HB 1365

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1365 (Delegate Hixson, *et al.*)
Health and Government Operations

Department of Health and Mental Hygiene - Public Mental Health System - Study

This bill requires the Department of Health and Mental Hygiene (DHMH) to conduct or commission a study to develop a managed care system design for the Maryland public mental health system. The study must: (1) analyze the population to determine which individuals must receive public mental health services; (2) determine the types of mental health services to be offered and the quality and cost of those services; (3) involve key public mental health system stakeholders; (4) develop a funding and reimbursement system that best matches the design and goals of the system; (5) determine how to build a strong and highly competent service provider network; (6) develop a system that matches the appropriate level of care with the client's needs; and (7) increase the accountability of service providers using measurable outcomes.

DHMH must report its findings and recommendations by September 30, 2005 to the Governor; the Senate Education, Health, and Environmental Affairs Committee; and the House Health and Government Operations Committee.

Fiscal Summary

State Effect: General fund expenditures could increase by $63,000 in FY 2005 and by $32,900 in FY 2006 for a consultant to conduct the required study. No effect on revenues.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	$0	$0	$0	$0	$0
GF Expenditure	63,000	32,900	0	0	0
Net Effect	($63,000)	($32,900)	$0	$0	$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: The Mental Hygiene Administration (MHA) is responsible for the treatment and rehabilitation of the mentally ill. MHA's headquarters coordinates mental health services throughout the State according to the populations served, whether in an institutional or community setting. Core Service Agencies (CSAs) work with MHA, through signed agreements, to coordinate and deliver mental health services in the counties. There are currently 20 CSAs, some organized as part of local health departments, some as nonprofit agencies, and one as a multicounty enterprise.

The State-run psychiatric facilities include eight hospitals and three residential treatment centers – Regional Institutions for Children and Adolescents (RICAs), plus the Maryland Psychiatric Research Center (MPRC), which operates on the grounds of Spring Grove Hospital Center under contract with the University of Maryland, Baltimore School of Medicine.

The State established a program of mandatory managed care for Medicaid recipients beginning in 1998. While primary mental health services stayed within the managed care structure, specialty mental health services to Medicaid enrollees were carved out and funded through the public mental health system. Specialty mental health services are defined as meeting certain medical necessity criteria utilizing accepted diagnostic tools.

The carved-out system is overseen by MHA, although it contracts with an Administrative Services Organization (ASO), Maryland Health Partners (MHP), to administer the system. Services are also available to non-Medicaid clients. Prior to fiscal 2003, eligibility for non-Medicaid clients was up to 300% of the federal poverty level (FPL), with services provided on a sliding-fee scale. Since fiscal 2003, eligibility for new clients has been limited to 116% of FPL. Prior to fiscal 2003, all services administered through ASO were done through a fee-for-service system (although some grants were awarded in the transition from the previous system to the new fee-for-service structure). Beginning in fiscal 2003, in response to budget bill language, a number of services for the non-Medicaid population were switched back to grants and contracts in an effort to control costs. In fiscal 2004, MHA returned those services to the fee-for-service system.

In addition to those services administered by ASO, MHA provides grant funds for other services (often delivered through CSAs) that are not considered appropriate for delivery through the fee-for-service system (such as crisis services, a suicide hotline, drop-in centers) as well as a capitation project in Baltimore City.

State Expenditures: General fund expenditures could increase by an estimated $63,000 in fiscal 2005, which accounts for the bill's October 1, 2004 effective date. This estimate reflects the cost of hiring a consultant to hold eight meetings, collect and analyze data, and perform other functions to develop a managed care system design for the Maryland public mental health system. General fund expenditures could increase by $32,900 in fiscal 2006 to hold two meetings, prepare the report, and cover mailing and postage costs.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 15, 2004
ncs/jr

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