



DEPARTMENT OF HEALTH

Wes Moore, Governor · Aruna Miller, Lt. Governor · Laura Herrera Scott, M.D., M.P.H., Secretary

May 16, 2023

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West
11 Bladen St, Annapolis, MD 21401-1991

The Honorable Ben Barnes
Chair, House Appropriations Committee
Lowe House Office Building, Room 121
6 Bladen St, Annapolis, MD 21401-1991

RE: 2023 Joint Chairmen's Report (p. 120) – Report on the transition and cost of providers and participants transitioned to the LTSS system

Dear Chairs Guzzone and Barnes:

Pursuant to the 2023 Joint Chairmen's Report (p. 120), the Maryland Department of Health (MDH) respectfully submits its report on the transition and cost of providers and participants transitioned to the LTSS system. The report details the number of providers and participants to be transitioned in fiscal 2024 and the estimated increase in payments to the providers if any forecast as a result of the transition to LTSS; certifies that adequate funds are included in the fiscal 2024 budget to cover the expected increase in provider payments from the transition planned during the fiscal year; and includes transition dates and expected costs by service type. With this submission, MDH respectfully requests the release of funds associated with this report.

If you have any questions about this report, please contact Megan Peters, Acting Director, Office of Governmental Affairs, at megan.peters@maryland.gov.

Sincerely,

Laura Herrera Scott, M.D, M.P.H.
Secretary

cc: Bernard Simons, Deputy Secretary, Developmental Disabilities Administration
Megan Peters, Acting Director, Office of Governmental Affairs
Sarah Albert, Department of Legislative Services (5 copies)

Pursuant to the 2023 Joint Chairmen’s Report (p. 120), the Maryland Department of Health (MDH) and its Developmental Disabilities Administration (DDA) respectfully submit this report on the transition and cost of providers and participants transitioned to the LTSS system.

Background

MDH is currently engaged in a long-term initiative to move DDA providers and services from a legacy prospective-payment system to a modernized fee-for-service system. From 2017 to 2018, MDH and DDA conducted a series of rate-setting studies and exercises, to initialize the transition.¹ The legacy prospective-payment methodology is enabled by the Provider Consumer Information System 2 (PCIS2) software, which has remained in use through the transition period. The fee-for-service methodology is driven by the Long Term Services and Supports Maryland DDA Module (LTSS*Maryland*-DDA Module, generally, “LTSS” in this report). The DDA’s fee-for-service rates are developed using the Brick Method, a federally recognized systematic approach to the development of service rates.²

The initial pilot group of DDA providers transitioned their services to billing fee-for-service in LTSS on December 31, 2019. Since that time, approximately 80 providers and 7,000 participants have transitioned to the LTSS system and its fee-for-service rate methodology.

The transition to LTSS is important for the DDA to enable its transformation towards person-centered processes. Utilizing LTSS and a fee-for-service rate system accomplishes this by supporting greater individualized service flexibilities. Meaningful day services provided under PCIS2 are limited to one service per day due to billing units that are one day in length. LTSS allows services to be provided on a 15-minute billing unit basis, providing new opportunities and flexibility for participants to receive various services to meet their individualized goals on the same day. In addition, LTSS provides timely and transparent claim submission, billing, and payment, and provides enhanced functionality for eligibility, waiting list, enrollment, case management, person-centered-plan development, and service authorization processes. The transition also enables the DDA to coordinate services with the other State of Maryland departments and programs which utilize the broader LTSS*Maryland* system, including Community First Choice, the Community Options Waiver, Community Personal Assistance Services, the Brain Injury Waiver, Rare and Expensive Case Management, and the Medical Day Care Waiver.

Fiscal 2024 Transition Estimates

The transition to LTSS is a provider-driven decision, meaning that providers are able to choose when to transition all or some of their services to the system, between the beginning of the project in December 2019 and the completion of all transitions on or before December 2024. This enables enhanced provider flexibility, but causes the rate of transition to fluctuate from month to month. As of April 12, 2023, 81 providers have fully transitioned all of their services to LTSS, representing 6,870 participants.³ This value represents 31% of all active DDA providers.

