HB 671

Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 671 (Delegates Shetty and Lopez)
Appropriations Finance

Office of the Long-Term Care Ombudsman - Mandatory Appropriation

This bill requires the Governor, beginning in fiscal 2027, to include in the annual budget bill at least $2.0 million for the Office of the Long-Term Care Ombudsman in the Maryland Department of Aging (MDOA) from specified money remitted by Medicaid managed care organizations (MCOs). If the amount remitted by MCOs totals less than $2.0 million, the Governor must include a general fund appropriation equal to the difference between the amount remitted and $2.0 million. The funds must supplement and not supplant funding otherwise appropriated for the office. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: No effect in FY 2027. Assuming minimum required funding is provided, general fund expenditures increase by 2.0 million annually beginning in FY 2028, as discussed below. Also, although there is no net effect on *total* special fund expenditures, Maryland Department of Health (MDH) special fund expenditures decrease by as much as $2.0 million annually beginning in FY 2028, and MDOA special fund expenditures increase correspondingly. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2028.**

($ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	$0	$0	$0	$0	$0
GF Expenditure	0	2.0	2.0	2.0	2.0
SF Expenditure	0	0	0	0	0
Net Effect	$0.0	($2.0)	($2.0)	($2.0)	($2.0)

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

Local Effect: Local revenues and expenditures for area agencies on aging (AAAs) may increase due to additional funding for the Office of the Long-Term Care Ombudsman.

Small Business Effect: None.

Analysis

Bill Summary: Under Maryland regulations (COMAR 10.67.04.90-4), a Medicaid MCO must provide a remittance for a medical loss ratio (MLR) reporting year if the MCO's MLR does not meet the minimum MLR standard of 85%. The bill requires at least \$2.0 million from the money remitted by MCOs in the second immediately preceding fiscal year to be included in the annual budget bill for the office.

Current Law: MCOs participating in Maryland's Medicaid HealthChoice (managed care) program must meet a certain MLR, which measures the amount of funding received by MCOs that is used for eligible mandated medical services and quality improvement efforts. Federal regulations require MCO capitation rates to be actuarially sound and achieve an MLR of at least 85% each rate year. Each MCO must report specified MLR data to MDH each year. If an MCO does not achieve an 85% MLR, it must pay a remittance to MDH.

Long-Term Care Ombudsman

The State Long-Term Care Ombudsman Program was established under federal mandate through the Older Americans Act. Long-term care ombudsmen are advocates (volunteers or paid employees) for residents of nursing homes, board and care homes, assisted living facilities, and similar adult care facilities. They work to resolve problems of individual residents and bring about changes at the local, state, and national levels that will improve residents' care and quality of life. Local long-term care ombudsmen serve through AAAs and are overseen by the State Long-Term Care Ombudsman Office. The State Long-Term Care Ombudsman must:

- identify, investigate, and resolve complaints from any source relating to any action, inaction, or decision that may adversely affect the health, safety, welfare, or rights of a resident, as specified;
- represent the interests of residents before governmental agencies and seek administrative, legal, and other remedies to protect the health, safety, welfare, and rights of residents;
- provide information to other agencies and the public regarding the problems and concerns of residents;
- comment on, facilitate public comment on, and recommend changes to existing or proposed laws, rules, regulations, and other governmental policies and actions that affect the health, safety, welfare, and rights of residents;
- provide technical support for the development of resident and family councils to protect the well-being and rights of residents;

- educate facilities, agencies, and staff members concerning the rights and welfare of residents;
- promote the development of citizen organizations to advocate for the well-being and rights of residents; and
- provide services to assist residents in protecting the health, safety, welfare, and rights of residents.

Area Agencies on Aging

In Maryland, each of the 23 counties and Baltimore City designates an AAA. The agency may be a unit of local government or a private, nonprofit corporation. AAAs provide a variety of adult services, incorporating assisted living, protective services, and temporary disability programs.

Each AAA must operate a single point-of-entry program to access the needs of seniors and their caregivers and provide appropriate services, including (1) providing current information on available programs, services, or benefits; (2) determining the service needs of each senior who requests service; (3) processing requests for service from seniors; (4) providing access to available public and private programs and services for seniors; (5) monitoring the outcome of requests for service or information; and (6) arranging for individual screenings to determine the service needs of a frail or health-impaired senior.

