

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1410 (Delegate Morhaim, *et al.*)
Health and Government Operations

**Health Services Cost Review Commission - Podiatric Medical Examiners
Residency Program**

This bill requires the Health Services Cost Review Commission (HSCRC) to select one accredited hospital that applies for funding to establish a full three-year podiatric medical examiners residency program, which meets requirements set by the Council on Podiatric Medical Education. HSCRC must then transfer funds sufficient to cover the cost of providing the program to four new podiatric medical residents each year for five years. The hospital that receives the funds must repay those funds to HSCRC within 10 years.

The bill takes effect October 1, 2010, and terminates September 30, 2020.

Fiscal Summary

State Effect: Special fund expenditures for HSCRC may increase by an indeterminate amount in FY 2011 for a one-time transfer of funds to one hospital. Medicaid expenditures (both general and federal funds) may also increase in FY 2011 due to an anticipated increase in HSCRC user fees to cover the commission's expenditures under the bill. Future years are not affected until the funds are repaid at some point within 10 years after the transfer.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: Graduate Medical Education (GME) is generally defined as medical education as an intern, resident, or fellow after graduating from a medical school. In Maryland, HSCRC does not reimburse a hospital for actually establishing a residency program. Rather, GME is built into the hospital rates set by HSCRC. Therefore, any costs to establish a residency program are generally incurred by the hospital and are reimbursed through higher rates for all payors.

HSCRC uses direct and indirect medical education components to calculate GME costs in its rate setting process. Direct medical education costs are those directly incurred in the operation of teaching activities and consist of salaries and fringe benefits of residents and interns, faculty supervisory expenses, and allocated overhead. Indirect medical education expenses are generally described as those additional costs incurred as a result of the teaching program (*e.g.*, increased patient severity associated with teaching programs and inefficiencies, such as extra tests ordered by interns/residents or the extra costs of supervision).

State Fiscal Effect: Under current practice, any hospital that HSCRC selects will have its rates increased to reflect GME costs incurred under the residency program, and it is unclear as to what additional costs would be incurred by any hospital to establish such a program. However, Legislative Services does not anticipate such costs to be significant.

Therefore, special fund expenditures for HSCRC may increase by an indeterminate amount in fiscal 2011 for a one-time transfer of funds to one hospital to cover the cost of providing a podiatric medical examiners residency program to four new residents each year for five years. The amount of any increase cannot be determined at this time but is expected to be minimal.

To the extent that HSCRC special fund expenditures increase, Medicaid expenditures (both general and federal funds) may also increase in fiscal 2011 due to an anticipated increase in HSCRC user fees to cover the commission's expenditures under the bill. Medicaid's share of total hospital revenues is approximately 18% annually. Future years are not affected until the funds are repaid at some point within 10 years after the transfer, at which time special fund revenues increase to accept the repayment.

Additional Comments: Growth in Medicare costs in Maryland has remained consistently below the national average, a requirement of maintaining the State's Medicare waiver. Even though Maryland has maintained a slower rate of growth than the national average, it has slipped below the 10% cushion that HSCRC prefers to keep to maintain the waiver. Repeated cost containment actions resulting in higher hospital charges threaten to erode the cushion even further in fiscal 2010 and 2011, and

Legislative Services advises that expenditures under the bill – which will lead to an increase in hospital charges to cover those expenditures – will expedite this erosion.

Additional Information

Prior Introductions: None.

Cross File: SB 1005 (Senator Pugh) - Finance.

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

Fiscal Note History: First Reader - March 16, 2010
ncs/mwc

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