

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 1476

(Delegate Kullen, *et al.*)

Health and Government Operations and Ways and Means

Budget and Taxation

Caregivers - Voluntary Tax Withholding

This bill requires the Department of Health and Mental Hygiene to provide voluntary withholding of any applicable federal and State income taxes for self-employed providers of health care services as attendants, personal care aides, personal care providers, and respite care workers to recipients participating in the home- and community-based services waiver for the Older Adults Program or the Medicaid program. Health care providers may not be employed by an agency. Nothing in the bill may be construed to alter a self-employed provider’s contractual relationship with DHMH or to confer any employment status or benefits.

The bill takes effect January 1, 2007.

Fiscal Summary

State Effect: Medicaid expenditures could increase by \$299,200 (50% general funds, 50% federal funds), beginning in FY 2007. Future year estimates reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	149,600	302,192	305,214	308,266	311,349
FF Expenditure	149,600	302,192	305,214	30,866	311,349
Net Effect	(\$299,200)	(\$604,384)	(\$610,428)	(\$339,132)	(\$622,698)

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

Local Effect: None.

Small Business Effect: Potential minimal. Small business providers could realize some administrative savings by having taxes withheld by DHMH.

Analysis

Current Law: DHMH is not required to withhold payroll taxes for Medicaid or waiver program providers. It currently provides voluntary tax withholding for self-employed providers in the Living at Home Waiver program.

Background: These providers assist aged and disabled individuals with activities of daily living and other services in order for those individuals to remain in the community rather than be institutionalized. Personal care providers in the Medicaid program are paid between \$11 and \$50 per day, depending on the level of care provided to the consumer. Personal care providers in the Medicaid Older Adults Waiver program are paid between \$9.80 per hour if uncertified and \$12.80 per hour if certified. Under current law, wages are paid directly to the provider by DHMH, but taxes are not withheld. At the end of the tax year, many of these providers are hit with large tax liabilities because federal and State taxes have not been withheld throughout the year.

State Fiscal Effect: Medicaid expenditures could increase by \$299,200 in fiscal 2007, which accounts for the bill's January 1, 2007 effective date. The information and assumptions used in calculating the estimate are stated below:

- there are 2,800 self-employed personal care providers in the Medicaid program;
- there are 400 self-employed personal care providers in the Waiver for Older Adults;
- 50%, or 1,600 providers choose to have taxes withheld;
- Medicaid contracts with a third party administrator (fiscal intermediary) to perform the tax withholding functions for providers; and
- it costs \$374 annually for a fiscal intermediary to perform tax withholding functions for each provider.

Future year estimates reflect annualization, inflation, and assume the number of providers remains constant. Revenues would not be affected.

Additional Information

Prior Introductions: None.

Cross File: SB 754 (Senator Exum, *et al.*) – Budget and Taxation.

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

Fiscal Note History: First Reader - March 13, 2006
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