

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 833 (Delegate Rosenberg, *et al.*)
 Environmental Matters

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

This bill requires that beginning in fiscal 2004 and each year thereafter, the fees that the Department of Mental Health and Hygiene (DHMH) pay 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%.

The bill is effective July 1, 2002.

Fiscal Summary

State Effect: No effect in FY 2003. Assuming the current level of services is maintained, general fund expenditures would increase by \$5.4 million and federal fund expenditures would increase by \$3.6 million in FY 2004. Future year expenditures reflect cumulative increases in expenditures over the FY 2003 base amount to fund the program.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	5.4	10.9	16.6	22.4
FF Expenditure	0	3.6	7.3	11.1	14.9
Net Effect	\$0	(\$9.0)	(\$18.2)	(\$27.7)	(\$37.4)

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: DHMH rates for mental health services are set in State regulations.

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.

Medicaid pays nearly all the cost of patients' services for a 15 minute medication consultation and an hour-long individual therapy session, according to an analysis by the Affiliated Sante Group published in *The Washington Post*. For a medication consultation, the cost is \$64 per patient, with Medicaid paying \$53. An hour-long individual therapy session costs \$83 per patient, Medicaid pays \$79. An hour-long group therapy session also costs \$83 per patient, but Medicaid pays \$34.

State Fiscal Effect: General fund expenditures could increase by an estimated \$5,400,000 (60%) and federal fund expenditures could increase by an estimated \$3,600,000 (40%) in fiscal 2004. This estimate reflects the Mental Health Administration's (MHA) fiscal 2003 projected fee for service expenditures of \$360 million and a 2.5% increase in the *Consumer Price Index for All Urban Consumers*, Medical Care Component for the Washington-Baltimore area, as published by the U.S. Department of Labor Bureau of Labor Statistics. The 2.5% increase is the average of the annual increases in the index for fiscal years 2000 and 1999, the latest years for which information is available. Out years reflect a 2.5% increase per year plus the prior annual increases. This analysis assumes no change in the number of eligible individuals.

MHA covers Medicaid eligible and Medicaid ineligible individuals. The rate increase applies to services received by both groups. The Governor could choose to minimize the fiscal impact in fiscal 2004 and the following years by reducing the services Medicaid ineligible individuals receive.

Additional Information

Prior Introductions: This bill was introduced as HB 1247 in the 2001 session and received an unfavorable report by the House Appropriations Committee. The cross file bill, SB 328, was not reported out of the Senate Finance Committee.

Cross File: SB 10 (Senator Kasemeyer) – Finance and Budget and Taxation.

Information Source(s): Department of Health and Mental Hygiene; The Math on Mental Health, *The Washington Post*, January 15, 2002; Department of Legislative Services

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