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Maryland General Assembly
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FISCAL AND POLICY NOTE

Third Reader - Revised

Senate Bill 172 (Senator Hayes, *et al.*)

Budget and Taxation and Finance Health and Government Operations

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Maryland Health Equity Resource Act

This emergency bill establishes a process for designation of "Health Equity Resource Communities" (HERCs) to target State resources to specific areas of the State to reduce health disparities, improve health outcomes and access to primary care, promote prevention services, and reduce health care costs and hospital admissions and readmissions. An HERC Advisory Committee and HERC Reserve Fund are established; incentives are authorized for health care practitioners or community health workers (CHWs) that practice in an HERC. In fiscal 2023 through 2025, the Governor must transfer $15.0 million from the Maryland Health Benefit Exchange (MHBE) Fund to the HERC Reserve Fund as an appropriation in the State budget. The Maryland Community Health Resources Commission (MCHRC) must establish a Pathways to Health Equity Program to provide the foundation and guidance for a permanent HERC program and provide grant funding to specified entities. The bill also establishes a Pathways to Health Equity Fund. **Provisions regarding the Pathways to Health Equity Program and Fund terminate June 30, 2023.**

Fiscal Summary

State Effect: Special fund expenditures from the MHBE Fund increase by $15.0 million in FY 2023 through 2025; special fund revenues for the HERC Reserve Fund increase accordingly. The Pathways to Health Equity Fund is capitalized with *up to* $14.0 million in FY 2021 (not reflected); expenditures from the fund increase by *up to* a total of $14.0 million in FY 2022 and 2023 for grants, staff, and technical assistance (not reflected). MCHRC special fund expenditures from the Community Health Resources Commission (CHRC) Fund increase by $169,400 in FY 2023 for staff; future years reflect ongoing staff costs from this fund. Special fund grant awards and HERC incentives are not reflected below. **This bill establishes a mandated appropriation beginning in FY 2023.**

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	$0	$15,000,000	$15,000,000	$15,000,000	$0
SF Expenditure	-	$15,169,400	$15,250,400	$15,259,400	$268,600
Net Effect	($-)	($-)	($-)	($-)	($268,600)

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

Local Effect: Revenues and expenditures may increase in local jurisdictions associated with grants from the Pathways to Health Equity Program in FY 2022 and 2023 and for designation as an HERC in FY 2023 through 2025.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Pathways to Health Equity Program

The program must provide grant funding to reduce health disparities, improve health outcomes, improve access to primary care, promote primary and secondary prevention services, and reduce health care costs and hospital admissions and readmissions. MCHRC must issue a request for proposals (RFP) for applicants that meet specified criteria. Grants awarded through the program must be for two years. MCHRC must give special consideration to proposals from areas previously designated as a Health Enterprise Zone (HEZ). One additional staff must be added to MCHRC, specifically to staff the program. Chesapeake Regional Information System for our Patients (CRISP) must provide technical assistance to MCHRC by maintaining a data set and supporting program evaluation for the program.

By December 1, 2021, MCHRC must issue an interim report to the Governor and the General Assembly on grants awarded. By January 1, 2023, MCHRC must issue a final report to the Governor and the General Assembly on (1) grants awarded; (2) options to develop, sustain, and establish a permanent HERC program in the Maryland Department of Health (MDH); (3) cost-effective ways to measure the impact of an HERC; (4) workforce and recruitment strategies to be used by an HERC; and (5) any recommendations, including legislative recommendations, related to HERCs.

Pathways to Health Equity Fund

The purpose of the fund is to implement the Pathways to Health Equity Program through grant funding and staff support. The special, nonlapsing fund consists of (1) $14.0 million authorized for MCHRC under Chapter 39 of 2021 and (2) any other money from any other source. The fund is subject to audit by the Office of Legislative Audits. The fund may be used only to implement the Pathways to Health Equity Program and evaluate the impact of grants awarded under the program. Money expended from the fund is not intended to supplant funding appropriated to MCHRC, as specified. The fund may not be comingled or combined with the CHRC Fund.

