

**Department of Legislative Services**  
Maryland General Assembly  
2000 Session

**FISCAL NOTE**

Senate Bill 782 (Senator Kellev. *et al.*)

Finance

**Medicaid Reimbursement Rates Fairness Act of 2000**

This bill requires the Department of Health and Mental Hygiene (DHMH) to establish an 11-member Medical Assistance Reimbursement Expert Panel to study and make recommendations on Medicaid reimbursement rates to health care providers. In addition, the bill requires DHMH to provide appropriate levels of Medicaid reimbursement for health care providers based on the recommendations made by the panel.

This bill takes effect July 1, 2000.

**Fiscal Summary**

**State Effect:** Medicaid expenditures (50% federal funds, 50% general funds) could increase by \$165,000 in FY 2001. Future year expenditures reflect inflation. Potentially significant expenditure increase resulting from the panel's recommendations on increasing Medicaid reimbursement rates to health care providers. No effect on revenues.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	82,500	88,000	90,250	92,600	95,000
FF Expenditures*	82,500	88,000	90,250	92,600	95,000
Net Effect	(\$165,000)	(\$176,000)	(\$180,500)	(\$185,200)	(\$190,000)

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

*\*Federal expenditures are reimbursed by the federal government.*

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. The Medical Assistance Reimbursement Expert Panel may recommend significantly higher reimbursement rates to health care providers. Health care providers treating Medicaid recipients would be reimbursed in an amount more in line with current community rates.

---

## Analysis

**Bill Summary:** The bill establishes a Medical Assistance Reimbursement Expert Panel to: (1) provide technical expertise to the department; (2) annually identify current procedural terminology (CPT) codes used in the Medicaid program for fee-for-service reimbursements; (3) identify annually the CPT codes that are most often used by Medicaid in the State and nationwide; (4) ensure that CPT codes used by Medicaid are reviewed and that an appropriate reimbursement rate is recommended by July 1; (6) review the resource based relative value scale (RBRVS) system used by Medicare and recommend to the Secretary on the advisability of using RBRVS for Medicaid reimbursement rates; (7) ensure that the recommended reimbursement rates are adequate, reflect inflation, and reflect a scientific basis for use; and (8) establish a mechanism to assess provider satisfaction with fee-for-service or capitation reimbursement rates. The panel must submit a report on its findings and recommendations to the Governor and the General Assembly on or before July 1 of each year.

In addition, DHMH must provide appropriate levels of reimbursement to health care providers to encourage greater provider participation by: (1) annually adopting regulations to adjust the fee-for-service reimbursement rates to reflect recommendations made by the Medical Assistance Reimbursement Expert Panel; (2) annually requiring Medicaid managed care organizations (MCOs) to report to DHMH on provider satisfaction with reimbursement rates; and (3) ensuring that reimbursement rates paid by the MCOs and fee-for-service rates paid by the program are adequate, reflect similar rates paid in the community, and are adjusted annually to reflect the national and State medical inflation rate.

**Current Law:** DHMH must seek to provide appropriate levels of provider reimbursement to encourage greater provider participation; however, current law does not specify a particular method by which DHMH must determine appropriate reimbursement rates. There are no provisions for a Medical Assistance Reimbursement Expert Panel.

**State Expenditures:** Medicaid expenditures for the expert panel could increase by \$165,092 in fiscal 2001. This estimate reflects the cost of two positions to adopt annually regulations adjusting fee-for-service reimbursement rates and analyzing MCO reports on provider satisfaction. These positions include one full-time administrator II and one half-time office

secretary III. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$51,301
Survey Design and Analysis Contract	40,000
Other Operating Expenses	<u>73,791</u>
<b>Total FY 2001 Expenditures</b>	<b>\$165,092</b>

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual operating expenses.

At this time any fiscal impact associated with the panel's recommendations on changing Medicaid reimbursement rates to health care providers cannot be reliably predicted. For illustrative purposes only, if reimbursement rates are increased 10%, Medicaid expenditures would increase approximately \$15 million annually.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1017 (Delegate Hurson) - Environmental Matters.

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

**Fiscal Note History:** First Reader - February 21, 2000  
cm/jr

---

Analysis by: Susan D. John

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