Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Revised

Senate Bill 543 (Senator Hoffman, et al.)
Finance Referred to Environmental Matters

Continuing Care Contracts

This amended bill expands the responsibilities of the Office on Aging with regard to continuing care facilities, certification of continuing care providers, and other activities associated with continuing care contracts. The bill specifies conditions under which the office must approve the sale or transfer of ownership or control of a facility, or the sale, transfer, or other disposition of assets. The office's decision with respect to the proposed sale or transfer of ownership or control and the disposition of assets is subject to appeal by the provider in accordance with the Administrative Procedures Act.

The bill also specifies conditions under which requests for an expansion, renovation, or new development are subject to review by the office, and indicates conditions under which the office must approve such requests. Providers of continuing care must also provide a disclosure statement to prospective subscribers, at no cost, which provides specified information. The office must review the content of the statement to ensure its compliance with the provisions of the bill.

Fiscal Summary

State Effect: Special fund expenditures would increase by $19,100 in FY 1997. Out-year expenditures reflect annualization and wage and inflation adjustments. Special fund revenues would increase by about $27,600 in FY 1997. Future year revenues grow with an increase in the number of continuing care units.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
SF Revenues	$27,600	$29,000	$30,500	$32,000	$33,600
SF Expenditures	19,100	21,700	22,100	22,600	25,700
Net Effect	$8,500	$7,300	$8,400	$9,400	$7,900

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

Local Effect: None.

Fiscal Analysis

Bill Summary: In addition, the bill requires that providers of continuing care maintain certain financial reserves. It alters information to be included in feasibility studies, which are required for providers who intend to develop a facility for continuing care, and in applications for certification. Conditions under which the office may approve feasibility studies and certification are detailed. The bill also alters provisions pertaining to subscribers' termination of continuing care contracts, and contains provisions to ensure that concerns of subscribers are addressed.

Provisions of the bill pertaining to the disposition of assets not exceeding 10% of total assets are effective when the office adopts regulations establishing objective standards for provider financial stability and capacity to meet the obligations of continuing care agreements if such a disposition is made. The remaining provisions of the bill are effective October 1, 1996.

Background: The Office on Aging convened a Continuing Care Retirement Communities Advisory Committee during the 1995 interim to review current law and to achieve a consensus in areas that have created differences between providers of continuing care and subscribers. Membership on the committee consisted of providers, advocates, and subscribers. The committee's recommendations are incorporated in this bill.

State Effect: Because the bill would require the Office on Aging to evaluate and approve corporate reorganizations, financial plans, and other information, a part-time (two-thirds of a full-time equivalent) contractual Fiscal Specialist II would be needed to handle the additional workload. As a result, special fund expenditures would increase by $19,118 in fiscal 1997. This reflects a salary of $14,752, fringe benefits, operating costs, and the October 1, 1996 effective date. The first-year expenditures are itemized below:

Salaries and Fringe Benefits	$16,079
Operating Expenses	3,039
Total FY 1997 Expenditures	**$19,118**

Future year expenditures reflect (1) a 2% increase in the salary and ongoing operating expenses to account for inflation; and (2) a computer replacement in fiscal 2001.

The Office on Aging advises that it would exercise its authority to raise fees to offset additional expenditures that would result from the bill. Currently, the certification renewal charge for providers is $10 per unit for each continuing care retirement community, and there are approximately 11,024 units to which the charge would be applied. The office advises that it would increase the fees by $2.50. Accordingly, fiscal 1997 special fund revenues would increase by approximately $27,560. Out-year revenues reflect a 5% growth in the number of units, which is consistent with experience since fiscal 1994.

Information Source(s): Office on Aging, Department of Health and Mental Hygiene, Department of Fiscal Services

Fiscal Note History:	First Reader - February 20, 1996
ncs	Revised - Senate Third Reader - March 19, 1996

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