Health Equity Resource Communities

"Health Equity Resource Community" means a contiguous geographic area that (1) demonstrates measurable and documented health disparities and poor health outcomes; (2) is small enough to allow for the incentives offered under the bill to have a significant impact on improving health outcomes and reducing health disparities, including racial, ethnic, geographic, and disability-related health disparities; (3) is designated by MCHRC as specified; and (4) has a minimum population of 5,000 residents.

The Office of Minority Health and Health Disparities must provide technical assistance to MCHRC in implementing HERCs. At the request of MCHRC, any other unit in MDH must also provide technical assistance. Two additional staff must be added to MCHRC, specifically to implement HERCs.

Designation of Health Equity Resource Communities: To receive a designation as an HERC, a nonprofit community-based organization, a nonprofit hospital, an institution of higher education, a federally qualified health center (FQHC), or a local government agency must (1) apply to MCHRC on behalf of the area to receive the designation and (2) include FQHCs or other community-based organizations to provide health or wraparound support services within the HERC. The application must contain specified plans and components.

By October 1, 2022, MCHRC must issue an RFP to designate areas as HERCs in accordance with the bill. In designating HERCs, MCHRC must consider geographic diversity, among other factors. Following receipt of all applications, MCHRC must report to the Senate Finance Committee and the House Health and Government Operations Committee on the names and geographic areas of applicants. MCHRC must give priority to applications that demonstrate specified factors, including previous designation as an HEZ. The decision to designate an HERC is a final decision with a five-year term that may be renewed. However, MCHRC may revoke a designation as an HERC for failure to meet specified objectives.

Reporting Requirements: Each HERC must periodically submit a specified report to MCHRC in accordance with a schedule determined by MCHRC. By December 15 each year, MCHRC must submit a specified report on HERCs.

Health Equity Resource Community Advisory Committee

MCHRC must establish an HERC Advisory Committee by July 1, 2021. The bill specifies the membership, required expertise, terms, and duties of the advisory committee. The advisory committee must meet by January 1, 2022, and at least once every six months thereafter. A member of the advisory committee may not receive compensation but is

entitled to reimbursement for expenses under the Standard State Travel Regulations, as provided in the State budget.

MCHRC may convene working or advisory groups to facilitate implementation of HERCs that must include individuals who reside in an area that has been or may be designated as an HERC.

Incentives for Health Care Practitioners and Community Health Workers

A health care practitioner or CHW that practices in an HERC may receive loan repayment assistance, as provided for in the application for designation as an HERC.

A health care practitioner or CHW may also apply to MCHRC for a grant to defray the costs of capital or leasehold improvements to, or medical or dental equipment to be used in, an HERC, as specified.

Health Equity Resource Community Reserve Fund

The special, nonlapsing fund consists of (1) money appropriated in the State budget to the fund in fiscal 2023 through 2025 from the MHBE Fund; (2) interest earnings; and (3) any other money from any other source.

The fund may be used only to (1) support areas designated as HERCs by providing grants to specified entities to reduce health disparities, improve health outcomes, provide drug treatment and rehabilitation, and reduce health costs and hospital admissions and readmissions and (2) provide supplemental funding for specified behavioral health programs. Money expended from the fund to support HERCs is supplemental to and is not intended to supplant funding for those purposes.

Maryland Health Benefit Exchange Fund

The purpose of the MHBE Fund is expanded to include providing funding for the establishment and operation of HERCs. In addition to current uses, the fund may be used for appropriations to the HERC Reserve Fund. In each of fiscal 2023 through 2025, the Governor must transfer $15.0 million from the MHBE Fund to the HERC Reserve Fund and include the funds in the annual budget bill as an appropriation to HERC Reserve Fund.

Current Law: Chapter 3 of 2012, the Maryland Health Improvement and Disparities Reduction Act of 2012, established a process for designation of HEZs to target State resources to reduce health disparities, improve health outcomes, and reduce health costs and hospital admissions and readmissions in specific areas of the State. The Act authorized specified incentives for "Health Enterprise Zone practitioners" who practice in an HEZ,

including tax credits against the State income tax. The HEZ initiative was funded with a $4.0 million annual appropriation through the Maryland Community Health Resources Commission. The Act terminated at the end of fiscal 2016.

