

**Department of Legislative Services**  
 Maryland General Assembly  
 2005 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 895  
 Finance

(Senator Middleton)

Health and Government Operations

**Department of Health and Mental Hygiene - Maryland Health Insurance Plan -  
 Computerized Eligibility System**

This bill permits the Maryland Health Insurance Plan (MHIP) board to authorize the transfer of not more than \$15 million from the MHIP fund to the Major Information Technology Development Project (MITDP) fund to be used for the design and development of computerized eligibility system for the Medicaid program by the Department of Health and Mental Hygiene (DHMH).

These provisions take effect upon approval by the federal Centers for Medicare and Medicaid Services to match funding.

The bill takes effect July 1, 2005.

**Fiscal Summary**

**State Effect:** Assuming MHIP approval of a new eligibility system, MITDP special fund expenditures increase by \$15 million and Medicaid federal fund expenditures increase by \$15 million in FY 2006 to develop and implement the new system. No effect on revenues.

| (in dollars)   | FY 2006        | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|----------------|----------------|---------|---------|---------|---------|
| Revenues       | \$0            | \$0     | \$0     | \$0     | \$0     |
| SF Expenditure | 15,000,000     | 0       | 0       | 0       | 0       |
| FF Expenditure | 15,000,000     | 0       | 0       | 0       | 0       |
| Net Effect     | (\$30,000,000) | \$0     | \$0     | \$0     | \$0     |

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

**Local Effect:** None.

**Small Business Effect:** None.

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## **Analysis**

**Bill Summary:** The purpose of the computerized eligibility system is: (1) to enroll eligible individuals more efficiently in the Medicaid program; (2) refer eligible individuals to MHIP; and (3) if practicable, make referrals to other available State and federally sponsored programs that provide inpatient hospital coverage for uninsured individuals and other health care services that have the potential to reduce uncompensated care at Maryland hospitals. DHMH must report to MHIP before issuing a request for proposals for the development of the computerized eligibility system to permit the MHIP board to review and comment. DHMH may not implement the system until the MHIP board is satisfied with the functional capabilities of the system and that there will be a reduction in uncompensated care commensurate with the MHIP fund investment. In addition, MHIP must obtain approval from the Chief of Information Technology to implement the new eligibility system.

To the extent the money from the MITDP fund is not used for the new eligibility system, it must be redistributed to the MHIP fund.

**Current Law:** MHIP is an independent unit of the Maryland Insurance Administration whose purpose is to decrease uncompensated care costs by providing access to affordable, comprehensive health benefits for medically-uninsurable residents. In general, an agency or unit of the Executive Branch must obtain approval from the Chief of Information Technology within the Department of Budget and Management before making expenditures for a major information technology development project. The Major Information Technology Development Project Fund supports major information technology development projects in State government.

**Background:** In 2004, DHMH issued a request for information from vendors for estimated costs to develop and implement an eligibility system that would efficiently determine eligibility for Medicaid and other programs. DHMH found that this type of system would cost approximately \$30 million to implement. DHMH should be able to secure \$15 million federal matching funds to develop this system.

MHIP's fiscal 2006 budget allowance is \$39.4 million. It is projected that MHIP's fund balance could exceed \$80 million by the end of fiscal 2006 due to less-than-anticipated utilization. MHIP is funded by a hospital assessment as well as premiums.

**State Fiscal Effect:** MITDP special fund expenditures and Medicaid federal fund expenditures would each increase by \$15 million in fiscal 2006 only to implement the

new system. It is assumed that all monies would be used for this purpose and none would revert to the MHIP fund.

**Additional Comments:** To the extent Medicaid's new eligibility system more efficiently and more accurately enrolls eligible individuals in Medicaid and other programs, uncompensated care costs for hospitals could decrease.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 21, 2005  
mp/jr Revised - Senate Third Reader - April 4, 2005  
Revised - Enrolled Bill - April 20, 2005

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