medicare and Medicaid Services (CMS) approval, DDA submitted a waiver amendment on July 17, 2025. The waiver amendment was approved on September 19, 2025, and took effect on October 6, 2025. The following list summarizes DDA's implementation of the cost containment actions.

- ***State-only Funded Services Reduction:*** Reduced State-only funded services by requiring eligible participants to transition to a DDA-operated Medicaid waiver program. Of 629 eligible participants, 64% applied and are pending MDH review, 22% did not apply and were removed from services, 10% applied but were found ineligible and continue receiving services, and 5% applied and transitioned onto the waiver program. CMS waiver amendment was not required.
- ***IFDGS Cap:*** Capped Goods and Services at \$5,000 per participant per plan year and created new subcategory within IFDGS for day-to-day administrator supports capped at 10 hours per month per participant. CMS waiver amendment was approved.
- ***LISS Reduction:*** Reduced cap per participant per year to \$1,000 for the LISS program. Applicants selected and in process to receive award for fiscal 2026 program lottery. CMS waiver amendment was not required.
- ***Geographical Differential Rate:*** Reduced geographical differential rate to 10% for services receiving a higher percentage. CMS waiver amendment was approved.
- ***Wage Exception Cap:*** Capped wage exceptions above reasonable and customary wages to 15% for the standard maximum and 10% for the geographical differential maximum for self-directed service participants. CMS waiver amendment was not required.
- ***Dedicated Hours Rate Reduction:*** Reduced dedicated hour rate by 1%. CMS waiver amendment was not required.
- ***WLEF Fund Swap:*** Utilized full \$16.1 million special fund balance in the WLEF to swap with general funds. CMS waiver amendment was not required.

**Exhibit 25** provides updated general fund cost savings estimates from the cost containment actions for fiscal 2026. DDA estimates general fund savings of \$45.1 million in fiscal 2026 across all cost containment actions. Updated estimates anticipate \$9.9 million lower general fund savings than originally estimated. Although updated estimates for savings were \$5.1 million higher for the geographical differential rate reduction, most cost containment items had lower updated estimates

for general fund savings compared to original estimates. Compared to the original estimate, the updated general fund savings estimate was \$9.1 million lower for the wage exceptions cap, \$5.7 million lower for the State-only funded services reduction, and \$154,005 lower for the dedicated hour rate reduction. Estimates for the LISS reduction did not change, and updated estimates for the IFDGS cap were not provided.

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**Exhibit 25**  
**Updated General Fund Savings Estimates of Cost Containment Actions**  
**Fiscal 2026**  
**(\$ in Millions)**

<u>Cost Containment Action</u>	<u>Original Estimated Savings</u>	<u>Updated Estimated Savings</u>
State Only Funded Services Reduction	-\$13.1	-\$7.4
IFDGS Cap	-7.5	-7.5
LISS Reduction	-3.5	-3.5
Geographical Differential Rate Reduction	-18.3	-23.4
Wage Exception Cap	-10.3	-1.2
Dedicated Hours Rate Reduction	-2.3	-2.2
<b>Total</b>	<b>-\$55.0</b>	<b>-\$45.1</b>

IFDGS: Individual and Family Directed Goods and Services

LISS: Low Intensity Support Services

Note: DDA did not provide updated cost savings for the IFDGS cap, so updated estimated savings reflect the original estimated savings.

Source: Developmental Disabilities Administration; Department of Legislative Services

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In addition to updates on all cost containment actions planned for fiscal 2025 and 2026, DDA provided additional detail on the implementation of the State-only funded services reduction, IFDGS cap, and LISS reduction.

### **State-only Funded Services**

For the State-only funded services cost containment action, DDA was required to (1) notify participants receiving State-only funded services that are eligible for a DDA-operated Medicaid waiver program that they needed to apply to a waiver program; (2) transition eligible participants into a DDA-operated Medicaid waiver program; and (3) continue providing services to ineligible participants. **Exhibit 26** summarizes the status of all 1,665 participants that were receiving State-only funded services as of January 1, 2025. Of these participants, 629 were identified to be eligible for a DDA-operated Medicaid waiver program, while 1,036 were not eligible and qualified

in the Supports Only category. Participants in the Supports Only category have a developmental disability and can receive State-only funded services as established in State regulations but are not eligible for a DDA-operated Medicaid waiver program; these participants continued receiving State-only funded services. DDA invited participants who were eligible for services but were not actively enrolled in a DDA-operated Medicaid waiver program to apply for the waiver program. Of 629 identified individuals, 403 participants applied and are in the review process (64%), 136 participants did not apply and were removed from services (22%), 61 participants applied but were found ineligible and continue receiving State-only funded services (10%), and 29 participants applied and transitioned into a DDA-operated Medicaid waiver program (5%). Although most applications are still in the review process, DDA estimates that 162 participants will be determined eligible and transitioned onto a DDA-operated Medicaid waiver program.

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**Exhibit 26**  
**Status of Participants Receiving State-only Funded Services**  
**Calendar 2025**

<b><u>Participant Status</u></b>	<b><u># of Participants</u></b>
Participants Receiving State-only Funded Services	1,665
Participants Not Eligible for DDA-operated Medicaid Waiver Program	1,036
Participants Eligible for DDA-operated Medicaid Waiver Program	629
Participants Who Did Not Apply and Were Removed from Services	136
Participants Who Applied	493
Application Pending	403
Ineligible and Continue Receiving State-only Funded Services	61
Eligible and Transitioned onto DDA-Operated Medicaid Waiver	29

DDA: Department of Disabilities Administration

Source: Developmental Disabilities Administration

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DDA’s outreach to participants consisted of three rounds of letters mailed to identified individuals, inviting them to apply for a DDA-operated Medicaid waiver program. Mailing dates were staggered to allow MDH’s Eligibility Determination Division sufficient time for processing. The first round of letters was sent to all 629 identified participants and began in February 2025. The remaining rounds were sent by certified mail to participants that had not yet responded. The second round began in April 2025 and notified 276 participants, while the third round began in July 2025 and notified 150 participants.