Chapter 39 (the Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families (RELIEF) Act), among other actions, establishes a Recovery Now Fund to which the Governor may transfer $306.0 million from the Rainy Day Fund. On the Governor's approval of a budget amendment, up to $14.0 million from the fund may be authorized for MCHRC in fiscal 2021. MCHRC may retain any funds that remain unspent at the end of fiscal 2021 into fiscal 2022. MCHRC must use these funds to provide grants to reduce health disparities, improve health outcomes, improve access to primary care, promote primary and secondary prevention services, and reduce health care costs and hospital admissions and readmissions.

MHBE was created during the 2011 session to provide a marketplace for individuals and small businesses to purchase affordable health coverage. The MHBE Fund may be used only for the operation and administration of MHBE and for the establishment and operation of the State Reinsurance Program. The MHBE Fund consists of revenues from a 1% assessment on all amounts used to calculate an entity's premium tax liability for the immediately preceding calendar year. The assessment runs through calendar 2023.

Based on 2019 and 2020 health insurance provider fee assessment collections, the estimated balance of the MHBE Fund is $446.0 million. As of July 2020, annual revenues to the fund are estimated by the Maryland Insurance Administration to be $112.6 million in calendar 2021, $118.9 million in calendar 2022, and $125.6 million in calendar 2023 (the assessment ends after calendar 2023).

For additional information about health disparities, please see the **Appendix – Health Disparities**.

State Fiscal Effect:

Pathways to Health Equity Fund

Although the Pathways to Health Equity Fund is capitalized in fiscal 2021 with *up to* $14.0 million due to the transfer of monies from the Recovery Now Fund, as authorized in Chapter 39, net special fund revenues for the State are not affected. Chapter 39 authorizes these monies to be retained into fiscal 2022 if not expended in fiscal 2021; however, this analysis assumes that, since the monies are being distributed to a special, nonlapsing fund, they actually remain available for expenditure through fiscal 2023, when the new fund terminates.

Accordingly, a total of *up to* $14.0 million is available to fund the Pathways to Health Equity Program beginning in fiscal 2021; however, this analysis assumes expenditures are not incurred until fiscal 2022 and 2023. Again, total spending does not change from that assumed in Chapter 39, but the timing of expenditures differs. Specifically, *up to* $14.0 million in MCHRC special fund expenditures from the Pathways to Health Equity Fund are incurred in fiscal 2022 and 2023 combined to award grants, reimburse CRISP for technical assistance (including maintaining a data set and supporting program evaluation), and hire staff. This estimate reflects the cost of hiring one full-time project director (beginning July 1, 2021) to issue an RFP, award grants, provide technical assistance, evaluate the impact of grants awarded under the program, and prepare reports for the Governor and the General Assembly, including a final report that must include options for a permanent HERC program in MDH, cost-effective ways to measure the impact of HERCs, and workforce and recruitment strategies for HERCs. It includes a salary, fringe benefits, one-time start-up costs, ongoing operating expenses, and costs for technical assistance from CRISP, as well as residual funding being used for grant awards.

	FY 2022	FY 2023
New Position	1.0	–
Grant Awards	$6,510,985	$6,817,156
CRISP Technical Assistance	396,000	99,000
Salary and Fringe Benefits	87,270	83,189
One-time Start-up Expenses	5,090	-
Ongoing Operating Expenses	655	655
Total Pathways to Health Equity Fund Expenditures	**$7,000,000**	**$7,000,000**

Based on estimated staff costs, MCHRC may award grants of up to $13.3 million over these two fiscal years combined, after accounting for personnel and other expenses. This analysis reflects relatively even distribution of grant awards over the two fiscal years, assuming one-half of the available funding is expended each year; however, actual expenditures depend on grants awarded.

Although the Pathways to Health Equity Program and Fund terminate at the end of fiscal 2023, MCHRC advises that, based on prior experience with the HEZ program, a permanent rather than a contractual position is required to ensure the commission is able to fill the position.

