

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1302 (Delegate Hurson)
Environmental Matters

Capitated Payments to Managed Care Plans or Organizations - Condition of Payment

This bill provides that if the State authorizes or requires the enrollment of Medicaid program recipients in managed care organizations (MCO), the managed care plans may receive capitated payments only if the plans actually see or treat the Medicaid recipients for medical purposes.

Fiscal Summary

State Effect: Indeterminate. Expenditures could increase or decrease, depending on how the bill's requirements are interpreted and the success of MCO outreach efforts.

Local Effect: None.

Fiscal Analysis

State Expenditures: It is assumed that Medicaid payment rates would be adjusted so that they reflect the population that uses services, rather than the entire Medicaid population. For illustrative purposes, if \$1 million had been spent for a Medicaid population of 500, but only 250 actually used services, the average cost of services per Medicaid recipient would be \$2,000. The bill's requirements could be interpreted in one of two ways: (1) the cost remains \$1,000,000, but the average cost per recipient must be computed using the 250 who used services, resulting in an average cost of \$4,000 per recipient; or (2) the average cost per recipient remains \$2,000, but the cost must be computed using the 250 who actually used services, resulting in costs of \$500,000. In either case, MCOs are likely to intensify outreach activities in response to the new financial incentives, so as to maximize revenues. As a result, expenditures could be either higher or lower than current expenditures, depending on the success of MCO outreach efforts.

Information Source(s): Department of Health and Mental Hygiene (Medical Care Programs Administration), Department of Fiscal Services

Fiscal Note History: First Reader - February 26, 1996

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Analysis by: Sue Friedlander

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710