

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1358 (Delegate Mizeur, *et al.*)
Health and Government Operations

Family Planning Works Act

This bill expands eligibility for family planning services in the Medicaid program to all women whose family incomes are at or below 250% of federal poverty guidelines (FPG). The bill also includes intent language that long-term savings to the Medicaid program resulting from expanded services under the bill be used to continue the operation of the Upper Shore Community Mental Health Center (USCMHC).

Fiscal Summary

State Effect: Medicaid expenditures increase by \$18,500 in FY 2011 for computer programming expenses. Due to an enhanced federal match (61.6% federal funds, 38.4% general funds) for the first half of FY 2011, \$8,500 will be paid with general funds and \$9,900 will be covered by federal matching funds. Future years reflect the service and personnel costs associated with the expansion of family planning services, with an anticipated 80% federal match. Medicaid expenditures will be offset by savings from a reduction in unintended pregnancies and births. The amount of these savings cannot be reliably estimated but is anticipated to be significant.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
FF Revenue	\$9,900	\$10,310,700	\$10,856,600	\$11,462,000	\$12,101,300
GF Expenditure	\$8,500	\$2,577,700	\$2,714,100	\$2,865,500	\$3,025,300
FF Expenditure	\$9,900	\$10,310,700	\$10,856,600	\$11,462,000	\$12,101,300
Net Effect	(\$8,500)	(\$2,577,700)	(\$2,714,100)	(\$2,865,500)	(\$3,025,300)

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

Local Effect: Local health departments may be able to serve additional clients through the Title X Family Planning Program to the extent individuals served under that program are found eligible for Medicaid family planning services.

Small Business Effect: Potentially meaningful. Provider reimbursement for family planning services may increase as additional women gain access to family planning services.

Analysis

Current Law/Background: Eligibility for family planning services under Medicaid (and the Primary Adult Care Program) is limited to women with incomes up to 116% FPG. Women with incomes up to 200% FPG may retain family planning coverage for five years following a birth paid for by Medicaid. This population must complete an active annual redetermination of benefits to retain coverage. Approximately 25,000 women are enrolled in the Medicaid Family Planning Program.

The Department of Health and Mental Hygiene's Family Health Administration provides family planning services through the Title X Family Planning Services Program. This program provides free or sliding scale fee-for-service family planning services to women who are ineligible for Medicaid family planning services through local health departments, Planned Parenthood clinics, and other outpatient units. In fiscal 2010, the program is funded with a total of \$12.32 million (\$8.06 million in general funds and \$4.26 million in federal funds) and serves approximately 75,000 Maryland women at more than 60 clinics.

Typically, family planning services provide pelvic exams; screenings for breast and reproductive cancer, high blood pressure, and diabetes; tests for sexually transmitted diseases; and where appropriate, counseling and prescription for contraception.

Expanding access to family planning services has proven to be cost-effective. A 2003 study funded by the federal Centers for Medicare and Medicaid Services (CMS) found that expansion programs increase access to care, improve availability of services, and save money. The report notes that several states each saved at least \$15.0 million as a result of expanding their family planning coverage.

USCMHC is a psychiatric hospital in Chestertown, Kent County, with a licensed capacity of 64 beds. As part of a plan to move mentally ill and developmentally disabled individuals out of State psychiatric facilities into community placements and other institutional placements, the Board of Public Works (BPW) voted to close USCMHC. Admissions to Upper Shore ceased on January 4, 2010, and the facility plans to close on February 28, 2010. Of the 89 positions at USCMHC as of August 2009, 85 employees need to be "placed," since 4 permanent employees will remain at the center – 2 maintenance employees and 2 security guards, as well as 1 contractual housekeeper. The current tenants of the Upper Shore building, the Whitsitt Center, and the Department

of Juvenile Services program plan to remain at the center and will be assisted with services by the remaining employees of Upper Shore.

As part of the decision to close USCMHC, a series of community service expansions have been proposed – at an annual cost of \$3 million – that are consistent with actions that the department has taken in the past with regard to facility closure. Total facility expenditures in fiscal 2009 – when fully operational – were just under \$9 million.

