Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 678 (Delegate Rosenberg, et al.)
Environmental Matters

Maryland Medical Assistance Program - Medicaid Waiver - Managed Care Organizations

This bill requires the Department of Health and Mental Hygiene (DHMH), to the extent possible, to hire and train individuals receiving assistance under Aid to Families with Dependent Children (AFDC) for any program established for the education and enrollment of Medicaid program recipients into managed care organizations (MCOs). It also repeals references in current law to a federal Section 1115 Medicaid waiver and to expanding Medicaid benefits to persons not currently eligible for them.

The bill takes effect July 1, 1996.

Fiscal Summary

State Effect: General and federal fund expenditures could decrease by $161,100 in FY 1997. Savings increase in FY 1998 with annualization and remain constant in subsequent years. In addition, there is a potential for an indeterminate but significant decrease in Medicaid expenditures as discussed below. 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	(80,550)	(107,400)	(107,400)	(107,400)	(107,400)
FF Expenditures*	(80,550)	(107,400)	(107,400)	(107,400)	(107,400)
Net Effect	($161,100)	($214,800)	($214,800)	($214,800)	($214,800)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds
*Federal fund expenditures are reimbursable by the federal government.

Local Effect: None.

Fiscal Analysis

Bill Summary: The bill further provides that non-profit managed care organizations (MCOs) may claim a tax credit for wages and qualified child care expenses with respect to a qualified employment opportunity employee. Non-profit MCOs are exempt from making addbacks to federal taxable income to determine State adjusted gross income or modified income. The tax credits are in effect for employees hired between June 1, 1995 and June 30, 1998 and are effective as of 1996 and sunset after 2001. Any excess credits may be carried forward and may be applied for taxable years on or after 2002.

State Revenues: Although the bill establishes a tax credit for MCOs, there would be no decrease in tax revenues because the Department of Health and Mental Hygiene's managed care proposal excludes MCOs from directly marketing their services to Medicaid recipients. Instead, it specifies that the process of informing recipients of their MCO options and enrolling them in plans will be done by an enrollment agency that is either a State agency or a private independent contractor, who will not be associated with any MCO.

State Expenditures: Expenditures for AFDC could decrease by an estimated $161,100 since individuals will no longer receive AFDC if they are absorbed into the workforce. This estimate reflects (1) an estimated 48 former AFDC recipients employed by a program for the education and enrollment of Medicaid program recipients into MCOs; (2) an average family of three receives $373 per month in AFDC benefits; and (3) a 90-day start-up delay from the bill's effective date. Although DHMH's managed care proposal is not expected to be implemented until January 1997, it is assumed that a program for the education and enrollment of Medicaid program recipients into MCOs would need to be in place by January 1997. Future year savings are assumed to remain constant.

There is no impact to the Medicaid program from the AFDC provision because it will incur costs in establishing a program for the education and enrollment of Medicaid recipients into MCOs, whether or not AFDC recipients perform the work.

Medicaid expenditures could decrease by an indeterminate but significant amount since the bill's repeal of current law referring to a Medicaid waiver removes an obstacle to DHMH implementation of mandatory managed care. For illustrative purposes, DHMH has developed a mandatory managed care proposal for which the Department of Fiscal Services estimates potential savings of $23.9 million in fiscal 1997.

Information Source(s): Department of Human Resources, Comptroller of the Treasury, Department of Health and Mental Hygiene (Medical Care Programs Administration, Health Care Access and Cost Commission), Department of Fiscal Services

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