

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 579

(Senator Kelley, *et al.*)

Finance

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. Any adjustments may not exceed 5% on an annual basis.

The Department of Health and Mental Hygiene (DHMH) must study the impact of the costs of rising fuel prices on the medical day care providers to determine cost increases since July 1, 2005 and how much the per diem rate should be increased to offset the actual fuel cost increases since July 1, 2005. DHMH must report to specified committees on its findings by December 15, 2006.

The bill takes effect June 1, 2006 and is applicable to per diem rates for services provided on or after July 1, 2007.

Fiscal Summary

State Effect: The bill codifies existing regulations as it pertains to the annual adjustment of the per diem rate. The required study could be handled with existing Medicaid resources.

Local Effect: None.

Small Business Effect: None.

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 would have paid assisted living providers less than the full CPI Index increase for each day when a resident attends medical day care, saving the State about \$2 million. Of this estimated \$2 million savings, the medical day care savings in the proposed budget totaled \$760,000 (50% general funds, 50% federal funds). However, the funding for medical day care has been restored under the fiscal 2007 budget.

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

Additional Information

Prior Introductions: None.

Cross File: HB 1340 (Delegate Pendergrass, *et al.*) – Health and Government Operations.

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

Fiscal Note History: First Reader - February 28, 2006
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