

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

Senate Bill 328 (Senator Kasemeyer)

Finance and Budget and Taxation

Department of Health and Mental Hygiene - Mental Health Services - Cost of Living Adjustment

This bill requires that beginning in fiscal 2003 and each year thereafter, the fees that the Department of Health and Mental Hygiene (DHMH) pays to reimburse “community mental health service providers” for services rendered to an “eligible individual” are to be adjusted annually by the rate of change in the medical component of the Washington-Baltimore metropolitan area *Consumer Price Index for All Urban Consumers*, calculated by the U.S. Department of Labor, up to a maximum of 5%.

Fiscal Summary

State Effect: General fund expenditures will remain unaffected in FY 2002, because the requirements of the bill do not take effect until FY 2003. General fund expenditures could increase by \$6,063,600 and federal fund expenditures could increase by \$4,042,400 in FY 2003. Future year expenditures reflect cumulative increases in expenditures over the FY 2002 base amount to fund the program.

| (\$ in millions) | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 |
|------------------|---------|-----------|-----------|-----------|-----------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 0 | 6.06 | 12.32 | 18.76 | 25.41 |
| FF Expenditure | 0 | 4.04 | 8.21 | 12.51 | 16.94 |
| Net Effect | \$0 | (\$10.11) | (\$20.53) | (\$31.27) | (\$42.34) |

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

Local Effect: None.

Small Business Effect: Minimal. Mental health providers that are considered small businesses would experience minimal savings in administrative costs due to reduced staff turnover.

Analysis

Current Law: None. 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 modifications 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 do not begin until fiscal 2003, State finances would be unaffected in fiscal 2002. General fund expenditures could increase by an estimated \$6,063,000 and federal fund expenditures could increase by an estimated \$4,042,000 in fiscal 2003. This estimate reflects a 3.1% increase (the current rate published by the Bureau of Labor Statistics in the *Consumer Price Index for All Urban Consumers*, Medical Care Component for the Washington-Baltimore area) in the Mental Health Administration's fiscal 2002 projected fee for service expenditures of \$326 million. Out-years reflect a 3.1% increase per year plus the prior annual increases. Federal funds account for 40% of this amount, and State general funds account for 60%. This analysis assumes no change in the number of eligible individuals. If the number of eligible individuals were to be reduced, costs would be lower.

| | FY 2003 | FY 2004 | FY 2005 | FY 2006 |
|---|--|---|--|--|
| Projected FY 2002 base for fee for service expenditures \$326,000,000 | \$ 326,000,000 <u> x 1.031</u> \$ 336,106,000 | \$ 336,106,000 <u> x 1.031</u> \$ 346,525,286 | \$ 346,525,286 <u> x 1.031</u> \$ 357,267,570 | \$ 357,267,570 <u> x 1.031</u> \$ 368,342,865 |
| Amount of increase for each individual year | \$ 10,106,000 | \$ 10,419,286 | \$ 10,742,284 | \$ 11,075,295 |
| Total amount of increase for each year on a cumulative basis | <u>\$ 10,106,000</u> \$ 10,106,000 | \$ 10,106,000 <u>\$ 10,419,286</u> \$ 20,525,286 | \$ 10,106,000 10,419,286 <u>10,742,284</u> \$ 31,267,570 | \$ 10,106,000 10,419,286 10,742,284 <u>11,075,295</u> \$ 42,342,865 |

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Sandra Steele

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