Department of Budget and Management
Uploaded by: Acting Secretary Helene Grady
Position: FAV

WES MOORE
Governor

ARUNA MILLER
Lieutenant Governor

Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

HELENE GRADY
Acting Secretary

MARC L. NICOLE
Deputy Secretary

HOUSE BILL 202 / SENATE BILL 183

BUDGET RECONCILIATION AND FINANCING ACT OF 2023

House Appropriations Committee
February 28, 2023

Senate Budget and Taxation Committee
March 1, 2023

Testimony by

Helene Grady
Acting Secretary, Department of Budget and Management

The Budget Reconciliation and Financing Act of 2023 (BRFA) supports key elements of the Administration's fiscal year 2024 budget plan and helps to maintain the Rainy Day Fund balance at the State's target of $2.5 billion (10% of General Fund revenue) in fiscal year 2024.

The provisions of the legislation include:

Rainy Day Fund

The BRFA proposes to repeal the requirement that a portion of the fiscal year 2022 unappropriated surplus be appropriated into the Rainy Day Fund for fiscal year 2024. This provision, when combined with the fiscal year 2024 budget supports two of the Administration's key priorities for economic growth:

- A $500 million contribution to the Blueprint for Maryland's future, and
- The creation of a $500 million dedicated reserve to support strategic priority transportation projects across the state.

These actions maintain the Rainy Day Fund balance at the State's target of $2.5 billion (10% of General Fund revenue) in fiscal year 2024.

Medicaid Deficit Assessment

The BRFA proposes a one-year reduction of $50 million to the Medicaid Deficit Assessment as part of a multi-pronged short-term solution proposed by the Health Services Cost Review Commission (HSCRC) to mitigate the excess Medicare Total Cost of Care (TCOC) growth. The Administration views this as a temporary measure to provide the HSCRC additional time to develop a long-term solution to achieve the financial tests under the TCOC model.

Proposed Amendment

The Administration is offering an amendment (attached) to HB 202 / SB 183 as introduced to amend the provisions of Chapter 717 and 718, Laws of Maryland 2021. The amendment proposes to repeal a provision requiring the repayment of the Local Reserve Account over a fifteen-year period. Appropriations included in the fiscal year 2023 and 2024 budgets complete the repayment early.

Departmental Position

The Department of Budget and Management believes that the Budget Reconciliation and Financing Act of 2023 is necessary to support key provisions of the Administration's fiscal year 2024 budget plan.

DBM urges the Committees to vote for a favorable report on HB 202 / SB 183 with amendment.

AMENDMENTS TO HOUSE BILL 202
(First Reading File Bill)

AMENDMENT NO. 1

Chapters 717 and 718 of the Acts of 2021

SECTION 2. AND BE IT FURTHER ENACTED, That:

(a) For taxable years beginning after June 30, 2017, but before July 1, 2021, the State Department of Assessments and Taxation shall determine whether a homeowner is owed additional State homeowners' property tax credits as a result of the property tax credit under § 9–104 of the Tax – Property Article, as enacted by Section 1 of this Act, and if so, the amount of the refund owed.

(b) The State Department of Assessments and Taxation shall notify the homeowner and the county within which the homeowner's dwelling is located of the amount of the refund determined under subsection (a) of this section.

(c) **[**(1) Subject to paragraph (2) of this subsection, on**]** **ON** certification by the State Department of Assessments and Taxation, the Comptroller shall pay to an eligible homeowner the refund determined under subsection (a) of this section from the Local Reserve Account established under § 2–606 of the Tax – General Article.

[(2) For each of the fiscal years 2023 through 2037, the Governor shall include in the annual budget bill an appropriation to the Local Reserve Account in an amount equal to one–fifteenth of the total refunds paid in accordance with paragraph (1) of this subsection from the Local Reserve Account during fiscal year 2022.**]**

(d) Notwithstanding any other provision of law, for the taxable year beginning after June 30, 2021, but before July 1, 2022, a refund paid to a homeowner in accordance with this section may not be included in the calculation of the homeowner's gross income for purposes of eligibility for the property tax credit under § 9–104 of the Tax – Property Article.

SB183_BudgetReconcFinAct_Support-CF.pdf
Uploaded by: Brian Frazee
Position: FAV

Maryland
Hospital Association

Senate Bill 183 - Budget Reconciliation and Financing Act of 2023

Position: ***Support***
March 1, 2023
Senate Budget & Taxation Committee

MHA Position

On behalf of the Maryland Hospital Association's (MHA) 60 member hospitals and health systems, we appreciate the opportunity to comment in support of Senate Bill 183.

Maryland's hospitals appreciate Governor Moore's inclusion of a one-time $50 million reduction of the Medicaid Deficit Assessment in FY 2024 in this year's Budget Reconciliation & Financing Act (BRFA). We urge the Maryland General Assembly to protect that $50 million reduction in the FY 2024 budget.

