

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

Senate Bill 72 (The President) (By Request – Administration)
 Finance

Maryland Health Care Commission - User Fee Assessments

This Administration bill makes permanent the authority of the Department of Health and Mental Hygiene (DHMH) to assess the Maryland Health Care Commission (MHCC) an administrative charge. The bill specifies that MHCC costs include administrative costs. The bill increases MHCC’s annual user fee cap from \$10.0 million to \$12.0 million.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: MHCC’s FY 2008 special fund revenues and expenditures would increase by as much as \$1.3 million, while general fund expenditures would decrease by \$843,400 contingent upon enactment of this bill. Future years special fund revenues and expenditures reflect growth in personnel expenses and inflation.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	\$1,297,700	\$1,605,000	\$1,924,500	\$2,000,000	\$2,000,000
GF Expenditure	(843,400)	(843,400)	(843,400)	(843,400)	(843,400)
SF Expenditure	1,297,700	1,605,000	1,924,500	2,000,000	2,000,000
Net Effect	\$843,400	\$843,400	\$843,400	\$843,400	\$843,400

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

Local Effect: None.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration’s assessment becomes available.

Analysis

Current Law: MHCC is special funded by user fees assessed on health care payors, hospitals, nursing homes, and practitioners. The annual user fee cap is \$10.0 million. The amount of fees charged to an industry is determined according to the proportion of the commission's workload attributable to that industry. The commission is required to recalculate workload apportionment every four years, submitting results to the General Assembly prior to implementation.

For fiscal 2007, DHMH may impose an administrative cost assessment of 18% of base salaries on MHCC to defray the cost of shared services, including personnel services and access to DHMH's budget management office. For fiscal 2007, MHCC costs include administrative costs.

Background: The Budget Reconciliation and Financing Acts of 2004 and 2005 (Chapter 430 of 2004 and Chapter 444 of 2005) both authorized DHMH to charge MHCC an administrative cost assessment and increased MHCC's user fee cap from \$10.0 million to \$11.2 million for fiscal 2005 and 2006 only. Chapter 107 of 2006 extended DHMH's authority to assess MHCC administrative costs through fiscal 2007, but did not increase MHCC's user fee cap beyond \$10.0 million.

Fiscal 2008 budget bill language includes a general fund reduction of \$1.25 million contingent upon the enactment of legislation authorizing the assessment of indirect costs on the budgets of MHCC and the Health Services Cost Review Commission (HSCRC). DHMH currently has authority to impose an 18% administrative cost assessment on HSCRC, but its authority regarding MHCC terminated in fiscal 2007.

The Governor's proposed fiscal 2008 budget for MHCC is \$10.45 million, which exceeds the current user fee cap by 4.5%. This figure does not include funds to cover the administrative cost assessment, estimated to be \$843,400. MHCC indicates that fiscal 2008 administrative costs will be paid using the commission's fund balance. The commission's fund balance at the end of fiscal 2006 was \$3.6 million. MHCC projects a fiscal 2007 closing fund balance of \$1.7 million due to a reduction in fiscal 2007 user fees, increased contractual expenditures, and filled vacancies.

In 2006, the Department of Legislative Services (DLS) conducted a full sunset evaluation of MHCC. DLS recommended that statute be amended to increase MHCC's user fee cap from \$10.0 to \$12.0 million to meet the commission's projected level of spending. This recommendation did not take into account the continuation of the administrative cost assessment.

State Fiscal Effect: Special fund expenditures would increase by up to \$1.23 million in fiscal 2008. This figure reflects the amount in the Governor's proposed fiscal 2008 MHCC budget that exceeds the current \$10.0 million user fee cap (\$454,304) and the estimated fiscal 2008 DHMH administrative cost assessment (\$843,400). Special fund revenues are expected to closely match expenditures to cover ongoing MHCC operations.

General fund expenditures would decrease by \$843,400 in fiscal 2008 due to DHMH's administrative cost assessment on MHCC.

Future year special fund expenditures assume 4.5% growth in personnel expenses and 1.0% growth in other administrative expenses. For purposes of this analysis, the administrative cost assessment is held constant at \$843,400. Based on these assumptions, DLS projects that future year special fund expenditures would exceed the \$12.0 million cap by \$256,796 in fiscal 2011 and \$602,334 in fiscal 2012.

For purposes of this analysis, additional special fund expenditures are capped at \$2.0 million in fiscal 2011 and fiscal 2012.

Additional Information

Prior Introductions: Chapter 107 of 2006 (HB 1604) *as introduced* included a provision to increase the MHCC user fee cap from \$10.0 to \$12.0 million. This provision was not included in the final bill as passed by the General Assembly.

Cross File: HB 56 (The Speaker) (By Request – Administration) – Health and Government Operations.

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

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ncs/jr

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