

Department of Legislative Services  
 Maryland General Assembly  
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1379 (Delegate Ivey, *et al.*)  
 Health and Government Operations

Health Insurance - Waiver for Older Adults Expansion Fund

This bill • establishes a Waiver for Older Adults Expansion Fund to finance additional slots in the Medicaid Waiver for Older Adults Program; • requires any balance remaining in the Rate Stabilization Account of the Maryland Health Care Provider Rate Stabilization Fund at the end of fiscal 2009 to be transferred to the fund; and • requires that, in fiscal 2010 through 2012, the fund be used to serve 250 additional individuals in the waiver program.

Fiscal Summary

**State Effect:** No net increase in special fund revenues although the Waiver for Older Adults Expansion Fund could be capitalized with as much as \$114.9 million in FY 2010 depending on the available RSA fund balance. Medicaid general fund expenditures could increase by a corresponding amount in FY 2010 as RSA funds would have otherwise been used to fund specified Medicaid expenses in FY 2010. Medicaid expenditures (50% special funds, 50% federal funds) could increase by an estimated \$10.7 million in FY 2010, \$11.3 million in FY 2011, and \$11.9 million in FY 2012 to fund 250 additional individuals in the waiver program. To the extent that additional special fund revenues remain in the new fund after FY 2012, Medicaid expenditures could continue through FY 2013 and beyond to cover waiver enrollees.

| (\$ in millions) | FY 2009 | FY 2010  | FY 2011  | FY 2012  | FY 2013 |
|------------------|---------|----------|----------|----------|---------|
| SF Revenue       | \$0     | \$0      | \$0      | \$0      | \$0     |
| GF Expenditure   | 0       | 114.9    | 0        | 0        | 0       |
| SF Expenditure   | 0       | (109.5)  | 5.6      | 5.9      | -       |
| FF Expenditure   | 0       | 5.4      | 5.6      | 5.9      | -       |
| Net Effect       | \$0     | (\$10.7) | (\$11.3) | (\$11.9) | \$0     |

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

**Local Effect:** Minimal to none.

**Small Business Effect:** Small business waiver service providers could receive additional income from increased enrollment in the waiver program.

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## Analysis

**Bill Summary:** The fund must be administered by the Department of Health and Mental Hygiene and is a special, nonlapsing fund not subject to general fund reversion. The fund consists of • monies transferred from the Maryland Health Care Provider Rate Stabilization Fund; • investment earnings; and • any other funds accepted for the benefit of the fund. The fund may only be used to finance additional slots in the waiver program. Expenditures from the fund may be made only in accordance with the State budget and must supplement rather than supplant funding for Medicaid and the waiver program.

### **Current Law/Background:**

*Medicaid Older Adults Waiver Program:* The waiver program, which is administered by the Maryland Department of Aging and funded through Medicaid, was established in 1993 as the Senior Assisted Housing Waiver. The waiver program initially served 135 adults and was later amended, expanded, and renamed the Waiver for Older Adults.

Low-income adults may be eligible for the waiver program if they live at home or in a licensed assisted living facility and • are at least age 50; • have a monthly income of no more than 300% of federal Supplemental Security Income; • have assets of no more than \$2,000 to \$2,500; and • qualify for nursing facility level of care. The waiver program provides a full-range of home- and community-based long-term care services.

The Governor's proposed fiscal 2009 budget includes funding for an average of 3,031 waiver enrollees per month. As of October 31, 2007, there were 10,204 individuals listed on the Waiver Services Registry. These individuals are interested in applying for the waiver but have not yet been determined eligible. DHMH advises that, if invited to participate, an estimated 25% of individuals on the Waiver Services Registry (2,551) would qualify for and enroll in waiver services.

*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: the Rate Stabilization Account, which is used to pay insurers for subsidies to health care providers, and the Medical Assistance Program Account, which is used to increase Medicaid payments to health care providers. After fiscal 2009, all monies in the fund are to be allocated to the Medical Assistance Program Account 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.

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**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                          |

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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.

Due to reduced payouts and funds returned from Medical Mutual, RSA is projected to have a cash balance of \$106.9 million at the end of fiscal 2008. Approximately \$9.0 million in subsidies may be requested by carriers remaining in the program for subsidy year 2007; therefore, the available RSA balance at the end of fiscal 2008 will be \$97.9 million. In fiscal 2009, RSA is scheduled to receive \$25.0 million in revenues. The projected balance for the account at the end of fiscal 2009, assuming no other

legislative action regarding RSA or the Rate Stabilization Fund and \$8.0 million in subsidy payouts, is \$114.9 million.

**State Fiscal Effect:** Special fund revenues for the newly established fund could increase by as much as \$114.9 million in fiscal 2010 assuming no other legislative action is taken regarding RSA or the Rate Stabilization Account. To the extent other action is taken to reduce the fund balance, this amount would be reduced by a corresponding amount.

The transfer of \$114.9 million from RSA at the end of fiscal 2009 would reduce the fund balance that would otherwise be used for Medicaid expenses in fiscal 2010. Thus, \$114.9 million in special funds would not be available for this purpose in fiscal 2010, and general fund expenditures would increase by \$114.9 million to fund Medicaid expenses. To the extent the transfer is less, any general fund expenditure increase for Medicaid in fiscal 2010 would be reduced by a corresponding amount.

Medicaid expenditures (50% special funds, 50% federal funds) could increase by an estimated \$10.7 million in fiscal 2010, \$11.3 million in fiscal 2011, and \$11.9 million in fiscal 2012 (for total expenditures over three years of \$33.9 million) to expand the waiver program to 250 additional enrollees. This estimate is based on a projected fiscal 2009 per enrollee cost of \$39,000 inflated by 5.0% annually. To the extent that additional special fund revenues remain in the new fund after fiscal 2012, Medicaid expenditures could continue through fiscal 2013 and beyond to cover waver enrollees.

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### **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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ncs/ljm

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