HB 1297

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1297 (Delegate Pendergrass)
Health and Government Operations

Medical Assistance Program - Payments to Nursing Homes - Penalties

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This bill requires the Department of Health and Mental Hygiene (DHMH) to reimburse a nursing home the full amount owed for medical care provided by a nursing home to a program recipient within 30 days from the date the Department of Human Resources (DHR) determines that the individual is eligible for the program.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: Medicaid general fund expenditures could increase by $1.8 million in FY 2005. Future year expenditures reflect ongoing maintenance and upgrade costs.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	$0	$0	$0	$0	$0
GF Expenditure	1,790,000	350,000	350,000	350,000	350,000
Net Effect	($1,790,000)	($350,000)	($350,000)	($350,000)	($350,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: If DHMH does not make the required payment, DHMH must pay interest on the amount owed to the nursing home that remains unpaid 30 days from the eligibility determination at the following rate: (1) 1.5% from the 31st day through the 60th day; (2) 2% from the 61st day through the 120th day; (3) 2.5% after the 120th day. The interest payment must be included in the nursing home's reimbursement rate. DHMH may not require a nursing home to make an additional claim for the interest payment. When conducting a program audit of a nursing home, DHMH may not offset interest payments received against a nursing home's allowable cost of care.

Current Law: There is no specified timeframe in which DHMH must reimburse nursing homes. DHMH is not required to make interest payments on late payments to nursing homes.

Background: In Maryland, there are approximately 250 nursing homes, operating about 30,000 beds annually. Medicaid is the primary payor for two-thirds of this population.

State Fiscal Effect: DHMH general fund expenditures could increase by $1.8 million in fiscal 2005 to make required programming and system changes to the Medicaid Management Information Systems (MMIS) mainframe. Medicaid would not be eligible to collect federal matching funds for these system changes because the State is not allowed to claim federal funds for the interest payments. The information and assumptions used in calculating the estimate are stated below:

- an assessment of MMIS systems is conducted to determine necessary changes to calculate the amount of nursing home reimbursements eligible for interest charges for each of the three late periods;
- DHMH hires eight consultant staff to conduct this analysis at $560,000 ($125 per hour for 14 weeks);
- an impact analysis of MMIS systems is conducted to determine if the modifications would negatively impact any subsystems;
- DHMH hires four consultant staff to conduct this analysis at $200,000 ($125 per hour for 10 weeks);
- new interest calculations are developed and modifications are made to reimbursement cost centers;
- DHMH hires six consultant staff at $720,000 ($125 per hour for 24 weeks);
- testing and implementation are conducted to ensure interest rates are calculated properly and that the changes do not affect other MMIS subsystems; and
- DHMH hires 17 consultant staff at $310,000 ($125 per hour for one to five weeks, depending on the job).

Future year expenditures reflect $350,000 per year in ongoing maintenance and upgrades.

In addition to programming and systems costs, DHMH would make an indeterminate amount of interest payments to nursing homes. There are insufficient data at this time to reliably estimate the amount of interest that would be paid.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mh/jr

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