

Department of Legislative Services

Maryland General Assembly

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FISCAL AND POLICY NOTE

Revised

House Bill 1522

(Chair, Health and Government Operations Committee)

(By Request – Departmental – Health and Mental Hygiene)

Health and Government Operations

Finance

Maryland Health Care Provider Rate Stabilization Fund - Allocations to and Disbursements from the Medical Assistance Program Account

This departmental bill • authorizes the Maryland Insurance Commissioner to determine the amount of revenues provided to the Rate Stabilization Account (RSA) in the Maryland Health Care Provider Rate Stabilization Fund in fiscal 2009; • requires up to \$300,000 in fiscal 2010 and 2011 to be transferred to the Comptroller’s Office for specified mailings; • includes dentists in the provider groups eligible to receive increased rates from the fund; and • specifies that the Maryland State Dental Association and the Maryland Dental Society be included among provider groups consulted on health care provider rate increases provided from the fund. Uncodified language expresses legislative intent that, until Medicaid provider rates are equal to Medicare, funds in the Medical Assistance Program Account (MAPA) should be used only to maintain and increase provider rates and not for general program support.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: The bill would accelerate access to as much as \$25.0 million in special funds in FY 2009 for Medicaid, meaning Medicaid special fund expenditures could increase by as much as \$25.0 million in FY 2009 and Medicaid general fund expenditures would increase by a corresponding amount in FY 2010. The transfer of up to \$300,000 from the Rate Stabilization Fund to the Comptroller’s Office in FY 2010 and 2011 would result in a net general fund expenditure increase of \$300,000 for Medicaid in each of those fiscal years, as these funds would otherwise be available for Medicaid. No effect on revenues.

(\$ in millions)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(-)	.3	.3	-	-
SF Expenditure	-	0	0	0	0
FF Expenditure	-	-	-	-	-
Net Effect	\$0	(\$.3)	(\$.3)	\$0	\$0

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 Department of Health and Mental Hygiene in time for inclusion in this fiscal note. A revised fiscal note will be issued when the department's assessment becomes available.

Analysis

Current Law: In fiscal 2009, the Commissioner is required to allocate \$25.0 million in fund revenues to RSA. After the fiscal 2009 revenue allocation, portions of RSA that exceed the amount necessary to provide subsidies must remain in RSA to be used by MAPA to • maintain Medicaid provider rate increases; • support the provision of office-based specialty care, diagnostic testing, and laboratory testing for individuals with family incomes below 200% of federal poverty guidelines; and • support generally the operations of the Medicaid program. The Secretary must determine health care provider rate increases in consultation with specified stakeholders.

Background:

Maryland Health Care Provider Rate Stabilization Fund: The Maryland Health Care Provider Rate Stabilization Fund receives money from the 2% premium tax imposed on HMOs and managed care organizations. The fund was established to retain health care providers in the State by allowing insurers to charge lower premium rates for medical professional liability insurance and increasing Medicaid payment rates. Money in the fund is transferred to one of two accounts: • RSA, which is used to pay insurers for subsidies to health care providers; and • MAPA, which is used to increase Medicaid payments to health care providers. After fiscal 2009, all monies in the fund are to be allocated to MAPA to continue increased payments to health care providers and to support the Medicaid program. **Exhibit 1** displays the required distribution of funds among the two accounts.

Exhibit 1
Statutory Distribution of Funds under the
Maryland Health Care Provider Rate Stabilization Fund

<u>Fiscal Year</u>	<u>Rate Stabilization Account</u>	<u>Medical Assistance Program Account</u>
2005	\$0	\$3.5 million
2006	52.0 million	30.0 million
2007	45.0 million	45.0 million
2008	35.0 million	65.0 million
2009	25.0 million	Remaining revenue
2010	\$0	100% of revenue

Funds from RSA are paid primarily to the Medical Mutual Liability Insurance Society of Maryland, which insures 70% to 75% of private practice physicians in the State. However, after realizing surpluses of \$43.7 million in 2005 and \$45.9 million in 2006, Medical Mutual announced in September 2007 its intent to declare a dividend of \$68.6 million (later increased to \$97.9 million) and withdraw from the subsidy program in 2008. Following Maryland Insurance Administration proceedings in December 2007, the Insurance Commissioner and Medical Mutual announced that the insurer would return \$84.0 million to the State. This figure represents the amount that Medical Mutual received in the prior three years and would have received in 2008 in premium subsidies.

