HB 998

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 998 (Delegate Pitkin, et al.)
Environmental Matters

Health Services Cost Review Commission - Preventive Services Program

This bill requires the Health Services Cost Review Commission (HSCRC) to establish a hospital and community-based Preventive Services Program to reduce hospital uncompensated care. The program is to: (1) include the same level of mammography screening as is required of health insurers under the current mandated benefit; and (2) use federal task force guidelines to define other preventive services. Each hospital in Maryland is required to participate and report annually on the program to HSCRC.

Fiscal Summary

State Effect: Assuming a hospital rate increase in FY 1997, Medicaid expenditures could increase by $2.6 million (of which $1.3 million is general funds) and State employee health benefit plan expenditures could increase by an indeterminate amount. Future year expenditures increase with annualization and inflation. Expenditures could decrease by an indeterminate amount due to reduction of hospital uncompensated care. General fund revenues could increase by an indeterminate amount.

($ in millions)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	----	----	----	----	-----
GF Expend.	$1.31	$1.85	$1.95	$2.05	$2.17
FF Expend.*	$1.31	$1.85	$1.95	$2.05	$2.17
Net Effect	($2.62)	($3.70)	($3.90)	($4.10)	($4.34)

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

Local Effect: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount.

Fiscal Analysis

Background: Maryland continues to have one of the highest cancer death rates in the U.S., although recent data has shown an improvement in Maryland relative to the national average. Mammography screening has been a mandated benefit in Maryland since 1991 and two statewide breast cancer screening programs have been available for low-income, uninsured/underinsured women. Both are demonstration projects that may not continue and both have non-State sources of funding.

- The HSCRC's program operated in 28 community hospitals and was funded through a hospital rate increase. It was a three-year activity that ended in December 1995. HSCRC could decide to continue the program; that possibility is under consideration by the commission. It is also likely that many hospitals will continue the mammography screening program on their own, albeit with stricter eligibility standards regarding income and/or age.

- The Breast and Cervical Cancer Screening Program operates through local health departments and is supported by federal Centers for Disease Control funds. It is a five-year federal program that ends in July 1996; after that time, it is not clear whether federal funds will continue to be available.

Each year, the hospital program screens 14,000 women and the federally-funded program screens 9,000 women. A total of 111 breast cancers have been diagnosed which might have gone undetected in the absence of these programs. Annual funding for the two programs has averaged approximately $3 million each.

State Revenues: General fund revenues could increase by an indeterminate amount as a result of the State's 2% insurance premium tax that would apply to any increased health insurance premiums resulting from the bill's requirements. The State's premium tax is only applicable to "for-profit" insurance carriers.

In addition, general fund revenues could increase by an indeterminate amount in fiscal 1997 since the bill's requirements could subject insurance companies to rate and form filings. Each insurer (with the exception of health maintenance organizations) that amends its insurance policy must submit the proposed change to the Insurance Administration and pay a $100 form filing fee. Further, each insurer (with the exception of health maintenance organizations) that revises its rates must submit the proposed rate change to the Insurance Administration and pay a $100 rate filing fee. It is not possible to reliably estimate the number of insurers who will file new forms and rates as a result of the bill's requirements, since rate and form filings often combine several rate and policy amendments at one time.
State Expenditures: The bill requires program funding levels to: (1) exceed the level of the

Illness Prevention Pilot Program of the HSCRC, which has averaged approximately $3 million annually, for mammography screening programs; and (2) represent 0.5% of overall hospital rates by June 30, 2001. It is assumed that funding the program would require an increase in hospital rates since the current hospital screening program funding was achieved through a hospital rate increase and because the current rate structure is based on existing services. It is possible, however, that any rate increase could be offset to the extent that the HSCRC is able to offer incentives for hospitals to provide prevention services other than through a rate increase.

The bill's requirement that program funding levels represent 0.5% of overall hospital rates by June 30, 2001 would increase hospital rates by an estimated $25 million, of which at least $3 million would go towards mammography screening services. The $25 million estimate assumes (1) hospital revenues of $5 billion; and (2) HSCRC implementation of a rate increase in fiscal 1997. Accordingly, Medicaid expenditures could increase by an estimated $2.6 million in fiscal 1997, reflecting (1) the Medicaid program's 14% share of hospital claims; and (2) the bill's effective date of October 1, 1996. State employee health benefit plan expenditures could increase by an indeterminate but significant amount as well; it is not possible to reliably estimate the extent, however, because hospital claims data are not readily available.

Hospital rates could be offset to the extent that the program causes hospital uncompensated care to decrease. It is not possible to accurately project the extent of any such decrease at this time.

Future year expenditures reflect 5.5% annual medical cost inflation.

Local Expenditures: Expenditures for local jurisdiction employee health benefits could increase by an indeterminate amount, depending upon the current type of health care coverage offered and number of enrollees.

Information Source(s): Department of Health and Mental Hygiene (Medical Care Programs Administration, Health Services Cost Review Commission), Insurance Administration, Department of Fiscal Services

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