

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

Revised

House Bill 1159 (Delegate Hurson)

Environmental Matters

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Outpatient Mental Health Clinics - Funding

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This bill requires the Department of Health and Mental Hygiene (DHMH) to continue through fiscal 1999 the transition funding option for participating outpatient mental health clinics that was in effect on July 1, 1997. The bill may not be construed to prohibit DHMH from increasing the reimbursement rate under the transition funding option that was in effect on July 1, 1997. It authorizes DHMH to grant up to \$70,000 annually to an entity that coordinates pro bono mental health services for Marylanders without mental health insurance coverage.

The bill takes effect June 1, 1998.

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Fiscal Summary

**State Effect:** None. The bill would not directly affect State finances with regard to continuation of transitional funding for outpatient mental health clinics. The pro bono mental health services provision could be handled with existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

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Fiscal Analysis

**Background:** The Mental Hygiene Administration (MHA) has assumed responsibility for all publicly-subsidized mental health services under the Medicaid managed care waiver (Chapter 352 of 1996). Mental health services are managed by an administrative services organization under the direction of MHA and in conjunction with local core service agencies. Under the new Public Mental Health System (PMHS), many mental health providers will move from grant-based funding to a fee-for-service system.

Previously, MHA provided grant funds through core service agencies for non-Medicaid reimbursable services, services to seriously mentally ill individuals, and low-income individuals not eligible for Medicaid. Medicaid-reimbursable services provided to Medicaid recipients were reimbursed on a fee-for-service basis. Under PMHS, all services will be reimbursed on a fee-for-service basis using a combination of Medicaid and State general funds.

State regulations (COMAR 10.21.25.01) establish the fee schedules for various types of mental health services under the PMHS. The regulations give outpatient mental health clinics the option of participating in a transition funding alternative that represents a blend of grant funding and fee-for-service reimbursement throughout fiscal 1998 to allow time to determine fiscal viability under the fee-for-service system. Certain services do not lend themselves to fee-for-service criteria, such as consumer advocacy, job development, family support, and homeless programs.

**State Expenditures:** While implementation of PMHS affected the distribution of reimbursements among providers and the types of services rendered, there was no net change in total State expenditures. Because there was no net change in State expenditures from establishing the new system, there would be no effect due to continuing the transition funding for an additional year.

Prior to the Medicaid managed care waiver program, the Pro Bono Counseling Project received an annual grant of \$54,000 to broker free mental health services to Marylanders who do not have mental health insurance coverage or who do not qualify for Medicaid. The bill allows DHMH to continue this practice.

**Small Business Effect:** Individual outpatient mental health clinics would be favorably affected by remaining under the current transition system. Those that would have been adversely affected under a 100% fee-for-service environment will benefit and those that could be favorably affected by a 100% fee-for-service environment retain the option of moving to the fee-for-service system.

The effect on each clinic depends on several variables. It is not clear how each individual clinic will fare under a 100% fee-for-service system because: (1) the new rates correspond to specific services provided (i.e., on-site vs. off-site clinic rates) whereas the previous Medicaid rates covered a more generic type of service (i.e., clinic rates); and (2) the new rates will be applied to Medicaid and non-Medicaid reimbursable services, whereas the previous rates applied only to Medicaid reimbursable services.

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**Information Source(s):** Department of Health and Mental Hygiene (Mental Hygiene Administration), Department of Legislative Services

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