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MARYLAND MEDICAL ASSISTANCE PROGRAM
Nursing Home Transmittal No. 301
July 21, 2025

TO: Nursing Facility Administrators

FROM: Jamie Smith, Director 
Office of Long Term Services and Supports

RE: Minimum Data Set Validation - Effective July 1, 2025

NOTE: **Please ensure that appropriate staff members in your organization are informed of the contents of this transmittal.**

This transmittal outlines the revised process for validating the Minimum Data Set (MDS) submitted by each nursing facility. This transmittal supersedes Nursing Home Transmittal No. 266, dated January 22, 2018.

Background

Effective October 1, 2023, Section G of the MDS was replaced with Section GG. As a result, the MDS no longer captures Resource Utilization Group (RUG) data. The RUG data previously used to calculate the case-mix index (CMI) has been replaced by the Patient-Driven Payment Model (PDPM) data. In response, the Maryland Department of Health (the Department) updated its MDS Validation Minimum Review Standards to accommodate these changes.

To support the transition, the Department's Utilization Control Agent (UCA), currently Telligen, conducted MDS validation audits of all nursing facilities whose quarterly Medicaid payment rates were based on the facility's CMI during fiscal year 2025. This round of audits educated facilities on the Department's MDS Validation Minimum Review Standards and promoted familiarity with the PDPM documentation requirements.

During fiscal year 2025, no penalties were assessed as a result of MDS validation audits. The education period concludes on June 30, 2025. Beginning July 1, 2025, penalties are assessed in accordance with the Department's updated MDS Validation Minimum Review Standards, which can be found [here](#)¹.

¹ <https://health.maryland.gov/mmcp/longtermcare/Pages/Nursing-Facility-Providers.aspx>

Facilities that did not receive an educational audit by June 30, 2025, will be granted one penalty-free audit. Additionally, any facility that failed a penalty audit during the education period will be subject to financial penalties at its next audit, which is conducted approximately six months later, and at each subsequent audit until a passing result is achieved.

MDS Annual Audit

Baseline Audit

During the calendar month before the facility's scheduled MDS annual audit, Telligen requests and receives a file from Myers and Stauffer LC (MSLC) through the MSLC FTP site. The facility's audit records are requested by Telligen on the 15th of the preceding month. **No modifications to the MDS will be accepted once the request for files has been made.**

A separate file is created for each facility. This file is broken into two parts:

- (1) The first part includes all initial sample assessments to be reviewed during the baseline phase of the MDS Annual Audit; and
- (2) The second part is contingent upon the results of the first part and is only required if the facility doesn't achieve satisfactory compliance using the initial sample. Part two includes an expanded sample of assessments to be reviewed during an expanded MDS audit.

Samples for both the initial and expanded reviews are taken from the 90-day period preceding the date of Telligen's request. The sample includes 20 percent (rounded to the nearest whole number) of the occupied beds, or 20 assessments, whichever is greater.² The sample is stratified across each major PDPM domain represented in the facility.

Expanded Sample

The purpose of the audit is to capture an accurate picture of the facility's documentation of MDS data. If Telligen finds errors during the baseline audit that are likely to result in a negative error rate of greater than 20 percent, Telligen may expand the audit to include additional assessments. An expanded audit does not automatically indicate that a penalty audit is warranted. Rather, the expansion is used to reduce the impact of outliers to improve the accuracy of the facility's final score. Please note that if in the initial review the negative error rate is greater than 40 percent, the review will shift directly to the penalty audit, without an expanded sample.

This expansion of the annual audit will occur while Telligen is conducting the facility review. Reviews follow the same procedures outlined for the MDS Annual Audit and must use the expanded sample provided by MSLC during the initial file request. When feasible, the expanded audit is completed on the same day. If additional time is required, the review must be completed within three (3) business days.

² Note that the 90 day period in most cases will overlap multiple quarters and will not match the facility's resident roster used for case mix calculation.

Closing out the Audit

Telligen completes the review and requires the facility to sign off that the review was completed. This documentation is retained and made available to the Department upon request. Telligen uploads the audit finding worksheets from the site visit to the FTP site within ten (10) calendar days of review completion.

Negative Error Rate

After receiving the audit finding worksheets from Telligen, MSLC updates its records and analyzes discrepancies between MDS data and findings from the medical record. MSLC sends the Summary Sheets to Telligen on a weekly schedule. All validation submissions uploaded on or before Wednesday morning of each week will receive a summary page or have clarifications requested within ten (10) calendar days (Friday of the following week). Any submissions uploaded after Wednesday morning will be reviewed the following week.