Spending on State-only funded services totaled \$87.1 million in general funds in fiscal 2025. In fiscal 2026, spending on State-only funded services was \$16.7 million in general funds for the first quarter of the fiscal year, with an estimated spending of \$78.6 in million general

funds for the fiscal year. The total estimated savings from the State-only funded services cost containment action is \$7.4 million in general funds for fiscal 2026. The cost savings result from the removal of 136 participants that received State-only funded services (\$5.3 million in general funds savings), in addition to the estimated transition of 162 participants to DDA-operated Medicaid waiver programs (\$2.1 million in general funds savings).

### **IFDGS and Day-to-day Administrator Supports**

The BRFA of 2025 included a provision that removed a prohibition on DDA establishing a limit on the maximum dollar amount provided to recipients for IFDGS. With the removed limit, DDA implemented a cap of \$5,000 on goods and services. DDA was also required to remove day-to-day administrator supports out of IFDGS. Although DDA kept day-to-day administrator supports within IFDGS, DDA placed this support in a new subcategory under IFDGS following CMS guidance to do so to specify that this support is only offered to participants in self-directed services. DDA implemented a cap on day-to-day administrator supports of 10 hours per participant per month, with a standard maximum of \$70.30 per hour for vendors and wage maximums ranging from \$32.45 per hour to \$41.05 per hour for employees. IFDGS now includes (1) goods and services up to \$5,000 per year; (2) day-to-day administrative supports up to 10 hours per month; and (3) staff recruitment and advertising up to \$500, which remains unchanged by this cost containment action.

DDA also provided data on participation and spending in day-to-day administrator supports for fiscal 2025 and 2026. In fiscal 2025, 715 participants used day-to-day administrator supports with an average of \$14,321 per participant and a total of \$10.2 million spent. Spending on day-to-day administrator supports was \$3.7 million in the first quarter of fiscal 2026 and an estimated \$8.0 million to \$11.3 million for the entire fiscal year.

### **Low Intensity Support Services Program**

For the LISS cost containment action, DDA lowered the cap per participant per year from \$2,000 to \$1,000. For fiscal 2026, DDA completed one lottery, with applications opened on July 14, 2025, and closed on September 15, 2025, and random selection on October 1, 2025. DDA reported a total of 11,222 applications, with 1,420 selected to receive LISS services. The total funding requested by participants was \$273,062, and the total funding approved for distribution was \$238,887. The average award per participant was \$967.

**DLS determined that the report on cost containment actions implemented in fiscal 2026 to be in compliance with the language and therefore recommends that the \$500,000 in withheld general funds be released and will process a letter to this effect if no objections are raised during the hearing.**

### **Fiscal 2027 Cost Containment**

**Exhibit 27** summarizes the cost containment actions proposed for fiscal 2027. The fiscal 2027 allowance includes four proposed cost containment actions that reduce spending in the

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Community Services program by \$149.5 million in general funds. Three of the four actions were proposed in the Governor’s original fiscal 2026 budget plan, but the General Assembly prohibited their implementation and added funding to backfill the proposed savings. The only item that was not introduced in the fiscal 2026 budget is the item to cap PCP budgets. Because DDA receives a 50% federal fund match for spending in the waiver program, the total decrease in estimated spending is \$299.0 million. All cost containment actions are proposed to be implemented in the first quarter of fiscal 2027.

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**Exhibit 27**  
**Proposed Cost Containment Actions**  
**Fiscal 2027**  
**(\$ in Millions)**

<u>Cost Containment Item and Description</u>	<u>General Fund Reduction</u>	<u>Service Model Impacted</u>
<b>Enforce Dedicated Hours Policy:</b> Requires training on dedicated hours for coordinators of community services and traditional providers and enforces utilization reviews of shared hours.	\$54.2	Traditional
<b>Cap PCP Budgets:</b> Caps individual PCP budgets at \$500,000.	33.0	Both
<b>Reduce Reasonable &amp; Customary Wages:</b> Align reasonable and customary wages to the BLS wage, which is used to determine traditional service provider rates.	50.6	Self-directed
<b>Eliminate Wage Exception Process:</b> Eliminates exception process for receiving wages above the reasonable and customary wages.	11.7	Self-directed
<b>Total General Fund Reduction</b>	<b>\$149.5</b>	

BLS: U.S. Bureau of Labor Statistics  
PCP: person-centered plan

Source: Developmental Disabilities Administration; Department of Legislative Services

