

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 570

(Senator Middleton)

Finance

Maryland Medical Assistance Program - Telehealth - Requirements

This bill requires the Department of Health and Mental Hygiene (DHMH) to provide coverage of, and reimbursement for, health care services appropriately delivered through telehealth, including services delivered through store and forward technology or remote patient monitoring (RPM). For reimbursement purposes, a health care service provided through telehealth is equivalent to the same service provided in person. DHMH has to submit an amendment to the State Medicaid Plan striking all provisions relating to coverage of, and reimbursement for, telehealth services. The bill repeals DHMH's authority to specify the types of providers eligible for reimbursement for telehealth services; instead, DHMH cannot limit eligibility for reimbursement of telehealth services based on the type of setting in which services are provided to Medicaid recipients. DHMH has to develop and make available to the public on its website a directory of Medicaid providers registered as providing telehealth services. The bill also alters the definition of telemedicine.

Fiscal Summary

State Effect: Medicaid expenditures increase by \$30.7 million (67% federal funds, 33% general funds) in FY 2018 to expand coverage of telehealth services to include RPM and store and forward technology and to hire one health policy analyst, as discussed below. Federal fund revenues increase correspondingly. Future years reflect annualization, enrollment growth, inflation, and a lower federal matching rate for recipients younger than age 19. **This bill increases the cost of an entitlement program beginning in FY 2018.**

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FF Revenue	\$20.62	\$28.60	\$26.53	\$26.17	\$26.69
GF Expenditure	\$10.05	\$13.93	\$16.86	\$18.10	\$18.46
FF Expenditure	\$20.62	\$28.60	\$26.53	\$26.17	\$26.69
Net Effect	(\$10.05)	(\$13.93)	(\$16.86)	(\$18.10)	(\$18.46)

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

Local Effect: None.

Small Business Effect: Meaningful for small business health care providers that provide telehealth services to Medicaid enrollees.

Analysis

Bill Summary: “Telehealth” means the use of interactive audio, video, or other telecommunications or electronic technology by a health care provider to deliver a health care service that is within the scope of practice of the health care provider at a *location* other than the *location of the patient*.

The bill repeals the requirement that, to the extent authorized by federal law or regulation, coverage of and reimbursement for health care services delivered through telemedicine must apply to Medicaid and managed care organizations (MCOs) in the same manner that they apply to health insurance carriers.

Current Law: “Telemedicine,” renamed telehealth under the bill, means the use of interactive audio, video, or other telecommunications or electronic technology (1) by a health care provider to deliver a health care service that is within the scope of practice of the health care provider at a *site* other than the *site at which the patient is located* and (2) that enables the patient to see and interact with the health care provider at the time the service is provided to the patient. Telemedicine does not include an audio-only telephone conversation, electronic mail message, or facsimile transmission between a health care provider and a patient.

To the extent authorized by federal law or regulation, coverage of and reimbursement for health care services delivered through telemedicine must apply to Medicaid and MCOs in the same manner they apply to health insurance carriers. Subject to the limitations of the State budget and to the extent authorized by federal law, DHMH *may authorize* coverage of and reimbursement for health care services that are delivered through store and forward technology or RPM. DHMH may specify by regulation the types of health care providers eligible to receive reimbursement for telemedicine health care services provided to Medicaid recipients. If DHMH specifies by regulation the types of providers eligible to receive reimbursement, the types of providers must include primary care providers.

Background: RPM (also known as home health monitoring or telemonitoring) allows for the collection and transmission of a patient’s vital signs or health data (such as blood pressure) for tracking purposes. Patients or their caretakers use devices to gather and report data to a provider at another location. Store and forward telehealth uses real-time communication to transfer clinical information and pictures, such as an X-ray or high-resolution image, via email or other electronic transmission for evaluation or follow-up.

All Medicaid participants are eligible to receive telehealth services. Medicaid's current telehealth policy includes coverage for real-time audio video conferencing. Reimbursement is not available for RPM or store and forward service delivery models or for services provided using audio-only telephone, email, or fax. Telehealth services are subject to the same program restrictions, requirements, and other limitations as services provided in person. Telehealth providers must be enrolled as a Medicaid provider to be reimbursed; however, certain originating site providers may participate even though they are not eligible to enroll as a Medicaid provider. Distant site providers (nurse midwives, nurse practitioners, psychiatric nurse practitioners, physicians, and providers fluent in American Sign Language serving deaf or hard of hearing participants) must be registered and enrolled in the Medicaid program.

