

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1167 (Delegate Nathan-Pulliam, *et al.*)
Environmental Matters

Medical Assistance Programs - Reimbursement for Federally Qualified Health Centers

This bill requires the Medicaid program to adopt a reimbursement methodology for federally qualified health centers (FQHC) that would compensate the health centers for services rendered to Medicaid recipients that are federally mandated but are not a benefit under the Medicaid program.

Fiscal Summary

State Effect: Medicaid program expenditures could increase by \$670,000 in FY 1998 under the Medicaid managed care program, of which \$335,000 is federal funds and \$335,000 is general funds. The estimate reflects the October 1, 1997 effective date. Future year expenditures account for annualization and inflation. No effect on revenues.

(in thousands)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	---	---	---	---	---
GF Expenditures	\$335	\$467	\$490	\$513	\$536
FF Expenditures*	\$335	\$467	\$490	\$513	\$536
Net Effect	\$670	\$934	\$980	\$1,026	\$1,072

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

* federal fund expenditures are reimbursable by the federal government

Local Effect: None.

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

Fiscal Analysis

State Expenditures: There are currently 14 FQHCs that provide services to Medicaid recipients. In fiscal 1996, Medicaid reimbursement to FQHCs was about \$6.3 million. The Medicaid program currently reimburses FQHCs using a cost-based reimbursement methodology, subject to a ceiling payment. For six of these FQHCs, Medicaid reimbursements cover the full cost of services rendered at their FQHC. There are eight FQHCs whose rates exceed the ceiling rate established by Medicaid for certain services. Consequently, Medicaid pays the ceiling rate for these eight FQHCs. Beginning June 1997, the Medicaid program will begin enrolling most of its population in managed care organizations (MCOs). MCOs would be paid a capitated rate per enrollee. Since capitated rates are set at 90% of traditional fee-for-service rates, any increase to fee-for service rates would translate to an increase in capitated rates.

As a result of this bill, expenditures for the Medicaid program under managed care would increase by approximately \$670,000 in fiscal 1998, which reflects the October 1, 1997 effective date.

The estimate is based on the following facts and assumptions: (1) the rates charged by the FQHCs reflect the cost of health care services provided at the FQHC; (2) the differential between the rate that is paid by Medicaid and the rate that is established by these FQHCs represents the cost of providing enhanced federally mandated services; (3) under managed care, the capitated payments for Medicaid recipients in managed care organizations (MCOs) would be 90% of the traditional fee-for-service rates; (4) the total number of visits by Medicaid recipients at these eight FQHCs remain constant (18,826); and (5) all the recipients currently visiting these eight FQHCs will be enrolled in Medicaid MCOs.

Future year expenditures reflect annualization and an inflation factor of 4.7%.

Small Business Effect: Some of these federally qualified health centers are small businesses. This bill would increase the reimbursement to some of these small businesses. The extent of the increase in revenues cannot be estimated at this time but could be significant.

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

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