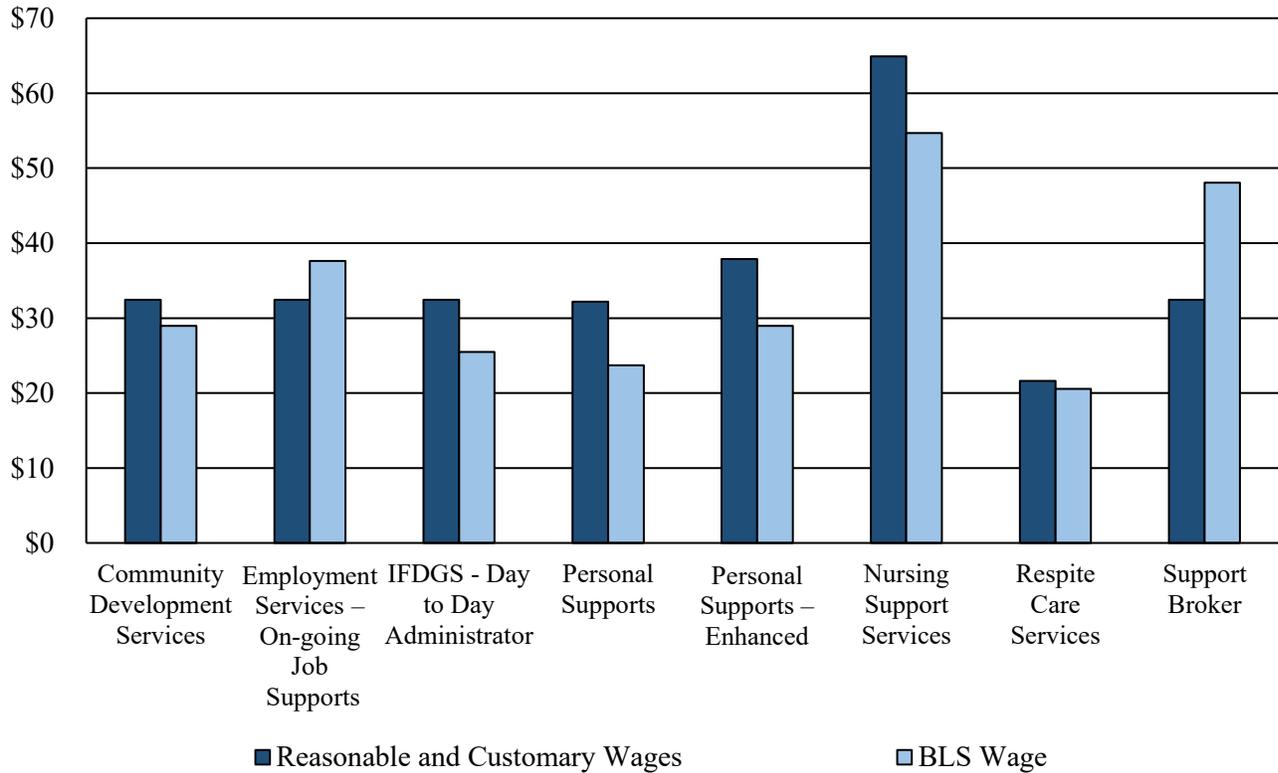
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## **Reasonable and Customary Wage Modification**

Two of the cost containment actions would impact the wages that participants in the self-directed services model would be able to pay employees. DDA reported that the reasonable and customary wage modification would reduce wages to align with the BLS wage for Maryland and that these wages are the same standards used in the construction of rates for the traditional services model. **Exhibit 28** shows current reasonable and customary wages compared to the BLS

wage. DDA reported using BLS wage data that was released in May 2025 that was trended forward for calendar 2026 but will review BLS wage standards released in May 2026 to ensure that there are no substantial differences. Aligning reasonable and customary wages to the BLS wage would lower wages for all services except for Employment Services and Support Broker services. Additionally, the wage exception cost containment action would eliminate the process by which participants can apply to pay employees wages higher than the reasonable and customary wages. DDA reported beginning to track wage exception requests in October 2024. Of the total 1,311 requests for wage exceptions that DDA received, 390 requests were approved (29.7%), and 921 requests were denied (70.3%). The average wage exception amount requested was \$41.37.

**Exhibit 28**  
**Reasonable and Customary Wages Compared to BLS Wage**  
**Hourly Rates**



BLS: U.S. Bureau of Labor Statistics  
 IFDGS: Individual and Family Directed Goods and Services

Source: Developmental Disabilities Administration; Department of Legislative Services

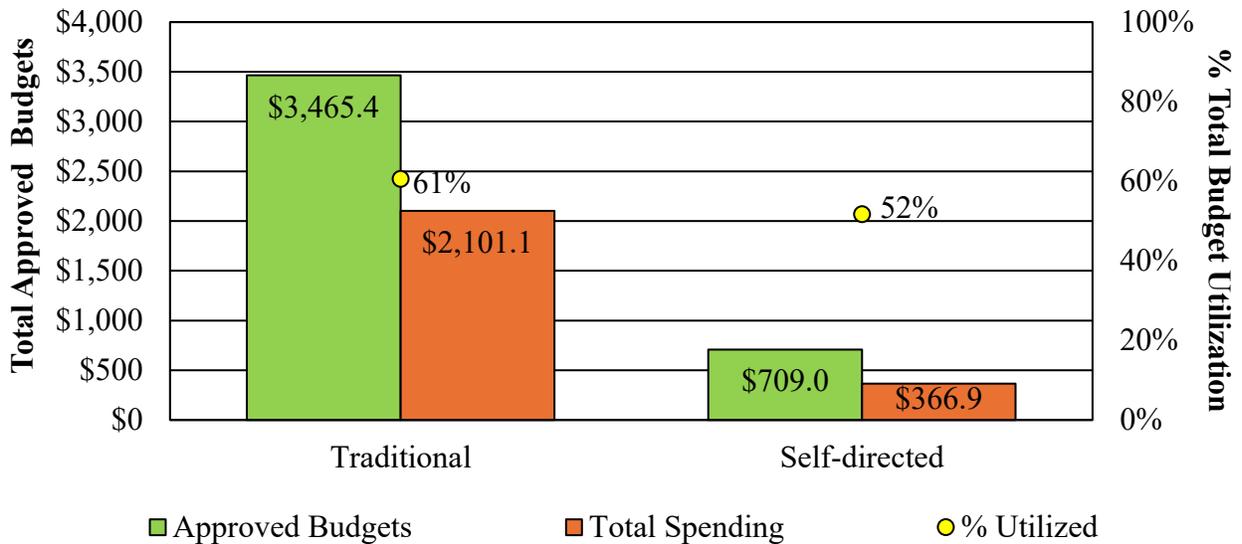
Aligning reasonable and customary wages to the BLS wage does not necessarily ensure comparable wages between employees in the self-directed services model and traditional services

model. Although the traditional service provider rates are developed using the BLS wage, providers in the traditional services model do not have to pay the portion of rates attributable to wages to employees and have flexibility in providing wages below or above the BLS wage. **DDA should provide the average wage and range of wages paid to direct support employees in the traditional services model for services that would be impacted by this cost containment action in the self-directed services model.**

