

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 130 (Delegates Rosenberg and Hammen)
 Health and Government Operations

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

This bill requires the Department of Health and Mental Hygiene (DHMH) to annually adjust the fees paid to community mental health service providers for services to eligible individuals 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%. This change affects each fiscal year that the Bureau of Revenue Estimates projects a 4% increase in personal income.

The bill would take effect July 1, 2003.

Fiscal Summary

State Effect: Assuming the current level of services is maintained, general fund expenditures would increase by \$7.0 million and federal fund expenditures would increase by \$3.9 million in FY 2004. (Revenue estimates for FY 2004 project personal income increases above 4%.) Future year expenditures reflect cumulative increases in expenditures over the FY 2004 base amount to fund the program.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	7.0	14.2	21.6	29.2	37.1
FF Expenditure	3.9	7.9	12.0	16.3	20.7
Net Effect	(\$10.9)	(\$22.1)	(\$33.6)	(\$45.5)	(\$57.8)

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

Local Effect: None.

Small Business Effect: Significant. Mental health providers that are considered small businesses would experience a significant increase in payments for services provided and a 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.

State Fiscal Effect: General fund expenditures could increase by \$6,971,483, or 64.2% of the total, and federal fund expenditures could increase by \$3,892,602, or 35.8%, in fiscal 2004. This estimate reflects DHMH's Mental Hygiene Administration's (MHA) fiscal 2004 projected fee for service expenditures of \$350,454,359 and a 3.1% 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 (BLS). The 3.1% increase is the average increase for the first half of 2002. The average annual increase for the entire year for the regional medical care component was not available from BLS at the time of this analysis. Out-years reflect a 3.1% 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: A portion of SB 10 introduced in the 2002 session is similar to this bill. SB 10 passed in the Senate and had a hearing in the House Ways and Means Committee but was not reported out of that committee. HB 833 of 2002, a similar bill, had a hearing in the Environmental Matters Committee but was not reported out of the committee. A similar bill, HB 1247, was introduced 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: None designated, although SB 91 is nearly identical.

Information Source(s): Department of Health and Mental Hygiene; U.S. Department of Labor, Bureau of Labor Statistics; Department of Legislative Services

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ncs/jr

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