

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 759 (Delegate Hurson)
 Health and Government Operations

Advisory Committee to Study Expansion of the All-Payor System

This bill establishes a 16-member Advisory Committee to Study Expansion of the All-Payor System.

The bill takes effect July 1, 2003 and terminates December 31, 2003.

Fiscal Summary

State Effect: The Department of Health and Mental Hygiene special fund revenues and expenditures could each increase \$77,400 in FY 2004 only. Future year estimates reflect the bill's December 31, 2003 termination date.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	\$77,400	\$0	\$0	\$0	\$0
SF Expenditure	77,400	0	0	0	0
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The committee must study the effect of expanding the all-payor system as a means of reducing uncompensated care costs for outpatient health care facilities provided at: (1) freestanding private psychiatric hospitals; (2) public and private outpatient mental health clinics; and (3) urgent care centers. The committee is to study

expansion of the all-payor system by evaluating: (1) the feasibility of expanding the all-payor system to include the health care services provided at outpatient health care facilities; and (2) the effect of expanding the all-payor system on: (a) reducing the uncompensated care costs incurred by the facilities; (b) the accessibility of health care services rendered by the facilities; and (c) third party payors, including the Medicaid program.

The committee must contact the federal Centers for Medicare and Medicaid Services (CMS) to gather information on the feasibility of adding the services to Maryland's Medicare waiver. The committee's findings and recommendations are due to the Governor and the General Assembly by December 31, 2003, and must include any information received from CMS regarding the flexibility of Maryland's Medicare waiver.

The Maryland Health Care Commission (MHCC) will staff the advisory committee.

Current Law: Maryland's all-payor system applies to hospitals only. The Health Services Cost Review Commission (HSCRC) sets hospital rates, which every payor, including Medicare, Medicaid, third party payors, and patients, must pay the same rate for services provided.

Background: In 1977 HSCRC negotiated a Medicare waiver with the federal government permitting Maryland to establish an "all-payor" system, in which every payor, including Medicaid and Medicare, pays the same hospital rates set by HSCRC. The primary benefit of an all-payor system is the prevention of cost shifting among payors. By requiring hospitals to charge all patients and their payors according to the resources consumed in treating them, hospitals are encouraged to reduce their actual costs rather than merely shift costs to other payors. In addition, maintaining an all-payor system helps create more financial predictability for hospitals and discourages patient "dumping" of uninsured patients on to other facilities.

In 1995 the former Health Care Access and Cost Commission (now MHCC) contracted with a consultant to study the feasibility of expanding the all-payor system to include health care practitioners. The cost for this contract was \$528,000, partially funded by a grant from the Robert Wood Johnson Foundation. The report recommended expanding Medicare's resource based relative value scale payment system to limited license practitioners and nonphysician providers.

State Fiscal Effect: MHCC special fund expenditures could increase by \$77,376 in fiscal 2004 only, which reflects the bill's July 1, 2003 effective date and December 31, 2003 termination date. This estimate reflects the cost of hiring two contractual health policy analysts to staff the advisory committee. It includes salaries, fringe benefits, and one-time start-up costs.

Salaries and Fringe Benefits	\$65,256
Operating Expenses	<u>12,120</u>
Total FY 2004 State Expenditures	\$77,376

MHCC is specially funded through fees imposed on payors and providers. As a result of the increase in expenditures, MHCC would raise payor and provider fees by an amount to exactly offset the increase in expenditures.

Additional Information

Prior Introductions: A similar bill, HB 660, was introduced in the 2002 session, but was not reported by the House Environmental Matters Committee.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Maryland Health Care Commission), Department of Legislative Services

Fiscal Note History: First Reader - March 7, 2003
lc/jr

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