

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 649 (Senators Bromwell and Young)

Finance

Referred to Environmental Matters

Medical Assistance Program - Fraud

This enrolled bill establishes criminal penalties for Medicaid health plan fraud or for making false representations relating to Medicaid health plans. The bill also imposes a three-year statute of limitation for offenses relating to Medicaid health plan fraud or making false representations relating to Medicaid health plans.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues and expenditures as a result of the bill's penalty provisions.

Local Effect: Potential minimal increase in revenues and expenditures as a result of the bill's penalty provisions.

Small Business Effect: None. The bill would only affect small business health care providers engaged in fraudulent activities.

Fiscal Analysis

Bill Summary: Under current law, an individual is subject to criminal penalties for committing Medicaid fraud. In a Medicaid fee-for-service environment, this implies the individual is directly defrauding the State and federal government. This bill imposes criminal penalties on individuals who defraud managed care organizations, or health providers/contractors in a Medicaid managed care environment. A person who commits Medicaid health plan fraud (1) is guilty of a misdemeanor and subject to a maximum fine of \$50,000 and/or maximum imprisonment of three years if the value of money or health care services, or other goods or services involved is less than \$500 in the aggregate; (2) is guilty of a felony and subject to a maximum fine of \$100,000 and/or maximum of five years

imprisonment if the value of money or health care services, or other goods or services involved is more than \$500 in the aggregate. In addition, the person must make full restitution of the money or the value of health care services unlawfully received.

A person making false representations relating to Medicaid health plans (1) is guilty of a misdemeanor and subject to a maximum fine of \$50,000 and/or maximum imprisonment of three years. In addition, the person must make full restitution of money, goods, or services unlawfully received.

If any of the above violations result in serious bodily harm, the person is guilty of a felony and subject to a maximum fine of \$100,000 and/or maximum imprisonment of 20 years. If any of the above violations result in death, the person is guilty of a felony and subject to a maximum fine of \$200,000 and/or maximum of life imprisonment.

A person that is not an individual and that commits Medicaid health plan fraud or makes false representations relating to Medicaid health plans is subject to a maximum fine of \$100,000 for each misdemeanor and \$250,000 for each felony.

State Revenues: General fund recoveries for the Medicaid program could increase by a minimal amount. In addition, general fund revenues could increase under the bill's monetary penalty provisions for those cases heard in the District Court, depending upon the number of convictions and fines imposed. Any increase, however, is expected to be minimal.

State Expenditures: To the extent this bill reduces the occurrence of Medicaid-related fraud, expenditures for the State Medicaid Program would decrease. The decrease is assumed to be minimal.

General fund expenditures could increase as a result of the bill's incarceration penalties due to more people being committed to a Division of Correction (DOC) facility and increased payments to counties for reimbursement of inmate costs, depending upon the number of convictions and sentences imposed. Any increase, however, is expected to be minimal.

Persons serving a sentence longer than one year are incarcerated in a DOC facility. In fiscal 1998 the average monthly cost per inmate is estimated at \$1,500.

Persons serving a sentence of one year or less are sentenced to a local detention facility. The State reimburses counties for part of their per diem rate after a person has served 90 days. State per diem reimbursements for fiscal 1998 are estimated to range from \$12 to \$42 per inmate depending upon the jurisdiction. Persons sentenced to such a term in Baltimore City are generally incarcerated in a DOC facility, with an average monthly cost estimated at

\$1,500 for fiscal 1998. [The Baltimore City Detention Center (BCDC), a State operated facility, is used primarily for pretrial detentions. The per diem cost for BCDC in fiscal 1998 is estimated at \$43 per inmate.]

Local Revenues: Revenues could increase under the bill's monetary penalty provisions for those cases heard in the circuit courts, depending upon the number of convictions and fines imposed. Any increase, however, is expected to be minimal.

Local Expenditures: Expenditures could increase as a result of the bill's incarceration penalties depending upon the number of convictions and sentences imposed. Counties pay the full cost of incarceration for people in their facilities for the first 90 days of the sentence, plus part of the per diem cost after 90 days. Any increase, however, is expected to be minimal.

Information Source(s): Department of Health and Mental Hygiene (Medical Care Finance and Compliance Administration), Office of the Attorney General (Medicaid Fraud Control Unit), Department of Fiscal Services

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