

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE
 Revised

House Bill 995 (Delegates Goldwater and Taylor)

Environmental Matters

Health Care Regulatory Reform - Commission Consolidation

This bill consolidates two health care regulatory commissions and requires several studies. It abolishes the Health Resources Planning Commission (HRPC) and transfers its functions and funding to the Health Care Access and Cost Commission (HCACC). HCACC is renamed as the Maryland Health Care Commission (HCC). Funding for HCC comes from a new Health Care Commission Fund. The bill sets an \$8.25 million annual limit on HCC fee assessments and specifies the distribution of fees paid by hospitals, nursing homes, payors, and health care practitioners. HCC must coordinate with the Department of Health and Mental Hygiene (DHMH) and the Health Services Cost Review Commission to ensure an integrated, effective health care policy for Maryland.

Fiscal Summary

State Effect: FY 2000 special fund health planning expenditures decrease by at least \$218,500 and are offset by an equal increase in general fund expenditures. Further, per diem special fund expenditures for HRPC members decrease by \$21,800, exclusive of potential special fund increase for State salaries. Future year savings reflect annualization and inflation. In addition, special fund savings in future years could be significant if consolidation results in elimination of duplicative functions and resources. Indeterminate effect on future year special fund revenues and expenditures depending on outcome of HCC funding and user fee allocation report.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
SF Revenues	\$0	-	-	-	-
GF Expenditures	218,500	\$294,200	\$297,100	\$300,100	\$303,100
SF Expenditures	(240,300)	(323,200)	(326,400)	(329,700)	(333,000)
Net Effect	\$21,800	\$29,000	\$29,300	\$29,600	\$29,900

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

Local Effect: The civil penalty provisions of this bill are not expected to significantly affect

local finances or operations.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Bill Summary: The bill specifies the distribution of fees paid by the health care industry to support HCC operations in the following manner: 36% from hospitals, 5% from nursing homes, 40% from payors, and 19% from health care practitioners. It requires HCC, rather than the Insurance Administration, to assess the user fee for payors and removes third party administrators from the definition of payor. The fee distribution provision takes effect June 1, 2000 (fiscal 2001). Until May 31, 2000, HCC is to continue to assess user fees from hospitals and nursing homes in the same manner as HRPC did before the bill's effective date. Any balance remaining in the Health Resources Planning Commission Fund as of the bill's effective date is to be transferred into the Health Care Access and Cost Fund. Any balance remaining in the Health Care Access and Cost Fund as of May 31, 2000 is to be transferred into the new Health Care Commission Fund established by the bill.

HCC is expanded to 13 members serving new staggered terms.

The bill requires HRPC health planning functions and associated staff to be transferred to DHMH, except for those health planning functions necessary to support the certificate of need (CON) function, which are transferred to HCC with the rest of HRPC's functions. HCC must seek input from local health planning agencies in considering CON applications.

HCC is authorized to appoint advisory committees to make recommendations on community-based services, long-term care, acute patient services, ambulatory surgical services, specialized health care services, residential treatment centers for children, and mental health and substance abuse services.

The bill provides that HCC and Health Services Cost Review Commission (HSCRC) staff hired after September 30, 1999 are in the executive or management service or are special appointments in the State personnel management system and that HCC and HSCRC must determine appropriate job classifications and grades for all staff. The Secretary of Health and Mental Hygiene has no authority over HCC or HSCRC procurement procedures. All property and contracts held by HRPC must be transferred to HCC. Transferred employees will have the same rights, benefits, and employment and retirement status as they currently do.

The bill repeals the Advisory Board on Hospital Licensing.

The following studies are required: (1) HCC must submit an annual report on its activities to the Governor and the General Assembly on December 1, 2000 and each subsequent December 1; (2) HCC and HSCRC must submit a preliminary report to the General Assembly by January 1, 2000 and a final report by July 1, 2000 on consolidating the two commissions and examining the CON process, hospital rate regulation, and State and local health planning; (3) HCC must submit a report with recommendations on the appropriate level of commission funding and user fee allocation to the General Assembly by September 1, 2000; (4) HCC must report to various legislative committees by January 1, 2000 on its plans for altering its permanent workforce; and (5) DHMH must conduct a study of systems capacity in health services.

