

Department of Legislative Services  
 Maryland General Assembly  
 1999 Session

FISCAL NOTE

Revised

Senate Bill 593 (Senator Hollinger. *et al.*)

Finance

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Home and Community Based Services for Impaired Individuals - Medicaid Waiver

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This bill requires the Department of Health and Mental Hygiene (DHMH) to apply to the federal Health Care Financing Administration (HCFA) for a Medicaid home and community based services waiver by August 1, 1999. The bill specifies the services and participants that must be included in the waiver application, including a limit on annual waiver participation based on State general fund support as provided in the budget bill. DHMH must work with the Maryland Health Resource Planning Commission to assure that 20% of assisted living program waiver beds are nursing facility beds that have been converted to assisted living beds.

The waiver will be jointly administered by the Departments of Aging, Human Resources, and Health and Mental Hygiene. DHMH, in consultation with various industry groups and State agencies, must adopt regulations and implement the waiver within 180 days of receipt of HCFA approval. DHMH must report to the General Assembly every six months regarding the status of the application.

The bill takes effect July 1, 1999.

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Fiscal Summary

**State Effect:** Assuming waiver approval and budget support to cover all the participants each year, expenditures for the Medicaid program would increase by \$1.3 million in FY 2000, of which \$650,000 is general funds and \$650,000 is federal funds. Future year expenditures reflect annualization, increased participation, and inflation. General fund revenues would not be affected.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
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GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	\$0.650	\$5.570	\$9.900	\$12.770	\$13.930
FF Expenditures*	\$0.650	\$5.570	\$9.900	\$12.770	\$13.930
Net Effect	(\$1.300)	(\$11.140)	(\$19.800)	(\$25.540)	(\$27.860)

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

\* - federal fund expenditures are reimbursable by the federal government

**Local Effect:** Indeterminate. Local government agencies may be eligible for payment by the Medicaid program as service providers.

**Small Business Effect:** Potential meaningful.

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## Fiscal Analysis

**State Expenditures:** Assuming that the waiver application is approved by HCFA and funds are provided in the State budget to support all the participants each year, expenditures for the Medicaid program will increase by \$1.29 million in FY 2000, of which \$647,381 is general funds and \$647,381 is federal funds. The estimate reflects the cost for the last quarter of fiscal 2000. The estimate is based on the following facts and assumptions:

- Waiver participants will include two groups of individuals: (1) newly-eligible individuals who would not have received Medicaid services in the absence of the waiver; and (2) existing Medicaid recipients or those who would have become Medicaid recipients.
- Persons in the latter category are individuals who are: (1) diverted from nursing homes; (2) currently receiving Medicaid-funded community services; and (3) are Qualified Medicare Beneficiaries (QMBs). Waiver services will replace nursing home care for those diverted from nursing homes. For the other Medicaid recipients, the waiver will provide additional services.
- The cost of waiver services will be less than the cost of nursing home care; thus, the savings from diverting individuals from nursing homes will offset some of the cost of additional services for existing Medicaid recipients and the cost of serving the newly-eligible population.
- The waiver population is proportioned as follows: 15% are nursing home diverted; 15% are existing Medicaid community recipients; 50% are QMBs; and 20% are newly-eligibles.
- The waiver program will grow very slowly; participation is expected to grow by 1,000 for each full year the waiver is in effect, up to a maximum participation of

7,500.

The exhibit below shows the impact of the waiver for fiscal 2000, which reflects the cost for one quarter, and fiscal 2001, which reflects a full year's cost.

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<b>Waiver Cost for the Medicaid Program</b>		
	<b><u>FY 2000</u></b>	<b><u>FY 2001</u></b>
Ave. Monthly Number of Waiver Participants	100	1,000
Service Cost for Waiver Participants	\$2,198,900	\$22,649,000
Offset for Nursing Home Diversions	(\$451,215)	(\$6,317,000)
Offset for Medicaid Community Eligibles	(\$272,025)	(\$2,801,850)
Offset for Qualified Medicare Beneficiaries	(\$276,700)	(\$2,622,000)
New Administrative Costs	\$95,802	\$237,209
<b>Net Medicaid Waiver Costs</b>	<b>\$1,294,762</b>	<b>\$11,145,359</b>
<b>Net General Funds Costs</b>	<b>\$647,381</b>	<b>\$5,572,680</b>

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The administrative costs include personnel costs for DHMH and the Department of Human Resources (DHR) to administer the waiver program. The estimates also include the cost of enrollment, billing, level of care determination conducted by Delmarva, and other associated administrative requirements. Some of these responsibilities may be assumed by other State agencies, such as the Department of Aging, which would result in a transfer of funds to the appropriate agencies.

Personnel costs for DHMH and DHR are estimated to be \$86,980 in fiscal 2000. This estimate assumes the waiver will be approved by HCFA and reflects hiring in October 1999 before the waiver is operational. The estimate accounts for the cost of hiring: (1) one half-time Medicaid supervisor, and one full-time and one half-time Medicaid program specialists for DHMH; and (2) one full-time income maintenance specialist for DHR. It includes salaries and fringe benefits.

Future year expenditures reflect: (1) increased participation in the waiver; (2) increased administrative costs for the larger population, which includes additional personnel for DHMH and DHR; (3) annualization; and (4) an annual increase of 5% for nursing home

services and 3% for community services.

**Small Business Effect:** Small business assisted-living facilities and other community service providers that participate in the waiver program would be positively impacted.

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**Information Source(s):** Department of Aging, Department of Health and Mental Hygiene (Medical Care Policy Administration, Health Services Analysis and Evaluation Administration, Community and Public Health Administration, Licensing and Certification), Department of Human Resources, Department of Legislative Services

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