HB 1243

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 1243 (Delegate D. Davis)
Environmental Matters Finance

Medical Assistance Program - Federally Qualified Health Centers - Cost Based Reimbursement

This bill repeals current law that requires the Department of Health and Mental Hygiene (DHMH) to pay a federally qualified health center the difference between the payment received by the center from a Medicaid managed care organization (MCO) for services provided to MCO enrollees and the reasonable cost to the center in providing those services. DHMH must adopt a methodology to ensure federally qualified health centers are paid reasonable cost-based reimbursement that is consistent with federal law.

Fiscal Summary

State Effect: The bill's repeal reflects current practice and would not materially affect governmental finances.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: At a federally qualified health center's (FQHC's) request, DHMH is required to conduct a retrospective review of an MCO's payment to the FQHC for services provided to an MCO enrollee. If DHMH determines that the MCO's payment does not meet the FQHC's reasonable cost in providing the services, DHMH must pay the FQHC the difference.

The federal Medicare, Medicaid, and S-CHIP Benefits Improvement and Protection Act of 2000 requires state Medicaid programs, beginning January 1, 2001, to reimburse FQHCs using a prospective payment system.

Background: FQHCs are private, not-for-profit health care centers that provide comprehensive primary and preventive care to medically underserved and uninsured people. They are not permitted to refuse care based on ability to pay. Maryland currently has 12 FQHCs serving eight counties with approximately 35 primary care health centers. Each FQHC has a contract with at least one HealthChoice MCO.

Chapter 261 of 1999 required DHMH, in consultation with FQHCs, to establish in regulation a prospective payment system that reimburses to FQHCs the reasonable cost of providing services to Medicaid enrollees.

DHMH established an FQHC Viability Committee to develop regulations as required by Chapter 261. The committee recommended that DHMH create a supplemental pool of funds from which DHMH may supplement MCO payments to FQHCs. Regulations implementing this prospective payment structure were adopted on January 1, 2001. DHMH has adjusted calendar 2001 capitation rates paid to MCOs to create the supplemental pool. FQHCs now submit their claims data to both the MCO and DHMH. DHMH uses the supplemental pool to ensure that FQHCs receive reimbursement for the reasonable cost of providing services to Medicaid enrollees.

Prior to January 1, 2001, an FQHC had to request that DHMH review MCO payments and determine the difference between the MCO payment made to the FQHC and the reasonable cost to the FQHC for providing services. If DHMH determined that the FQHC was entitled to a larger reimbursement, DHMH directed the MCO to pay the additional costs directly to the FQHC. Under the old system, some FQHCs were hesitant to ask DHMH to review MCO payments for fear that MCOs would discontinue sending enrollees to the FQHCs for services.

Additional Information

Prior Introductions: None.

Cross File: SB 680 is identified as a cross file, although it is different.

Information Source(s): Department of Health and Mental Hygiene (Medicaid), U.S. Department of Health and Human Services (Health Care Financing Administration), Department of Legislative Services

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