

**Department of Legislative Services**  
 Maryland General Assembly  
 2003 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 405 (Delegate Hammen, *et al.*)  
 Health and Government Operations

Finance

**Medicaid Reimbursement - Community-Based Services for Children with Disabilities**

This bill requires the Department of Health and Mental Hygiene (DHMH) to apply to the federal Centers for Medicare and Medicaid Services (CMS) for an amendment to the State Medicaid plan to allow DHMH to receive federal matching funds for part of the nonroom-and-board portion of the costs of eligible residential care that are related to the therapeutic components of care provided by State and local agencies through public or private providers to individuals under the age of 21.

If the Medicaid plan amendment is denied, the bill’s provisions terminate.

**Fiscal Summary**

**State Effect:** If the Medicaid State plan amendment is approved, net general fund expenditures decrease by \$1.42 million and federal fund expenditures increase by \$12.58 million in FY 2004. Future year estimates reflect annualization and inflation.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(1.42)	(1.20)	(1.30)	(1.32)	(1.35)
FF Expenditure	12.58	12.59	12.84	12.98	13.12
Net Effect	(\$11.16)	(\$11.39)	(\$11.54)	(\$11.65)	(\$11.77)

*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 applies to residential care placement providing therapeutic or rehabilitative services in addition to room-and-board services to an individual who is: (1) under the age of 21; and (2) in the care or custody of, committed to, or voluntarily placed by, any State or local agency. The bill includes placements in residential programs that have rates set by the interagency rates committee.

For fiscal 2004 and each subsequent fiscal year, the Governor must provide general funds in the budget for the Subcabinet for Children, Youth, and Families (SCYF) Resource Fund in an amount equal to the federal funds received under the Medical plan amendment, less any administrative costs incurred by DHMH, the Department of Juvenile Justice (DJJ), and the Department of Human Resources (DHR).

These funds must be used by SCYF to provide services to children with disabilities. The funds must be used for community-based services and community-based out-of-home placements needed by children with mental developmental disabilities not in State custody, regardless of eligibility for the State Medicaid program, if: (1) the child is in 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 an out-of-home placement.

The bill's provisions are not intended to result in the reduction of federal funds available to DHR or the Department of Juvenile Justice (DJJ) under Title IV-E of the Social Security Act for the room-and-board costs of eligible residential care. If Title IV-E funds are reduced to either DHR or DJJ, the Governor must adjust the amount of funds provided to SCYF to prevent any resulting loss.

**Current 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:** This bill permits DHMH to pursue currently untapped federal Medicaid matching funds and use the new funds to pay for community-based services for children with disabilities whose families are otherwise unable to care for them at home, and who are therefore at risk of becoming wards of the State through custody relinquishment. These children are confined in institutional settings (“stuck kids”), or are at risk of confinement because their families are unable to care for them at home without additional services.

A Medicaid State plan amendment is required to access federal matching funds to pay for half the cost of therapeutic services now provided by State agencies, currently using only general funds, for out-of-home placements such as therapeutic foster homes, group homes, and alternative living units.

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 under the Medicaid program to pay for current services provided by DHR and DJJ.

The amendment for rehabilitative services is expected to generate \$11.2 million in new matching federal funds for services already provided by DHR and DJJ.

**State Effect:**

*Department of Health and Mental Hygiene:* Medicaid expenditures could increase by \$335,620 (\$105,310 general funds, \$230,310 federal funds) in fiscal 2004, which accounts for the bill’s October 1, 2003 effective date. This estimate reflects the cost of two staff specialists to develop and submit the State Medicaid plan amendment, coordinate with CMS on implementation issues, train providers on the new billing requirements, and perform quality assurance activities required by CMS for the State Medicaid plan. It includes a one-time cost of \$250,000 for programming and systems development. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$72,780
Programming and Systems Development	250,000
Other Operating Expenses	<u>12,840</u>
<b>Total FY 2004 DHMH Expenditures</b>	<b>\$335,620</b>

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

*Department of Human Resources:* DHR federal fund expenditures could increase by \$12,412,835 and general fund expenditures could decrease by \$9,987,165 in fiscal 2004. This estimate assumes DHR would receive \$11.2 million in new matching federal funds to pay for rehabilitative services it currently pays for using general funds, thereby reducing general fund expenditures by the same amount. It also reflects an estimated \$2.4 million additional expenditure (50% federal funds, 50% general funds) to change its billing format for providers.

This estimate reflects the one-time cost of \$580,000 in fiscal 2004 for modifications to redesign the State's billing system and rewrite various program modules to capture and track additional data, and a \$1.6 million increase in provider rates to cover billing costs. It also 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.

Salaries and Fringe Benefits	\$195,369
Provider Rate Increases in FY 2004	1,606,800
Other Operating Expenses	<u>623,500</u>
<b>Total FY 2004 DHR Expenditures</b>	<b>\$2,425,669</b>

Future year expenditures reflect: (1) full salaries with 4.5% 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 amendment is approved for rehabilitative services, general fund expenditures for SCYF could increase by at least \$8.4 million in fiscal 2004. The Governor must provide general funds in SCYF's budget in an amount equal to the amount of federal funds received by DHR under the Medicaid plan amendment, less any administrative costs incurred by DHMH, DHR, or DJJ in implementing the bill's requirements. DHR is expected to receive \$11.2 million matching federal funds under the Medicaid amendment, and administrative costs for DHR and DHMH are expected to total \$2.8 million in fiscal 2004. These funds must be used by SCYF to provide services to children with disabilities.

*Department of Juvenile Justice:* DJJ advises that it would not receive any matching federal funds under the Medicaid plan amendment because the only nonroom-and-board services it provides are administrative expenditures, for which DJJ currently receives matching federal funds under Title IV-E of the Social Security Act.

**State Business Effect:** Service providers that are considered small businesses and 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.

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### **Additional Information**

**Prior Introductions:** Similar bills, SB 69 and HB 1006, were introduced in the 2002 session. SB 69 passed the Senate with amendments. No action was taken by the House Environmental Matters Committee. HB 1006 passed the House with amendments and the Senate with further amendments. A conference committee was appointed and no further action was taken.

**Cross File:** SB 554 (Senators Teitelbaum and Grosfeld) – Finance.

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

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