

**Department of Fiscal Services**  
 Maryland General Assembly

**FISCAL NOTE**  
**Revised**

House Bill 163 (Chairman, Environmental Matters Committee)  
 (Departmental - Health and Mental Hygiene)

Environmental Matters

Referred to Finance

**Maryland Medical Assistance Program - Recovery of Payments**

This amended departmental bill authorizes the Department of Health and Mental Hygiene (DHMH) to recover Medicaid program payments from: (1) financial accounts, without the need for probate, of deceased program recipients age 55 or older, unless the recipient has a surviving spouse or a surviving child under 21, blind, or permanently disabled; and (2) the estate of the surviving spouse of a deceased program recipient, unless there is a surviving child who is under 21, blind, or permanently disabled. DHMH must pay funeral expenses up to \$1,500 for the deceased program recipient from recovered funds, if funds are not otherwise available.

**Fiscal Summary**

**State Effect:** FY 1997 Medicaid revenues could increase by up to an estimated \$4.8 million, of which \$2.4 million is general funds and \$2.4 million is federal funds. The FY 1997 Medicaid budget allowance assumes \$3.5 million additional revenues (\$1.75 million general funds and \$1.75 million federal funds) as a result of the bill's provisions. However, there is no language in the budget bill that makes the revenue attainment contingent upon passage of this bill. If the bill is passed, the fiscal impact could be an additional \$1.3 million in revenues (\$0.65 million general funds and \$0.65 million federal funds) not anticipated in the FY 1997 Medicaid budget allowance. The Department of Health and Mental Hygiene's \$3.5 million figure is less than the Department of Fiscal Services' as a result of differing assumptions discussed below.

**Local Effect:** None.

**Small Business Effect:** The Department of Health and Mental Hygiene has determined that this bill has a meaningful impact on small business (attached). Fiscal Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

## Fiscal Analysis

**Bill Summary:** The bill further specifies that a claim filed by DHMH against the estate of a deceased program recipient will be barred unless it is presented within the earlier of: (1) six months after the first appointment of a personal representative; or (2) two months after the personal representative mails or delivers a notice informing DHMH that its claim will be barred unless it presents its claim within two months. An attorney representing a program recipient on a claim to which DHMH has a right of subrogation must notify DHMH prior to filing the claim.

**State Revenues:** Fiscal 1997 expenditures could increase by up to an estimated \$4.8 million (or \$6.5 million on an annualized basis), of which \$2.4 million is general funds and \$2.4 million is federal funds. This estimate reflects: (1) the bill's October 1, 1996 effective date; (2) \$4.2 million from program recipient financial accounts; (3) \$187,500 from spousal estates; (4) \$330,000 from allowing DHMH more time to file a claim against the estate of a deceased program recipient; and (5) \$150,000 from mandatory attorney referral. Future year revenues increase in fiscal 1998 due to annualization and growth in mandatory attorney referrals.

The assumptions behind the \$4.2 million figure for recoveries from financial accounts of Medicaid program recipients are shown below:

*Nursing home Medicaid program recipients:* \$4,914,000

Average of 3,120 deaths annually of program recipients over age 55 with no spouse;  
Average account balance of \$1,800; and  
85% have prepaid burial plans of \$1,500.

*Non-nursing home Medicaid program recipients:* \$1,147,500

Average of 1,500 deaths annually of program recipients over age 55 with no spouse;  
Average account balance of \$900; and  
85% have prepaid burial plans of \$1,500.

*Present estate collection:* \$(450,000)

\$450,000 of the funds eligible for recovery would have been recovered under the existing estate collection program (probated estates).

**TOTAL:** \$5,611,500 (annualized)  
\$4,208,625 (10/1/96 start date)

The Department of Fiscal Services' estimate of additional fiscal 1997 revenues (\$4.8 million) differs from what is in the Medicaid budget allowance (\$3.5 million) for three reasons:

- DFS's estimate reflects the bill's October 1, 1996 effective date, whereas the DHMH estimate assumes a full year's revenue increase;
- DHMH uses a conservative estimate (50%) of the percentage of deceased program recipients with prepaid burial plans because it does not wish to overestimate recoveries. However, DHMH's experience in recent years shows that 80-85% of deceased program recipients have prepaid burial plans. DFS's estimate reflects the less conservative 85% figure; and
- DHMH's figure of \$3.5 million incorporates only the recipient financial account portion of the bill, whereas the DFS figure of \$4.8 million incorporates not only the recipient financial account portion, but also additional revenues from the spousal estates, amount of time to file claims against estates, and the mandatory attorney referral portions of the bill.

If the bill is not passed, the fiscal impact would be a deficit of \$3.5 million in the fiscal 1997 Medicaid budget allowance, since DHMH would not be authorized to pursue the additional Medicaid recoveries upon which its fiscal 1997 budget is based.

**State Expenditures:** DHMH advises that general fund expenditures could increase by an estimated \$51,888 in fiscal 1997, which reflects the bill's October 1, 1996 effective date. This estimate reflects the cost of hiring one Administrative Officer and one Fiscal Clerk to pursue recovery of Medicaid expenditures. It includes salaries of \$31,814, fringe benefits, one-time start-up costs, and ongoing operating expenses.

However, the Department of Fiscal Services advises that although the fiscal 1997 budget allowance for the Medicaid program assumes an increase in revenues of \$3.5 million, the allowance includes no new positions to pursue these recoveries. Therefore, DFS assumes that the bill's requirements can be handled with existing budgeted staff resources.

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

**Fiscal Note History:** First Reader - January 29, 1996  
ncs Revised - House Third Reader - March 19, 1996

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