

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE

Revised

House Bill 1071 (Delegate Hammen, *et al.*)

Environmental Matters

Finance

Maryland Medical Assistance Program and Maryland Children's Health Program - Reimbursement Rates Fairness Act of 2001

This bill requires the Department of Health and Mental Hygiene (DHMH) to establish a process to annually set the fee-for-service reimbursement rates for the Medicaid and Children's Health Insurance Program (CHIP) in a manner that ensures provider participation. DHMH must consider: (1) a reimbursement system that reflects reimbursement fee-for-service rates paid in the community as well as annual medical inflation; or (2) the Resource Based Relative Value Scale (RBRVS) system used in the federal Medicare program or American Dental Association CPT-3 codes.

DHMH must report by September 1, 2001 to the Governor, Senate Finance Committee, Senate Budget and Taxation Committee, House Environmental Matters Committee, and the House Appropriations Committee on: (1) its progress in establishing the reimbursement process; (2) an analysis of the fee-for-service reimbursement rates paid in other states and how those rates compare with those in the State; (3) its schedule for bringing the State's rates to a level that assures that all health care providers are reimbursed adequately to provide access to care; and (4) an analysis on the estimated cost of implementation.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: The establishment of a reimbursement process and reporting to the Governor and the General Assembly could be handled with existing DHMH budgeted resources. No effect on revenues.

Local Effect: None.

Small Business Effect:

Analysis

Current Law: Medicaid reimburses health care providers on a fee-for-service basis according to a fee schedule developed by DHMH.

Background: In 1992 Medicare significantly changed the way it pays for physicians' services. Instead of basing payments on charges, the federal government established a standardized physician payment schedule based on a RBRVS. In the RBRVS system, payments for services are determined by the resource costs needed to provide them. The cost of providing each service is divided into three components: (1) physician work; (2) practice expense; and (3) professional liability insurance. Payments are calculated by multiplying the combined costs of a service by a conversion factor (a monetary amount that is determined by the federal Health Care Financing Administration). Payments are also adjusted for geographical differences in resource costs.

In 1999 DHMH conducted a study of Medicaid's reimbursement rates which found that Medicaid's reimbursement rates were, on average, about one-third of Medicare rates (RBRVS).

Additional Information

Prior Introductions: None.

Cross File: SB 627 (Senator Kelley, *et al.*) – Finance.

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

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