Reducing the assessment yields multiple benefits for individual Marylanders and for the state. First, it lessens a financial burden on hospital patients, because the assessment adds approximately two percent to every hospital bill in Maryland. Additionally, the assessment artificially inflates Maryland's health care spending, which puts additional pressure on the state's ability to meet the cost-saving requirements of the Total Cost of Care agreement with the federal government. For the first time, the state failed to meet the financial metrics of the Total Cost of Care Model contract due to several factors relating to the pandemic. This one time assessment reduction will help alleviate that pressure as Maryland begins negotiations with the federal Centers for Medicaid and Medicare Innovation (CMMI) on the next phase of the Total Cost of Care Model.

Reducing the assessment in no way financially benefits hospitals; rather it is a true and direct reduction in health care costs in Maryland via our unique rate setting system. We urge the committee to protect this critically important investment in the state's budget.

For more information, please contact:
Brian Frazee, Vice President, Government Affairs
Bfrazee@mhaonline.org

1 - X - SB 183 - B_T - HSCRC - LOS .docx.pdf

Uploaded by: State of Maryland (MD)

Position: FAV

March 1, 2023

The Honorable Guy Guzzone
Chair, Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 183 – Budget Reconciliation and Financing Act of 2023 – Letter of Support

Dear Chair Guzzone and Committee Members:

The Health Services Cost Review Commission (HSCRC) supports the passage of Senate Bill 183, which reduces the budgeted Medicaid Deficit Assessment by $50 million for fiscal year 2024. This policy is one component of HSCRC's planned approach to improving Maryland's performance under the Total Cost of Care Model (TCOC) Agreement with the federal government.

The TCOC Model benefits Marylanders by controlling the growth of healthcare costs, ensuring equitable funding of uncompensated care (including charity care) in hospitals, funding investments in population health, supporting key health care infrastructure (e.g., the State-Designated Health Information Exchange), and investing in primary care. The HSCRC is committed to being a responsible steward of the State's unique Total Cost of Care Model while ensuring the financial stability of hospitals in Maryland and improving quality and outcomes for Marylanders.

The TCOC Model agreement with the Federal Centers for Medicare and Medicaid Services (CMS) commits the State to achieving statewide financial, health care quality, population health, and care transformation targets. Specifically, Maryland is obligated to generate $267 million in annual Medicare total cost of care savings in 2022. However, HSCRC expects that Maryland will only generate approximately $80 million in savings this year.[1] Maryland's performance on this measure was impacted by numerous factors, including escalating health care workforce costs and other inflationary pressures. In addition, HSCRC relied on a CMS estimate of predicted 2022 national medicare growth when setting Maryland hospital rates. This federal estimate was much higher than actual national Medicare growth in 2022.

On December 15th, the Commission approved a plan to improve the State's performance on the annual savings target under the Total Cost of Care Model in calendar year 2023. This plan is proactive, as the TCOC Model

[1] Final 2022 performance will be determined in the spring of 2023

contract does not require HSCRC to develop a plan to correct the reduced savings until the middle of 2023. HSCRC's plan is designed to generate approximately $100 million in Medicare savings.

The plan adopted by the Commission spreads the fiscal impact between hospitals, insurers, and the State. The plan has four components:

1. A reduction in all-payer hospital rates by $40 million. This policy reduces hospital revenues and reduces costs for payers (including Medicare, Medicaid, commercial insurers, and uninsured patients). This policy was implemented by HSCRC through hospital rate orders in January 2023.
2. Reductions in Medicare payments by $64 million. This policy reduces hospital revenues and Medicare expenditures, with no cost shifting to other payers. CMS has approved this policy.
3. An increase of the public payer differential by 1% for the remainder of FY 2023 and for FY 2024. This policy reduces Medicare & Medicaid rates. These rate reductions are offset by increases to commercial payer rates. This policy has no fiscal impact on hospitals. This policy requires CMMI approval with possible implementation in April 2023.
4. A reduction in the Medicaid Deficit Assessment of $50 million for FY 2024 only. The Medicaid Deficit Assessment requires hospitals to pay funds to Medicaid each year. This policy will temporarily reduce special funds from hospitals to Medicaid, offsetting reductions to hospital revenues from the other policies described above.

The reduction in the Medicaid Deficit Assessment requires the Committee's approval of the BRFA. HSCRC urges a favorable report of SB 183 as the reduction in the Medicaid Deficit Assessment is crucial to policies adopted by HSCRC in December to correct for the financial performance of the State under the Total Cost of Care Model while ensuring that hospitals have sufficient operating funds to maintain statewide access to high quality health care.

If you have any questions or if we may provide you with any further information, please do not hesitate to contact me at me at katie.wunderlich@maryland.gov or Megan Renfrew, Associate Director of External Affairs, at 410-382-3855 or megan.renfrew1@maryland.gov.

Sincerely,

Katie Wunderlich
Executive Director