

**Department of Legislative Services**  
Maryland General Assembly  
2001 Session

**FISCAL NOTE**  
**Revised**

Senate Bill 627 (Senator Kelley, *et al.*)

Finance

Environmental Matters

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

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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.

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**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:** None.

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## 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).

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## Additional Information

**Prior Introductions:** None.

**Cross File:** HB 1071 (Delegate Hammen, *et al.*) – Environmental Matters.

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

**Fiscal Note History:** First Reader – March 1, 2001  
ncs/cer Revised – Senate Third Reader – March 28, 2001  
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