¹ <https://health.maryland.gov/dda/Pages/Rate%20Setting%20Study.aspx>

² <https://www.jvga.com/the-brick-method.html>

³ Source: DDA Quality Monitoring Team, 12 April, 2023. Please note that the count of participants may include some duplicates, because participants are counted per-provider, and some participants are served by multiple providers.

The approximate number of providers to be transitioned to LTSS in fiscal 2024 is 116, representing about 8,227 participants. At the end of FY2024, the DDA estimates that over 75% of all providers will be transitioned. Table 1 shows expected FY2024 transitions by month through October of 2023. Note that the values in Table 1 are current as of April 27, 2023, but are expected to fluctuate, as providers regularly adjust their transition dates in coordination with the DDA’s Regional Offices. As of April 2023, Regional Offices have completed transition scoping through October 2023, a process by which providers are assigned a specific transition date and begin making final preparations for the transition within their billing systems. MDH will work in close coordination with the DDA Regional Offices to transition additional providers throughout the remainder of FY24, with a majority of transitions scoped 5-6 months in advance. MDH currently estimates that from November 1, 2023 - June 30, 2024, roughly 10 providers per month will transition to LTSS, representing approximately 700 participants per month.

Table 1. Expected FY2024 Transitions by Month⁴
Bold = Scoped by Regional Offices to date; *Italicized* = Projected

Go-Live Month	Region	# Providers	# Individuals
07/01/2023	Central Maryland	8	583
07/01/2023	Eastern Shore	1	101
07/01/2023	Southern Maryland	4	62
07/01/2023	Western Maryland	2	86
July 2023 Total		15	
08/01/2023	Central Maryland	4	162
08/01/2023	Eastern Shore	0	0
08/01/2023	Southern Maryland	4	62
08/01/2023	Western Maryland	0	0
August 2023 Total		8	224
09/01/2023	Central Maryland	2	175
09/01/2023	Eastern Shore	0	0
09/01/2023	Southern Maryland	4	311
09/01/2023	Western Maryland	3	165
September 2023 Total		9	651
10/01/2023	Central Maryland	0	0
10/01/2023	Eastern Shore	0	0
10/01/2023	Southern Maryland	4	920
10/01/2023	Western Maryland	0	0
October 2023 Total		4	920
<i>November 2023 Total</i>		<i>10</i>	<i>700</i>

⁴ Source: DDA Regional Offices and Quality Monitoring team, 27 April 2023

<i>December 2023 Total</i>		<i>10</i>	<i>700</i>
<i>January 2024 Total</i>		<i>10</i>	<i>700</i>
<i>February 2024 Total</i>		<i>10</i>	<i>700</i>
<i>March 2024 Total</i>		<i>10</i>	<i>700</i>
<i>April 2024 Total</i>		<i>10</i>	<i>700</i>
<i>May 2024 Total</i>		<i>10</i>	<i>700</i>
<i>June 2024 Total</i>		<i>10</i>	<i>700</i>
TOTAL		116	8,227

Budget Impact of Transition to LTSS

Table 2 below illustrates the projected rate difference between billing in PCIS2 and billing in LTSS for the Pilot 2A group of providers (n=22) for participants with claims in both systems (n=2,352). Table 2 is intended to expand and improve upon the methodology used in Table 4 of the Q4 pp. 110-111 JCR of 2022,⁵ in order to produce a more accurate estimate. The Pilot 2A group was selected as the population for this analysis because it was the first large group of providers to transition. Selecting this group provided a sufficient sample size, a generalizable and representative group of providers/participants, a common date of transition within the sample (± 3 months, from April 2022 to June 2022), and the ability to observe LTSS claims for a full year after transition.

The data in Table 2 is representative of actual billings, adjusted for statewide rate changes. The comparison period was April 1, 2021 – March 31, 2022 for PCIS2 claims, and April 1, 2022 – March 31, 2023 for LTSS. Targeted Case Management and Personal Supports are billed exclusively in LTSS, and therefore omitted from Table 3.