Background: Health care regulation in Maryland has evolved over the last three decades into a highly developed regulatory structure that incorporates DHMH, the Insurance Administration, and three independent commissions - HRPC, HSCRC, and HCACC. The cost of health care regulation is supported by a combination of user fees, general funds, and federal funds. Recent developments in health care delivery and financing, including the growth of managed care and the evolution of provider networks, have obscured the boundaries of these regulatory agencies.

Exhibit 1 sets forth the fiscal 2000 budgets for the three health commissions.

**Exhibit 1
Health Commissions
FY 2000 Budget**

	<u>Special Funds (\$ in millions)</u>	<u>Positions</u>
HCACC	\$4.7	30
HRPC	3.2	37
HSCRC	2.9	31
Total	10.8	98

State Expenditures:

Health Care Commission

Special funds of \$2.4 million are transferred from HRPC to HCC in fiscal 2000, which accounts for the bill's October 1, 1999 effective date. Fiscal 2000 special fund expenditures decrease by \$21,750, which represents per diem compensation for ten fewer commission members and accounts for the bill's October 1, 1999 effective date. Future year savings would increase with annualization.

The bill's provision that requires HCC and HSCRC staff hired after September 30, 1999 to be executive or management service or special appointments in the State personnel management system could result in minimal special fund savings due to reduced administrative costs from streamlined hiring procedures. However, the provision requiring HCC and HSCRC to determine staff classifications and grades would presumably result in an overall increase in salary levels. Future year special fund expenditures could increase or decrease depending on the outcome of the HCC report on commission funding levels and user fee allocation.

Health Planning Functions from HRPC Transferred to DHMH

HRPC's functions and funds are transferred to HCC, including HRPC's health planning functions in support of the CON process (State Health Plan); all other health planning functions are to be transferred to DHMH. Any funds transferred from HRPC to DHMH represent a decrease in special funds and a corresponding increase in general funds. An estimated \$218,471 in grant funds to local health planning agencies would be transferred to DHMH, which accounts for the bill's October 1, 1999 effective date. Additional health planning funds could be transferred to DHMH as part of the health planning function, but it is not possible to readily determine an exact amount at this time because health planning staff perform both State Health Plan functions and general health planning functions. For illustrative purposes, the fiscal 2000 budget includes \$742,766 in HRPC's Planning and Policy Analysis Division and 13 positions, exclusive of \$218,471 in local health planning grant funds.

Future Year Savings

Consolidation of HRPC and HCACC (and potentially HSCRC and HCC in future years) could result in significant expenditure savings in future years, to the extent that possible duplicative functions and resources are eliminated.

State Revenues:

HCACC Fee Revenues

Effective June 1, 2000 (fiscal 2001), HCC is to assess a fee on all hospitals, nursing homes, payors, and health care practitioners to cover the commission's annual expenditures. The total fees assessed may not exceed \$8.25 million in any fiscal year and are to be paid into the HCC Fund. However, revenues would not change because HCACC and HRPC already assess fees on hospitals, nursing homes, payors, and health care practitioners to cover health commission expenditures, with a combined cap of \$8.25 million.

The fiscal 2000 budget for HCACC and HRPC totals \$7.9 million. Therefore, HCACC/HCC's special fund revenues would cover its fiscal 2000 expenditures. The \$8.25 million cap would allow a \$0.35 million, or 4.4%, increase in HCC revenues in future years. Further, future year revenues could be affected by the results of the HCC report on commission funding levels and user fee allocation.

Penalty Provisions

If a health care facility is not providing certain information requested by HCC, the commission is authorized to: (1) impose a penalty of up to \$100 a day for each day that information is not provided; (2) issue an administrative order requiring the information; or (3) apply to a circuit court for legal relief. The monetary penalty provisions of this bill are not expected to significantly affect State revenues.

Local Revenues: The monetary penalty provisions of this bill are not expected to significantly affect local revenues.

Small Business Effect: Health care facilities and health insurers that are small businesses could benefit from consolidation and streamlining of State health care regulations.

Information Source(s): Department of Health and Mental Hygiene (Health Care Access and Cost Commission, Health Services Cost Review Commission, Health Resources Planning Commission), Health and Higher Educational Facilities Authority, Department of Aging, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 1999
nncsjr Revised - House Third Reader - March 29, 1999
Revised - Enrolled Bill - May 5, 1999

Analysis by: Sue Friedlander

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510