### PCP Budget Cap

A PCP determines the services and supports that an individual needs and is authorized to receive. PCPs do not reflect the actual spending per person on DDA services because spending is based on utilization of services and PCPs include higher approved services to allow a participant flexibility in deciding the services they receive on a day-to-day basis. It is generally not possible to receive 100% of services approved because of limits on the total maximum number of hours of each specific approved service over a period of time. Funding associated with services that an individual has in their approved PCP but do not use are reverted to DDA. **Exhibit 29** demonstrates how the total amount of PCP budgets approved compares to total actual spending in fiscal 2024. As shown, only a portion of total approved PCP budgets were spent, including 61% of total PCP budgets in the traditional services model and 52% of total PCP budgets in the self-directed services model.

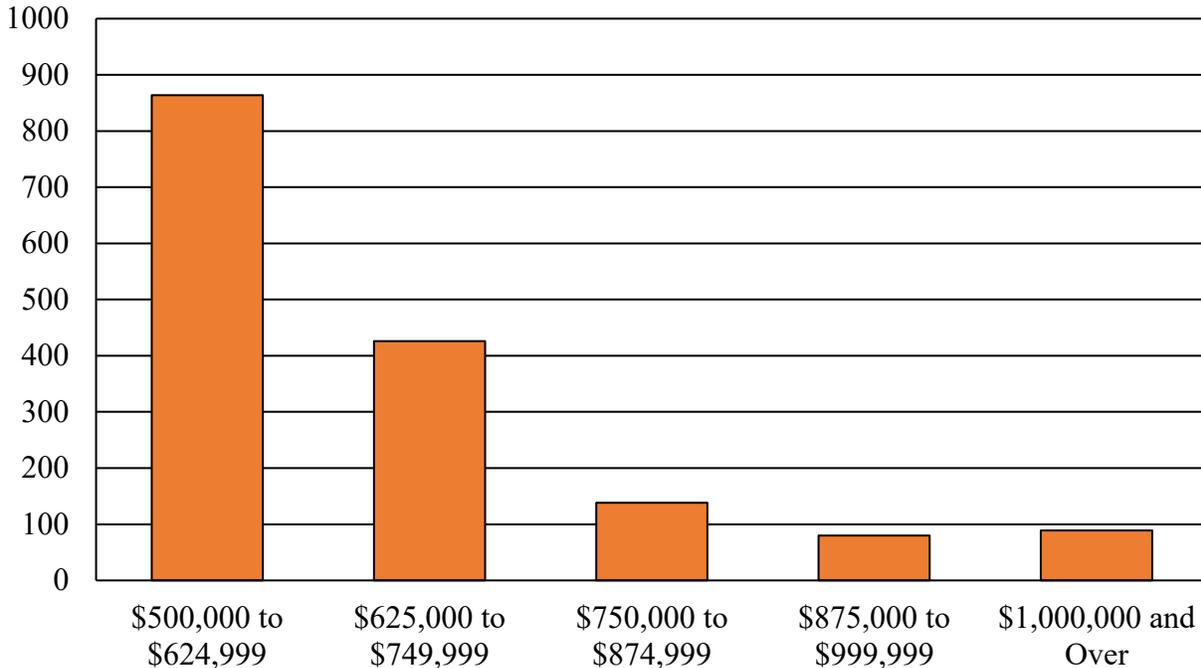
**Exhibit 29**  
**Utilization of Person-centered Plan Budgets**  
**Fiscal 2024**  
**(\$ in Millions)**



Source: Developmental Disabilities Administration; Department of Legislative Services

A proposed cost containment action in the fiscal 2027 allowance would place a cap of \$500,000 on PCP budgets. Most participants currently have PCP budgets below \$500,000, with an average PCP budget of \$205,942 in the traditional services model and \$195,205 in the self-directed services model in fiscal 2024. This cost containment action would impact the 8.3% of participants (1,597 participants) with approved PCPs above \$500,000. Of the total 1,597 participants impacted, 824 currently spend above \$500,000. The majority of participants impacted are in the traditional services model, while 113 (6.7%) are in the self-directed services model. **Exhibit 30** provides a breakdown of participants that currently have approved PCP above \$500,000 that would be impacted by this cost containment action. As shown, most participants (864 participants) that are above the cap exceed it by approximately \$150,000. There are 89 participants whose approved PCP is more than double the cap with an approved PCP of \$1.0 million or above.

**Exhibit 30**  
**Participants with Person-centered Plans Above \$500,000**



Source: Developmental Disabilities Administration; Department of Legislative Services

To determine the amount of the proposed budget cap amount, DDA evaluated the impact to participants and savings associated with multiple values. DDA reported that the cap of \$500,000 is approximately 233% above their cost neutrality limit. This is the only cost containment action in fiscal 2027 that would require a CMS waiver amendment.

