

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

House Bill 1434 (Delegate Hammen)
 Health and Government Operations

Community Services - Provider Reimbursement

This bill repeals the Community Services Reimbursement Rate Commission (CSRRC) and instead requires the Department of Health and Mental Hygiene (DHMH) to establish, and hire an independent contractor to independently verify, a weighted average cost structure. By October 1 of each year, DHMH must report to the Governor and the General Assembly on the analysis and assessment performed by the contractor.

The bill takes effect June 1, 2014.

Fiscal Summary

State Effect: DHMH general fund expenditures may decrease minimally in FY 2014 but increase by a net of \$15,500 in FY 2015, which reflects the combined effect of repealing CSRRC and hiring an independent contractor. The Governor’s proposed FY 2015 budget includes \$134,500 for CSRRC. Revenues are not affected.

| (in dollars) | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|----------------|---------|------------|------------|-------------|-------------|
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 |
| GF Expenditure | (-) | 15,500 | 15,500 | 116,400 | 150,000 |
| Net Effect | \$0 | (\$15,500) | (\$15,500) | (\$116,400) | (\$150,000) |

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: DHMH must determine the weighted average cost structure by studying the categories of costs used by the Department of Budget and Management in the budgets of units of State government and assessing the average cost structure of providers using such categories of costs. The independent contractor must collect and analyze salary survey data and assess the financial health of community providers by analyzing financial statements or cost reports.

Current Law/Background: CSRRC is an independent body within DHMH. Initially authorized in 1996 for three years, CSRRC has been reauthorized four times and is scheduled to terminate September 30, 2016. CSRRC is concerned with issues regarding community services for individuals with developmental or psychiatric disabilities, with particular emphasis on rates paid to providers; wages of direct care workers; measurement of quality and outcomes; solvency of providers; and consumer safety.

CSRRC is required to issue a report annually by October 1 to the Governor, the Secretary of Health and Mental Hygiene, and the General Assembly that describes its findings regarding these issues. CSRRC's findings and recommendations must be considered annually in developing the budgets of DHMH, the Developmental Disabilities Administration (DDA), and the Behavioral Health Administration (BHA). However, CSRRC suspended operations in April 2009 and did not resume its activities until October 2011. In September 2012, CSRRC submitted an annual report after its two-year hiatus. CSRRC released its most recent annual report in November 2013. As of 2011, CSRRC no longer recommends inflationary adjustments to rates but instead is responsible for developing a weighted average cost structure for use by DDA and BHA in calculating rate updates for their annual budget submissions.

In its November 2013 report, CSRRC made a number of findings regarding incentives and disincentives in the rate system and quality of care. Throughout the report – and, in particular, with regard to DHMH's use of the weighted average cost structure developed by CSRRC – the commission characterized DHMH as uncooperative. Minutes from CSRRC's January 2014 meeting indicate that the commissioners agreed to collectively resign if communication between CSRRC and DHMH does not improve. Furthermore, CSRRC noted in its report that, given its limited mandate and planned changes in structural/payment systems for DDA, “the General Assembly may want to reconsider whether CSRRC continues to be relevant or useful.”

DHMH must ensure that the annual inflationary cost adjustment for providers is equivalent to the annual inflationary cost adjustments for categories of costs for units of State government in the Governor's proposed budget by using a specified weighted average cost structure developed by CSRRC.

State Expenditures: Given the bill's June 1, 2014 effective date, DHMH general fund expenditures may decrease minimally in fiscal 2014. DHMH general fund expenditures budgeted through DDA and BHA decline by \$134,500 in fiscal 2015 to reflect repeal of CSRRC. The Governor's proposed fiscal 2015 budget includes \$134,500 for CSRRC operations. However, DHMH general fund expenditures increase by an estimated \$150,000 in fiscal 2015 to hire an independent contractor to independently verify the weighted average cost structure DHMH is required to establish under the bill. The net effect on general fund expenditures of these two actions is an increase of \$15,500. In fiscal 2016, DHMH general fund expenditures again increase by a net of \$15,500.

In fiscal 2017, however, DHMH general fund expenditures increase by a net of \$116,375. Under current law, CSRRC is scheduled to terminate September 30, 2016. In the absence of the bill, expenditures for the commission continue for the first quarter of fiscal 2017 at an approximate cost of \$33,625. Under the bill, these general fund expenditure savings are offset by \$150,000 in new expenditures for the independent contractor. Future years reflect the cost of the independent contractor only.

Additional Comments: The Governor's proposed fiscal 2015 budget includes \$300,000 in general funds to conduct a rate-setting study for DDA providers. According to DDA, the study will obviate the need for CSRRC. The study will stress collaboration with providers and a transparent process to develop a new rate framework and proposed rates.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 7, 2014
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