

**Department of Legislative Services**  
Maryland General Assembly  
2011 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 216

(Chair, Health and Government Operations  
Committee)(By Request - Departmental - Health and  
Mental Hygiene)

Health and Government Operations

Finance

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**Health Services Cost Review Commission - User Fees**

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This departmental bill increases the Health Services Cost Review Commission's (HSCRC) annual user fee cap from \$5.5 to \$7.0 million.

The bill takes effect July 1, 2011.

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**Fiscal Summary**

**State Effect:** HSCRC special fund revenues and expenditures increase by \$353,500 in FY 2012 to reflect a higher user fee assessment. The additional special fund expenditures are included in the FY 2012 budget. Medicaid expenditures represent 18% of total hospital revenues and therefore increase by \$63,600 due to increased hospital rates associated with the higher user fee assessment. This estimate assumes a federal participation rate of 50% toward Medicaid expenditures and includes a general fund expenditure increase of \$31,800 and a federal fund expenditure increase of \$31,800. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Revenue	\$353,500	\$539,700	\$733,300	\$934,800	\$1,196,000
FF Revenue	\$31,800	\$48,600	\$66,000	\$84,100	\$107,600
GF Expenditure	\$31,800	\$48,600	\$66,000	\$84,100	\$107,600
SF Expenditure	\$353,500	\$539,700	\$733,300	\$934,800	\$1,196,000
FF Expenditure	\$31,800	\$48,600	\$66,000	\$84,100	\$107,600
Net Effect	(\$31,800)	(\$48,600)	(\$66,000)	(\$84,100)	(\$107,600)

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

**Local Effect:** None.

**Small Business Effect:** The Department of Mental Hygiene (DHMH) has determined that this bill has minimal or no impact on small businesses (attached). Legislative Services concurs with this assessment.

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## Analysis

**Current Law/Background:** HSCRC, an independent commission within DHMH, was established in 1971 to contain hospital costs; maintain fairness in hospital payment; provide for financial access to hospital care; and disclose information on the operation of hospitals in the State. The commission is special funded by user fees assessed on hospitals. The annual user fee cap is \$5.5 million, but the commission is projected to generate \$5.85 million in fiscal 2012. Assessed user fees must be used only to cover the actual documented direct costs of fulfilling HSCRC's specified statutory and regulatory duties and any administrative costs for services provided to the commission by DHMH.

Legislative changes to HSCRC's user fee cap since 1983 are summarized in **Exhibit 1**.

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<b>Exhibit 1</b>			
<b>Legislative Changes to HSCRC User Fee Cap</b>			
<b>1983-2011</b>			
<b><u>Year</u></b>	<b><u>Chapter</u></b>	<b><u>Change</u></b>	<b><u>Percentage Change</u></b>
1983	132	Authorized HSCRC to collect user fees and established a \$1.0 million cap.	-
1986	683	Increased cap to \$2.5 million.	150.0%
1995	319	Increased cap to \$3.0 million.	20.0%
1999	613	Increased cap to \$3.5 million.	17.0%
2001	498	Increased cap to \$4.0 million.	14.0%
2004	430	Increased cap to \$4.5 million for fiscal 2005 only.	12.5%
2005	444	Increased cap to \$4.5 million for fiscal 2006 only.	0.0%
2006	107	Restored cap to \$4.0 million.	-11.0%
2007	628	Increased cap to \$5.5 million.	37.5%

Source: Laws of Maryland

The Governor's proposed fiscal 2012 budget for HSCRC is \$5.85 million, which exceeds the current user fee cap by 9%. The budget includes \$3.75 million for salaries and fringe benefits and \$2.10 million for operating expenses.

**State Fiscal Effect:** Special fund revenues and expenditures each increase by \$353,481 in fiscal 2012 to reflect the amount in the fiscal 2012 HSCRC budget that is above the current \$5.5 million user fee cap. (Special fund revenues are expected to closely match expenditures to cover ongoing HSCRC operations.) Future year special fund expenditures reflect 4.4% increases in salaries and fringe benefits and 1.0% annual increases in ongoing operating expenses.

Medicaid expenditures increase by \$63,626 in fiscal 2012 due to increased hospital rates associated with the higher user fee assessment. Medicaid expenditures account for 18% of total hospital revenues annually, and increased Medicaid expenditures are therefore estimated to equal 18% of the special fund revenues in excess of the current user fee cap of \$5.5 million. The estimate assumes a federal participation rate of 50% toward Medicaid expenditures and includes a general fund expenditure increase of \$31,813 and a federal fund expenditure increase of \$31,813. (Accordingly, federal fund revenues also increase by \$31,813 to reflect the federal participation toward Medicaid expenditures.)

<b>Total FY 2012 Medicaid Expenditures</b>	<b>\$63,626</b>
General Fund Expenditures	\$31,813
Federal Fund Expenditures	\$31,813

Future year Medicaid expenditures reflect the assumption that Medicaid expenditures continue to account for 18% of total hospital revenues annually.

Based on these assumptions, Legislative Services projects that future year special fund expenditures will exceed the \$7.0 million cap beginning in fiscal 2018 by the following amounts:

- \$89,451 in fiscal 2018;
- \$325,633 in fiscal 2019; and
- \$571,449 in fiscal 2020.

**Additional Comments:** Beginning in fiscal 2012, costs to commercial insurers increase by an estimated \$130,788 annually as a result of increased hospital rates associated with the higher user fee assessment. Commercial insurers may pass this cost on to consumers by increasing premiums. (Commercial insurance comprises 37% of total hospital revenues annually.)

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 8, 2011  
ncs/mwc Revised - Updated Information - February 11, 2011  
Revised - Updated Budget Information - June 27, 2011

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Health Services Cost Review Commission – User Fees

BILL NUMBER: HB 216

PREPARED BY: Department of Health and Mental Hygiene

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

☒ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

☐ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

Hospital rates will increase by an extremely small amount when the \$1.5 million increase is fully implemented. Commercial insurers represent about 37% of all hospital payments. Therefore, hospital payments by commercial insurers could increase by \$555,000.