

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

Senate Bill 635
 Finance

(Senator Della, *et al.*)

Maryland Medical Assistance Program - Uniform Statewide Transportation System for Nonemergency Services

This bill requires the Department of Health and Mental Hygiene (DHMH) to develop and implement a statewide uniform transportation system to provide transportation for Medicaid recipients to nonemergency covered services.

The system must be operated by a single entity that responds directly to DHMH, which must select an entity to operate the system through a competitive bid process by October 1, 2009. Any savings resulting from the system must be used to increase Medicaid reimbursement to nursing homes and funding to local health departments.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: Medicaid expenditures (50% general funds, 50% federal funds) increase by \$132,800 in FY 2010 to monitor the contract for a statewide system. No savings are anticipated over the current \$32.5 million expended annually for nonemergency medical transportation for Medicaid enrollees. Future years reflect inflation. No effect on revenues.

| (in dollars) | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | 66,400 | 63,400 | 66,500 | 69,700 | 73,000 |
| FF Expenditure | 66,400 | 63,400 | 66,500 | 69,700 | 73,000 |
| Net Effect | (\$132,800) | (\$126,800) | (\$132,900) | (\$139,300) | (\$146,100) |

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

Local Effect: Local revenues under the Medicaid Transportation Grant program decrease by a significant amount and local expenditures on transportation for Medicaid enrollees decrease by a significant amount beginning in FY 2010.

Small Business Effect: Minimal.

Analysis

Current Law/Background: Federal Medicaid rules require states to ensure necessary transportation for recipients to and from providers based on a described method in the Medicaid state plan. In 1993, Maryland transitioned from a statewide fee-for-service transportation program run by DHMH to a county-based transportation grant program. Nonemergency medical transportation (NEMT) is now provided to Maryland Medicaid enrollees under the Medicaid Transportation Grant program. The program provides funds to the 24 local jurisdictions. At their discretion, local jurisdictions may arrange for screening and/or transportation services directly or provide these services through a subcontractor. The fiscal 2009 budget for the Medicaid Transportation Grant Program is \$32.5 million.

Chapter 651 of 2008 required DHMH to conduct a study on the feasibility of creating a uniform, nonemergency statewide Medicaid transportation program. The study was conducted by The Hilltop Institute and released in September 2008. The study found no compelling indication that Maryland would realize cost efficiencies and/or quality improvement by implementing a different NEMT system. An analysis of other state data as well as historical Maryland data indicates that the State's current NEMT program is comparatively cost-effective. The report noted that DHMH might find savings at the margins, either through implementation of a new system or implementation of elements to gain additional efficiencies in the current system. The study did suggest that DHMH may wish to build upon its current quality monitoring and improvement program by incorporating additional quality assurance elements, although current efforts indicate a high level of satisfaction among Medicaid enrollees accessing NEMT services.

The Medicaid program provides health care coverage to approximately 590,000 Marylanders. Eligibility is limited to children, pregnant women, elderly or disabled individuals, and certain parents and caretaker relatives. Chapter 7 of the 2007 special session expanded eligibility for Medicaid to parents, caretaker relatives, and childless adults with incomes up to 116% of the federal poverty guidelines (FPG) effective July 1, 2008. The Maryland Children's Health Program (MCHP) offers comprehensive health care coverage to children younger than age 19 with family incomes that exceed the standard for Medicaid but are at or below 300% FPG. Families with incomes above 200% FPG are given the opportunity to enroll in the MCHP premium plan and required

to pay monthly premiums depending on income. In fiscal 2009, approximately 111,000 children will be covered through MCHP.

For fiscal 2009, nursing homes were granted a 6.6% Medicaid rate increase over fiscal 2008 rates. However, this increase was reduced to a 3.3% rate increase over fiscal 2008 effective November 1, 2008. This change imposed a \$25.5 million reduction in funding for nursing homes for the remainder of fiscal 2009. Funding for a rate increase for nursing homes is not included in the Governor's proposed fiscal 2010 budget. Legislative Services estimates that, if provided, nursing homes would have received a 5.5% rate increase or \$70.0 million in total funds.

The Governor's proposed fiscal 2010 budget includes \$57.4 million for local health departments. This represents a \$10.1 million general fund decrease from the fiscal 2009 budget. In fiscal 2009, the inflationary adjustment for the targeted local health formula (\$1.8 million) was eliminated.

State Expenditures: Medicaid expenditures (50% general funds, 50% federal funds) increase by \$132,753 in fiscal 2010, which accounts for the bill's July 1, 2009 effective date. This estimate reflects the cost of hiring two medical care program specialists to oversee the statewide NEMT contract. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

| | |
|---|------------------|
| Positions | 2 |
| Salaries and Fringe Benefits | \$119,403 |
| Operating Expenses | <u>13,350</u> |
| Total FY 2010 State Expenditures | \$132,753 |

Future year expenditures reflect full salaries with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

DHMH indicates that procuring a major statewide contract will likely take longer than six months. Therefore implementation of a statewide system is unlikely to occur prior to April 2010.

Local Expenditures: Local revenues under the Medicaid Transportation Grant program decrease by a significant amount and local expenditures on transportation for Medicaid enrollees decrease by a significant amount beginning in fiscal 2010. According to The Hilltop Institute study, transitioning management of the NEMT system from a local system to a statewide system will eliminate funding for at least 85 full-time equivalent positions and \$5.6 million in total administrative funds that are currently paid out of the

\$32.5 million NEMT program cost. This impact will not be felt uniformly across jurisdictions due to the variety of ways in which the jurisdictions manage the current NEMT broker program.

Additional Information

Prior Introductions: None.

Cross File: HB 1149 (Delegate Montgomery, *et al.*) - Health and Government Operations.

Information Source(s): *Non-Emergency Medical Transportation (NEMT) Study Report*, The Hilltop Institute, September 26, 2008; Department of Health and Mental Hygiene; Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2009
ncs/mwc

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