

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 739 (Delegate Hammen, *et al.*)
 Health and Government Operations

Finance

Maryland Medical Assistance Program - Substance Abuse Services

This bill requires substance abuse services equivalent to those provided to adults under the Medicaid program to be provided to adults covered under the Primary Adult Care (PAC) program. In fiscal 2010, the bill authorizes the Governor to transfer \$3,343,418 in general or special funds from the Alcohol and Drug Abuse Administration (ADAA) to provide substance abuse services under the PAC program and to increase the rates paid to providers for substance abuse services provided through the PAC and Medicaid programs. Beginning in fiscal 2011, the bill requires the Governor to include sufficient funding to provide these services. In addition, the bill requires managed care organizations (MCOs) to submit specific information regarding substance abuse treatment services. The Department of Health and Mental Hygiene (DHMH) has to collaborate with MCOs to establish a process and criteria to qualify certified addiction treatment programs as paneled providers.

The bill takes effect January 1, 2010.

Fiscal Summary

State Effect: Federal fund expenditures increase by \$3.3 million in FY 2010 due to the attainment of federal funds from reallocating \$3.3 million from ADAA to Medicaid, which is eligible for 50% federal matching funds on all expenditures. Future years reflect annualization and inflation.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
FF Expenditure	3.3	6.9	7.1	7.3	7.5
Net Effect	(\$3.3)	(\$6.9)	(\$7.1)	(\$7.3)	(\$7.5)

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

Local Effect: Local health departments that provide substance abuse services through ADAA grants receive less grant money but receive higher reimbursement rates for substance abuse services through the Medicaid fee-for-service system and MCOs.

Small Business Effect: Potential minimal.

Analysis

Current Law/Background: Medicaid delivers substance abuse treatment via MCOs, which have their own contractual arrangements with providers, and a fee-for-service system. However, under the current Medicaid program, while most substance abuse services are covered, some are not because of federal rules, and some are only covered for certain Medicaid populations. For example, Medicaid substance abuse services are more comprehensive for regular Medicaid recipients than those covered under the PAC program.

PAC provides primary care, pharmacy, and outpatient mental health benefits to childless adults with incomes up to 116% of federal poverty guidelines (FPG), which is \$12,563 for a single person and \$16,901 for a family of two. PAC does not cover inpatient hospital, emergency room, or specialty care services. Substance abuse coverage under the program is limited to accessing the drug Buprenorphine, but not the counseling and other services that accompany the use of that treatment.

Treatment gaps are filled through ADAA's treatment grant-based system, with grants made to local jurisdictions that in turn contract for services or in some cases deliver services directly. Local grants are supplemented by statewide contracts for certain residential services, services primarily directed to court-involved individuals. Income data collected by ADAA indicates that a large portion of clients served in ADAA funded programs are probably eligible for Medicaid, including PAC. In fiscal 2006, for example, for those admissions where income information is known, over half reported having family incomes below \$10,000. However, reimbursement for substance abuse services under ADAA's treatment grants is generally higher than under Medicaid fee-for-service or MCOs.

Medicaid spending on substance abuse services, including inpatient detox, is expected to total about \$38.3 million in fiscal 2010, assuming no rate increases or service expansion. ADAA funding for substance abuse treatment programs is expected to total \$136.5 million in fiscal 2010.

State Fiscal Effect: While Maryland receives federal matching funds to provide services through Medicaid and PAC, it does not receive any federal funds to provide services through ADAA's treatment grants. Therefore, federal fund expenditures increase by \$3.3 million in fiscal 2010 due to the transfer of \$3.3 million in general or special funds from ADAA to Medicaid, which receives an equal federal fund match for services rendered to Medicaid recipients. Consequently, the reallocation of \$3.3 million translates into \$6.7 million in spending on substance abuse. Future years reflect inflation and the annual transfer of funds from ADAA to Medicaid.

DHMH advises that the money transferred from ADAA and the additional federal funds attained as a result of the transfer will be used to expand existing Medicaid substance abuse services to adults covered under the PAC program and to increase rates paid to providers who deliver substance abuse services to Medicaid and PAC eligible individuals at no additional State cost. DHMH advises that about 27,000 individuals are currently enrolled in the PAC program.

Local Effect: Local health departments that provide substance abuse services through ADAA grants receive less grant money, but receive higher reimbursement rates for substance abuse services through the Medicaid system. DHMH advises that, under the bill, providers who would normally bill ADAA for substance abuse services provided to Medicaid recipients in order to receive higher reimbursement have an incentive to bill Medicaid since reimbursement rates increase to more reasonable levels.

Additional Information

Prior Introductions: None.

Cross File: SB 952 (Senator Middleton) - Finance.

Information Source(s): Department of Budget and Management, Department of Health and Mental Hygiene, Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2009
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