

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 772 (Senator Della)  
Finance

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**Medicaid - Transfer to Department of Human Resources**

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This bill transfers the Medical and Pharmacy Assistance Programs from the Department of Health and Mental Hygiene (DHMH) to the Department of Human Resources (DHR). All DHMH employees in the Medical and Pharmacy Assistance Programs are transferred to DHR without any change or loss of rights or status, except as specifically provided in this bill.

This bill takes effect July 1, 1997.

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**Fiscal Summary**

**State Effect:** Assuming staff within the Medical and Pharmacy Assistance Programs are moved to a new location, general fund expenditures could increase by \$3.4 million in FY 1998. Future year expenditures reflect ongoing leasing and personnel costs. Revenues would not be affected.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	0	3,419,600	635,200	649,800	664,800
Net Effect	\$0	(\$3,419,600)	(\$635,200)	(\$649,800)	(\$664,800)

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

**Local Effect:** None.

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**Fiscal Analysis**

**Background:** The Medical Care Programs Administration, within DHMH, is responsible for administering the Medical Assistance Program (Medicaid) and the State's Pharmacy

Assistance Program. Medical Assistance is a joint federal and State program that provides assistance to indigent and medically indigent individuals. The federal government provides 50% of the funding for Maryland's program. Most Medical Assistance eligibility determinations are made by the State's local departments of social services, which are supervised by DHR. Approximately 472,000 individuals are projected to enroll in the Medical Assistance Program in fiscal 1997 at a cost of \$2.3 billion.

The Maryland Pharmacy Assistance Program (MPAP) is a 100% State funded program which purchases drugs for income eligible individuals who do not qualify for Medical Assistance. Approximately 34,000 individuals are projected to enroll in MPAP in fiscal 1997 at a cost of \$17.5 million.

**State Effect:** The Medical Care Programs Administration fiscal 1997 budget allowance totals \$2.3 billion, of which 50% is general funds and 50% is federal funds. The administration has 498 permanent positions at a cost of \$20 million and 89 contractual positions at a cost of \$2.1 million in fiscal 1997. This bill would transfer these funds and positions from DHMH to DHR. The following table provides a breakdown of expenditures in fiscal 1997:

Type of Expenditure	Amount
Salaries and Fringe Benefits	\$20,057,231
Contractual Staff	2,101,850
Administrative Expenses	2,646,462
Medical Assistance Benefits	2,321,793,434
<b>Total</b>	<b>\$2,346,598,977</b>

In addition to the transfer of positions and State and federal funding, this bill would result in an increase in State expenditures resulting from one-time moving expenses and ongoing operating costs.

*Moving Expenses*

Moving expenses are expected to total approximately \$2.3 million. These expenses include the cost to move 499 personal computers, office furniture, and electronic data processing equipment. This estimate is based on the following:

- Moving Personal Computers \$149,700

- Moving Office Furniture 649,475
- Moving Data Processing Equipment 1,500,000

*Information Management Expenses*

Information management expenses could increase by approximately \$375,000 which results from the purchase of an additional printer and the hiring of staff to operate the printer. An additional \$249,500 is required to construct special facilities to accommodate the mainframe computer system once it is transferred to DHR.

In addition, computer support for the Medical Care Program is provided by the Annapolis Data Center at a cost of \$2.3 million annually. However, DHR utilizes an outside contractor to provide computer support. Accordingly, if DHR decides to utilize an outside contractor to handle the functions of the Medical Care Program, the Annapolis Data Center would have to find another vendor to cover its operating costs. The Department of Fiscal Services advises that DHR could continue to utilize the data services at the Annapolis Data Center at no additional cost to the State.

*Office Space Expenses*

DHR advises that the computer mainframe system used for the Medical Assistance program would be located in a building adjacent to the department's headquarters on Saratoga Street. However, there is currently no available space within the department's headquarters to accommodate the additional employees. Accordingly, if the employees are moved from the State Office Building on West Preston St., the State would have to lease additional office space at a cost of \$938,400. Since the State currently spends approximately \$442,500 on lease agreements for the affected employees and space for computers, leasing expenditures would increase by \$495,900.

*Net Impact*

General fund expenditures increase by \$3.4 million in fiscal 1998. Future year expenditures increase by \$635,177 and \$664,835 in fiscal 1999 and 2001, respectively. These expenditures reflect ongoing leasing and personnel costs.

<b>Additional Expenses</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>
Moving	\$2,299,175	\$0	\$0	\$0

Information Management	624,500	129,375	133,903	138,599
Office Space	495,884	505,802	515,918	526,236
<b>Total</b>	<b>\$3,419,559</b>	<b>\$635,177</b>	<b>\$649,821</b>	<b>\$664,835</b>

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**Information Source(s):** Department of Human Resources, Department of Health and Mental Hygiene, Department of Fiscal Services

**Fiscal Note History:** First Reader - April 5, 1996

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