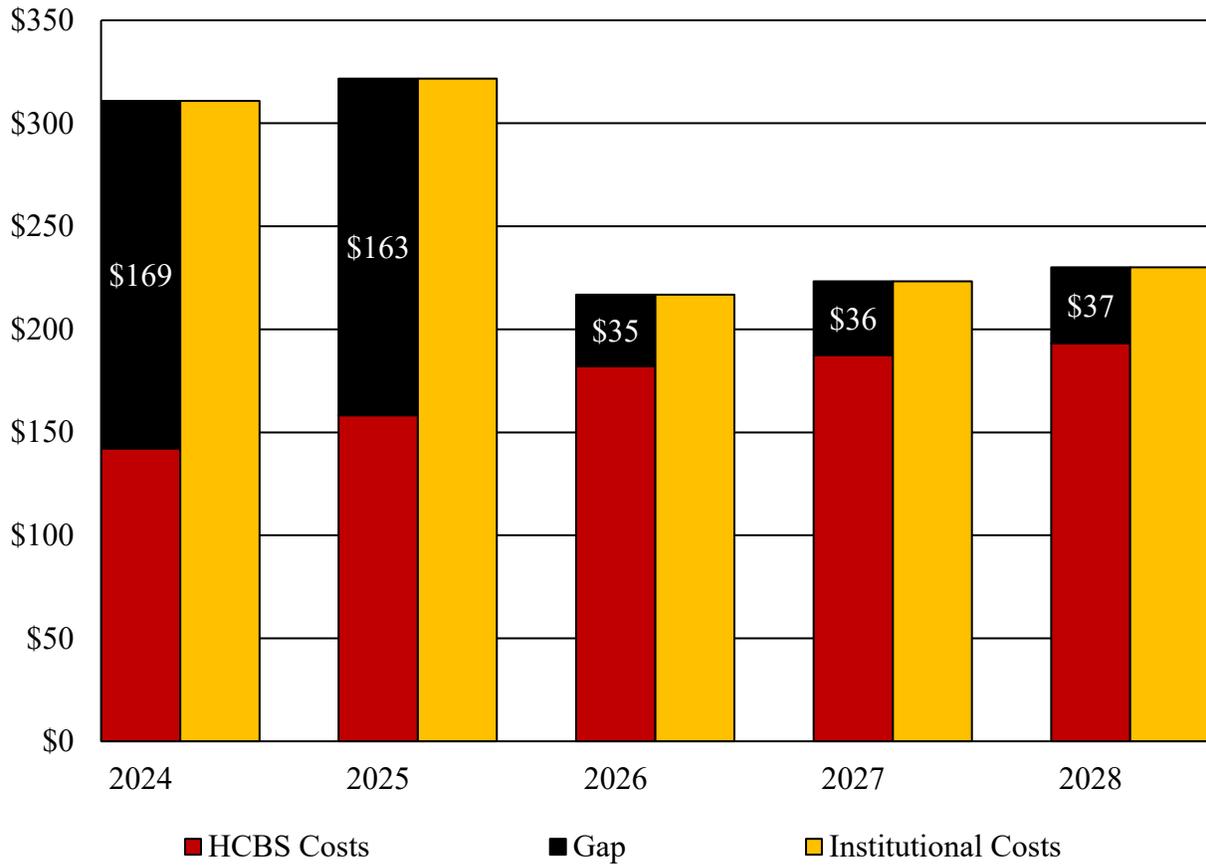
**To monitor the implementation of fiscal 2027 cost containment actions, DLS recommends adding language restricting funds pending the submission of a report with details on the implementation of cost containment actions, impacts to participants, and updated estimates for cost savings.**

### **Cost Neutrality**

The vast majority of DDA Community Services are provided through a Medicaid HCBS waiver program. Therefore, DDA must meet certain requirements to maintain an approved waiver program and receive the 50% federal fund match for services provided through the program. DDA's waiver program application is reviewed and approved by CMS. One of the requirements in operating a Medicaid HCBS waiver program is demonstrating to CMS that costs to operate the HCBS waiver program are cost neutral with the cost to Medicaid to provide services in an institutional facility. DDA must demonstrate that the HCBS waiver program costs are less than or equal to the cost of institutional programs for the same population. The State operates two institutional facilities, the Holly and Potomac Centers, which are covered as part of the analysis for M00A01 – MDH – Administration. CMS technical guidance states that if a state surpasses cost neutrality, it would not receive the 50% federal fund match for services paid for above this limit, which would require the State to cover 100% of spending above the cost neutrality limit. However, it is up to the discretion of CMS to evaluate compliance with cost neutrality and whether to approve waiver programs.

**Exhibit 31** shows DDA's demonstration of cost neutrality in the most recently approved CMS waiver application. In calculating cost neutrality, DDA must demonstrate that the cost per person in operating the HCBS waiver program (Community Pathways) is less than or equal to the cost per person in operating institutional programs (Holly and Potomac centers). In the latest waiver amendment, DDA revised the cost neutrality estimates for fiscal 2026. As shown, the gap between HCBS costs and institutional program costs decreased significantly from a gap of \$163,439 per person in fiscal 2025 to \$34,814 per person in fiscal 2026. Although the increased total spending in the Community Services program contributed to the reduction, the change was driven by a decrease in estimated institutional costs. Although HCBS waiver program cost per person increased by 15%, institutional cost per person decreased by 33% from fiscal 2025 to 2026. DDA reported that the decrease in the reported institutional costs was due to a revised method for calculating institutional costs. When updating the cost neutrality calculations in the waiver amendment, DDA reported revising the methodology to correct for the previous methodology including the cost of services at facilities that were paid for with general funds. DDA should brief the committees on why the change in methodology resulted in such a substantial reduction in the institutional cost calculation.

