

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

Senate Bill 875 (Senator Bromwell, *et al.*)
 Finance

Managed Care Organizations - Adjustment to Capitation Payments

This bill requires the Department of Health and Mental Hygiene (DHMH) to annually adjust the capitation payments made to Medicaid managed care organizations (MCOs) to reflect, at a minimum, current market reimbursement trends determined by an independent actuary contracted by DHMH. The actuary must determine a market trend by reviewing utilization of medical services provided by MCOs, any increase in the cost of services within the market, and any administrative changes to the Medicaid program.

Fiscal Summary

State Effect: Medicaid expenditures (50% federal funds, 50% general funds) could either increase or decrease, beginning in FY 2002, depending on the market trends determined by the actuarial consultant. Medicaid expenditures could increase by \$500,000 annually beginning in FY 2002 to hire an independent actuarial consultant to develop market trends. No effect on revenues.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	250,000	250,000	250,000	250,000	250,000
FF Expenditure	250,000	250,000	250,000	250,000	250,000
Net Effect	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: DHMH negotiates capitation rates with MCOs on an annual basis.

State Fiscal Effect: Medicaid expenditures (50% federal funds, 50% general funds) would increase by \$500,000 annually, beginning in fiscal 2002, which reflects the cost of contracting with an actuarial consultant to determine current market trends. In addition, Medicaid expenditures for capitation payments to MCOs could either increase or decrease, beginning in fiscal 2002. Medicaid negotiates capitation rates with MCOs on an annual basis and market trends are taken into consideration. Market trends determined by an independent consultant may vary from DHMH and MCO assumptions and may therefore increase or decrease capitation rates. There are insufficient data on market trends at this time to reliably estimate any increase or decrease in Medicaid expenditures. Revenues would not be affected.

Additional Information

Prior Introductions: None.

Cross File: HB 1411 (Delegate McHale, *et al.*) – Environmental Matters and Economic Matters.

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

Fiscal Note History: First Reader – March 14, 2001
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