

**Department of Legislative Services**  
Maryland General Assembly  
2019 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 846 (Delegate R. Lewis)  
Health and Government Operations

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**Maryland Medical Assistance Program - Managed Care Organizations -  
Behavioral Health Services**

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This bill requires Medicaid to provide reimbursement for medically necessary and appropriate “behavioral health services” and requires each managed care organization (MCO), rather than the specialty mental health system (SMHS), to provide or arrange for behavioral health services beginning January 1, 2021. Funding for community provider rates must be included in MCO capitation rates. **The bill takes effect July 1, 2019.**

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**Fiscal Summary**

**State Effect:** Significant operational and indeterminate fiscal impact on Medicaid to reintegrate behavioral health services back into the managed care system, as discussed below. Special fund revenues increase from the 2% premium tax on MCO capitation rates beginning in FY 2021.

**Local Effect:** The bill does not directly impact local government finances or operations.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** “Behavioral health services” means prevention, screening, early intervention, treatment, recovery, support, and rehabilitation services for individuals with substance-related disorders, addictive disorders, mental disorders, or a combination of these disorders.

**Current Law:** The Secretary of Health may establish a program under which Medicaid recipients are required to enroll in MCOs. The Maryland Department of Health (MDH) must establish a delivery system for specialty mental health services for MCO enrollees. The Behavioral Health Administration (BHA) must design and monitor the delivery system, establish performance standards for providers, and establish procedures to ensure appropriate and timely referrals from MCOs to the delivery system. MDH must collaborate with MCOs to develop standards and guidelines for the provision of specialty mental health services. MDH may contract with an MCO for delivery of specialty mental health services if the MCO meets performance standards adopted by MDH in regulations.

The delivery system must (1) provide all specialty mental health services needed by enrollees; (2) for enrollees who are dually diagnosed, coordinate the provision of substance abuse services provided by MCOs; (3) consist of a network of qualified mental health professionals from all core disciplines; (4) include linkages with other public service systems; and (5) comply with quality assurance, enrollee input, data collection, and other requirements specified by MDH in regulation.

**Background:** MCOs currently cover mental health and substance use disorder services provided by an enrollee's primary care provider. As part of Maryland's § 1115 HealthChoice waiver, specialty mental health and substance use disorder services (services that are not performed as part of a primary practitioner's office visit) are "carved out" into a separate managed fee-for-service system. The SMHS is administered by BHA, local core service agencies, and an administrative services organization (ASO).

In total, 300,000 people receive specialty mental health and substance use disorder services annually through the SMHS, 96% of whom are Medicaid enrollees. SMHS currently serves some non-Medicaid eligible individuals (underinsured and uninsured) and provides some services not covered by Medicaid (*i.e.*, supported employment) using State dollars.

The Governor's proposed fiscal 2020 budget includes \$5.2 billion for MCO capitation rates and \$1.5 billion for provision of specialty mental health and substance use disorder services to Medicaid enrollees.

The current five-year ASO contract for the SMHS expires December 31, 2019. The request for proposals for the next ASO contract was issued in November 2018 with bids due February 28, 2019. The contract will run January 1, 2020, through December 31, 2024, with one two-year option to cover January 1, 2025, through December 31, 2026.

**State Fiscal Effect:** Under the bill, the pending ASO contract would need to be cancelled, and costs for administration of the contract would no longer be incurred (the current five-year contract costs approximately \$95 million for the entire period). MCO capitation

rates would need to be set to reflect the inclusion of specialty behavioral health services, which could be accomplished through the current Medicaid rate-setting contract.

As Medicaid MCOs are subject to the 2% insurance premium tax, including funding for behavioral health services in MCO capitation rates results in increased premium tax revenues beginning in fiscal 2021. These revenues currently accrue to the Maryland Health Care Provider Rate Stabilization Fund and are used to support Medicaid operations.

However, the impact on overall State spending on behavioral health services under the bill cannot be reliably estimated. Although spending on behavioral health has increased in recent years, such increases cannot be attributed to those services being carved out of managed care. Several factors have influenced utilization, including the opioid epidemic, Medicaid enrollment growth under the federal Patient Protection and Affordable Care Act, and expanded access to services. It is unclear to what extent reintegrating behavioral health services into MCO rates as proposed under the bill would impact costs. Total spending on behavioral health could be maintained, increase, or decrease.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 482 (Senator Kelley, *et al.*) - Finance.

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

**Fiscal Note History:** First Reader - March 5, 2019  
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