

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 462 (Delegate Martinez, *et al.*)
 Health and Government Operations

Funding for Wages and Benefits for Nursing Home Workers (Nursing Home Staffing Crisis Funding Act of 2024)

This bill requires the Governor’s proposed budget for fiscal 2026 through 2028 to include an 8% rate increase for specified providers in the Medicaid and Maryland Children’s Health Program (MCHP). Seventy-five percent of the funding increase must be used to fund wages and benefits for specified nursing home workers. Nursing home providers who receive the rate increases must document disbursement of the funds. By September 1, 2026, and annually thereafter, each nursing home must submit to the Maryland Department of Health (MDH) a specified cost report. MDH may take appropriate enforcement action against a nursing home for specified violations. **The bill takes effect June 1, 2024.**

Fiscal Summary

State Effect: No effect in FY 2024 or 2025. Medicaid expenditures increase by \$125.1 million (50% general funds, 50% federal funds) in FY 2026, increasing to \$406.2 million in FY 2028 and subsequent years, to increase rates. Medicaid expenditures increase by an additional \$859,000 (50% general funds, 50% federal funds) beginning in FY 2027 for personnel to review nursing home cost reports. Federal fund revenues increase accordingly. **This bill establishes a mandated appropriation beginning in FY 2026.**

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
FF Revenue	\$0	\$62.6	\$130.6	\$203.5	\$203.5
GF/FF Exp.	\$0	\$125.1	\$261.1	\$407.0	\$407.1
Net Effect	\$0.0	(\$62.6)	(\$130.6)	(\$203.5)	(\$203.5)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Rate Increases

Uncodified language requires that 75% of the funding increase provided in fiscal 2026 through 2028 be used to fund wages and benefits for workers and staff providing direct care, indirect care, direct care support services, and other patient care to residents in a nursing home. Administrative staff and workers who do not provide direct care to residents are not eligible to take part in the wage increase.

Nursing Home Cost Reports

Each cost report must include documentation of wage disbursement and any other information MDH determines is appropriate, and it must be signed by an authorized representative of the nursing home under penalty of perjury.

MDH may take appropriate enforcement action against a nursing home if the nursing home (1) fails to submit a cost report; (2) submits an inaccurate, incomplete, or invalid cost report; or (3) fails to pay the wages in the amount required.

MDH may take enforcement action that includes recoupment of funding resulting from the reimbursement rate increase, imposition of a corrective plan, and suspension or termination from the Medicaid program.

Current Law: Chapters 10 and 11 of 2019 (Fight for Fifteen), among other actions, required the Governor's proposed budget to include specified rate increases for several types of health care providers over the funding provided in the prior year's legislative appropriation. For fiscal 2021 through 2026, the Governor's proposed budget was required to include a 4.0% rate increase over the funding provided in the prior year's legislative appropriation for provider reimbursement in Medicaid and MCHP for nursing home services, medical day care services, private duty nursing services, personal care services, home and community-based services, and services provided through the Community First Choice program.

Chapter 2 of 2023 (the Fair Wage Act of 2023) repealed the mandated 4.0% provider rate increases required under Fight for Fifteen for fiscal 2025 and 2026. Instead, the fiscal 2024 budget included funding for an 8.0% rate increase, annualized to align with the January 1, 2024 acceleration of the minimum wage increase, which equated to 4.0% year-over-year. The 8.0% rate increase carries through in fiscal 2025.

State Fiscal Effect:

Rate Increases

The Governor’s proposed fiscal 2025 budget includes \$1,564,068,306 in total funds for reimbursement for specified Medicaid providers. Based on this amount, the compounding cost to provide an 8% rate increase in fiscal 2026 through 2028 is shown in **Exhibit 1**, as well as the ongoing cost of these rate increases beginning in fiscal 2029. Federal fund revenues increase accordingly.

Exhibit 1
Fiscal Impact of Mandated Rate Increases under the Bill

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Annual Cost	\$125,125,464	\$260,260,966	\$406,207,308	\$406,207,308
<i>General Funds</i>	\$62,562,732	\$130,130,483	\$203,103,654	\$203,103,654
<i>Federal Funds</i>	\$62,562,732	\$130,130,483	\$203,103,654	\$203,103,654

Source: Maryland Department of Health; Department of Legislative Services

Nursing Home Cost Reports

Under the bill, in addition to increasing the Medicaid provider reimbursement rate, MDH must receive and review annual cost reports from nursing homes. MDH may take appropriate enforcement action against a nursing home if the nursing home (1) fails to submit a cost report; (2) submits an inaccurate, incomplete, or invalid cost report; or (3) fails to pay the required wages. MDH may take enforcement action that includes recoupment of funding resulting from the reimbursement rate increase, imposition of a corrective plan, and suspension or termination from the Medicaid program.

MDH advises that, while it sets reimbursement rates for nursing homes, it does not determine the wages or benefits nursing homes offer. The enforcement of wage requirements is the purview of the Maryland Department of Labor and not MDH. To the extent that MDH is required to ensure that cost reports from the estimated 200 nursing homes certified to participate in Medicaid are accurate, complete, and valid and that nursing homes are paying the required wage, additional personnel resources are needed.

Thus, MDH expenditures (50% general funds, 50% federal funds) increase by an estimated \$859,007 in fiscal 2027. Federal fund revenues increase accordingly. This estimate reflects

the cost of hiring seven advanced health policy analysts to ensure that cost reports are accurate, complete, and valid, and that nursing homes are paying the required wages, as well as annual contractual expenses for MDH’s independent auditor to review the cost reports. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. This analysis assumes these positions begin July 1, 2026, in anticipation of the receipt of cost reports by September 1, 2026.

Positions	7.0
Salaries and Fringe Benefits	\$611,173
Contractual Auditor Expenses	195,000
Operating Expenses	<u>52,834</u>
Total FY 2027 State Personnel Expenditures	\$859,007

Future year expenditures reflect annual increases and employee turnover as well as annual increases in ongoing operating expenses. Federal fund revenues increase accordingly.

Small Business Effect: Small business providers serving Medicaid must ensure that at least 75% of the rate increases are used to fund wages and benefits for specified workers and staff, document the disbursement of the funds, and submit annual cost reports beginning September 1, 2026. Small business nursing homes may also be subject to enforcement actions related to cost reports.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 468 and HB 725 of 2023, and SB 761 and HB 1350 of 2022.

Designated Cross File: SB 328 (Senator Rosapepe) - Budget and Taxation..

Information Source(s): Maryland Department of Health; Department of Legislative Services

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