



DEPARTMENT OF HEALTH

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Robert R. Neall, Secretary

October 10, 2019

The Honorable Nancy J. King
Chair
Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401-1991

The Honorable Maggie McIntosh
Chair
House Appropriations Committee
121 House Office Building
Annapolis, MD 21401-1991

Re: 2019 Joint Chairmen's Report (p. 120) Home- and Community-based Services Provider Rates

Dear Chairs King and McIntosh:

Pursuant to the requirements of the 2019 Joint Chairmen's Report (p. 120), the Maryland Department of Health (Department) proposes a five-year plan to bring Medicaid reimbursement rates for home and community-based services in line with the cost of delivering the services. Specifically, the report states the following:

Home- and Community-based Services Provider Rates: Chapter 798 of 2018 requested that the Maryland Department of Health (MDH) review the adequacy of rates for a variety of home- and community-based services, specifically comparing the reimbursement rate to the actual cost of delivering those services. The study identified 20 distinct services (and subsets within those services). In all but one case, rates were considered below that required to cover costs. According to MDH, it is estimated that it would have cost \$214.7 million (\$99.7 million in general funds and \$115.0 in federal funds) to raise rates to meet costs in fiscal 2018. The committees are concerned about rates for these home- and community-based services and request MDH to develop a five-year plan to bring these rates in-line with the cost of delivering services.

The 2018 study was conducted by the Hilltop Institute at UMBC. Hilltop developed a model for each service to identify the type and amount of staff resources required to deliver the service, as well as identifying overhead and ancillary costs associated with those services. The study attributed costs to those staff needs based on salary and benefits data available from the Bureau of Labor statistics and other sources. (Hilltop also trended wage estimates and corrected for recent increases in state- and county-specific minimum wages but did not anticipate upcoming further increases.) Hilltop's rate methodology is described in detail in the attached study report ("Rate Methodology Study Pursuant to Section 2 of HB 1696 (Chapter 798 of the Acts of 2018)"). Although this information is useful and enlightening for the purpose of considering the

appropriateness of Medicaid reimbursement rates, the academic study did not identify the actual costs of delivering services that are being incurred by Maryland Medicaid providers.

The Department therefore proposes to issue a request for proposals (RFP) to identify a contractor that will provide a cost analysis of certain Medicaid-covered home and community-based services. Particular emphasis shall be placed on determining the costs incurred by providers of medical day care, assisted living, nursing, and personal assistance services. The contractor will be tasked to develop, design, and implement a cost reporting mechanism. Further, the contractor will receive, review, and analyze cost reports.

The following is a projected Work Plan:

- An RFP will be developed by the Department and published (Opportunity for input by providers or other stakeholders).
- A contract will be awarded.
- The contractor will develop a cost reporting mechanism and train providers (To be determined whether all, or a representative sample of providers, will report costs.)
- Providers will report costs for a one-year period.
- The contractor will complete the cost analysis and issue a report.
- The Department will review and propose appropriate rate adjustments.

Thank you for your consideration of this information. If you have any questions about this report, or would like to have additional information, please contact Chief of Staff Tom Andrews at (410) 767-0136 or thomas.andrews@maryland.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert R. Neall", with a long horizontal flourish extending to the right.

Robert R. Neall
Secretary