Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 395 (Senator Pica)

Finance   Referred to Environmental Matters

Maryland Medical Assistance Program - Nursing Facilities - Disproportionate Share Payment

This amended bill requires the Department of Health and Mental Hygiene (DHMH) to pay a disproportionate share payment to a nursing home that provides at least 80% of its non-Medicare patient days to Medicaid program patients, if at least 20% of those patient days are for Medicaid patients who receive heavy or heavy-special care. The disproportionate share payment is the lesser of (1) $5.00 per Medicaid patient day; or (2) the difference between the nursing home's Medicaid rate and the amount the nursing home would be paid by Medicaid if cost containment imposed in fiscal 1991 and subsequent years were rescinded.

The bill is contingent on the inclusion of funds in a supplemental budget for fiscal 1997 in an amount sufficient to fund the disproportionate share payment required by the bill. Further, the bill sunsets upon the earlier of (1) the date that Medicaid funding is restored to pre-cost containment levels; or (2) October 1, 1998.

Fiscal Summary

State Effect: Expenditures could increase by $7.0 million to $9.2 million in FY 1997 (half of which is reimbursable by federal funds), contingent upon a supplemental budget containing additional funds for the Medicaid program. Expenditures could increase by $9.8 million to $13 million in FY 1998 and $2.6 million to $3.4 million for the first quarter of FY 1999.

Local Effect: None.

Fiscal Analysis

Background: A total of $35 million was reduced from the nursing home reimbursement formula during fiscal 1991 cost containment. In fiscal 1995, $5 million was restored to the formula; another $9 million was restored in fiscal 1996, for a total of $14 million. Therefore, continuing cost containment amounts to $21 million annually.

State Effect: Expenditures could increase by $7.0 million to $9.2 million in fiscal 1997, of which up to 50% ($3.5 million to $4.6 million) is reimbursable by federal funds. The expenditure increase is contingent upon a supplemental budget containing additional funds for the Medicaid program; no such supplemental budget has appeared to date. Congress is considering legislation that may cap the amount of federal funds that states receive under Medicaid. As a result, it's possible that any increased Medicaid expenditures must be funded entirely with general funds.

The $7.0 million estimate reflects (1) disproportionate share payments ranging from $1.27 per patient day to $5.00 per patient day for the 75 nursing homes eligible for a disproportionate share payment under the bill's requirements; and (2) the bill's October 1, 1996 effective date. The $9.2 million estimate differs from the $7.0 million estimate by assuming 100 nursing homes eligible for a disproportionate share payment. The additional 25 nursing homes represented in the higher estimate currently provide between 75-80% of non-Medicare patient days to Medicaid program patients. Under the bill's requirements, these 25 nursing homes would have an incentive to ensure that their patient mix is a least 80% non-Medicare patient days for Medicaid patients to be eligible for the disproportionate share payment.

Future year expenditures would increase by $9.8 million to $13 million in fiscal 1998 and $2.6 million to $3.4 million for the first quarter of fiscal 1999 (since the bill sunsets on October 1, 1998). Expenditures increase with annualization and 5.5% medical cost inflation.

Information Source(s): Department of Health and Mental Hygiene (Medical Care Policy Administration), Health Facilities Association of Maryland, Department of Fiscal Services

Fiscal Note History: First Reader - March 6, 1996
ncs   Revised - Updated Information - March 6, 1996
                             Revised - Senate Third Reader - April 3, 1996

Analysis by:	Sue Friedlander	Direct Inquiries to:
Reviewed by:	John Rixey	John Rixey, Coordinating Analyst
		(410) 841-3710
		(301) 858-3710