

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 660

(Delegate Hurson, *et al.*)

Environmental Matters

Task Force to Study Expansion of the All-Payor System

This bill creates a 17-member Task Force to Study Expansion of the All-Payor System to include certain health care services.

The bill terminates December 31, 2003.

Fiscal Summary

State Effect: Maryland Health Care Commission (MHCC) special fund expenditures could increase by \$842,800 in FY 2003. Future year estimates reflect annualization and the bill's December 31, 2003 termination date. No effect on revenues.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	842,800	41,600	0	0	0
Net Effect	(\$842,800)	(\$41,600)	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force is staffed by MHCC and must study the effect of expanding the all-payor system as a means of reducing uncompensated care costs for outpatient health care facilities that are currently not part of the all-payor system. The

task force must evaluate the possibility of including the following services in the all-payor system: (1) ambulatory surgical facilities; (2) public or private clinics that provide treatment or other services for individuals with mental disorders; (3) a related institution, such as a nursing home; (4) outpatient clinics; and (5) any other health care services or facilities.

The task force must also evaluate the effect of expanding the all-payor system on: (1) reducing the uncompensated care costs incurred by the evaluated services and facilities; (2) the accessibility of health care services rendered by health care practitioners and office facilities; and (3) third party payors, including Maryland's Medicaid program.

The task force must report its findings and recommendations to the Governor and General Assembly by December 31, 2003.

Current Law: Maryland's all-payor system applies to hospitals only. The Health Services Cost Review Commission (HSCRC) sets hospital rates, which every payor, including Medicare, Medicaid, third party payors, and patients, must pay the same rate for services provided.

Background: In 1977 HSCRC negotiated a Medicare waiver with the federal government, permitting Maryland to establish an "all-payor" system, in which every payor, including Medicaid and Medicare, pays the same hospital rates set by HSCRC. The primary benefit of an all-payor system is the prevention of cost shifting among payors. By requiring hospitals to charge all patients and their payors according to the resources consumed in treating them, hospitals are encouraged to reduce their actual costs rather than merely shift costs to other payors. In addition, maintaining an all-payor system helps create more financial predictability for hospitals and discourages patient "dumping" of uninsured patients on to other facilities.

In 1995 the former Health Care Access and Cost Commission (now MHCC) contracted with a consultant to study the feasibility of expanding the all-payor system to include health care practitioners. The cost for this contract was \$528,000, partially funded by a grant from the Robert Wood Johnson Foundation. The report recommended expanding Medicare's resource based relative value scale (RBRVS) payment system to limited license practitioners and non-physician providers.

State Expenditures: Special fund expenditures could increase by an estimated \$842,774 in fiscal 2003, which accounts for the bill's October 1, 2002 effective date. This estimate reflects \$750,000 to contract with an independent consultant to conduct the study of expanding the all-payor system in fiscal 2003 only. It also includes the cost of hiring two contractual health policy analysts to function as contract manager and to provide research

and policy analysis support for the task force. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$80,328
Contract to Conduct Expansion Study	750,000
Other Operating Expenses	<u>12,446</u>
Total FY 2003 State Expenditures	\$842,774

Future year expenditures reflect: (1) full salaries with 2.3% annual increases and 3.8% employee turnover; (2) 1% annual increases in ongoing operating expenses; and (3) the bill's December 31, 2003 termination date.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Health Services Cost Review Commission, Maryland Health Care Commission), Maryland Insurance Administration, Department of Legislative Services

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Analysis by: Susan D. John

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