SB 630

Department of Legislative Services

Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE

Third Reader - Revised

Senate Bill 630 (Senator Madaleno, *et al.*)
Finance Health and Government Operations

Nursing Homes - Partial Payment for Services Provided

This bill requires the Maryland Department of Health (MDH), at the request of a nursing home, to make an advance payment for Medicaid services provided to a resident who has filed an application for Medicaid services if the eligibility of the resident has not been determined within 90 days after the application was filed. An advance payment may not exceed 50% of the estimated amount due for uncompensated services. If the resident is found eligible for Medicaid, MDH must pay the balance due to the nursing home. If the resident is ineligible for Medicaid, MDH must recover any advance payments made by reducing payments due to the nursing home. **The bill takes effect July 1, 2018, and terminates June 30, 2020.**

Fiscal Summary

State Effect: Medicaid expenditures (50% general funds, 50% federal funds) increase by at least $142,400 in FY 2019 and at least $120,000 in FY 2020 for additional personnel to implement the bill. Federal fund matching revenues increase accordingly. General fund Medicaid expenditures also increase, potentially significantly, in FY 2019 and 2020 to provide advance payments to nursing homes (not reflected below).

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
FF Revenue	$71,200	$60,000	$0	$0	$0
GF Expenditure	$71,200	$60,000	$0	$0	$0
FF Expenditure	$71,200	$60,000	$0	$0	$0
Net Effect	($71,200)	($60,000)	$0	$0	$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law/Background: Medicaid provides health care coverage to children, pregnant women, elderly or disabled individuals, and indigent parents who pass certain income and asset tests. MDH is responsible for administering and overseeing Medicaid and determines the eligibility rules. The Department of Human Services (DHS) is responsible for management of the Client Automated Resource and Eligibility System, the computer system for most eligibility information (better known as CARES), and the initial determination and annual redetermination of eligibility for many Medicaid programs, including long-term care.

Applications for Medicaid must be processed within 30 days, or 60 days if a disability determination is necessary. Federal regulations require that Medicaid long-term care applications be processed within 45 days; however, long-term care applicants have up to six months to provide proof of income and resources.

Chapter 303 of 2016 requires MDH (then the Department of Health and Mental Hygiene), in consultation with DHS (then the Department of Human Resources), to submit specified quarterly reports regarding Medicaid long-term care eligibility determinations. MDH, in collaboration with DHS, must also conduct quarterly meetings with interested stakeholders to discuss the reports and develop strategies to resolve ongoing issues with and delays in Medicaid long-term care eligibility determinations.

The October 2017 report on the State's progress in determining long-term care services eligibility notes that, on average, more than 86% of applications are addressed within 30 days. Of that percentage, 28% are approved or denied and 72% are awaiting documents to validate factors of eligibility. All applications for which eligibility cannot be determined within 30 days are provided a Continuation Notice indicating that the application is pending awaiting the return of specified required verifications. For the period June 2016 through July 2017, 34% of cases were determined within 30 days, 12% were determined between 31 and 44 days, 25% were determined between 45 and 90 days, 21% were determined between 91 and 160 days, and 8% were determined in greater than 160 days. An additional 1,843 applications were still pending, awaiting required documentation as of October 2017.

In an effort to increase the ability to approve or deny an application within 30 days, DHS has procured an Asset Verification System (AVS), which is expected to hasten the processing for the 84% of the applications that require proof of financial and real property assets. Currently, 68% of applications require extensions because of missing proof of financial and real property assets. Quicker availability through AVS is expected to significantly reduce the overall percentage of applications that require extensions beyond the thirtieth day.

State Fiscal Effect: Medicaid expenditures (50% general funds, 50% federal funds) increase by at least $142,350 in fiscal 2019, which accounts for the bill's July 1, 2018 effective date. Federal fund matching revenues increase correspondingly. This estimate reflects the cost of hiring three contractual full-time positions (one grade 11 Medical Care Program associate II, one grade 15 Medical Care Program specialist II, and one grade 15 agency budget specialist) to issue the advance payments, monitor the eligibility of individuals for whom the funds were advanced, and reconcile payments on an ongoing basis. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

	FY 2019	FY 2020
Contractual Positions	3	-
Salaries and Fringe Benefits	$125,805	$118,077
One-time Start-up Expenses	14,670	0
Ongoing Operating Expenses	1,875	1,875
Personnel-related State Expenditures	**$142,350**	**$119,952**

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act. The estimate assumes termination of the contractual positions and related costs at the end of fiscal 2020, when the bill terminates.

Medicaid general fund expenditures increase further, potentially significantly, in fiscal 2019 and 2020, to provide advance payments to nursing homes. As advance payments would be made for nursing home residents who are not yet Medicaid eligible, federal matching funds are not available and 100% general funds are required. Some payments will be made on behalf of residents who are ultimately determined eligible for Medicaid and, thus, would have been made to the nursing home anyway. Under the bill, Medicaid can also recover advance payments made for residents who are found ineligible for Medicaid. However, given the nature of long-term care eligibility, new applications are submitted monthly. Thus, a certain amount of advance payments would be in the possession of nursing homes and not fully recovered by MDH until the bill terminates.

MDH advises that it currently operates an Interim Working Capital Fund under which qualified nursing homes are eligible to receive 1.5% of their Medicaid revenues from the previous year in a lump-sum amount to assist with cash flow. In fiscal 2019, MDH estimates that advance payments could be as much as $9.3 million annually (0.75% of total Medicaid nursing home payments that year).

Small Business Effect: Any small business nursing homes that accept Medicaid patients benefit from advance payments for residents whose eligibility has not yet been determined.

Additional Information

Prior Introductions: Similar legislation, HB 1599, was referred to the House Rules and Executive Nominations Committee, but no further action was taken on the bill. Its cross file, SB 1109, passed the Senate with amendments and received a hearing in the House Health and Government Operations Committee, but no further action was taken on the bill. SB 939 of 2016, which was similar as introduced, passed the Senate with amendments, but no further action was taken. Its cross file, HB 1181, was enacted as Chapter 303 of 2016, which requires specified reporting and stakeholder meetings as noted above.

Cross File: HB 1215 (Delegate Pena-Melnyk, *et al.*) - Health and Government Operations.

Information Source(s): Maryland Department of Health; Department of Legislative Services

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