

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 1340 (Delegate Pendergrass, *et al.*)
 Health and Government Operations

Maryland Medical Assistance Program - Medical Day Care - Reimbursement Rates

This bill specifies that the Medicaid reimbursement rate for medical day care must be adjusted annually by adjusting the per diem rate for the preceding fiscal year by the percentage of the annual increase or decrease in the *March Consumer Price Index for All Urban Consumers, Medical Care Component, Washington-Baltimore*, from the U.S. Department of Labor, Bureau of Labor Statistics.

The bill takes effect June 1, 2006 and is applicable to per diem rates for services provided on or after July 1, 2006.

Fiscal Summary

State Effect: Medicaid expenditures could increase by \$757,800 (50% general funds, 50% federal funds) in FY 2007 only. No effect on revenues. The bill codifies existing regulations.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	378,900	0	0	0	0
FF Expenditure	378,900	0	0	0	0
Net Effect	(\$757,800)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Payment to a provider of medical day care services is on a per diem basis. Statute provides that the per diem rate is set by the Department of Health and Mental Hygiene (DHMH). The per diem rate for November 1, 2003 through June 30, 2004 is \$64.66. Pursuant to DHMH regulations, effective July 1, 2004, the per diem rate must be adjusted annually by adjusting the per diem rate for the preceding fiscal year by the percentage of the annual increase or decrease in the *March Consumer Price Index for All Urban Consumers, Medical Care Component, Washington-Baltimore*, from the U.S. Department of Labor, Bureau of Labor Statistics. Any increase in the per diem rate for medical day care services may not be greater than 5%.

Background: Under the proposed fiscal 2007 budget, DHMH will pay assisted living providers less for each day when a resident attends medical day care, saving the State about \$2 million. During fiscal 2004, the State spent \$7 million on medical day care services for assisted living clients and \$20 million on assisted living services. The savings target reflects both lower payments to assisted living providers (\$1.9 million) and an anticipated decline in medical day care usage (\$0.1 million). Of this estimated \$2 million savings, the medical day care savings in the budget totals \$760,000 (50% general funds, 50% federal funds).

The medical day care per diem rate in fiscal 2006 is \$68.80.

State Fiscal Effect: Medicaid expenditures could increase by \$757,866 (50% general funds, 50% federal funds) in fiscal 2007 only. The bill requires DHMH to inflate the medical day care per diem rate based on the Consumer Price Index (CPI) inflation rate. While the bill codifies current regulatory standards, DHMH is only inflating the per diem reimbursement rate by approximately two-thirds of the CPI in fiscal 2007 as a cost-containment measure. Total fiscal 2006 costs for medical day care were \$72,500,000. Increasing this cost by 3.2% (projected CPI for March 2006), instead of the budgeted 2.13%, would increase total expenditures by \$757,866 in fiscal 2007 only. DHMH intends on resuming the use of the CPI in fiscal 2009 and beyond, so there would be no fiscal impact in future years under the bill. Revenues would not be affected.

Additional Information

Prior Introductions: None.

Cross File: SB 579 (Senator Kelley, *et al.*) – Finance.

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

Fiscal Note History: First Reader - March 1, 2006
ncs/jr

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