

SENATE FINANCE COMMITTEE
**SB 599: Developmental Disabilities – Community Providers –
Federal Participation for Local Funds**
February 20, 2024

Position: Letter of Information

The Arc Maryland and MACS are statewide organizations that work to protect and advance the rights and quality of life of people with developmental disabilities.

HB509 would require the Maryland Department of Health to “develop and implement a process” to receive federal financial participation (FMAP) for the payment of county or municipal general funds appropriated to community providers. As part of this prescribed process, the Department would be tasked with establishing or modifying department resources, rates, practices or software systems, coordinating with federal CMS, and allocating the federal funds (FMAP) to the community providers to which the county or municipality general funds were appropriated.

The goal of this legislation, to draw down additional federal matching funds to maximize funds provided by a subset of counties, is laudable. **However, due to the complexity of funding and rate-setting for DDA-licensed providers, we believe further study is warranted to examine the impacts these proposed changes would have on home and community based DDA providers, the workforce, and thousands of people with intellectual and developmental disabilities who receive services in Maryland.**

Issues that may warrant further study:

Regional Rate Differentials: The rate-setting changes that would be required if MDH were to move forward with this process would likely impact providers in other jurisdictions. In Maryland Developmental Disabilities Services, there are currently two regions with different rates based on geographic costs of living:

For each jurisdiction that participates in an intergovernmental transfer of funds, the jurisdiction must have its own set of rates. This process would make substantial changes to the rate-setting process that has been underway since legislation passed in 2014 to mandate a new rate system for DDA community services. This would then require a rebasing of the rates for the remaining counties, most likely lowering/changing the rates that have already been set in many counties. This will impact the financial stability of providers and services for people with disabilities in those jurisdictions, as they have based the services they provide on the existing rate structure.

CMS approvals are needed for new federal rate matches: It is our understanding that CMS must approve a new rate structure and the creation of the new rate regions. We believe we must research the possibility that CMS could decline justification of the higher rates proposed for match in a certain region.

Loss of flexibility: Currently, in the counties where local funding is contributed to developmental disability services, those funds may be used with flexibility and where needed to enhance quality, recruit and train caregivers, offset housing expenses for people, offset higher facility costs in certain areas of the state, provide unfunded transportation, and meet other service-related needs. A change in how county funds are allocated would impact the flexibility in how they are used. Medicaid funding cannot be used for housing, certain transportation, and other operating expenses providers have used their county supplements to cover to date.

In addition, provider payments from the DDA are based on utilization. Operating expenses continue, even if an individual is absent from services for a day, however providers cannot be paid on days/ times a person is absent. The county supplemental funding has been used by providers to bridge the gap between what they can recover from the state for billable services, and what is needed overall for ongoing program quality and stability: sustainment of staff, buildings, utilities, and other operating necessities.

A loss of these critical flexibilities could destabilize community providers and impact services and supports for people with IDD.

Rates in General: The Developmental Disabilities Administration has been in the process of completing a rate study for the DDA Waiver Services for the past 10 years, and it is nearing completion. The changes proposed by this legislation would require a comprehensive review of the entire rate-setting process statewide. This could delay rate-changes that are critically necessary to stabilize and strengthen community supports.

We understand the goal is to leverage local dollars to enhance federal matching fund participation. However, we believe a study to examine the potential impacts of proposed changes on people with developmental disabilities would be prudent to ensure there are no unintended consequences.

For more information, please contact:

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