

Department of Legislative Services  
 Maryland General Assembly  
 2006 Session

FISCAL AND POLICY NOTE

House Bill 1339 (Delegate Mandel, *et al.*)  
 Health and Government Operations

Maryland Medical Assistance Program - Long-Term Care - Community Choice  
 Program - Participation, Location, and Termination

This bill specifies that a Community Choice program: (1) may not include more than 10,000 participants; (2) must operate in a rural area of the State; and (3) must serve in its rural area of operation the lesser of 30% of the program’s total number of participants, or 3,000 participants. The bill repeals the requirement that if a program operates in more than one area of the State, the proportion of Medicaid-eligible individuals in those areas prior to implementation of the Community Choice program must stay the same after implementation. The limitations on geographical location and enrollment terminate the earlier of federal waiver denial or two years after the date the waiver is approved.

The bill takes effect June 1, 2006.

Fiscal Summary

**State Effect:** Medicaid expenditures could decrease by \$46.6 million in FY 2008. General fund revenues from the 2% premium tax on managed care organizations (MCOs) could decrease by a significant amount, beginning in FY 2008. Future year estimates reflect the bill’s termination date.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
GF Revenue	\$0	-	-	\$0	\$0
GF Expenditure	0	(23.3)	(9.3)	0	0
FF Expenditure	0	(23.3)	(9.3)	0	0
Net Effect	\$0	\$46.6	\$18.6	\$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**

**Current Law:** Chapter 4 of 2004 established the Community Choice program, a managed care system to provide long-term care services to adults eligible for both Medicaid and Medicare, adult Medicaid recipients who meet the nursing home level-of-care standard, and Medicaid recipients over age 65. The program requires federal waiver approval. The Community Choice program terminates May 31, 2008.

**Background:** In August 2005, the Department of Health and Mental Hygiene (DHMH) submitted a Medicaid waiver application to the federal Centers for Medicare and Medicaid Services (CMS) to establish Community Choice. The waiver application provides that the program is intended to promote community-based long-term care services, manage health care costs, coordinate care, and establish accountability. As stipulated in Chapter 4 of 2004, the Community Choice program will be piloted in two areas of the State. The Community Choice advisory group has recommended Baltimore City/Baltimore County and Prince George's/Montgomery counties as the pilot areas. Together these regions comprise two-thirds of the State's eligible population. Enrollment in other geographic areas will occur only after legislative approval to expand.

**State Fiscal Effect:** Medicaid expenditures could decrease by \$46.6 million (50% general funds, 50% federal funds) in fiscal 2008, which assumes federal waiver approval and a July 1, 2007 start-up date. DHMH applied for the waiver in August 2005 and is pending approval.

This program is currently slated to serve 50,000 enrollees at an estimated \$58.2 million more than the current fee-for-service program. While the Community Choice program is expected to save money for the Medicaid program in the long run, the first two years of operation include administrative and other transitional costs to move 50,000 individuals from nursing homes to community care settings. By moving only 10,000 individuals to community care settings, Medicaid expenditures would be reduced by \$46.6 million. **Exhibit 1** illustrates the cost differences between fee-for-service and Community Choice programs.

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**Exhibit 1**  
**Community Choice Program Expenditures for the First Year of Operation**

<u>Number of Enrollees</u>	<u>Fee-for-service</u>	<u>Community Choice</u>	<u>Increased Expenditures for First Year of Operation Only*</u>
50,000	\$1.21 billion	\$1.27 billion	\$58.2 million
10,000	\$242 million	\$254 million	\$11.6 million
		<b>Difference:</b>	<b>\$46.6 million</b>

\*Numbers may not total due to rounding.

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General fund revenues from the 2% premium tax imposed on HMOs and Medicaid MCOs could decrease by a significant amount, beginning in fiscal 2008. The Community Choice program is a managed care program for long-term care and is administered by Community Care Organizations (CCOs). To the extent any of the CCOs are run by or considered HMOs or MCOs, to which the premium tax applies, general fund revenues would decrease. There are insufficient data to reliably estimate any reduction.

Future year estimates assume extension of the Community Choice program's May 31, 2008 termination date and that the bill's modifications of geographical location and the enrollment cap terminate after two years (June 30, 2009).

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 717 (Senator Hollinger, *et al.*) – Finance.

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

**Fiscal Note History:** First Reader - March 1, 2006  
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Analysis by: Susan D. John

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510

