

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 543  
Finance

(Senator Kelley, *et al.*)

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Mental Health Safety Net Restoration Act of 2005

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This bill requires the Department of Health and Mental Hygiene (DHMH) to provide access to community-based mental health services to individuals who have health care coverage through an employer-sponsored plan or health benefit plan, but who have exhausted available mental health benefits under those plans, and who meet established criteria for medical necessity. The services provided must be the same services DHMH provides to uninsured low-income individuals who are not eligible for Medicaid. DHMH must offer the services according to an income-based sliding fee scale.

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Fiscal Summary

**State Effect:** DHMH general fund expenditures would increase by a significant amount, beginning in FY 2006, to provide community-based mental health services to eligible individuals. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** DHMH provides mental health services to eligible State residents. Primary mental health services are part of Medicaid's managed care program (HealthChoice). Specialty mental health services are carved out and overseen by the Mental Hygiene Administration (MHA), although it contracts with APS Healthcare Inc. to administer the program. Mental health services are available to non-Medicaid clients

as well, although non-Medicaid clients pay a sliding-scale fee based on income. Prior to fiscal 2003, individuals with annual incomes up to 300% of the federal poverty level guidelines (FPG) were eligible to receive mental health services. Since fiscal 2003, eligibility for new clients has been limited to those with annual incomes up to 116% of FPG.

**Background:** In fiscal 2006, it is estimated that 230,000 Maryland residents will have a serious mental illness that requires treatment. DHMH is expected to provide public mental health services to about 14%, or 32,400 of that population, either through Medicaid or other public programs. Other individuals with serious mental illness either access treatment using health insurance or by paying out-of-pocket, or fail to obtain services at all.

**State Fiscal Effect:** DHMH general fund expenditures could increase by a significant amount, beginning in fiscal 2006. Medicaid is currently slotted to spend about \$26 million in fiscal 2006 to provide community-based mental health services to 14,200 non-Medicaid clients. To the extent individuals exhaust mental health insurance coverage and use public mental health services provided by DHMH, expenditures could increase by a significant amount. *For illustrative purposes only*, if 10% of State residents who have serious mental illness (or 23,000) receive community-based mental health services under the public mental health system, DHMH expenditures could increase by \$42.1 million. On average, DHMH spends about \$1,831 to provide mental health services to each non-Medicaid client.

Revenues would not be affected because sliding-scale fees are paid directly to providers.

To the extent non-Medicaid clients access needed community-based mental health services under the bill, some clients may be able to prevent or delay the need for institutional placements. If fewer people become eligible for Medicaid due to institutionalization, Medicaid expenditures (50% general funds, 50% federal funds) could decrease.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 747 (Delegate Hammen, *et al.*) – Health and Government Operations.

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

**Fiscal Note History:** First Reader - March 10, 2005  
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