

Department of Legislative Services
Maryland General Assembly
 2001 Session

FISCAL NOTE
Revised

House Bill 922
 Appropriations

(Delegate Pitkin, *et al.*)

Finance

Community Providers - Developmentally Disabled Individuals - Rate Increase

This bill requires the Department of Health and Mental Hygiene (DHMH) to increase the rate of reimbursement paid to “community providers” of services to individuals with disabilities.

Fiscal Summary

State Effect: General fund expenditures would not be affected in FY 2002 because the requirements of the bill are not mandated to take effect until July 1, 2002, FY 2003. General fund expenditures could increase by \$16.2 million and federal fund expenditures could increase by \$7.28 million in FY 2003. Future year expenditures reflect expenditure increases to reduce the disparity to 60% in FY 2004, 40% in FY 2005, 20% in FY 2006 and to eliminate the disparity in FY 2007.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	16.20	32.40	48.60	64.80
FF Expenditure	0	7.28	14.56	21.83	29.11
Net Effect	\$0	(\$23.48)	(\$46.95)	(\$70.43)	(\$93.91)

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary: By September 1, 2001, DHMH is required to determine the disparity amount (average difference in wages and benefits) between community direct service workers who provide support services to individuals with disabilities and State employees in residential centers who provide the same services. DHMH must also calculate the amount of annual increase in the rate of reimbursement to community providers necessary to reduce and eliminate the disparity amount. DHMH is required to increase the rate of reimbursement for community services providers by an amount that: (1) reduces the disparity to 80% by July 1, 2002; (2) reduces the disparity amount to 60% by July 1, 2003; (3) reduces the disparity amount to 40% by July 1, 2004; (4) reduces the disparity amount to 20% by July 1, 2005; and (5) eliminates the disparity by July 1, 2006. DHMH is not prohibited from reducing the disparity amount prior to July 1, 2006. All increases in the rate of reimbursement provided for by the bill must be used to increase the compensation of community direct service workers.

Current Law: There is no statutory provision on rate setting. The fees that DHMH pays to reimburse political subdivisions or grantees for services rendered are set at least annually by the service providers and are subject to the approval and modification of DHMH.

Background: DHMH reports that salary and benefit gaps exist between front-line community workers and State employees in similar positions, and that low wages have resulted in staff recruitment and retention crises in the field of caring for the mentally ill, the developmentally disabled, and those suffering with substance abuse addiction.

State Fiscal Effect: Due to the bill's requirement that the rate increases are not mandated to begin until fiscal 2003. The Department of Legislative Services (DLS) assumes that State finances would be unaffected in fiscal 2002. In fiscal 2003 general fund expenditures could increase by an estimated \$16,198,751 and federal fund expenditures could increase by an estimated \$7,277,700. This estimate reflects 20% of the estimated fiscal 2002 disparity of \$117,382,253. Fiscal 2004, 2005, and 2006 expenditures reflect 40%, 60%, and 80%, respectively, of the estimated 2002 disparity. Federal funds account for 31% of total expenditures and State general funds account for 69%.

Small Business Effect: Service providers to individuals with disabilities that are considered small businesses could experience significant rate increases over the next several years. Moreover, providers may experience savings in administrative costs due to reduced staff turnover.

Additional Information

Prior Introductions: None.

Cross File: SB 432 (Senator Middleton, *et al.* – Finance) is identified as a cross file although it is different.

Information Source(s): Department of Health and Mental Hygiene (Developmental Disabilities Administration) Department of Legislative Services

Fiscal Note History: First Reader – March 1, 2001
jm/jr Revised – House Third Reader – April 5, 2001

Analysis by: Sandra Steele

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