

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**  
**Revised**

Senate Bill 331 (Senator Bromwell, *et al.*)

Finance

Referred to Environmental Matters

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**Maryland Medical Assistance Program - Payments to Nursing  
Facilities with High Medical Assistance Utilization**

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This amended bill requires the Department of Health and Mental Hygiene (DHMH) to provide disproportionate share payments to nursing facilities if they provide at least 80% of their patient days to Medicaid recipients. The disproportionate share payment is the lesser of (1) \$5.00 per Medicaid patient day; or (2) the difference between the current nursing home's Medicaid rate and the amount the nursing home would be paid by Medicaid if the temporary payment parameter reductions in the Medical Assistance program were rescinded. If sufficient funds are not available in the State budget to support the entire disproportionate share payment required by the bill, any disproportionate share payment to nursing facilities identified in the bill could satisfy the bill's requirements. At least half of any funds appropriated in a supplemental budget for enhancement of Medical Assistance nursing home rates must be targeted for disproportionate share payment.

The bill is contingent on the inclusion of funds in a supplemental budget for fiscal 1998 targeted for the disproportionate share payments required by the bill. In addition, the bill sunsets upon the earlier of (1) the date that Medicaid funding is restored to pre-cost containment levels; or (2) October 1, 1999.

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**Fiscal Summary**

**State Effect:** Contingent upon a supplemental budget containing additional funds targeted for the disproportionate share payment, expenditures could increase by approximately \$5.7 million in FY 1998, of which \$2.85 million is general funds and \$2.85 million is federal funds. The estimate reflects the October 1, 1997 effective date. Expenditures could increase by \$8.0 million in FY 1999 and \$2.1 million for the first quarter of FY 2000.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful effect on small businesses as discussed below.

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### **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 for the Medical Assistance program could increase by \$5.7 million in fiscal 1998, of which \$2.85 million is general funds and \$2.85 million is federal funds. The expenditure increase is contingent upon a supplemental budget containing additional funds targeted for the disproportionate share payment; no such supplemental budget has appeared to date.

The \$5.7 million estimate reflects average disproportionate share payments of \$4.10 per Medicaid patient days to nursing homes. This is because some nursing facilities would require less than \$5.00 per Medicaid patient day to reach pre-cost containment rates. The estimate reflects: (1) 2.2 million Medicaid patient days; and (2) an October 1, 1997 effective date.

Expenditures increase by approximately \$8.0 million (\$4.0 million in general funds and \$4.0 million in federal funds) in fiscal 1999; and \$2.1 million (\$1.05 million in general funds and \$1.05 million in federal funds) for the first quarter of fiscal 2000. Expenditures reflect an inflation factor of 4.7%.

**Small Business Effect:** Thirteen of the 62 nursing facilities affected by the bill are small businesses. These small businesses will benefit from increased program payments. As a result of the bill, each small business nursing facility would receive, on average, increased payments of approximately \$91,900 in fiscal 1998 and \$128,300 in fiscal 1999.

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

**Fiscal Note History:** First Reader - February 19, 1997

lc Revised - Senate Third Reader - March 25, 1997

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