HB 553

Department of Legislative Services

Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 553 (Delegate Murray, *et al.*)

Health and Government Operations Finance

Nursing Homes - Third Party Liability Reviews and Audits

This bill requires the Department of Health and Mental Hygiene (DHMH) to conduct a third party liability review of the credit balances of each nursing home that receives payment from the Medical Assistance program (Medicaid). Third party liability audits of nursing homes may be conducted under certain circumstances.

Fiscal Summary

State Effect: Medicaid expenditures (50% federal funds, 50% general funds) could increase by $41,000 in FY 2004. Future year estimates reflect annualization and inflation.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	$0	$0	$0	$0	$0
GF Expenditure	20,500	26,200	27,700	29,300	31,100
FF Expenditure	20,500	26,200	27,700	29,300	31,100
Net Effect	($41,000)	($52,400)	($55,400)	($58,600)	($62,200)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: A liability review is a financial review of the credit balances of a nursing home to ascertain the legal liability of third parties to pay for care and services available under Medicaid. A liability audit is a financial review of Medicaid payments to a provider to ascertain the legal liability of third parties to pay for care and services available under the Medicaid program. A third party is any individual, entity, or program that is or may be liable to pay all or part of the medical cost of any medical assistance furnished to a Medicaid recipient.

DHMH must conduct a third party liability review of the nursing home credit balance report that a nursing home is required to submit to DHMH on a quarterly basis. DHMH may conduct a third party liability audit of a random sample of the nursing home credit balance reports. If a nursing home is found to be noncompliant as a result of the audit report, DHMH may conduct a third party liability audit of the nursing home. DHMH may only review the financial information of the nursing home for the two-year period immediately prior to the date of the audit period in which the nursing home was found to be noncompliant.

A nursing home may appeal the results of a final report of a third party liability audit by filing written notice with DHMH within 30 days after the nursing home receives the final report from DHMH. An individual at DHMH who did not participate in the final report must: (1) review the appeal; and (2) issue a report that either revises or concurs with the final report. A nursing home may further appeal this report by filing written notice with the nursing home appeal board within 30 days of receipt of the report.

DHMH and the Department of Human Resources (DHR) must submit a report to the Governor and the Senate Finance and House Health and Government Operations committees by December 1, 2003 on the status of measures implemented and considered by DHMH and DHR to address and resolve issues relating to delays in the Medicaid eligibility process for nursing home residents.

Current Law: There is a Health Care Quality Account within DHMH. The account is funded by civil money penalties paid by nursing homes and other penalties that the Office of Health Care Quality may assess. Any unspent portions of the fund may not be transferred or reverted to the general fund of the State, but must remain in the fund to be used for: (1) training; (2) grant awards; and (3) demonstration projects.

Background: DHMH currently conducts third party liability audits on nursing homes as permitted by federal law, and has done so since the beginning of fiscal 2003. Recovered federal funds are refunded to the federal government, and recovered general funds remain in the Medicaid program. Medicaid advises it recovered $1.5 million (50% general, 50% federal) from third party liability audits in 2003.

State Fiscal Effect: Medicaid is currently conducting third party audits; however, there are new expenditures associated with the bill's requirements to conduct third party liability reviews of credit balance reports. Medicaid expenditures could increase by $40,937 (50% general funds, 50% federal funds) in fiscal 2004, which accounts for the bill's October 1, 2003 effective date. This estimate reflects the cost of hiring one medical care program specialist to review the quarterly credit balance reports. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	$34,516
Other Operating Expenses	6,421
Total FY 2004 State Expenditures	**$40,937**

Future year expenditures reflect: (1) a full salary with 4.5% annual increases and 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; and (3) $3,000 annually to pay an external contractor to review appeals, beginning fiscal 2005.

The bill's provisions requiring nursing homes to submit quarterly reports on their credit balances could result in lower audit recoveries for the Medicaid program. The self-reporting credit balance report requirement would reduce the number of on-site audits conducted at nursing homes, which may result in fewer findings of nursing home noncompliance. Any revenue (50% general funds, 50% federal funds) reduction cannot be reliably estimated at this time.

Additional Information

Prior Introductions: None.

Cross File: SB 550 (Senators Teitelbaum and Hafer) – Finance.

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

Fiscal Note History: First Reader - February 19, 2003
mld/jr Revised - House Third Reader - March 20, 2003

Analysis by: Susan D. John

Direct Inquiries to:
(410) 946-5510
(301) 970-5510