

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 1075

(Senator Pipkin)

Finance

Health Services Cost Review Commission - Membership

This bill increases the membership of the Health Services Cost Review Commission (HSCRC) from seven to nine members, requires all members to devote full time to the duties of the office, and requires that user fees assessed by HSCRC be used to pay the salaries of the members in accordance with the State budget. The bill also authorizes the Governor to remove a member for incompetence or misconduct, and strengthens existing statutory language regarding the Governor's responsibility to assure geographic balance and promote racial, ethnic, and gender diversity in commission membership when appointing a member to fill a vacancy.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: Special fund expenditures increase by \$1.6 million in FY 2012 to pay nine full-time commission members under the bill. In the absence of enacting legislation to increase HSCRC's user fee cap, general funds will be necessary to supplement commissioner salaries beginning in FY 2012. Medicaid expenditures (50% general funds, 50% federal funds) increase beginning in FY 2012 due to an increase in hospital rates. Future years reflect inflation. Special fund revenues also increase beginning in FY 2012 due to an increase in hospital rates to cover expenditures.

(\$ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	\$0	\$1.6	\$1.6	\$1.7	\$1.8
GF Expenditure	\$0	\$1.4	\$1.6	\$1.7	\$1.8
SF Expenditure	\$0	\$1.6	\$1.6	\$1.7	\$1.8
FF Expenditure	\$0	-	-	-	-
Net Effect	\$0	(\$1.4)	(\$1.6)	(\$1.7)	(\$1.8)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: HSCRC is special funded by user fees assessed on hospitals. The annual user fee cap is \$5.5 million, and HSCRC is projected to generate \$5.3 million in fiscal 2011. Assessed user fees must be used only to cover the actual documented direct costs of fulfilling specified statutory and regulatory duties of HSCRC and any administrative costs for services to the commission provided by the Department of Health and Mental Hygiene.

HSCRC consists of seven members appointed by the Governor, four of whom are individuals who do not have any connection with the management or policy of any facility. Members, who serve four-year, staggered terms, must be interested in the problems of health care. When appointing a member to fill a vacancy due to the expiration of a member's term, the Governor must consider, and make appointments when appropriate, that would promote the racial, gender, and geographic diversity of HSCRC. HSCRC's current budget for all commission members' includes \$8,350 in per diem reimbursement and \$3,300 for travel.

Background: Some commissions operating in the State utilize full-time members while others do not. For example, the Public Service Commission (PSC), which regulates gas, electric, telephone, water, sewage disposal, and certain passenger transportation companies doing business in Maryland, is composed of five full-time members who meet at least weekly. Average annual commissioner salaries are approximately \$130,000. However, like HSCRC, the Maryland Health Care Commission, whose mission is to improve access to affordable health care, report specific health care information, and develop sets of benefits to be offered in the small group health insurance market, does not utilize full-time commission members to carry out its responsibilities.

State Fiscal Effect: Special fund expenditures increase by \$1.6 million in fiscal 2012 to pay the salaries of nine full-time commission members under the bill. This estimate reflects paying each of the nine commission members approximately \$130,000 each, which is consistent with salaries of PSC members. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses, offset by \$8,350 in per diem rates paid to seven current commission members. Legislative Services assumes that there will be no material change in travel expenses upon the bill's passage.

Positions	9
Salaries and Fringe Benefits	\$1,555,547
Start-up Costs	38,655
Operating Expenses	23,725
Per Diem Offset	<u>-8,350</u>
Total FY 2012 Expenditures	\$1,609,577

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

Medicaid expenditures (50% general funds, 50% federal funds) increase beginning in fiscal 2012 due to an increase in hospital rates resulting from a user fee increase used to pay the nine commissioner salaries. Medicaid's share of total hospital revenues is approximately 18% annually.

Special fund revenues also increase beginning in fiscal 2012 due to an increase in user fees to cover expenditures. However, Legislative Services advises that, since HSCRC is projected to generate \$5.3 million in user fees in fiscal 2011, and the annual user fee cap is \$5.5 million, general funds will have to supplement commissioner salaries beginning in fiscal 2012 so that HSCRC does not have to raise user fees above the cap.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mpc/mwc

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