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses. As the purpose of the Pathways to Health Equity Fund is to implement the program through grant funding and staff support, this analysis assumes monies from the special fund are used to cover administrative expenses (including technical assistance from CRISP in fiscal 2022 and 2023, and remaining funds are used for

grants. Beginning in fiscal 2024, MCHRC special fund expenditures from the CHRC Fund continue to support the position, which transitions to assist MCHRC with other functions.

Health Equity Resource Community Reserve Fund

Special fund revenues for the HERC Reserve Fund increase by $15.0 million in fiscal 2023 through 2025, reflecting transfer of funds from the MHBE Fund and the bill's mandated appropriation.

Special fund expenditures increase by up to $15.0 million in fiscal 2023 through 2025 to support areas designated as HERCs by providing grants and to provide supplemental funding for specified behavioral health programs. Aside from the mandated appropriation to the fund, actual expenditures cannot be reliably estimated at this time and will depend on, among other things, the number of HERCs certified and the number and value of incentives provided under the bill.

Any costs associated with the HERC advisory committee are assumed to be minimal and absorbable within existing budgeted resources.

To the extent the bill's provisions reduce health care costs in HERCs, State expenditures may decline over time.

Maryland Community Health Resources Commission Staff Expenditures

The bill specifies that two additional staff must be added to MCHRC, specifically to carry out the bill's HERC provisions. Thus, MCHRC special fund expenditures increase by $169,429 in fiscal 2023. This estimate reflects the cost of hiring two full-time staff (one grade 17 and one grade 19) to implement the HERC program. As MCHRC must issue an RFP to designate areas as HERCs by October 1, 2022, this analysis assumes these two positions are hired beginning July 1, 2022. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	$157,939
One-time Start-up Expenses	10,180
Ongoing Operating Expenses	1,310
Total FY 2023 CHRC Fund Expenditures	**$169,429**

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses. Although these staff will be implementing the HERC designation process and supporting HERC implementation, this analysis assumes special funds from the CHRC Fund must be used for administrative expenses as the bill does not

permit the use of funds from the HERC Reserve Fund for this purpose. As noted above, the mandated position for the Pathways to Health Equity Program is also assumed to be funded with CHRC Fund monies beginning in fiscal 2024.

Small Business Effect: Health care practitioners and CHWs practicing in HERCs may receive loan repayment assistance and capital grants. Behavioral health providers may receive additional funding under the bill's supplemental funding.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 463 (Delegate Barron) - Health and Government Operations and Ways and Means.

Information Source(s): Comptroller's Office; Maryland Higher Education Commission; Department of Budget and Management; Maryland Department of Health; Department of Legislative Services

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Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix – Health Disparities

Racial and ethnic minorities are more likely to experience poor health outcomes as a consequence of their social determinants of health, including access to health care, education, employment, economic stability, housing, public safety, and neighborhood and environmental factors. A broad body of research has quantified the existence of health disparities between Black, Hispanic, and Native American individuals and their White counterparts, including a greater risk of heart disease, stroke, infant mortality, maternal mortality, lower birth weight, obesity, hypertension, type 2 diabetes, cancers, respiratory diseases, and autoimmune diseases.

Health Disparities in Maryland

Data consistently shows ongoing and in some cases growing health disparities in Maryland, including the impact of COVID-19, maternal and infant mortality, incidence of HIV, and emergency room (ER) visits for substance use, asthma, diabetes, and hypertension. For example:

- While Black individuals comprise 29.8% of the Maryland population, they represent 36% of COVID-19 deaths as of January 18, 2021.
- Maryland's maternal mortality rate for Black women is 3.7 times that of White women, and the racial disparity has widened in recent years.
- Maryland's infant mortality rate for all races/ethnicities has remained level but remains highest (10.2 per 1,000 in 2018) among the Black non-Hispanic population, nearly 2.5 times higher than the rate for the White non-Hispanic population.
- The incidence of HIV for all races/ethnicities has generally declined in Maryland; although the incidence among the Black non-Hispanic population (49.0 per 100,000) remains 2.4 times that of the total population.
- In 2017, ER visits for the Black non-Hispanic population compared with all races/ethnicities were 50% higher for substance use disorder; nearly 200% higher for asthma-related ER visits; 86% higher for diabetes-related ER visits; and 89% higher for hypertension-related ER visits.

