

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

**FISCAL AND POLICY NOTE**

Senate Bill 899 (Senator Lawlah)  
 Finance

**Maryland Medical Assistance Program - Rare and Expensive Case Management Program**

This bill establishes a separate rare and expensive (REM) case management program within Medicaid.

The bill takes effect June 1, 2005.

**Fiscal Summary**

**State Effect:** Potential Medicaid expenditure increase of \$6.3 million (50% general funds, 50% federal funds) beginning in FY 2006. Future year estimates reflect inflation. Revenues would not be affected.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	3.2	3.3	3.5	3.7	3.9
FF Expenditure	3.2	3.3	3.5	3.7	3.9
Net Effect	(\$6.3)	(\$6.7)	(\$7.1)	(\$7.5)	(\$7.9)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

## Analysis

**Bill Summary:** The REM program must provide case management services and subspecialty care for individuals who are Medicaid-eligible and have rare and expensive conditions. These individuals may choose to participate in the program or receive services through a Medicaid managed care organization (MCO) under Medicaid's HealthChoice program. The Department of Health and Mental Hygiene (DHMH) must reimburse a health care provider who provides REM services on a fee-for-service basis. DHMH must adopt regulations to implement the REM program, with input from stakeholders.

DHMH, in consultation with the Department of Disabilities, must establish a workgroup to evaluate the REM program to ensure its efficacy and to make recommendations about the utilization of the program and how to improve it. The workgroup must solicit input from various interested parties such as legislators, State agencies, health care providers, and individuals receiving REM services. It must report its findings and recommendations to the Governor and the General Assembly by November 1, 2005.

**Current Law:** DHMH administers a fee-for-service REM program.

**Background:** In fiscal 2004, DHMH paid \$160 million on fee-for-service medical care for 3,405 REM recipients. The Governor's proposed fiscal 2006 budget allowance assumes \$6.3 million (total funds) savings from eliminating the REM program and transferring recipients to HealthChoice MCOs for treatment.

Administered by DHMH, REM is a voluntary program for Medicaid enrollees. The program primarily targets children with chronic, severe health conditions such as cystic fibrosis, spina bifida, and HIV/AIDS. REM currently serves about 3,500 recipients statewide with over 100 different medical conditions or injuries. Program benefits include: (1) intensive case management provided by registered nurses or licensed clinical social workers employed by six contracted agencies; (2) access to optional services not otherwise available in Medicaid fee-for-service; and (3) the ability for an enrollee to assemble his or her own panel of specialists without a referral requirement. In most cases, REM program enrollees' medical service utilization patterns show a shift from inpatient facility services to community-based services. Program satisfaction is in the range of 90+%.

**State Fiscal Effect:** Medicaid expenditures could increase by \$6.3 million (50% general funds, 50% federal funds) in fiscal 2006, which accounts for the bill's June 1, 2005 effective date. The fiscal 2006 budget allowance assumes a \$6.3 million savings in fiscal 2006 as Medicaid transitions REM program recipients to Medicaid's managed care

program and HealthChoice MCOs, beginning January 1, 2006. The bill prohibits the elimination of the REM program and specifies that an eligible individual only has to join an MCO if the individual so chooses. Future year estimates reflect 5.8% medical inflation in the Medicaid program.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1519 (DelegateHurson) – Health and Government Operations.

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

**Fiscal Note History:** First Reader - March 22, 2005  
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