State Expenditures: Beginning in fiscal 2028, general fund expenditures increase by $2.0 million annually – either to satisfy the mandated appropriation for the office when the designated source of funding is not sufficient or to backfill for the loss of funding that would otherwise be used for Medicaid. This analysis generally assumes that the minimum funding required each year is provided; however, if sufficient special funding is available, the office may be funded at more than $2.0 million. If so, general fund expenditures increase correspondingly.

Mandated Appropriation

The bill requires the Governor, beginning in fiscal 2027, to include in the annual budget bill an appropriation for the office of at least $2.0 million from specified money remitted by MCOs in the second immediately preceding fiscal year. If the total remitted is less than $2.0 million, the Governor must include a general fund appropriation for the office – specifically in an amount equal to the difference between the amount remitted (and thereby available to be used for this purpose) and $2.0 million. Accordingly, the bill guarantees at least $2.0 million in additional annual funding for the office but not until fiscal 2028.

The Department of Legislative Services (DLS) notes that any legislation mandating funding must be enacted before July 1 of the fiscal year before the first fiscal year in which the funding is mandated. As the bill takes effect July 1, 2026, the Governor cannot be *required* to include funding in the fiscal 2027 budget. Thus, the bill's mandated appropriation cannot begin until fiscal 2028. Even so, the fiscal 2027 budget as passed by the General Assembly adds $2.0 million to the Governor's appropriation for MDOA, specifically for the operation of the office.

Availability of Medical Loss Ratio Remittance Funds

For calendar 2019 through 2023, MCOs remitted a total of $183.1 million to MDH for MLR recoupment (71% federal funds, 29% general funds). No funds were recouped in calendar 2020. On average, MDH recovered $45.8 million annually ($13.2 million in general funds). Federal funds recovered must be returned to the federal government. DLS advises that MLR recoupment is volatile and not guaranteed in any year. For example, MLR recoupments in fiscal 2019 totaled only $8.0 million ($2.4 million in general funds), while in fiscal 2023, $151.4 million ($44.2 million in general funds) was remitted. MDH anticipates collecting $34.2 million ($10.0 million in general funds) in MLR recoupment for calendar 2024.

Nonetheless, this analysis assumes that (1) MDH will, on an ongoing basis, recover at least $2.0 million from MCOs in the second immediately preceding fiscal year and (2) such funding will then be used, as required, to meet the bill's mandated appropriation. In any year that MLR funds remitted by MCOs in the second immediately preceding fiscal year total *less than* $2.0 million, State general funds are required to fill the gap between that funding and $2.0 million. Thus, general funds may be needed to meet either all or a portion of the bill's mandated appropriation beginning in fiscal 2028.

Impact of Modifying Use of Special Funds

At least $2.0 million from specified monies remitted by MCOs must be appropriated for the office. These monies are treated as special funds (even though they are recouped for general and federal fund expenditures already made). Under the assumption that this source is sufficient to cover the mandated appropriation and the minimum funding level is provided, MDOA special fund expenditures *increase* by $2.0 million annually beginning in fiscal 2028. As these funds would otherwise be used for Medicaid expenditures, MDH special fund expenditures *decrease* by $2.0 million annually beginning in fiscal 2028. Thus, there is no net impact on total State special fund expenditures under the bill. However, the amount of special funding shifted from Medicaid to the office results in the need for an equivalent general fund appropriation to backfill for funding that would have been used for Medicaid. Thus, general fund expenditure increase by $2.0 million beginning in fiscal 2028 for Medicaid.

Use of Funds by the Office of the Long-Term Care Ombudsman

MDOA advises that current funding levels have not increased for several years and are not sufficient to, among other things, fully fund local AAAs to utilize local long-term care ombudsmen staff. The bill mitigates this shortfall by ensuring the office receives at least $2.0 million in additional funding each year beginning in fiscal 2028. Although not required by, or contingent on, the bill, the fiscal 2027 budget as passed by the General Assembly adds $2.0 million to the general fund appropriation for the office. Thus, total funding for the office in fiscal 2027 is $3.1 million in general funds and approximately $668,000 in federal funds.

Local Fiscal Effect: MDOA advises that many AAAs are currently only able to hire one part-time local long-term care ombudsman, although some local long-term ombudsmen are volunteers. An increase in funding for local AAAs from the statewide Office of the Long-Term Care Ombudsman would likely increase revenues to local AAAs, allowing the agencies to fully fund local long-term care ombudsman offices.

Additional Information

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

Designated Cross File: SB 340 (Senator Hettleman) - Finance.

Information Source(s): Maryland Department of Aging; Comptroller's Office; Maryland Department of Health; Department of Legislative Services

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