The Summary Sheet includes each assessment that had at least one unsupported MDS item, the change made to the MDS item based on the review, any change that occurred in the PDPM group for the assessment, the overall error rate, and the negative error rate. The overall error rate is calculated as the number of assessments where the PDPM group changed (higher or lower) divided by the number of assessments in the sample. The negative error rate is calculated as the number of assessments where the CMI decreased based on the review, thus influencing the State's payment methodology negatively, divided by the number of assessments in the sample. The overall error rate and negative error rate are calculated using the review samples for both the baseline audit and the expanded sample if necessary.³

Telligen sends the Summary Sheet and a findings letter to the facility. A template Summary Sheet is included in Addendum 1. Upon completion of the audit:

- (1) If no adverse findings are discovered, or the facility's negative error rate is 20 percent or less, Telligen sends the facility a standardized "exit letter" and summary, with no further action for Telligen, MSLC or the facility; or
- (2) If the facility is found to have a combined baseline and expanded audit negative error rate exceeding 20 percent, the MDS Penalty Audit is required (see next section).

In the event of a negative error rate of greater than 20 percent, Telligen sends a facility-specific letter and summary to the facility. The facility-specific letter directs the facility to develop and submit a Corrective Action Plan (e.g., MDS training, improved documentation systems) and directs that documentation of the steps taken to address the Corrective Action Plan be made available during the MDS Penalty Audit. The facility is directed to implement the Corrective Action Plan to come into compliance with documentation requirements. Please note that in situations where the MDS meets federal guidelines for coding, providers should not make corrections to MDS assessments in areas where the State requires greater documentation in a resident's medical record for case mix purposes. The validated PDPM group will be updated on the resident roster.

³ MSLC does not update its resident roster database with this information and rates are not adjusted at this time.

MDS Penalty Audit

When triggered by the negative error rate determined in the previous section, a penalty audit will be conducted to review the status of the corrective action plan and determine penalties, if necessary. This audit will be conducted approximately two months from the annual audit.⁴ Telligen requests a new set of files from MSLC and conducts the MDS Penalty Audit. The sample includes 100 percent of the occupied beds for Medicaid residents on the last day of the three-month period being assessed.

Telligen completes the review and also collects and evaluates the Corrective Action Plan implemented by the facility. Telligen uploads the audit finding worksheets from the site visit to the FTP site within ten (10) calendar days of review completion. MSLC analyzes discrepancies and sends the Summary Sheet to Telligen (as noted in the MDS Annual Audit).

If the negative error rate remains above 20 percent, the following penalties are imposed:

Penalty 1: The facility rate for the following two quarters is reduced by an average rate per CMI point based on the change in Medicaid CMI between the pre-audit CMI and the audit-based CMI.⁵

Penalty 2: The facility is charged the cost of the MDS Penalty Audit as a mass adjustment for future claims. The cost is equal to the established per review rate for MDS Validation in the Department's contract with the UCA.

In addition to the above penalties, the Department will formally submit documentation of its findings to the Office of Health Care Quality regarding the facility's deficient record-keeping.

Ongoing Monitoring

Penalty Audits are conducted approximately every six (6) months until the negative error rate no longer triggers a penalty. Each subsequent penalty audit will be conducted during the first quarter in which the previous rate penalty is applied. Please see sample timeline for clarification.

Once the facility demonstrates compliance, all prior penalties will continue until their intended end date (these will not be ended prematurely). No further penalties will be enforced. An annual audit will be conducted according to the annual schedule.

Baseline Year of Implementation

During the baseline year of implementation, from July 1, 2024 through June 30, 2025, MDS Validation reviews included the annual audit, an expanded audit if applicable, and a penalty audit conducted without financial penalties.

Effective July 1, 2025, all requirements outlined in this transmittal, including audit procedures, timelines, and penalty enforcement, are in full effect.

⁴ Please see the addendum for the Sample Timeline. This timeline shows the quarters in which a facility will be audited if they continue to fail each audit.

⁵ Please see the addendum for example percent decreases to get to an accurate rate.

Appeals

The provider may appeal the imposition of a penalty to the Office of Administrative Hearings. Instructions for requesting appeals will be provided when a penalty is proposed.

Change of Ownership

Following a change of ownership (CHOW), penalties remain in effect through their scheduled end date. Penalty 1 applies to the new owner. The mass adjustment associated with Penalty 2 is applied to the owner of record as of the date of the audit. The buyer and seller shall determine which party will assume responsibility for the penalty.

Comments regarding this transmittal may be directed to Jarrod Terry at jarrod.terry@maryland.gov.

Enclosure

cc: Nursing Facility Liaison Committee

Addendum 1 Summary Sheet Example

1 of 1

Results of MDS Field Verification

XYZ NURSING AND REHAB 09999999

ResID	Name	Target Date	New Class - Old Class	MDS Field	Submitted Data	Supported Data
9999999	RESIDENT 1, SAMPLE	01/08/2025	New Class: PBC1 - Prior Class: HBC1	J1100C	1	0
9999998	RESIDENT 2, SAMPLE	01/15/2025	New Class: PDE1 - Prior Class: CDE1	O0110C1B	1	0
9999997	RESIDENT 3, SAMPLE	01/22/2025	Original record and audited record are the same.	E0200C	2	0
				GG0130A5	02	01
				GG0170C5	02	01
				GG0170D5	02	01
				GG0170E5	02	01

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XYZ NURSING AND REHAB 09999999

