

Department of Legislative Services  
Maryland General Assembly  
2003 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 762

(Delegate Hurson, *et al.*)

Health and Government Operations

Finance

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Medicaid Modernization Act of 2003

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This bill establishes a Primary Adult Care Network (network) within Medicaid that provides a health care benefit package offering primary and preventive care to indigent and medically indigent adults. The purpose of the network is to consolidate health care services provided to adults and access federal funding to expand primary and preventive care to adults lacking health care services.

The network is funded as provided in the State budget and with federal matching money.

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Fiscal Summary

**State Effect:** Net Medicaid expenditures could increase by a significant amount beginning FY 2005. The bill's study and reporting requirements could be handled with existing resources. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** Minimal. Small business health care providers that participate in Medicaid could receive additional reimbursement due to increased Medicaid enrollment, beginning in calendar 2005.

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Analysis

**Bill Summary:** The Secretary of Health and Mental Hygiene must adopt regulations to implement the network. By October 1, 2003, the Department of Health and Mental Hygiene (DHMH) must conduct a comprehensive review of health care services currently

offered to adults through the Medicaid program, including the Maryland Primary Care Program (MPCP) and the Maryland Pharmacy Assistance Program (MPAP). DHMH must also review mental health services provided to adults through the Mental Hygiene Administration and health care services offered to adults with funds from the Cigarette Restitution Fund. In conducting the review, DHMH must identify mechanisms through which the programs and services can be consolidated to provide health care services to adults.

DHMH must use the information obtained in the comprehensive review to seek approval of a waiver from the federal Centers for Medicare and Medicaid Services (CMS) that would allow the State to use federal matching funds to implement the primary adult care network.

DHMH must develop a methodology that is revenue neutral to the State to address the existing inequities between commercial and provider-sponsored managed care organizations as a result of adverse risk selection related to individuals in GEO-demographic rate cells. By October 1, 2003, DHMH must report to the Senate Finance Committee and the House Health and Government Operations Committee on the methodology developed.

The bill takes effect July 1, 2003. The bill's provisions establishing the network take effect on the date CMS approves the waiver. If the waiver is denied, the bill's provisions are null and void.

**Current Law:** An adult may qualify for Medicaid if the adult is: (1) aged, blind, or disabled; (2) in a family where one parent is absent, disabled, unemployed, or underemployed; or (3) a pregnant woman. Adults also must have very low incomes to qualify for Medicaid (32% to 51% of the federal poverty level guidelines (FPG), see **Exhibit 1**), with the exception of pregnant women who are covered up to 250% FPG. Maryland currently covers children either through Medicaid or the Maryland Children's Health Program (MCHP) for families that earn up to 300% FPG.

**Background:** The Medicaid and MCHP programs cover over 600,000 individuals, primarily low-income women and children. Approximately 185,000 adults are currently covered by the Medicaid program, 76% of whom are aged, blind, or disabled.

MPCP provides access to a medical provider to uninsured participants in the Maryland Pharmacy Assistance Program. Eligibility is limited to individuals age 19 to 64 with a chronic condition and without access to other health care coverage. The fiscal 2004 allowance is \$8.6 million general funds. MPCP has experienced funding problems over the past two years. To contain a projected \$800,000 fiscal 2002 deficit, program

enrollment was frozen in 2001, and participants whose enrollment lapsed were not allowed to re-enroll. Enrollment was reopened in May 2002, capping enrollment at 8,000. As of January 30, 2003, the seven providers who maintain waiting lists reported that 528 people are waiting to enroll.

**State Fiscal Effect:** The bill requires DHMH to conduct a comprehensive review of health care and mental health services currently offered to adults through the Medicaid program, including MPCP, MPAP, and the Mental Hygiene Administration. In addition, DHMH must apply for a waiver to implement the Primary Adult Care Network. It is assumed that DHMH's study of currently provided health and mental health services would identify methods of streamlining services, maximizing matching federal funds, and reducing costs. Depending upon DHMH's findings and approval of a waiver, net Medicaid expenditures (50% federal funds, 50% general funds) could increase by a significant amount in fiscal 2005 upon implementation of the network. Any expenditure increase depends on network design, including eligibility criteria and cost-sharing requirements, and would reflect general fund expenditure reductions stemming from merging programs such as the Primary Care Program into Medicaid. There are insufficient data at this time to reliably estimate any increase.

The study and reporting requirements could be handled with existing budgeted DHMH resources. Revenues would not be affected.

### Exhibit 1

<b>2003 Federal Poverty Level Guidelines for One Person*</b>	
32% - 51% FPG	\$2,873 - \$4,580
100% FPG	\$8,980
150% FPG	\$13,470
200% FPG	\$17,960
250% FPG	\$22,450
300% FPG	\$26,940

*\*Federal Register, Vol. 68, No. 26, February 7, 2003, pp. 6456-6458.*

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### 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 7, 2003  
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