State Fiscal Effect: DHMH advises that, since it will need to negotiate its waiver with CMS prior to enrolling newly eligible women, it does not expect to hire additional eligibility workers or enroll new participants until July 1, 2011. However, DHMH advises that it will begin to reprogram its computer system upon the bill's October 1, 2010 effective date.

Therefore, Medicaid expenditures increase by \$18,448 (\$8,511 in general fund expenditures and \$9,937 in federal fund expenditures, offset by corresponding federal fund revenues) in fiscal 2011, which reflects the cost of reprogramming the Medicaid eligibility computer system to add a new coverage group. Maryland is receiving an enhanced federal Medicaid match (61.6% federal funds, 38.4% general funds) for the first half of fiscal 2011 under the federal American Recovery and Reinvestment Act of 2009, but the match will revert back to Maryland's typical 50% federal medical assistance percentage (FMAP) in the second half of fiscal 2011. However, family planning services typically receive an 80% federal matching rate.

Fiscal 2012 expenditures increase by \$12.88 million, which reflects the cost of hiring eight eligibility workers to process and enroll 40,467 individuals, which more than doubles the currently enrolled population, and family planning service costs. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. This estimate is based on the following facts and assumptions:

- approximately 68,500 Maryland women ages 19 to 44 are uninsured and have incomes between 116% and 250% FPG;
- 40,467 will be eligible for and will either be automatically enrolled or choose to enroll in Medicaid under the expansion;
- the per enrollee cost for family planning services in fiscal 2012 will be \$307;
- total family planning service costs will be \$12.4 million; and
- an 80% federal matching rate will be provided for personnel and family planning service costs.

DHMH Positions	8
Family Planning Service Costs	\$12,423,369
Salaries and Fringe Benefits for Eligibility Workers	409,569
DHMH Operating Expenses	<u>55,449</u>
Total FY 2012 Expenditures	\$12,888,387
General Funds (20%)	\$2,577,677
Federal Funds (80%)	\$10,310,710

Expansion of family planning services to uninsured women with incomes between 116% and 250% FPG will result in savings to the Medicaid program due to an anticipated reduction in the number of Medicaid births, pregnancy and labor complications, low birth weight babies, infant mortality, and sexually transmitted diseases. The amount of this savings cannot be reliably estimated at this time but is expected to be significant. However, any savings will take time to materialize and will not be collected until long after USCMHC's closure in February 2010.

For illustrative purposes only, Medicaid pays for approximately 23,000 births annually. The average cost of a Medicaid birth (including prenatal care, delivery, and hospital newborn care) is \$19,000. For every 100 unplanned pregnancies prevented through expanded family planning services, Medicaid could save \$1.9 million.

Furthermore, to the extent that a portion of the 75,000 women currently served under the Title X Family Planning Program are found eligible for Medicaid family planning services, capacity in that program will increase. For example, if 10%, or 7,500 women currently served under Title X transition to Medicaid under the bill, 7,500 additional women would be able to receive family planning services in the State.

Future year expenditures reflect (1) full salaries with 4.4% annual increases and 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; (3) 1% annual growth in the number of enrollees; and (4) 5.6% medical inflation on the cost of family planning services.

Additional Comments: Exhibit 1 displays 2009 FPG by family size.

Exhibit 1
2009 Federal Poverty Guidelines

<u>Family Size</u>	<u>116% FPG</u>	<u>250% FPG</u>
1	\$12,563	\$27,075
2	16,901	36,425
3	21,240	45,775
4	25,578	55,125
5	29,916	64,475

Additional Information

Prior Introductions: A similar bill, HB 1279 of 2009, was heard in the House Health and Government Operations Committee and subsequently withdrawn.

Cross File: SB 521 (Senator Pugh, *et al.*) - Finance.

Information Source(s): Department of Health and Mental Hygiene, Centers for Medicare and Medicaid Services, Department of Legislative Services

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ncs/mwc

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