Maryland
DEPARTMENT OF HEALTH

Wes Moore, Governor · Aruna Miller, Lt. Governor · Meena Seshamani, M.D., Ph.D., Secretary

MARYLAND MEDICAL ASSISTANCE PROGRAM
Nursing Home Transmittal No. 313
August 17, 2026

TO: Nursing Facility Administrators

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

RE: Nursing Facility Quality Assessment Methodology Change

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

This transmittal updates the rate methodology for the nursing facility quality assessment (QA). This transmittal should be read in conjunction with PT 01-26 Nursing Facility Quality Assessments - Changes to Pay-for-Performance Eligibility and PT 03-26 FY 2026 Quality Assessments Reporting and Payments.

Transition to Uniform Percentage Model

To ensure ongoing compliance with federal broad-based and uniformity requirements, the Maryland Department of Health (MDH) will transition from the current non-uniform QA rate structure to a uniform percentage model, effective July 1, 2025.

Background

The Working Families Tax Cut Legislation, also known as the One Big Beautiful Bill Act (H.R. 1), was signed into law on July 4, 2025. Sections 71115 and 71117 of the Act amend federal Medicaid law, establishing new requirements for the waiver of uniform tax for Medicaid provider taxes. These requirements further define when a tax is not considered "generally redistributive." Even if a state's provider tax program passes the required B1/B2 statistical test, a formula used by CMS to evaluate whether the provider tax is "generally redistributive," the tax may not be permissible under the new, more restrictive requirements.

Based on the new criteria, MDH elected to adopt a rate methodology, effective July 1, 2025, that maintains the current waiver of broad-based and uniform requirements without requiring an annual waiver submission to CMS.

Current Rate Methodology

MDH currently calculates two non-uniform QA per-diem rates. The rates are based on six percent of the projected nursing facility revenue and are structured to satisfy the B1/B2 test. A lower rate is set for the five facilities providing the highest number of Medicaid days of service in the previous fiscal year and a second, higher rate is set for all other facilities.

New Rate Methodology

Starting in FY 2026, MDH will apply a uniform percentage change to the prior fiscal year's assessment rates. This model ensures that total QA payments do not exceed the calculated revenue estimate for the current fiscal year, while eliminating the need for a CMS waiver. For FY 2026, QA rates were adjusted by 0.8%. This changes the standard assessment rate from $32.92 to $32.94, and the rate for the five facilities with the highest Medicaid days from $3.04 to $2.70.

FY 2026 QA Reconciliation

Due to the change in methodology, MDH must reconcile QA payments for Q1-Q3 of FY 2026 using the revised QA rates. The FY 2026 Q4 Cognito form has been updated with the new rates and will contain three new, auto-filled reconciliation sections:

(1) Reconciled Assessed Days FY26 Q1-Q3: Displays the total reported assessed days for the first three quarters;
(2) Reconciled Amount Due: Calculates the amount due based on the rate difference (-$0.34 for the five facilities with the highest Medicaid days and $0.02 for the remaining facilities); and
(3) Total Reconciled Payment Amount FY26 Q4: Combines the Q4 subtotal with the reconciliation amount.

The reconciliation will be performed using assessed resident days submitted through Cognito. Providers can view their reconciled amount for the first three quarters of FY 2026 within the Cognito form. The reconciled amount will be applied to the Q4 QA reporting and payments due August 29, 2026. If the reconciliation results in FY 2026 Q4 credit balance, that credit will be applied toward the FY27 Q1 payment.

Nursing Facility Rate QA Add-On

This methodology change also impacts the QA Add-On. A gross adjustment amount will be calculated for each facility based on the updated QA Add-On and paid Medicaid days. A majority of facilities will have a zero or positive gross adjustment due to an increase in the QA Add-On. The five facilities with the highest Medicaid days will have a negative gross adjustment due to a decrease in the QA Add-On. The gross adjustments for FY 2026 will be paid on a date to be determined. Revised nursing facility rates will be updated in MMIS, allowing future claims to be paid at the revised rate. Any outstanding claims following gross adjustments should be submitted using standard billing protocol.

For questions regarding this transmittal, please contact Jarrod Terry at jarrod.terry@maryland.gov.