

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 208

(Delegate Arnick)

Health and Government Operations

Finance

**Health - Pharmacies - Electronic Reimbursement by the Department of Health
 and Mental Hygiene**

In the event that the Department of Health and Mental Hygiene (DHMH) requires a pharmacy participating in the Medicaid program to submit a request for payment electronically, this bill requires the department to reimburse the pharmacy electronically if the pharmacy so chooses. This provision does not apply to a person providing pharmacy benefit manager services.

The bill takes effect October 1, 2004.

Fiscal Summary

State Effect: Medicaid expenditures could increase by \$677,300 (75% federal funds, 25% general funds) in FY 2005. Future year estimates reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	173,800	46,600	50,300	54,400
FF Expenditure	0	563,000	181,800	193,400	206,100
Net Effect	\$0	(\$736,800)	(\$228,400)	(\$243,700)	(\$260,500)

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

Local Effect: None.

Small Business Effect: Potential minimal. Small business pharmacies that participate in the Medicaid program could realize administrative savings from receiving electronic funds transfer payments from the Medicaid program.

Analysis

Current Law: DHMH adopts rules and regulations regarding reimbursement of health care providers under the Medicaid program.

Background: The Comptroller's Office currently remits payments to pharmacies that participate in the Medicaid program. The Comptroller's Office remits checks to approximately 800 pharmacy providers per week. The cost to produce a check is \$0.39, while the cost for an electronic funds transfer (EFT) is \$0.06.

State Fiscal Effect: Medicaid expenditures could increase by an estimated \$677,308 (25% general funds, 75% federal funds) in fiscal 2005, which accounts for the bill's October 1, 2004 effective date. Medicaid receives an enhanced federal match for certain administrative costs. This estimate reflects a one-time \$500,000 expenditure on the design, development, testing, and implementation of the billing changes to the Medicaid Management Information System (MMIS) provider subsystem. The estimate also reflects the cost of hiring one data processing programmer analyst and four medical care associates to maintain the banking information and conduct the required testing with banks whenever banking information is added, changed, or deleted. In addition, it reflects savings of \$13,865 that would be achieved by switching from checks to EFT payments. All pharmacies that participate in the Medicaid program bill DHMH electronically and the Comptroller remits payments in the form of checks to pharmacies. This estimate assumes DHMH will reimburse all pharmacies by EFT. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$218,597
MMIS Design, Programming, and Implementation	500,000
Savings from Switch to EFT Payments	(13,865)
Other Operating Expenses	<u>32,101</u>
Total FY 2005 State Expenditures	\$736,833

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.

Additional Information

Prior Introductions: None.

Cross File: SB 376 (Senators Klausmeier and Hollinger) – Finance.

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

Fiscal Note History: First Reader - February 10, 2003
ncs/jr Revised - House Third Reader - April 7, 2003
Revised - Correction - April 10, 2003

Analysis by: Susan D. John

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