



December 31, 2022

The Honorable Guy Guzzone  
Chairman, Senate Budget and Taxation Committee  
3 West Miller Senate Building  
Annapolis, Maryland 21401-1991

The Honorable Ben Barnes  
Chairman, House Appropriations Committee  
131 Lowe House Office Building  
Annapolis, Maryland 21401-1991

**RE: 2022 Joint Chairmen's Report – Status and Timeline for the New Provider Rate Structure**  
*Completed pursuant to 2022 Joint Chairmen's Report, pages 133*

Dear Chairs Guzzone and Barnes:

The Department of Human Services (DHS) is required to submit a report to the Joint Chairmen of the Senate Budget and Taxation and the House Appropriations Committees on the Status and Timeline for the New Provider Rate Structure in accordance with the provisions of the 2022 Joint Chairmen's Report, pages 133. In accordance with this reporting requirement, DHS is pleased to provide you with the enclosed report.

If you should require additional information, please contact the Office of Government Affairs at 410-767-8966.

Sincerely,

A handwritten signature in blue ink that reads 'Lourdes R. Padilla'.

Lourdes R. Padilla  
Secretary

cc: Sarah Albert, Mandated Reports Specialist, Department of Legislative Services (5 copies)



**REPORT ON THE STATUS AND TIMELINE FOR THE NEW PROVIDER RATE  
STRUCTURE**

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MARYLAND DEPARTMENT OF HUMAN SERVICES

*Completed pursuant to the 2022 Joint Chairmen's Report, page 133*

December 31, 2022

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## REPORT REQUIREMENT

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This report is hereby submitted in response to the following reporting requirement found under the 2022 Joint Chairmen’s Report, page 133:

*The Committees request that DHS submit a report on the status of implementation, including the status of any amendments to the State Medicaid Plan to allow for clinical care costs to be eligible for reimbursement, and an update on the implementation timeline.*

*Source: 2022 Joint Chairmen’s Report, page 133*

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## STATUS OF IMPLEMENTATION AND TIMELINE FOR IMPLEMENTATION OF NEW RATE STRUCTURE

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The Department of Human Services (DHS) and the Quality Service Reform Initiative (QSRI) workgroup have continued to focus on the key activities necessary to implement this new rate structure, including a proposed Medicaid State Plan Amendment. Over the past year, this has included delineating proposed clinical and direct care classes of services; updating the draft medical necessity criteria for the clinical services; refining staffing qualifications; developing a logic model and continuous quality improvement process in partnership with provider organizations; aligning the activities to implement Qualified Residential Treatment Programs (QRTP) with the QSRI, including providing training on a transition tool to support discharge planning; and mapping referral and care pathways for youth to enroll in residential interventions. The work of DHS and the QSRI workgroup has remained focused and on-track, enabling a smooth onboarding of the vendor for actuarial services.

DHS initiated the process of developing a Request for Proposals (RFP) for a vendor for the actuarial services. The procurement process was completed in August 2021. The RFP was submitted to the Office of State Procurement for approval in September 2021. The RFP was issued in October 2021. The contract for the vendor was fully executed on July 1, 2022.

DHS projects that the new rate structure will be fully implemented in calendar year 2025. The following timeline includes an opportunity to test rates with providers. The initial focus will be on the residential child care (RCC) program rates and subsequent testing, with the work on the child placement agency (CPA) rates and testing to follow. The testing of rates is to assess the effect of the new rates on providers with regard to the children served, as well as the financial impact on the providers. Even after testing, it is possible that changes will need to be made to the rates based on new information, changes in federal or state law, or shifts within child welfare or juvenile justice systems. Therefore, in addition to the ongoing continuous quality improvement process that will be implemented, there will need to be a careful reconciliation of data at least quarterly for the first years of the new rate structure and a commitment to ensuring that the new rate structure enables the providers to remain in sound financial status while achieving desired outcomes with the children served.

- June 2022: Contract for rate-setting entity approved at the Board of Public Works.
- July 1, 2022: Contract established, and RCC rate revision work began.

- November 2022: RCC and CPA providers updated on the rate revision process but continue to use the current IRC rate-setting process, consistent with statute and regulations.
- January-December 2023: Maryland statute and regulations are amended to align with new process.
- November 2023: Rates for RCC providers are shared for rate testing. CPA rate revision work begins. Full training of RCCs on new rate structure.
- January 2024: Additional statutory and regulatory changes are made, if needed.
- February 2024: Rate simulations and projections are run to assess impact on RCC providers.
- July 2024: New rates are implemented for RCC providers, with a 1-2 year period of monitoring and adjustment as appropriate. New performance monitoring begins, with monthly data reporting and quarterly reconciliation.
- January 2025: Rates for CPA providers are shared for rate testing. Modifications made to Medicaid State Plan, if needed, for CPAs.
- April 2025: State Plan Amendment submitted to CMS.
- July 2025: New rates are implemented for CPAs, with a 1-2 year period of monitoring and adjustment as appropriate. New performance monitoring begins, with monthly data reporting and quarterly reconciliation. Medicaid claiming anticipated.

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**STATUS AND TIMELINE OF AMENDMENTS TO THE STATE MEDICAID PLAN TO ALLOW FOR CLINICAL CARE COSTS TO BE ELIGIBLE FOR REIMBURSEMENT**

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As DHS, QSRI workgroup members, and the new vendor continue to work on the decisions that are necessary for the rate-setting entity to complete the actuarial services, the Maryland Department of Health will work on amendments to the State Medicaid Plan to be drafted and submitted in fiscal year 2025, with an effective date of fiscal year 2026.