organizations ("CCOs" or managed care organizations) from negotiating rates with nursing homes and day care facilities. Mandating the rate at which CCOs must reimburse providers reduces the flexibility of such CCOs to manage expenses and compete for better rates. If CCOs are unable to save money by competitively negotiating rates, they will have less flexibility in designing a benefits package and approving costly services. This will restrict necessary access to care.

Second, Senate Bill 819 may lower the quality of care provided to enrollees. The bill includes "any willing provider" provisions. These provisions could result in a lower quality of care, because CCOs would have a more difficult time guaranteeing quality standards within their provider networks.

Separately, the bill provides enrollees the option of continuing to receive services from their current provider, whether nursing homes, assisted living facilities, adult day care facilities, psychiatric rehabilitation programs, or residential rehabilitation programs. DHMH agreed to this provision for nursing homes and assisted living facilities in order to prevent enrollees from having to switch residences. Extending this to other providers, however, unacceptably reduces the quality oversight and monitoring capabilities of CCOs. CCOs need the flexibility to limit poor quality providers from entering their provider networks and from providing care to their enrollees.

Third, Senate Bill 819 prevents DHMH from making an impact on the unsustainable increase in long–term care costs. Under the terms of the amended bill, the Department estimates the savings would not be as significant as they could be under a more flexible model. Without real savings, there would be little opportunity to utilize funds for other State purposes, including the potential of reopening the Older Adults Waiver.

Fourth, Senate Bill 819 does not adequately address long–term care needs for people with disabilities. This legislation was crafted with the aging population in mind; it does not take into account the unique needs that a much younger population presents in the long–term care arena. A more thorough consideration of individuals with disabilities in long term care settings may ultimately lead to a waiver application that serves the needs of Marylanders better.

As you know, applying for this waiver does not require legislation. Accordingly, today I am directing the Secretary of the Department of Health and Mental Hygiene to apply to the Centers for Medicare and Medicaid Services (CMS) for an amendment to the existing Older Adults Waiver regarding the level of care and financial eligibility requirements, as directed by Senate Bill 819. Moreover, I am directing the Secretary to report on the status of Maryland's amendment application to the General Assembly and me by January 1, 2005.

Furthermore, in order to approach the managed care program and a waiver application, I am directing the Secretary to convene an advisory group or groups, composed of affected stakeholders, as well as the Department of Aging and the newly created Department of Disabilities, to consult with DHMH in the coming months in order to examine fully the impact of applying for such a waiver. The Secretary also will work closely with legislative leaders to build consensus on the waiver plans. This approach is needed in order to work through the remaining technical and policy