**Exhibit 31**  
**Cost Neutrality Calculations**  
**Fiscal 2024-2028**  
**(\$ in Millions)**



HCBS: Home and Community-based Services

Source: Developmental Disabilities Administration; Department of Legislative Services

## ***Operating Recommended Actions***

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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 Maryland Department of Health submits a report each quarter to the budget committees on spending for the Developmental Disabilities Administration Community Services program. The report shall include the following monthly and aggregate data on spending in the Long Term Services and Supports system by service delivery model both including and excluding claims for services provided in prior years:

- (1) spending by service provided,
- (2) number of participants receiving the service,
- (3) number of units provided,
- (4) cost per participant,
- (5) utilization of services, and
- (6) annualized cost estimates for the rest of the fiscal year.

The first report shall be submitted by August 15, 2026, and shall include actual data for the Community Services program for fiscal 2026. The second report shall be submitted by November 15, 2026. The third report shall be submitted by February 15, 2027. The fourth report shall be submitted by May 15, 2027. The funds may be released in \$250,000 increments following the submission of the second and fourth reports. The budget committees shall have 45 days from the date of the receipt of the second and fourth reports 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.

**Explanation:** The Developmental Disabilities Administration (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 a FFS reimbursement model. Following the LTSS transition, actual spending in DDA's Community Services program has significantly surpassed the legislative appropriation, and community services spending continues to increase in LTSS. This language restricts funds budgeted for administration until the Maryland Department of Health (MDH)

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submits quarterly reports to the budget committees with monthly spending and utilization data.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on community services spending	MDH	August 15, 2026 November 15, 2026 February 15, 2027 May 15, 2027

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

Further provided that \$500,000 of this appropriation made for the purpose of administration may not be expended until the Maryland Department of Health submits a report to the budget committees with an analysis of utilization trends in the Developmental Disabilities Administration (DDA) Community Services program. The report shall include:

- (1) a comparison of aggregate service utilization rates in the Long Term Services and Supports (LTSS) system compared to in the legacy billing system for Residential Services, Meaningful Day Services, and Support Services, and explanation for any changes in service utilization in the LTSS system;
- (2) a comparison of person-centered plan (PCP) budget utilization rates in the LTSS system compared to in the legacy billing system and explanation for any changes in PCP budget utilization in the LTSS system;
- (3) a comparison of service utilization and PCP budget utilization rates of actual spending data for fiscal 2025 and fiscal 2026 and estimated rates for fiscal 2027;
- (4) a description of utilization review controls and systems in place that DDA uses to monitor utilization; and
- (5) an analysis of how changes in service utilization contribute to overall Community Services spending.

The report shall be submitted by September 15, 2026, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending receipt of the 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.

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**Explanation:** DDA has completed transitioning all providers from a prospective payment model in the legacy system to a fee-for-service reimbursement model in the LTSS system. It is unclear how utilization of services has changed from billing in the legacy system to the LTSS system. This language restricts funds pending a report on how utilization of services has changed in LTSS compared to the legacy system and how utilization of services has changed from the first full year of providers transitioned into the LTSS system in fiscal 2025 to 2026.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on LTSS service utilization trends	Maryland Department of Health	September 15, 2026

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

Further provided that \$500,000 of this appropriation made for the purpose of administration may not be expended until the Maryland Department of Health submits a report to the budget committees that provides details on cost containment actions implemented in fiscal 2027. The report shall include the following information:

- (1) a description all cost containment actions implemented in fiscal 2027, including the number of participants impacted by each action, timeline and status of implementation, and updated estimates of savings;
- (2) the reasonable and customary wages by service prior to and following the implementation of the cost containment action and comparison to the portion of the rates for the same services in the traditional services model that is attributable to wages; and
- (3) for the person-centered plan cap, the number of exceptions requested and approved, the number of participants transitioned onto other Medicaid or other State agency programs by the program in which they were transitioned to, and an update on federal approval from the Centers for Medicare and Medicaid Services.

The report shall be submitted by October 1, 2026, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending receipt of the 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 fiscal 2027 budget contains general fund reductions to account for the implementation of cost containment actions. This language restricts funds pending

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a report providing detailed information on how cost containment actions in fiscal 2027 are being implemented.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on fiscal 2027 cost containment actions	Maryland Department of Health	October 1, 2026

4. Add the following language:

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.

5. **Person-centered-plan (PCP) Review Processing Times:** The Developmental Disabilities Administration (DDA) within the Maryland Department of Health (MDH) has three Managing for Results performance goals relating to timeliness of PCP review and approval by Coordinators of Community Services (CCS) and DDA. In fiscal 2025, only 62% of PCPs were submitted in a timely manner by CCS. Individuals must have an approved PCP to receive services, making timely review and approval of plans important to ensure continuity of services for participants. The committees request that MDH provide a report on PCP approval timelines, including for fiscal 2026:

- the total number of PCPs reviewed and the total number of individuals who did not have an approved PCP prior to their annual renewal date;
- the range and average processing times for annual PCP reviews from the submission of a PCP by the participant to final approval of the participant's PCP;
- common reasons for delays in the annual PCP process for participants who submit a PCP prior to their annual renewal date;
- a description of DDA's process when participants' PCPs are not approved prior to their annual renewal data, including impacts on participants' access to services, any instances in which a participant would experience a lapse in service delivery, or providers would not receive reimbursement; and

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- a description of the reasons for 38% of CCS reviews of PCPs not meeting timeliness goals in fiscal 2025 and efforts to improve timely review by CCS.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on Person-centered Plan Reviews	MDH	August 1, 2026