Table 2. Pilot 2A Increase in Reimbursements from PCIS2 to LTSS⁶

Service	LTSS	PCIS2	%Diff
Residential	\$110,828,678	\$103,610,360	7%
Meaningful Day	\$38,607,008	\$35,434,265	9%

Table 3 below displays estimated payments if all providers were billing fee-for-service in LTSS at the present date. The estimated payments are based on the average billings per-member-per-month by service currently exhibited in LTSS. Table 3 includes billings for both Self-Directed Services and Traditional Services, such as Self Direction, Supported Employment, and Community Learning Services. These are extrapolated to produce hypothetical payments to all DDA individuals/services, including those not yet billing in LTSS, based on the total number of individuals currently in service across both systems. Data for Table 2 were extracted from PCIS2 and LTSS on April 18, 2023. Note that Table 3 does not adjust for utilization and several other factors, and is therefore a general estimate of potential billings, rather than a specific forecast.

⁵ [https://dlslibrary.state.md.us/publications/JCR/2022/2022_110-111_2023\(3\).pdf](https://dlslibrary.state.md.us/publications/JCR/2022/2022_110-111_2023(3).pdf)

⁶ Source: PCIS2 claims data, April 1, 2021 – March 31, 2022; LTSS claims data, April 1, 2022 – March 31, 2023.

Based on the analysis in Table 3, if every provider billed fee-for-service today, their annual reimbursements would total approximately \$1.79 billion. The amount to be spent on reimbursement for FY2024 is expected to be lower than this amount, as providers will transition gradually across the length of the fiscal year, and some will not complete transitioning until FY2025.

Table 3. Estimated Annual Payments under 100% LTSS Billing⁷

Service	Estimated Payments
Residential	\$1,022,409,946.93
Meaningful Day	\$498,784,291.84
Support Services	\$159,743,713.93
TCM	\$112,353,655.72
Total	\$1,793,291,608.42

Certification of Fiscal 2024 Funding Adequacy

Based on analysis of current billing patterns in LTSS (Table 2) and the to-date experience of the Pilot 2A group (Table 3), which both reflect an acceptable and expected level of projected increase in reimbursements, MDH certifies that the FY2024 appropriation for M00M01.02 DDA Community Services contains adequate funds to cover the planned increase in provider reimbursement. DDA Community Services has a total FY 2024 budget of \$1.84b. Teasing out regional office operations, miscellaneous grants, and certain other budget items leaves \$1.81b available to support the department's \$1.79b upper-limit estimate of PCIS2 and LTSS expenditures.

As discussed in the MDH/DDA annual budget hearings in February 2023, MDH’s previous analysis of PCIS2 vs. LTSS billing, last supplied to the Legislature under Table 4 of the Q4 pp. 110-111 JCR of 2022,⁸ was based on a very small and non-representative sample of Early Adopter Group providers (n=5) and consumers (n=588). The increase in reimbursement observed in Pilot Group 2A as reported under the present JCR reflects a substantially more accurate projection of the true increase in reimbursement under a fee-for-service regime, owing to a larger and more representative sample.

MDH remains committed to working closely with our colleagues at the Department of Budget and Management to closely monitor and respond to any unexpected changes in reimbursement or expenditure. MDH monitors provider reimbursements on a continuous basis, for both the entire state of Maryland and separately for each DDA Regional Office. In particular, the Western Maryland Regional Office is expected to transition all of its providers to LTSS billing by September of 2023. MDH will conduct an independent analysis of billing in Western Maryland as it approaches 100% transition, to ensure that the experience of this region aligns with projected changes. MDH will be happy to share this analysis with the General Assembly once it has been completed. These steps allow us to accurately manage our budget appropriation in a responsive and timely manner.

⁷ Source: LTSS and PCIS2 per-member-per-month rates and number of individuals in service, 18 April 2023.

⁸ [https://dlslibrary.state.md.us/publications/JCR/2022/2022_110-111_2023\(3\).pdf](https://dlslibrary.state.md.us/publications/JCR/2022/2022_110-111_2023(3).pdf)