Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 1006 (Delegate Hammen, *et al.*)
Environmental Matters Finance

Medicaid Reimbursement - Community-Based Services for Children with Disabilities

This bill creates a pool of interagency funds within the Subcabinet for Children, Youth, and Families Resource Fund. Moneys from this pool of funds must be used to provide services to children with disabilities.

Fiscal Summary

State Effect: Assuming the two Medicaid State plan amendments are approved, federal fund revenues could increase by $16 million ($12.9 million -- DHR/at least $3.1 million -- DJJ) in FY 2003. DHR general fund expenditures could increase by $2.2 million beginning FY 2003. Medicaid general fund expenditures could increase by $205,400 in FY 2003. General fund expenditures could increase by $10 million in FY 2004 for the Subcabinet of Children, Youth, and Families (SCYF). Future year estimates reflect annualization and inflation.

($ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
FF Revenue	$16.0	$17.2	$18.5	$19.9	$21.4
GF Expenditure	2.4	12.5	13.3	14.2	2.7
Net Effect	$13.6	$4.7	$5.1	$5.7	$18.7

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill requires the Department of Health and Mental Hygiene (DHMH) to file two amendments to the State's Medicaid plan with the federal Centers for Medicare and Medicaid Services (CMS). One amendment would permit DHMH to receive federal matching funds from CMS for the targeted case management (TCM) work performed by employees of the Department of Juvenile Justice (DJJ) and the Department of Human Resources (DHR). The second amendment would permit DHMH to receive federal matching funds for the non-room and board portion of the costs of all eligible residential care (rehabilitative services) provided by State and local agencies through public or private providers to individuals under the age of 21.

For fiscal 2004 and each subsequent fiscal year, the Governor must provide funds in the budget for the SCYF Resource Fund in an amount equal to the amount of federal funds in excess of $6 million received under the two Medicaid amendments during the most recently completed fiscal year. These funds must be used by SCYF to create an interagency pool of funds to provide services to children with disabilities. These services include community-based services and community-based out-of-home placements needed by children with mental or developmental disabilities not in State custody, regardless of Medicaid eligibility, if: (1) the child is an out-of-home placement and has been recommended for discharge but the child's family is unwilling or unable to have the child return home; or (2) the child remains in the home but the child's family is unable to provide appropriate care for the child without additional services, and the child is either at risk of requiring an out-of-home placement or the treating professionals have recommended out-of-home placement.

The bill provides that it is the intent of the General Assembly that none of the bill's requirements may result in a reduction in federal matching funds available to DHR or DJJ for targeted case management or the non-room and board costs of eligible residential care. If the federal matching funds available to the departments for these purposes are reduced when compared to the previous fiscal year, the Governor should include sufficient funds in the budget to ensure funding for the departments for these purposes is at least equal to the amount provided during the previous fiscal year.

Current Law:

Federal Law: Medicaid is a jointly-funded, federal-state health insurance program for certain low-income and needy people. It covers approximately 36 million individuals in the United States, including children; the aged, blind, and disabled; and people who are eligible to receive federally assisted income maintenance payments.

Title IV-E of the Social Security Act authorizes the federal Foster Care and Adoption Assistance programs to provide federal matching funds to states for directly administering the programs. Its objective is to improve the quality of care of children in foster care, reduce the number of children in foster care, return children to their homes as soon as conditions permit, and facilitate the adoption or permanent placement of children who cannot be returned to their homes.

Background: In October 1999, the Department of Budget and Management (DBM), DHR, DJJ, and DHMH entered into an agreement with Maximus, Inc., a private company, to explore the possibility of securing federal funds for case coordination activities provided by DHR and DJJ to Medicaid-eligible children. The purpose of the task was to review current activities provided by DJJ and DHR to determine if it was possible to claim federal matching funds through Medicaid.

Maximus developed two State Medicaid Plan amendments: (1) to allow federal reimbursement for case management services provided by DHR for children placed in foster care; and (2) to allow federal reimbursement for case management services provided by DJJ for children placed in State custody.

Case management is a service that assists Medicaid-eligible individuals in gaining access to needed medical, social, educational, and other services. Federal law permits states to provide three kinds of case management services: (1) targeted case management (TCM); (2) administrative case management; and (3) case management as a home and community-based services waiver program service. Under TCM, federal law permits states to provide case management services to specific populations within Medicaid or in specified geographic regions within the State. Medicaid, under TCM, may provide case management services for the coordination of Medicaid as well as non-Medicaid services, such as comprehensive need analysis, plan of care development, ongoing monitoring of service delivery, and conflict resolution between providers and the participant. Since 1986, the State has implemented several TCM programs, and the Maryland Medicaid program currently has eight TCM programs. The majority of the TCM programs serve children. These TCM initiatives have allowed Maryland to bring in federal matching funds to support case management activities. A primary concern with implementing TCM programs is ensuring that the State is not violating federal law by claiming federal funds twice for the same case management services.

