

Department of Fiscal Services
 Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1166 (Delegate Conroy, et al.)

Appropriations

Referred to Finance and Budget and Taxation

**Department of Health and Mental Hygiene - Community Programs -
 Reimbursement Rates**

This amended bill requires the Secretary of Health and Mental Hygiene to adopt regulations to adjust reimbursement rates for community programs annually for cost-of-living changes, beginning in fiscal 1998. The adjustments must be: (1) at least equal to the annual percentage increase provided to State employees in the State budget, unless the Governor reports to the General Assembly the reasons for a lower cost-of-living adjustment; (2) be based on the total allocation for community programs funded by the Developmental Disabilities Administration (DDA), the Mental Hygiene Administration (MHA), and the Alcohol and Drug Abuse Administration (ADAA); (3) be applied to all community service providers funded by DDA and ADAA and to all community psychiatric rehabilitation programs and outpatient mental health programs funded by MHA; and (4) be applicable for the entire fiscal year. Funds allocated for cost-of-living adjustments for community providers may be used only for that purpose.

Fiscal Summary

State Effect: FY 1999 general fund expenditures could increase by up to \$7.7 million, assuming that State employees receive a 2% COLA in FY 1999 and subsequent years and that the Governor includes a corresponding 2% COLA for community service providers. Revenues would not be affected.

(\$ in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
GF Expenditures	0.0	0.0	7.7	7.8	7.9
Net Effect	\$0.0	\$0.0	(\$7.7)	(\$7.8)	(\$7.9)

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

Local Effect: None.

Fiscal Analysis

State Expenditures: The Department of Health and Mental Hygiene advises that general fund expenditures for a community service provider cost-of-living adjustment (COLA) could increase by up to \$6.9 million for each 2% increase in the State employee COLA. This assumes that (1) the fiscal 1997 total allocation for community programs is \$250 million for DDA, \$147 million for MHA, and \$56 million for ADAA, for a total community programs allocation of \$453 million; (2) a 2% increase equals \$9 million in total funds; and (3) of the \$9 million, \$2.1 million is reimbursable with federal Medicaid funds. DDA is expected to receive \$66 million in federal matching funds in fiscal 1997 through the Medicaid waiver program for community services; and MHA is expected to receive \$37 million in federal Medicaid funds for MHA community programs, for a total of \$103 million.

The Department of Fiscal Services (DFS) advises that fiscal 1999 general fund expenditures could increase by up to an estimated \$7.7 million. The DFS estimate assumes: (1) a fiscal 1997 total allocation for community programs of \$255 million for DDA, \$159 million for MHA, and \$56 million for ADAA, for a total of \$470 million; (2) a 2% COLA for community service providers in fiscal 1999, 2000, and 2001, since State employees are expected to receive a 2% COLA in those years; (3) a 2% COLA increase equals \$9.8 million in total funds; (4) a 2% annual increase in community programs appropriations from the fiscal 1997 proposed budget; and (5) of the \$9.8 million, \$2.1 million is reimbursable by federal funds.

The Department of Fiscal Services interprets “total allocation for community programs” upon which any adjustment is to be based more broadly than does DHMH. DFS uses the entire amount of grant funds budgeted for human services contracts in the community services budgets, whereas DHMH subtracts funds for any contracts not considered “community programs”. For example, in MHA, the total fiscal 1997 budget allowance for community programs is \$159 million; DHMH bases its adjustment on \$147 million, excluding any services not reimbursable by Medicaid (i.e., a homeless project, supported employment, family support groups, emergency services, and a capitation project). In DDA, the total fiscal 1997 budget allowance for community programs is \$255 million (excluding \$4 million for regional offices); DHMH bases its adjustment on \$250 million, excluding services which do not go directly to community projects in which direct care workers are employed, such as training, behavioral intervention, and emergency services.

Information Source(s): Department of Health and Mental Hygiene, Department of Fiscal Services, *Maryland FY 1997 Budget, Appendix F* (Department of Budget and Fiscal Planning)

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