

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

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

House Bill 8 (Delegate Gaines, *et al.*)  
 Health and Government Operations

**Department of Health and Mental Hygiene - Mental Health Services - Cost-of-Living Adjustment**

This bill requires the Department of Health and Mental Hygiene (DHMH) to annually adjust the fees paid to community mental health service providers for services to eligible individuals by the rate of change in the medical component of the Washington-Baltimore metropolitan area Consumer Price Index for All Urban Consumers, calculated by the U.S. Department of Labor, up to a maximum of 5%. This change affects each fiscal year that the Bureau of Revenue Estimates projects a 4% increase in personal income.

The bill would take effect July 1, 2005.

**Fiscal Summary**

**State Effect:** Assuming the current level of services is maintained, general fund expenditures would increase by \$5.0 million and federal fund expenditures would increase by \$3.4 million in FY 2006. (Revenue estimates for FY 2006 project personal income increases above 4%). Future year expenditures reflect cumulative increases in expenditures over the FY 2006 base amount to fund the program.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	5.0	10.1	15.4	20.8	26.4
FF Expenditure	3.4	6.9	10.5	14.2	18.1
Net Effect	(\$8.4)	(\$17.1)	(\$25.9)	(\$35.1)	(\$44.5)

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

**Local Effect:** None.

**Small Business Effect:** Significant. Mental health providers that are considered small businesses would experience a significant increase in payments for services provided and a minimal savings in administrative costs due to reduced staff turnover.

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## Analysis

**Current Law:** DHMH rates for mental health services are set in State regulations.

**Background:** DHMH reports that salary and benefit gaps exist between front-line community workers and State employees in similar positions, and that low wages have resulted in staff recruitment and retention crises in the field of caring for the mentally ill, the developmentally disabled, and those suffering with substance abuse addiction.

**State Fiscal Effect:** Expenditures could increase by \$8,411,340 in fiscal 2004 (\$4,996,336 general funds or 59.4%, \$3,415,004 federal funds or 40.6%). This estimate reflects DHMH's Mental Hygiene Administration's fiscal 2006 projected fee for service expenditures of \$300,405,012 and a 2.8% increase in the Consumer Price Index for All Urban Consumers, Medical Care Component for the Washington-Baltimore area, as published by the U.S. Department of Labor Bureau of Labor Statistics (BLS). The 2.8% increase is the average increase for the first half of 2004. The average annual increase for the entire year for the regional medical care component was not available from BLS at the time of this analysis. Out-years reflect a 2.8% increase per year plus the prior annual increases. This analysis assumes the fee increase applies when personal income is projected to increase 4% or more in any given year, not just 4% as specified in the bill, and that there is no change in the number of eligible individuals.

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## Additional Information

**Prior Introductions:** HB 130 of 2003 had a hearing in the House Health and Government Operations Committee but no further action was taken. A portion of SB 10 introduced in the 2002 session is similar to this bill. SB 10 passed in the Senate and had a hearing in the House Ways and Means Committee but was not reported out of that committee. HB 833 of 2002, a similar bill, had a hearing in the Environmental Matters Committee but was not reported out of the committee. A similar bill, HB 1247, was introduced in the 2001 session and received an unfavorable report by the House Appropriations Committee. The cross file bill, SB 328, was not reported out of the Senate Finance Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 1, 2005  
mam/jr Revised - Correction - February 2, 2005

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