Anticipated Fiscal 2008 RSA Balance: Due to reduced payouts and funds returned from Medical Mutual, RSA is projected to have a cash balance of \$108.7 million at the end of December 2007. Approximately \$8.6 million in subsidies may be requested by carriers remaining in the program for subsidy year 2007, leaving a balance of \$100.1 million. SB 545 of 2008, an Administration bill passed by the General Assembly, requires that \$83.3 million of this RSA balance be transferred as follows: • \$7.0 million to MAPA to increase fee-for-service dental rates in fiscal 2009; • \$3.0 million to the Health Care Coverage Fund (HCCF) for expenses in fiscal 2009; and • \$73.3 million to HCCF for expenses in fiscal 2010 and 2011. Assuming these transfers, the available RSA balance at the end of fiscal 2008 will be \$16.8 million.

Dental Rates: During the 2007 interim, the Department of Health and Mental Hygiene formed a Dental Action Committee. The committee identified low provider participation as the main barrier to comprehensive oral health services for Medicaid enrollees. A main driver of low provider participation is low reimbursement rates. All Maryland Medicaid

dental reimbursement rates are below the twenty-fifth percentile of the American Dental Association's South Atlantic charges, and many are below the tenth percentile. The committee recommended that Medicaid increase dental reimbursement rates to the fiftieth percentile of the ADA's South Atlantic charges for all dental codes and index the reimbursement rates to inflation. DHMH plans to increase rates as such over the next three fiscal years. The fiscal 2009 budget includes \$7.0 million in special funds from RSA to increase dental rates.

State Fiscal Effect: The available RSA balance at the end of fiscal 2008 is anticipated to be \$16.8 million. Approximately \$8.0 million in subsidies may be requested by carriers remaining in the program for subsidy year 2008, resulting in a balance of \$8.8 million at the end of fiscal 2009. Therefore, Legislative Services assumes that the Insurance Commissioner would reduce the amount of fiscal 2009 revenues to RSA by the full \$25.0 million. These revenues would then accrue to MAPA and could be used as special fund Medicaid expenditures in fiscal 2009. Under current law, unspent RSA funds may be used by MAPA beginning in fiscal 2010. Thus, the bill accelerates access to these funds by one year.

The actual impact on State expenditures of the bill depends on how and when the special funds are used. DHMH advises it would make use of the availability of these monies to fund physician rate increases in fiscal 2009. Under this scenario, Medicaid special fund expenditures could increase by as much as \$25.0 million in fiscal 2009, with federal fund expenditures increasing by a corresponding amount. As these funds would otherwise have been used for Medicaid in fiscal 2010, it would result in a corresponding general fund expenditure increase and special fund expenditure decrease in fiscal 2010. Furthermore, physician rate increases would be built into the base budget, increasing Medicaid expenditures (50% general funds, 50% federal funds) in future years.

In fiscal 2010 and 2011, up to \$300,000 must be transferred from the Rate Stabilization Fund to the Comptroller's Office to pay for mailings of applications and enrollment instructions for Medicaid and the Maryland Children's Health Program for families with children. Use of the special funds for this purpose would reduce the balance that would otherwise be used for Medicaid expenses in those years. Thus, up to \$300,000 in special funds would not be available to Medicaid in fiscal 2010 and 2011, and general fund Medicaid expenditures would increase by up to \$300,000.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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