

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 865 (Delegate Hurson, *et al.*)
Environmental Matters

Medical Assistance Program - Managed Care Program - Special Needs Children

This bill prohibits the State from enrolling special needs children in a Medicaid managed care program until January 1, 1998. The bill authorizes the establishment of a specialty managed care organization (MCO) that would provide Medicaid benefits only to children with special needs. Special needs children are not required to enroll in special needs children-only MCOs. Capitation payments to special needs children-only MCOs shall be set at a level in accordance with specified guidelines.

Fiscal Summary

State Effect: Expenditures for the Medicaid program could increase by an indeterminate but potentially significant amount in FY 1998. No effect on revenues.

Local Effect: None.

Small Business Effect: None. None of the MCOs participating in the Medicaid managed care program are small businesses. The small business providers and contractors that serve Medicaid recipients through these MCOs would not be directly impacted by this bill.

Fiscal Analysis

State Effect: In order to comply with the requirements of the bill, the Medicaid program would have to develop an alternate capitated rate for special needs children and submit the changes to the federal Health Care Financing Administration (HCFA) for approval. In addition, regulations would have to be promulgated to reflect these changes in capitated payments and to establish a specialty MCO. The cost of providing medical services to children with special needs are built into the current Medicaid capitated payment system. The effect of this bill on the overall cost to the Medicaid program cannot be reliably

estimated at this time because (1) there are insufficient data on the number of children who would qualify as special needs children; and (2) it is uncertain if the alternate capitated payment for special needs children would be budget-neutral.

In addition, the bill provides that special needs children cannot be enrolled in an MCO before January 1, 1998. Moreover, it is uncertain how long it would take HCFA to approve the changes to the program. Consequently, a delay in implementation is anticipated. The Medicaid program is expected to begin enrolling eligible Medicaid recipients into managed care organizations in June 1997 and coverage through managed care organizations is expected to begin in July 1997. If implementation of Medicaid managed care is delayed to January 1, 1998, it would impose a cost to the State in terms of unrealized savings. It is anticipated that a delay of six months could result in unrealized savings of approximately \$25 million in fiscal 1998.

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

Fiscal Note History: First Reader - March 4, 1997

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Analysis by: Lina Walker

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710