**Appendix 1**  
**2025 Joint Chairmen’s Report Responses from Agency**

The 2025 *Joint Chairmen’s Report* (JCR) requested that DDA prepare five reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Fiscal Closeout Report and Budget Amendments:*** DDA reported not reverting any general funds in fiscal 2025 and reported three closeout budget amendments in addition to providing information on the recoupment of advance payments made throughout the LTSS transition. Between fiscal 2021 to 2025, a total of \$2.3 billion prospective payments and bridge payments were advanced. Of these total advance payments, \$2.2 billion has been recouped, and \$106 million remains outstanding as of September 2025. Further discussion of this data can be found in the Fiscal 2025 section of the budget analysis.
- ***Community Services Spending Quarterly Reports:*** Language in the fiscal 2026 budget restricted \$2 million in general funds pending the submission of quarterly reports with spending data in LTSS. DDA’s first quarterly report on community services spending included data for fiscal 2025, the first year in which 100% of providers were billing in LTSS. Data submitted shows a total of \$3.3 billion in spending across all services in both models. Overall, spending within the traditional model totaled \$2.6 billion to serve 14,535 participants, averaging \$179,517 per participant. Comparatively, spending within the self-directed services model totaled \$566.0 million to serve 4,089 participants for a cost per participant of \$138,425. DDA’s second quarterly report on community services spending included spending data for the first quarter of fiscal 2026 (July to September 2025). In the first quarter of fiscal 2026, spending totaled \$839.0 million across all services in both models. DDA’s third quarterly report was due on February 15, 2026, but has not been submitted as of the writing of this report, and the fourth quarterly report is due on May 15, 2026. Further discussion of this data can be found in Issue 1.
- ***Status of Corrective Actions Related to the Most Recent Fiscal Compliance Audit:*** DDA had four repeat audit findings in the fiscal compliance audit issued in October 2022. Language in the fiscal 2026 Budget Bill restricts funds until DDA has taken corrective action for all repeat audit findings on or before November 1, 2025, and the Office of Legislative Audits submits a report detailing the status of the corrective actions. As of February 19, 2026, this report has not been submitted.
- ***Implementation of Cost Containment Actions:*** Throughout fiscal 2025 and 2026, DDA implemented seven cost containment actions in accordance with restrictions in the budget language. Revised estimates of the impact of cost containment actions show \$9.9 million lower savings than originally anticipated for fiscal 2026. Further discussion of this data can be found in Issue 2.
- ***Impact of the Self-directed Services Manual:*** DDA was required to submit a report on the impact of the self-directed services manual on access to services and provider capacity

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in addition to an analysis of Medicaid Fair Hearing data and efforts to ensure compliance with Chapters 736 and 737 of 2022 (Self-Direction Act of 2022). DDA reported that the policy manual did not create a decline in access, retention, or expenditures. DDA reported that the self-directed services model has continued to grow in enrollment; participant budgets and claims; and the number of employees, vendors, and providers, including certified Support Brokers. DDA reported that it does not have data on Medicaid Fair Hearing (referred to as appeals) specific to self-directed services, as data includes both service delivery models. Data provided shows that the total appeals did not meaningfully change following the implementation of the policy manual. DDA reported being in full compliance with 14 of the 15 requirements in the Self-Direction Act. The 1 requirement not in full compliance was participant access to the Plan of Service and recipient budget in LTSS. DDA is in the process of developing MyLTSS, a participant-focused extension of LTSS that would allow participants access to records, billing, and other documentation related to participant service, which would comply with the requirement in the Self-Direction Act.

**Appendix 2  
Audit Findings**

Audit Period for Last Audit	June 1, 2021 – April 30, 2024
Issue Date	June 2025
Number of Findings	5
Number of Repeat Findings:	2
% of Repeat Findings:	40%

**Finding 1:** DDA did not independently verify the consumers’ annual service plans and budgets were properly developed and did not ensure that the plans were updated on an annual basis as required.

**Finding 2:** DDA did not ensure that Coordination of Community Services agencies properly completed and documented quarterly face-to-face monitoring visits with consumers.

**Finding 3:** DDA did not timely pursue recovery of amounts due from providers for prospective payments and did not maintain comprehensive records to track the amounts due.

**Finding 4:** MDH’s modification and extension of the incumbent fiscal management and counseling services (FMCS) vendors contract circumvented the competitive procurement process and could not justify the rates in the modified contract that were significantly higher than other FMCS vendors.

**Finding 4:** DDA did not verify that reimbursements to the FMCS vendors for payments to self-directed providers were proper and that FMCS paid the providers timely.

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

**Appendix 3**  
**Traditional Provider Rates for Services Billed in 15-minute Increments**  
**Fiscal 2022-2025 (As of July 1)**

<u>Service</u>	<u>Rates</u>				<u>% Rate Increase</u>		
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
					<u>to</u>	<u>to</u>	<u>to</u>
Behavioral Support Services – Consultation	\$31.7	\$34.2	\$39.0	\$43.3	8%	14%	11%
Behavioral Support Services – Brief Support Implementation	16.7	18.0	20.5	22.8	8%	14%	11%
Career Exploration Services – Facility Based	3.4	3.7	4.3	4.8	8%	17%	11%
Career Exploration Services – Large Group	2.3	2.5	2.9	3.2	8%	18%	11%
Career Exploration Services – Small Group	3.1	3.3	3.9	4.3	8%	18%	11%
Community Development Services 1:1 Staffing Ratio	12.7	13.8	15.4	17.1	8%	12%	11%
Community Development Services 2:1 Staffing Ratio	25.5	27.5	30.8	34.2	8%	12%	11%
Community Development Services Group (2-4)	8.3	9.0	10.1	11.2	8%	12%	11%
Day Habilitation 1:1 Staffing Ratio	13.0	14.1	16.4	18.2	8%	16%	11%
Day Habilitation 2:1 Staffing Ratio	26.0	28.1	32.7	36.3	8%	16%	11%
Day Habilitation Large Group (6-10)	2.7	2.9	3.4	3.8	8%	16%	11%
Day Habilitation Small Group (2-5)	4.5	4.8	5.6	6.2	8%	16%	11%
Dedicated Hours Community Living – Enhanced Supports (1:1)	10.3	11.1	11.6	12.9	8%	5%	11%
Dedicated Hours Community Living – Enhanced Supports (2:1)	20.5	22.2	23.2	25.8	8%	5%	11%
Dedicated Hours for Community Living – Group Home (1:1)	9.2	10.0	10.4	11.6	8%	5%	11%
Dedicated Hours for Community Living – Group Home (2:1)	18.4	19.9	20.9	23.2	8%	5%	11%
Dedicated Hours for Supported Living (1:1)	9.2	10.0	10.4	11.6	8%	5%	11%
Dedicated Hours for Supported Living (2:1)	18.4	19.9	20.9	23.2	8%	5%	11%
Employment Services – Job Development	19.1	20.7	25.0	27.7	8%	21%	11%

