

Department of Fiscal Services
 Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 688 (Senator Hoffman, *et al.*)

Finance and Budget and Taxation

Referred to Appropriations

**Developmental Disabilities Administration - Community-Based Services -
 Reimbursement Rate**

This amended bill requires the Governor to include funding in the annual State budget sufficient to provide annual adjustments to the hourly reimbursement rate for community providers of developmental disabilities services. Funds for annual adjustments are to be used only to provide living wage adjustments to direct care workers of residential and day habilitation programs. The Department of Health and Mental Hygiene (DHMH) is required to adopt regulations to annually adjust the hourly reimbursement rates to specified levels for fiscal 1999 through fiscal 2001. For fiscal 2002 and subsequent years, the Developmental Disabilities Administration (DDA) is required to provide annual adjustments to the reimbursement rates that are greater than or equal to the “living wage”. DDA is required to determine the living wage by calculating the hourly wage necessary to provide an annual income greater than or equal to the federal poverty level “index”. DDA is prohibited from funding the annual adjustments from reductions to other components of community services.

The bill takes effect July 1, 1998.

Fiscal Summary

State Effect: Expenditures could increase by \$14.7 million in FY 1999, of which \$8.1 million is general funds and \$6.6 million is federal funds. Future year expenditures would increase with the rise in hourly wages required by the bill. Revenues would not be affected.

(in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	8.1	11.9	16.5	18.5	19.7
FF Expenditures	6.6	9.7	13.5	15.1	16.2
Net Effect	(\$14.7)	(\$21.6)	(\$30.0)	(\$33.6)	(\$35.9)

Local Effect: None.

Small Business Effect: Meaningful impact on small businesses as discussed below.

Fiscal Analysis

State Expenditures: Fiscal 1999 expenditures could increase by an estimated \$14.7 million, of which \$8.1 million is general funds and \$6.6 million is federal funds. This estimate is based on the prospective payment system to community service providers and assumes (1) an hourly rate of \$6.60, which represents an increase of \$1.05 over the current hourly wage assumed in DDA's prospective payment system; and (2) an average annual salary of \$13,728, based on a \$6.60 hourly wage and 2,080 hours worked per year.

Future year expenditures would increase with the rise in hourly wages required by the bill. DDA advises that the hourly rate will be \$7.85 in fiscal 2002 and \$8.01 in fiscal 2003, which assumes a 2% increase from the hourly wage of \$7.70 in fiscal 2001. Fiscal Services advises, however, that to provide annual adjustments to the reimbursement rates to be greater than or equal to the "living wage", the hourly rate would be \$8.28 in fiscal 2002 and \$8.45 in fiscal 2003. The current federal poverty level for a family of four is \$15,600, or \$7.50 an hour. The national poverty level was assumed to increase at 2% annually, so that the level for a family of four by fiscal 2002 would be \$17,224, or \$8.28 an hour and for fiscal 2003 would be \$17,568, or \$8.45 an hour. Therefore, since DHMH has underestimated the "living wage" for fiscal years 2002 and 2003 by about 5%, Fiscal Services has increased the expenditures projected by DHMH in 2002 and 2003 by 5%.

Small Business Effect: Developmental disabilities community service providers would benefit by receiving increased grant amounts from the Developmental Disabilities Administration, which could amount to \$14.7 million in fiscal 1998. In addition, providers would be guaranteed increases in the hourly reimbursement rate through fiscal 2001 with inflationary increases thereafter. An estimated 23,887 direct care staff work for developmental disabilities community service providers.

Additional Comments: The prospective payment system (PPS) is a cost-related reimbursement system for State-funded community services for persons with developmental disabilities. The PPS has two components used to set provider payment rates: (1) the client component based on the cost of care to clients; and (2) the provider component based on administrative costs. The direct care cost to clients varies based on each client's required level of care.

Information Source(s): Department of Health and Mental Hygiene (Developmental Disabilities Administration), Department of Fiscal Services

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Analysis by: Sue Friedlander
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710