

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 531 (Senator Hollinger)
Finance

Acquisition of Nonprofit Health Entities

This bill prohibits the acquisition of a nonprofit health entity unless the acquisition has been approved by the Attorney General, the Department of Health and Mental Hygiene (DHMH), or the Insurance Administration. An acquisition will be approved if it: (1) safeguards the value of charitable assets; (2) ensures that the proceeds of the acquisition go to the Maryland Health Care Foundation; (3) ensures no part of the acquisition inures directly or indirectly to officers/trustees of the nonprofit health entity.

This bill establishes a nonprofit Maryland Health Care Foundation to (1) promote public awareness of the need to provide more timely and cost-effective health care to uninsured Marylanders; and (2) to solicit and provide financial support to expand health care access to the uninsured. A 19-member Board of Trustees will be responsible for the duties and activities of the foundation.

Fiscal Summary

State Effect: Indeterminate effect on general fund expenditures resulting from the establishment of the Maryland Health Care Foundation. Indeterminate increase in general fund revenues.

Local Effect: Local health expenditures could decrease by an indeterminate but significant amount. No effect on revenues.

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

Fiscal Analysis

Bill Summary: A person intending to acquire a nonprofit health entity must submit an application, which includes the name of the transferor, transferee, other parties to the acquisition, the sale price, the acquisition agreement, and other related documents to the appropriate regulating entity.

The regulating entity will publish notice of the application for acquisition and hold a public hearing. Within 60 days from the application, the acquisition will be approved unless otherwise provided by the regulating entity.

A trustee of the Maryland Health Care Foundation is entitled to reimbursement for expenses under the standard State travel regulations as provided in the State budget, but may not receive compensation.

State Effect: Any increase in expenditures for the Attorney General's office, DHMH, and the Insurance Administration for the regulatory oversight of nonprofit acquisitions could be absorbed within existing budgeted resources.

The foundation's mission is to promote access to health insurance for uninsured Marylanders by providing or subsidizing health insurance coverage for uninsured individuals and supporting efforts that would expand health insurance coverage to Marylanders. The foundation will accept funds from various sources, including the proceeds from a nonprofit acquisition and appropriations from the State as provided in the budget. As a result, general fund expenditures could increase by an indeterminate amount. It is not possible to reliably estimate the appropriations the foundation may receive from the State at this time.

Through the efforts of the foundation, the number of uninsured persons in Maryland could decrease, thereby decreasing the amount of uncompensated care. This could reduce expenditures for: (1) the Medicaid program and the State employee health benefit plan due to lower hospital rates; (2) health services funding to local health departments which serve the "grey-area" population (those who have too much income to be eligible for Medicaid but cannot afford health insurance); and (3) the Primary Care for the Medically Indigent Program which serves those not eligible for Medicaid. Any such decrease cannot be reliably estimated at this time, although it is assumed to be significant. Depending on the size of the appropriations (if any) and the savings from the reduction in uncompensated care, these two effects may potentially offset each other.

Assuming the foundation retains a private accounting firm to certify the annual financial statements and perform an opinion audit, the Office of Legislative Audits would be able to

undertake a fiscal/compliance audit with its existing staff. The initial audit would not occur until fiscal 1999 or later.

Expense reimbursements would depend upon the time, location, and frequency of the board of trustees' meetings. It is expected that reimbursements for the governmental members could be handled with the existing resources of the governmental entities represented on the task force. Fourteen non-governmental members on the board could entail additional general fund expenditures for travel expenses. These expenditures are assumed to be minimal and absorbable within the Executive Department's existing resources.

Expenses incurred by the Department of Health and Mental Hygiene, the Department of Human Resources, and the Maryland Insurance Administration for staff support, supplies, and office space will be reimbursed from funds of the foundation.

Local Expenditures: Local health expenditures could decrease by an indeterminate but potentially significant amount to the extent that the bill results in fewer uninsured individuals in a jurisdiction.

Small Business Effect: Approximately 40% of small businesses in Maryland receive health insurance coverage through the Comprehensive Standard Health Benefit Plan (CSHBP). It is uncertain how many of the remaining 60% of small businesses have other forms of health insurance coverage. This bill may increase access to health insurance coverage for the population of small businesses and self-employed currently without health insurance through either the direct support or the indirect sponsorship of the foundation.

Information Source(s): Insurance Administration; Office of the Attorney General; Department of Health and Mental Hygiene (Health Care Access and Cost Commission, Health Services Cost Review Commission, Medical Care Policy Administration); Maryland Association of Nonprofit Organizations; Department of Fiscal Services

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