*M00M – MDH – Developmental Disabilities Administration*

<u>Service</u>	<b>Rates</b>				<b>% Rate Increase</b>		
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<b>2022</b>	<b>2023</b>	<b>2024</b>
					<b>to</b>	<b>to</b>	<b>to</b>
Employment Services – On-going Job Supports	14.8	16.1	19.4	21.6	8%	21%	11%
Family and Peer Mentoring Supports	14.3	14.3	14.9	16.5	0%	4%	11%
Housing Support Services	22.5	16.1	18.3	20.3	8%	14%	11%
Nursing Support Services	9.7	24.4	27.7	30.8	8%	14%	11%
Personal Supports	12.3	10.5	10.9	12.1	8%	4%	11%
Personal Supports – Enhanced		13.3	13.8	15.3	8%	4%	11%
Personal Supports 2:1	7.0		27.6	30.7			11%
Respite	31.7	7.6	8.7	9.6	8%	14%	11%

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

**Appendix 4**  
**Object/Fund Difference Report**  
**Maryland Department of Health – Developmental Disabilities Administration**

<u>Object/Fund</u>	<u>FY 25 Actual</u>	<u>FY 26 Working Appropriation</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
<b>Positions</b>					
01 Regular	211.00	210.00	210.00	0.00	0.0%
02 Contractual	7.41	16.68	22.33	5.65	33.9%
<b>Total Positions</b>	<b>218.41</b>	<b>226.68</b>	<b>232.33</b>	<b>5.65</b>	<b>2.5%</b>
<b>Objects</b>					
01 Salaries, Wages, and Fringe Benefits	\$24,149,368	\$22,715,485	\$25,490,956	\$2,775,471	12.2%
02 Technical and Special Fees	292,206	782,087	1,223,843	441,756	56.5%
03 Communications	239,330	231,288	267,631	36,343	15.7%
04 Travel	24,489	22,403	84,864	62,461	278.8%
06 Fuel and Utilities	54,749	24,301	54,749	30,448	125.3%
07 Motor Vehicle Operation and Maintenance	2,524	1,997	2,727	730	36.6%
08 Contractual Services	3,205,979,607	3,751,789,802	3,245,246,999	-506,542,803	-13.5%
09 Supplies and Materials	57,368	49,080	63,011	13,931	28.4%
10 Equipment – Replacement	11,359	39,561	47,014	7,453	18.8%
11 Equipment – Additional	0	0	500	500	N/A
12 Grants, Subsidies, and Contributions	3,318,638	2,200,000	2,407,757	207,757	9.4%
13 Fixed Charges	740,815	40,068,044	750,485	-39,317,559	-98.1%
<b>Total Objects</b>	<b>\$3,234,870,453</b>	<b>\$3,817,924,048</b>	<b>\$3,275,640,536</b>	<b>-\$542,283,512</b>	<b>-14.2%</b>
<b>Funds</b>					
01 General Funds	\$1,665,238,474	\$2,004,334,418	\$1,728,261,933	-\$276,072,485	-13.8%
03 Special Funds	18,912,490	41,333,616	2,500,000	-38,833,616	-94.0%
05 Federal Funds	1,550,719,489	1,772,256,014	1,544,763,729	-227,492,285	-12.8%
09 Reimbursable Funds	0	0	114,874	114,874	N/A
<b>Total Funds</b>	<b>\$3,234,870,453</b>	<b>\$3,817,924,048</b>	<b>\$3,275,640,536</b>	<b>-\$542,283,512</b>	<b>-14.2%</b>

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.

**Appendix 5  
Fiscal Summary  
Maryland Department of Health – Developmental Disabilities Administration**

<u>Program/Unit</u>	<u>FY 25 Actual</u>	<u>FY 26 Working Appropriation</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
M01 Developmental Disabilities Administration	\$3,234,870,453	\$3,817,924,048	\$3,275,640,536	-\$542,283,512	-14.2%
<b>Total Expenditures</b>	<b>\$3,234,870,453</b>	<b>\$3,817,924,048</b>	<b>\$3,275,640,536</b>	<b>-\$542,283,512</b>	<b>-14.2%</b>
General Funds	\$1,665,238,474	\$2,004,334,418	\$1,728,261,933	-\$276,072,485	-13.8%
Special Funds	18,912,490	41,333,616	2,500,000	-38,833,616	-94.0%
Federal Funds	1,550,719,489	1,772,256,014	1,544,763,729	-227,492,285	-12.8%
<b>Total Appropriations</b>	<b>\$3,234,870,453</b>	<b>\$3,817,924,048</b>	<b>\$3,275,525,662</b>	<b>-\$542,398,386</b>	<b>-14.2%</b>
Reimbursable Funds	\$0	\$0	\$114,874	\$114,874	N/A
<b>Total Funds</b>	<b>\$3,234,870,453</b>	<b>\$3,817,924,048</b>	<b>\$3,275,640,536</b>	<b>-\$542,283,512</b>	<b>-14.2%</b>

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.