FACILITY SUMMARY

Review Date: 02/02/2025

Number of MDS's Keyed: 20

Number of Errored Records: 2

Total Records Reviewed: 20

Facility Error Percentage: 10.00%

Errored Records with a CMI Decrease: 2

Facility Negative Error Percentage: 10.00%

Addendum 2 Sample Timeline for Applying Penalty Audit Assessment to Rate

CY Quarter 1	Jan X1	Feb X1	Mar X1	Apr X1	May X1	Jun X1	Jul X1	Aug X1	Sep X1	Oct X1	Nov X1	Dec X1	Jan X2	Feb X2	Mar X2	Apr X2	May X2	Jun X2	Jul X2	Aug X2	Sep X2	Oct X2	Nov X2	Dec X2	Jan X3	Feb X3	Mar X3
Audit Type	Annual		1st Penalty Audit							2nd Penalty Audit						3rd Penalty Audit											
Penalty Period										1st Penalty Assessed						2nd Penalty Assessed						3rd Penalty Assessed					
Audit Type	Annual		1st Penalty Audit							2nd Penalty Audit						3rd Penalty Audit											
Penalty Period										1st Penalty Assessed						2nd Penalty Assessed						3rd Penalty Assessed					
CY Quarter 2	Apr X1	May X1	Jun X1	Jul X1	Aug X1	Sep X1	Oct X1	Nov X1	Dec X1	Jan X2	Feb X2	Mar X2	Apr X2	May X2	Jun X2	Jul X2	Aug X2	Sep X2	Oct X2	Nov X2	Dec X2	Jan X3	Feb X3	Mar X3	Apr X3	May X3	Jun X3
Audit Type	Annual		1st Penalty Audit							2nd Penalty Audit						3rd Penalty Audit											
Penalty Period										1st Penalty Assessed						2nd Penalty Assessed						3rd Penalty Assessed					
Audit Type	Annual		1st Penalty Audit							2nd Penalty Audit						3rd Penalty Audit											
Penalty Period										1st Penalty Assessed						2nd Penalty Assessed						3rd Penalty Assessed					
CY Quarter 3	Jul X1	Aug X1	Sep X1	Oct X1	Nov X1	Dec X1	Jan X2	Feb X2	Mar X2	Apr X2	May X2	Jun X2	Jul X2	Aug X2	Sep X2	Oct X2	Nov X2	Dec X2	Jan X3	Feb X3	Mar X3	Apr X3	May X3	Jun X3	Jul X3	Aug X3	Sep X3
Audit Type	Annual		1st Penalty Audit							2nd Penalty Audit						3rd Penalty Audit											
Penalty Period										1st Penalty Assessed						2nd Penalty Assessed						3rd Penalty Assessed					
Audit Type	Annual		1st Penalty Audit							2nd Penalty Audit						3rd Penalty Audit											
Penalty Period										1st Penalty Assessed						2nd Penalty Assessed						3rd Penalty Assessed					
CY Quarter 4	Oct X1	Nov X1	Dec X1	Jan X2	Feb X2	Mar X2	Apr X2	May X2	Jun X2	Jul X2	Aug X2	Sep X2	Oct X2	Nov X2	Dec X2	Jan X3	Feb X3	Mar X3	Apr X3	May X3	Jun X3	Jul X3	Aug X3	Sep X3	Oct X3	Nov X3	Dec X3
Audit Type	Annual		1st Penalty Audit							2nd Penalty Audit						3rd Penalty Audit											
Penalty Period										1st Penalty Assessed						2nd Penalty Assessed						3rd Penalty Assessed					
Audit Type	Annual		1st Penalty Audit							2nd Penalty Audit						3rd Penalty Audit											
Penalty Period										1st Penalty Assessed						2nd Penalty Assessed						3rd Penalty Assessed					

Addendum 3 Penalty Audit Rate Reduction

Issued 03/31/2025			
APPLICATION OF MDS PENALTY AUDIT RESULTS			
Effective April 1, 2025 - June 30, 2025			
Provider #: 099999999			
Provider Name: XYZ Nursing and Rehab			
1	MDS Penalty Audit Period Begin Date		11/19/2024
2	MDS Penalty Audit Period End Date		2/16/2025
3	MA CMI of Sample Prior to MDS Penalty Audit		1.3655
4	MA CMI of Sample After MDS Penalty Audit		1.3600
5	MA CMI Difference (Line 3 - Line 4)		0.0055
6	Nursing Service Rate (See Rate Letter)		\$ 163.20
7	Quarter Ending 12/31/2024 Facility Average Medicaid CMI (See Rate Letter)		1.3655
8	Penalty (Line 5 x Line 6 / Line 7)		\$ 0.66
9	Resident Care Day (including QA Add On) (See Rate Letter- Revenue Code 0120)		\$ 342.56
10	Resident Care Day (including QA Add On) Less Penalty (Line 9 - Line 8)		\$ 341.90
Line 10 is the amount that should be billed for Revenue Code 0120 for the effective dates listed above.			