Chapters 366 and 367 of 2016 required DHMH, in consultation with the Maryland Health Care Commission, to submit a report to specified committees of the General Assembly (1) assessing the telehealth policies of select Medicaid programs in other states, including reimbursement for telehealth services provided in a home setting and (2) detailing planned enhancements to the Maryland Medicaid telehealth program. The report, submitted in January 2017, found that RPM has been demonstrated as an effective means of managing certain chronic conditions and reducing hospital admissions and unnecessary utilization of emergency care, thus improving patient outcomes and, in some cases, resulting in cost savings. Eighteen state Medicaid programs currently reimburse for RPM services. Based on these findings, DHMH proposes:

- **Expanding coverage to include RPM:** DHMH proposes that RPM be limited to patients who have been diagnosed with at least one of the following chronic conditions: diabetes; congestive heart failure; or chronic obstructive pulmonary disease and have had two or more hospitalizations in the previous year for one of these chronic diseases.
- **Expanding coverage to new distant sites and covered services:** DHMH proposes permitting opioid treatment providers and programs certified by the Behavioral Health Administration to serve as distant site providers to ensure that recipients with a substance use disorder diagnosis are able to access care easily.
- **Reimbursement modifications:** DHMH found that most Medicaid programs and commercial providers *do not* reimburse originating site or distant site for an additional facility or transmission fee. DHMH will continue to monitor this trend and determine whether future changes are warranted.

State Fiscal Effect: Medicaid expenditures (67% federal funds, 33% general funds) increase by \$30.7 million in fiscal 2018, which accounts for the bill's October 1, 2017 effective date. This estimate reflects the cost of reimbursing for RPM and store and forward telehealth services and hiring one full-time, grade 18 health policy analyst to assist with implementation of expanded telehealth coverage and specific duties required by the SB 570/ Page 3

bill. It includes service costs, a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- Estimated utilization and proposed service rates are based on a DHMH study of other state Medicaid programs’ experiences with RPM and store and forward technology and the average rates paid for such services by those states.
- An estimated 2% of individuals younger than age 65 use RPM services.
- An estimated 25% of individuals age 65 and older use RPM services due to a higher prevalence of chronic conditions.
- RPM services are reimbursed at a rate of \$6/day for an average of three times per week over the course of six months (\$468 per episode).
- Reimbursement for RPM includes reading of results and does not include equipment, installation, or training.
- Total reimbursement for RPM services in fiscal 2018 is \$17.0 million (64% federal funds, 36% general funds).
- An estimated 4% of Medicaid enrollees (all ages) use store and forward services.
- Store and forward services are reimbursed at a rate of \$102 per service, and enrollees receive an average of three services per year, for a per person cost of \$306.
- Total reimbursement for store and forward services is \$13.6 million (72% federal funds, 28% general funds).
- Federal matching rates are 88% for enrollees younger than age 19 through September 2019 (at which time the rate declines to 65%), 60% for adults ages 19 to 64, and 50% for enrollees age 65 and older.
- In the absence of this bill, Medicaid plans to expand access to RPM to an estimated 1,183 individuals with chronic conditions effective January 1, 2018, at an annual cost of \$549,385 (50% federal funds, 50% general funds).
- This estimate reflects the *net cost* above this proposed expansion.
- One full-time, grade 18 health policy analyst position is needed to update Medicaid telehealth regulations, prepare and submit a State Plan Amendment, register new providers, create and maintain a directory of telehealth providers, coordinate with each of the eight Medicaid MCOs to ensure the directory is accurate, and make the directory available online (this position is reimbursed with 50% federal funds).

Position	1
Service Costs (RPM and store and forward)	\$30,603,641
Salary and Fringe Benefits	60,473
One-time Start-up Costs	4,640
Ongoing Operating Expenses	<u>469</u>
Total FY 2018 State Expenditures	\$30,669,223

Future year expenditures reflect Medicaid enrollment growth of 3% annually, 1% inflation in telehealth rates, a full salary with annual increases and employee turnover, and ongoing operating expenses.

To the extent expansion of telehealth services, particularly RPM, reduces hospital admissions and unnecessary utilization of emergency care for Medicaid recipients, Medicaid expenditures decline by a potentially significant amount. Any such cost savings are not reflected in this analysis.

Additional Information

Prior Introductions: None.

Cross File: HB 658 (Delegate Bromwell) - Health and Government Operations.

Information Source(s): Department of Health and Mental Hygiene, including its *Report on the Telehealth Policies of Other States' Medicaid Reimbursement for Telehealth Services in the Home Setting and Planned Enhancements for Maryland Medicaid Assistance*, January 2017; Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2017
md/ljm

Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510