State Revenues: Assuming the two Medicaid State plan amendments are approved, DHR and DJJ federal fund revenues could increase by at least $16 million in fiscal 2003. DHR and DJJ are the two major Maryland departments providing TCM and rehabilitative services that would qualify for federal matching Medicaid funds.

Targeted Case Management Option: If the Medicaid amendment is approved to receive federal matching funds for qualifying TCM services, DHR federal fund revenues could increase by an estimated $4.8 million in fiscal 2003. This estimate reflects:

- an estimated $18.8 million in TCM-eligible services in fiscal 2002;
- offset by a loss of $14.3 million in Title IV-E federal funds for foster care services; and
- 7.5% annual inflation.

DJJ federal fund revenues could increase by an indeterminate amount. The Department of Legislative Services (DLS) advises there are insufficient data on the types of qualifying TCM services provided by DJJ that would be eligible for federal matching funds under the Medicaid amendment. All DJJ federal funds generated from the two amendments would be transferred to the Subcabinet of Children, Youth, and Families to pay for community-based services for children with disabilities.

Rehabilitative Services Option: Assuming the Medicaid amendment is approved to receive federal matching funds for qualifying rehabilitative services, DHR federal fund revenues could increase by an estimated $8.1 million annually, and DJJ federal fund revenues could increase by an estimated $3.1 million annually, beginning in fiscal 2003. Of the $207.3 million on out-of-home placements with therapeutic components paid by DHR and DJJ in fiscal 2001, $22.4 million was entirely general funded. Assuming this amount remains constant, and the entire $22.4 million were Medicaid-eligible expenses, rehabilitative services provided by DHR and DJJ could generate an estimated $11.2 million matching federal funds for the SCYF.

State Expenditures:

Department of Health and Mental Hygiene (DHMH): DHMH general fund expenditures could increase by an estimated $205,382 in fiscal 2004, which accounts for the bill's October 1, 2002 effective date. This estimate reflects the cost of five new positions (three staff specialists, one clerk, and one program analyst) to develop the State Medicaid plan amendments, coordinate with CMS on implementation issues, train providers on new billing requirements, and perform quality assurance activities required by CMS for the State Medicaid plan. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$174,782
Operating Expenses	30,600
Total FY 2003 DHMH Medicaid Expenditures	**$205,382**

Future year expenditures reflect: (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Department of Human Resources (DHR): If the Medicaid amendment for rehabilitative services option requires DHR to change its billing format for providers, DHR general fund expenditures could increase by an estimated $2.2 million, beginning in fiscal 2003, which accounts for the bill's October 1, 2002 effective date. This estimate reflects the cost of seven new positions (one human services specialist and six fiscal accounting clerks) to change current case-based billing services to an itemized billing format. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Also included is a one-time charge in fiscal 2003 of $500,000 for modifications to redesign the State's billing system and rewrite various program modules to capture and track additional data and a $1.5 million increase in provider rates to cover billing costs.

Salaries and Fringe Benefits	$191,787
Provider Rate Increases in FY 2003	1,500,000
Other Operating Expenses	546,169
Total FY 2003 DHR Expenditures	**$2,237,956**

Future year expenditures reflect: (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Subcabinet for Children, Youth, and Families: Assuming the Medicaid State plan amendments are approved for TCM and rehabilitative services, general fund expenditures for the Subcabinet for Children, Youth, and Families Resource Fund could increase by at least $10 million, beginning in fiscal 2004. Moneys from this interagency pool of funds must be used to provide community-based services and community-based out-of-home placements needed by children with mental or developmental disabilities who are not in State custody.

Small Business Effect: Service providers that are considered small businesses and that contract with DHR to offer rehabilitative services for children could incur additional administrative costs if claims under the bill require itemized billing for services.

Currently, DHR contracts with 129 licensed organizations that provide services at more than 278 sites around the State.

Additional Information

Prior Introductions: None.

Cross File: SB 69 (Senator Van Hollen) – Finance.

Information Source(s): Department of Juvenile Justice; Department of Human Resources; Governor's Office (Office for Children, Youth, and Families); Department of Health and Mental Hygiene (Medicaid, Developmental Disabilities Administration, Mental Hygiene Administration); (*Targeted Case Management - Report to the General Assembly - Department of Health and Mental Hygiene*) (September 2001), Department of Legislative Services

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