

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 215 (Delegate Vogel)
 Health

Continuing Care Providers - Financial Stress Tests, Transparency, and Governing Bodies

This bill requires the Maryland Department of Aging (MDOA), at least once a year, to conduct a financial stress test for a continuing care in a retirement community provider. MDOA must hire two analysts to perform and prepare reports on the financial stress tests. After reviewing a financial stress test report, MDOA’s Financial Review Committee must assign a grade to indicate the financial stability of the provider. The assigned grade must be publicly available on MDOA’s website. The bill also makes changes relating to providers’ quarterly meetings and governing body membership.

Fiscal Summary

State Effect: MDOA special fund expenditures increase by at least \$270,500 in FY 2027 for personnel and contractual services, as discussed below. Future years reflect elimination of one-time costs, annualization, and ongoing costs. Special fund revenues to the Continuing Care Fund may increase by an indeterminate amount beginning as early as FY 2027 and offset expenditures (not shown), as discussed below.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	-	-	-	-	-
SF Expenditure	\$270,500	\$200,900	\$209,900	\$219,100	\$228,300
Net Effect	(\$270,500)	(\$200,900)	(\$209,900)	(\$219,100)	(\$228,300)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

Financial Stress Test

The financial stress test must examine the provider's community occupancy rates, net operating margin, liquidity, capital structure, operating ratio, debt service coverage, average age of community infrastructure and assets, cushion ratio, cash to debt ratio, risk from current and proposed investments, corporate structure, interstate financial transactions, and any other indicator of financial performance and durability selected by MDOA.

Governing Body Meetings

The bill specifies that each *continuing care at home* provider must hold, at least quarterly, a meeting open to all the provider's subscribers.

Each *continuing care in a retirement community* provider must hold, at least quarterly, a meeting with the provider's resident association. The provider may determine whether the meeting is open to all the provider's subscribers. At least twice a year, the required meeting with the resident association must be held in person at the facility represented by the resident association.

A copy of the agendas and minutes of these required meetings must be made available to the provider's subscribers.

Governing Body Membership

The bill requires a regular or alternate member of the governing body of a provider who is selected to meet specified requirements to be *elected by the resident association of the facility* rather than selected according to the same general written standards and criteria used to select other members.

If members of the governing body have different powers and responsibilities regarding asset control and financial consequences for subscribers, an elected subscriber member must have at least the same powers and responsibilities as the other members who hold the most powers and responsibilities regarding asset control and financial consequences for subscribers.

Current Law: "Continuing care in a retirement community" means providing shelter and either medical and nursing or other health-related services or making the services readily

accessible through the provider or an affiliate of the provider, whether or not the services are specifically offered in written agreement for shelter (1) to an individual who is at least age 60 and not related by blood or marriage to the provider; (2) for the life of the individual or for a period exceeding one year; and (3) under one or more written agreements that require a transfer of assets or an entrance fee notwithstanding periodic changes.

“Continuing care at home” means providing medical, nursing, or other health-related services directly or by contractual agreement (1) to an individual who is at least age 60 and not related by blood or marriage to the provider for the life of the individual or for a period exceeding one year and (2) under a written agreement that requires a transfer of assets or an entrance fee notwithstanding periodic charges. “Continuing care at home” includes helping with the physical maintenance of the individual’s dwelling.

An application for a preliminary certificate of registration as a provider must include, among other things, a certified financial statement and an income statement. An annual application for certificate renewal must include an audited financial statement, an operating budget, a cash flow projection, and an actuarial study (submitted every three years). MDOA currently conducts financial reviews of continuing care providers.

Financial Review Committee

MDOA’s Financial Review Committee is a voluntary group of seven experts appointed by the Secretary of Aging for three-year terms. At the request of MDOA, the committee evaluates the financial condition of providers who are experiencing financial difficulty and recommends what action the department should take.

The committee must notify MDOA in writing whether the committee recommends that the department (1) find a provider in financial difficulty, and (2) find that the financial difficulty, if any, includes a significant risk of financial failure. MDOA must make a final determination of whether financial difficulty exists and if there is a significant risk of financial failure. If it is determined that the provider is in financial difficulty, MDOA must immediately notify the provider.