Maryland Office of Minority Health and Health Disparities

A central effort to address health disparities in Maryland was the establishment of the Office of Minority Health and Health Disparities (OMHHD) in the Maryland Department of Health (MDH) in 2004. The purpose of the office is to address social determinants of health and eliminate health disparities by leveraging resources, providing health equity

consultation, impacting external communications, guiding policy decisions, and influencing strategic direction on behalf of the Secretary of Health. The office provides grants and technical assistance to community-based organizations, collects data on race and ethnicity, and targets programs and initiatives to three health conditions that disproportionately impact minorities in Maryland: infant mortality, asthma, and diabetes/prediabetes. The office's Minority Outreach and Technical Assistance Program provides grant funding for activities such as coordination and navigation of health care services, access to community-based health education, linkage to health insurance enrollment and social services, and self-management support through home visiting. In 2006 and 2010, the office prepared a *Maryland Plan to Eliminate Minority Health Disparities*.

Other Major Efforts to Address Health Disparities Since 2004

In January 2010, the Maryland Health Care Commission (MHCC) and OMHHD produced a *Health Care Disparities Policy Report Card*. The report card examined racial and ethnic distribution of Maryland physicians compared to the Maryland population and found that Black/African American, Hispanic/Latino, and American Indians/Native Americans were underrepresented in the physician workforce and in graduating classes from Maryland medical schools.

Other legislative efforts to address health disparities have focused on workforce development for health care providers, including convening a Workgroup on Cultural Competency and Workforce Development for Mental Health Professionals; establishing a Cultural and Linguistic Health Care Provider Competency Program; facilitating the workforce development, training, and certification of community health workers; requiring health occupations boards to report on efforts to educate regulated individuals regarding reducing and eliminating racial and ethnic disparities, improving health literacy, improving cultural and linguistic competency, and achieving racial and ethnic health equity; and requiring evidence-based implicit bias training for perinatal health care professionals.

In recent years, legislative initiatives regarding health disparities have focused on maternal and child health, including requiring a study on the mortality rates of African American infants and infants in rural areas, requiring MDH to establish a Maternal Mortality Stakeholder Group to examine issues resulting in disparities in maternal deaths, and requiring the Maternal Mortality Review Program to make recommendations to reduce disparities in the maternal mortality rate (including recommendations related to social determinants of health) and to include information on racial disparities in its annual report.

Senate President's Advisory Workgroup on Equity and Inclusion

In August 2020, the President of the Senate appointed a Senate workgroup to address environmental justice, health care disparities, and wealth and economic opportunity for minority Marylanders. The workgroup issued a report in January 2021, which includes recommendations relating to health disparities, including:

- requiring the director of OMHHD to meet with MHCC and MDH at least once annually to examine the collection of health data that includes race and ethnicity information and identify any changes for improving such data;
- requiring OMHHD to prepare an updated plan to eliminate minority health disparities and requiring MHCC to prepare a revised health care disparities policy report card;
- extending Medicaid coverage for pregnant women until 12 months postpartum and providing care coordination and health literacy education for individuals as they transition from Medicaid coverage;
- establishing a standing Maternal and Child Health Committee in MDH to develop a Blueprint for Maternal and Child Health;
- ensuring that all pregnant women receive comprehensive prenatal care by increasing awareness of and access to resources for all women, including establishing an emergency program that covers prenatal care for undocumented immigrants;
- assessing certified nurse midwife privileges in Maryland hospitals and developing recommendations with major stakeholders;
- establishing a Medicaid Doula Pilot Program in two counties;
- taking actions to increase the number of minority health care providers;
- requiring the Cultural and Linguistic Health Care Professional Competency Program to identify and approve implicit bias training programs for all individuals licensed and certified under the Health Occupations Article; and
- reestablishing the five health enterprise zones permanently.