Maryland General Assembly
Department of Legislative Services

Proposed Regulation
Department of Health and Mental Hygiene
(DLS Control No. 15-349)

Overview and Legal and Fiscal Impact

The regulation implements mid-year adjustments to the 2015 calendar year managed care organization HealthChoice rates and establishes rates for the calendar 2016 period.

The regulation presents no legal issues of concern.

Medicaid expenditures increase by $266,085,640 in fiscal 2016 (a reduction of $15,602,236 in general funds and an increase of $281,687,876 in federal funds) as a result of changes to the rates paid to HealthChoice managed care organizations (MCOs). Federal fund revenues increase accordingly. The fiscal 2016 budget assumes $83,059,914 in savings (55% federal funds, 45% general funds). In fiscal 2017, in the absence of enrollment or rate changes, Medicaid expenditures increase by $230,607,462 (55% federal funds, 45% general funds).

Regulation of COMAR Affected

Department of Health and Mental Hygiene:
Medical Care Programs: Maryland Medicaid Managed Care Program:
Managed Care Organizations: COMAR 10.09.65.19

Legal Analysis

Summary of Regulation

COMAR 10.09.65.19B(4) provides the rate tables for monthly payments to managed care organizations. The existing rates are for the period from January 1, 2015 through December 31, 2015.

The regulation updates the rates under paragraphs (a) through (d). The updated rates are effective from July 1, 2015 through December 31, 2015. The regulation also adds rates for the services covered under paragraphs (a) through (d), effective for the period from January 1, 2016 through December 31, 2016. Generally, the rates under paragraphs (a) through (d) are reduced for the July 1, 2015 through December 31, 2015 period. The regulation adds rate changes for calendar 2016 under new paragraphs (e) through (h). The new rates for calendar 2016 are generally increases from the rates for July 1, 2015 through December 31, 2015. However, the

rates for calendar 2016 are mixed as to whether they are increases or decreases from the rates currently in effect.

Legal Issues

The regulation presents no legal issues of concern.

Statutory Authority and Legislative Intent

The Department of Health and Mental Hygiene cites §§ 2-104(b), 15-102.3, and 15-103 of the Health – General Article and §§ 15-112, 15-605, and 15-1008 of the Insurance Article as statutory authority for the regulation. Section 2-104(b) of the Health – General Article authorizes the Secretary of Health and Mental Hygiene to adopt rules and regulations to carry out the provisions of law with the jurisdiction of the Secretary. Section 15-103 establishes the Maryland Medical Assistance Program and requires the Secretary to administer the program, including adopting regulations. Section 15-102.3 provides that §§ 15-112, 15-605, and 15-1008 of the Insurance Article apply to managed care organizations in the same manner as they apply to carriers.

Section 15-112(a)(4) of the Insurance Article defines "carrier" as: an insurer; a nonprofit health service plan, a health maintenance organization; a dental plan organization; or any other person that provides health benefit plans subject to regulation by the State. The remainder of § 15-112 governs the relationship between a carrier and the health care providers contracted to provide services under the health care plan. Section 15-605 requires managed care organizations to submit certain financial information to the Maryland Insurance Commissioner. Subsection (b) contains specific requirements for managed care organizations to report the compensation of each member of its board of directors and its senior officers. Section 15-1008 governs the retroactive denial of reimbursement to a health care provider by a carrier. Managed care organizations are included in the definition of "carrier".

This authority is correct and complete. The regulation complies with the legislative intent of the law.

Fiscal Analysis

Medicaid expenditures increase by $266,085,640 in fiscal 2016 (a reduction of $15,602,236 in general funds and an increase of $281,687,876 in federal funds) as a result of changes to the rates paid to HealthChoice managed care organizations (MCOs). Federal fund revenues increase accordingly. The fiscal 2016 budget assumes $83,059,914 in savings (55% federal funds, 45% general funds). In fiscal 2017, in the absence of enrollment or rate changes, Medicaid expenditures increase by $230,607,462 (55% federal funds, 45% general funds).

Agency Estimate of Projected Fiscal Impact

The regulation implements both a midyear calendar 2015 rate adjustment to the MCO rates and calendar 2016 MCO rates. The department advises that the midyear rate adjustment increases Medicaid expenditures by a net of $150,781,909 in fiscal 2016. This reflects:

- a reduction in rates for non-childless adults of $114,223,158 (50%, or $57,111,579, in general fund savings) due to decreasing rates to the lower bound, a reduction in physician fees to 92% of Medicare rates, and an adjustment in hospital rates; and

- an increase in rates for childless adults of $265,005,067 (100% federal funds).

The department advises that implementation of calendar 2016 MCO rates increases general fund Medicaid expenditures by $41,509,343 in fiscal 2016 (5.9%). In combination, the department advises that the fiscal impact of the midyear rate adjustment (a reduction of $57,111,579) and calendar 2016 MCO rates (an increase of $41,509,343) is a reduction in general fund Medicaid expenditures of $15,602,236. The Department of Legislative Services concurs with this general fund impact. Additional information on the total impact of the rate actions is provided below.

In addition to overall general fund savings, the midyear rate adjustment increase of $150,781,909 reflects an increase in federal fund expenditures of $207,893,488. Implementation of calendar 2016 MCO rates increases Medicaid expenditures by a total of $115,303,731, including $73,794,388 in federal funds (64%) and $41,509,343 in general funds (36%). In combination, the two rate actions increase Medicaid expenditures by $266,085,640 in fiscal 2016, a reduction of $15,602,236 in general funds and an offsetting increase of $281,687,876 in federal funds. Federal fund revenues increase accordingly.

Impact on Budget

Medicaid expenditures increase by a total of $266,085,640 in fiscal 2016 as a result of changes to the rates paid to MCOs. Federal fund revenues increase accordingly. The fiscal 2016 budget already assumes $83,059,914 in savings associated with the midyear rate adjustment ($45,731,052 in federal funds and $37,328,862 in general funds).

Agency Estimate of Projected Small Business Impact

The department advises that the regulation has minimal or no economic impact on small businesses in the State. The Department of Legislative Services concurs.

Contact Information

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