The provider must submit a five-year financial plan to correct the cause of the financial difficulty. MDOA may consult with the committee before approving the plan. On approval, the financial plan must be implemented, and the provider must submit an annual progress report to MDOA. MDOA may withhold a renewal certificate of registration or withdraw a preliminary, initial, or renewal certificate of registration if (1) the provider does not prepare or is unwilling or unable to prepare a financial plan; (2) the financial plan is inadequate to correct the current or impending financial condition; or (3) the provider fails to implement the financial plan.

MDOA may determine that there is a significant risk of financial failure based on one or more of the following findings or circumstances:

- the provider has failed to meet loan covenants that give a lender or a bond trustee the option to exercise remedies on its collateral;
- an actuarial report has been provided to MDOA reflecting significant underfunding of future liabilities that are unlikely to be readily addressed;
- there is a significant shortfall by the provider in maintaining required reserves for a significant period;
- a significant balloon payment or future loan payment will become due within the next 12 months and the provider is unable to demonstrate that it will obtain a modification from its lender, have the resources to make the payment, or can refinance;
- there has been a significant decline in the occupancy rate that is likely to have a material adverse financial impact on the provider;
- there has been a material adverse change in debt service coverage ratio for an extended period that reduces the ratio to less than 1.0;
- there has been a significant decline in days of cash on hand that is unrelated to additions to property, plant, and equipment or other community enhancements and that could result in an inability to pay obligations as they become due;
- there has been a significant increase in the operating ratio, adjusted for unrealized gains and losses on investments, that could result in the inability of the provider to meet its obligations; or
- the refusal or inability of the provider to provide accurate information or data to MDOA.

Governing Body Meetings and Membership

At least quarterly, each provider must hold a meeting open to all the provider's subscribers. The provider must summarize their operations, significant changes from the previous year, and goals and objectives for the next year, as well as answer subscribers' questions.

If a provider has a governing body, at least one of the provider's subscribers must be a full and regular member of the governing body. If a provider owns or operates more than three facilities in the State, the governing body must include at least one of the provider's subscribers for every three facilities in the State.

Chapter 331 of 2025 requires the governing body of a continuing care provider that has only one subscriber to authorize the appointment of an alternate subscriber to serve as a regular member of the governing body if the regular subscriber is unable to fulfill the subscriber's duties. The alternate subscriber may (1) attend all meetings of the governing

body and (2) vote only if the regular subscriber is unable to fulfill the subscriber's duties as a regular member of the governing body.

A regular or alternate member of the governing body must be selected according to the same general written standards and criteria used to select other members of the governing body. The governing body must confer with the resident association at each of the provider's facilities before the subscriber officially joins the governing body.

State Expenditures: The bill requires MDOA to: (1) conduct a financial stress test for a provider at least once a year; (2) hire two analysts to perform the financial stress tests and prepare reports; (3) assign a grade to indicate the financial stability of the provider; and (4) make the grade publicly available on the MDOA website.

Therefore, MDOA special fund expenditures increase by *at least* \$270,528 in fiscal 2027, which accounts for the bill's October 1, 2026 effective date. This estimate reflects the cost of (1) hiring two analysts to conduct financial stress tests, complete the required reports, assist the Financial Review Committee in assigning a provider a financial stability grade, and ensure the grade is published on the MDOA website; and (2) contractual services for the development and maintenance of a financial grading system to be used by the committee. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	\$144,746
Contractual Services	100,000
Other Operating Expenses	<u>25,782</u>
Total FY 2027 State Expenditures	\$270,528

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Provider Fees

The Continuing Care Fund is used to defray the costs of administering continuing care statutory requirements. The special, nonlapsing fund consists of all continuing care provider fees, money appropriated in the State budget to the fund, fund investment earnings, and any other money from any other source accepted for the fund's benefit.

MDOA advises that continuing care provider fee increases may be needed to offset the costs of the bill. To the extent that provider fees increase as a result of the bill, special fund revenues to the fund increase by an indeterminate amount beginning as early as fiscal 2027 and may be used to offset expenses under the bill.

Additional Comments: In [Maryland](#), there are 36 continuing care in retirement community facilities and 3 continuing care at home locations. MDOA advises that there are 2 additional planned continuing care in retirement community facilities.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

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