

**Department of Legislative Services**  
 Maryland General Assembly  
 1999 Session

**FISCAL NOTE**

House Bill 988 (Delegate Hurson)

Environmental Matters

**Maryland Medical Assistance Program - Special Needs Children - Fee for Service**

This emergency bill requires that children under the age of 19 years with special health care needs be excluded from the Medicaid managed care program (“HealthChoice”) by November 1, 1999. The bill requires the Department of Health and Mental Hygiene (DHMH) to reimburse health care providers for special needs children on a Medicaid fee-for-service basis. The department must conduct a statewide survey each year to assess the fees charged by specialty health care providers for treating children with special needs. The fees adopted by DHMH must be set by regulation and must not be less than 90% of the fees paid for similar services prior to the implementation of the HealthChoice program.

**Fiscal Summary**

**State Effect:** Medicaid expenditures could increase by \$9.44 million in FY 2000, of which \$4.72 million is general funds and \$4.72 million is federal funds. The estimate reflects the November 1999 implementation date. Future year expenditures reflect annualization and inflation. General fund revenues would not be affected.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	4.72	7.37	7.66	7.97	8.29
FF Expenditures*	4.72	7.37	7.66	7.97	8.29
Net Effect	(\$9.44)	(\$14.74)	(\$15.32)	(\$15.94)	(\$16.58)

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

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

## Fiscal Analysis

**State Expenditures:** The department defines special needs children as foster care children and children with disabilities (children receiving social security insurance). Accordingly, DHMH estimates that approximately 27,000 children will be covered on a fee-for-service basis under this bill. Of the 27,000 children, about 1,500 are currently enrolled in the Rare and Expensive Case Management (REM) program while the remaining 25,500 are enrolled in MCOs.

The average cost of providing services to children enrolled in MCOs is \$5,000 per child; the total cost for the 25,500 children is \$128 million. Services for REM children are reimbursed on a fee-for-service basis. The MCO capitation rates are set at about 90% of fee-for-service rates. Since the REM children are already reimbursed on a fee-of-service basis, the cost to the Medicaid program would be the additional cost of covering the remaining 25,500 children at the fee-for-service rates.

Correspondingly, expenditures for the Medicaid program will increase by \$9.44 million in fiscal 2000 (\$4.72 million in general funds and \$4.72 million in federal funds). The estimate reflects the November 1, 1999 effective date. Future year expenditure increases reflect annualization and 4% medical cost inflation.

---

**Information Source(s):** Department of Health and Mental Hygiene (Medical Care Policy Administration, Community and Public Health Administration), Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 1999

ncs/jr

---

Analysis by: Lina Walker

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 946-5510

(301) 970-5510