

**Department of Legislative Services**  
Maryland General Assembly  
2002 Session

**FISCAL NOTE**

House Bill 1184 (Chairman, Environmental Matters Committee)  
(Departmental – Health and Mental Hygiene)

Environmental Matters

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**Maryland Medical Assistance Program - Field Verification of Facilities that Participate in the Program - Appeals Process**

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This departmental bill modifies the appeals process for the field verification of facilities that participate in the Medicaid program.

The bill takes effect July 1, 2002.

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**Fiscal Summary**

**State Effect:** Potential Department of Health and Mental Hygiene (DHMH) \$250,000 general fund expenditure reduction annually, beginning in FY 2003. No effect on revenues.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Net Effect	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000

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

**Local Effect:** None.

**Small Business Effect:** DHMH has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

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## Analysis

**Bill Summary:** The bill requires a facility that participates in the Medicaid program and that appeals the results of a field verification conducted by DHMH to deposit the amount in controversy in an interest bearing escrow account until a final decision is rendered by a board. After DHMH receives the findings of the appeals board, DHMH must determine the amount that is due either to the State or to the facility and notify the facility of the amount due. The appropriate person administering the escrow account must distribute the money in the account, including any interest, in conformity with the board's final decision. If the board determines that DHMH owes the facility an amount in excess of the amount in controversy, DHMH must pay the excess amount plus interest to the facility within 60 days.

**Current Law:** DHMH must conduct a field verification of the costs and allowable charges of a facility that participates in the Medicaid program, and DHMH must notify the facility of the results of the field verification. A facility is a hospital or nursing facility, including an intermediate care facility, skilled nursing facility, comprehensive care facility, or extended care facility. DHMH has a board to which a facility can appeal a determination of a field verification. A facility may appeal the results of the field verification by filing written notice with the appropriate board within 30 days after the facility receives the notice from DHMH. DHMH must recalculate the amount that is due to the State based on the facility verification, exclusive of the amount in controversy, which is subject to the appeal, and must notify the facility of that amount. A facility must pay the amount due the State that is not in controversy within 60 days after receiving notice, unless a longer payment schedule is granted.

**Background:** For fiscal 2002, the Medicaid program's projected deficit is \$316 million. In an effort to reduce Medicaid's underfunding, the Governor's fiscal 2003 proposed budget allowance contains a deficiency appropriation for \$277 million. The proposed allowance also includes \$56.9 million in cost containment actions and \$18 million in savings from early recoveries of excess payments to nursing homes. Cost containment actions include \$400,000 in savings from requiring escrow for provider appeals.

**State Fiscal Effect:** DHMH general fund expenditures could decrease by an estimated \$250,000 annually, beginning in fiscal 2003. This estimate assumes facilities would receive fewer appeals, thus reducing staff hours for Medicaid, the Office of the Attorney General, and DHMH's privately-contracted CPA firm. Future year estimates are expected to remain relatively constant. Revenues would not be affected.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 3, 2002  
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