HB 515

Department of Legislative Services

Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 515 (Delegate Morhaim, *et al.*)
Health and Government Operations

Hospitals - Establishment of Substance Use Treatment Program - Requirements

This bill requires each hospital to establish a substance use treatment program to identify patients in need of substance use treatment and admit the patient to the appropriate treatment setting or direct the patient to the appropriate outpatient treatment setting. Each hospital must operate an inpatient and outpatient substance use treatment unit, contract to operate such units within its hospital system or with another hospital's system or an outside entity, or refer a patient in need of substance use treatment to an appropriate inpatient or outpatient substance use treatment unit. The Health Services Cost Review Commission (HSCRC) must include in hospital rates sufficient amounts to fund the capital and operating costs of substance use programs.

The bill takes effect October 1, 2018.

Fiscal Summary

State Effect: No effect in FY 2018. HSCRC special fund expenditures increase by at least $100,000 in FY 2019 to develop a methodology to evaluate the effectiveness of the program. To the extent hospital rates increase beginning in FY 2019 to fund the capital and operating costs of substance use programs required under the bill, Medicaid expenditures (60% federal funds, 40% general funds) and associated federal matching fund revenues also increase.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
FF Revenue	-	-	-	-	-
SF Expenditure	$100,000	$0	$0	$0	$0
GF/FF Exp.	-	-	-	-	-
Net Effect	($100,000)	(-)	(-)	(-)	(-)

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

Local Effect: Potential significant to the extent hospitals contract with local health departments to operate substance use treatment units required under the bill.

Small Business Effect: Potential meaningful to the extent hospitals contract with small business substance use treatment providers to operate substance use treatment units required under the bill.

Analysis

Bill Summary: Each substance use treatment program must include a substance use treatment counselor who is available in person or through telemedicine to provide screening, intervention, referral, and treatment for patients in emergency departments. The counselor also has to evaluate patients and direct them to the appropriate care setting that is consistent with their needs. A counselor must be available 24 hours per day, seven days per week, either on-site or on-call within four hours of notification by the hospital.

HSCRC, or an entity authorized by HSCRC, must develop a methodology to evaluate the effectiveness of the program, including an analysis of the effect on hospital admissions, rates, and costs (including cost savings).

Current Law: HSCRC may review costs and rates and make any investigation it considers necessary to assure each purchaser of health care facility services that (1) the total costs of all hospital services are reasonable; (2) the aggregate rates of the facility are related reasonably to the aggregate costs of the facility; and (3) the rates are set equitably among all purchasers. HSCRC may review and approve or disapprove the reasonableness of any rate that a facility sets or requests. Consistent with Maryland's all-payer model contract, HSCRC may establish hospital rate levels and rate increases in the aggregate or on a hospital-specific basis and promote and approve alternate methods of rate determination and payment that are of an experimental nature.

Background: Screening, Brief Intervention, and Referral to Treatment (SBIRT) is an evidence-based comprehensive, integrated public health approach to the delivery of providing early intervention and treatment services to patients at risk for substance use and mental health disorders. Studies indicate that people who have access to screening, brief intervention/treatment, and appropriate referrals to specialty service significantly reduce their risk of an escalating health crisis. Maryland has received a five-year grant for a SBIRT project. The Behavioral Health Administration plans to implement and expand SBIRT into 53 community primary care centers and two hospitals in 15 jurisdictions with the expectation of screening at least 90,000 individuals.

Maryland's hospital rate-setting system operates under the Maryland all-payer model, a five-year demonstration contract approved by the federal Center for Medicare and Medicaid Innovation in January 2014, which replaced the State's all-payer, rate-regulated hospital financing system. The model contract includes the following major components:

- **All-payer Total Hospital Cost Growth Ceiling:** Maryland will limit inpatient and outpatient hospital cost growth for all payers by 3.58% for the first three years.
- **Medicare Total Hospital Cost Growth Ceiling:** Maryland will limit Medicare per-beneficiary total hospital cost growth sufficient to produce $330.0 million in cumulative Medicare savings over five years.
- **Population-based Revenue:** Hospital reimbursement will shift from a per-case system to a population-based system.
- **Reduction of Hospital Readmissions:** Maryland will commit to reducing its Medicare readmission rate over five years.
- **Reduction of Hospital Acquired Conditions:** Maryland will achieve an annual aggregate reduction of 6.89% in potentially preventable conditions measures for a cumulative reduction of 30% over five years.

The demonstration will be deemed successful if Maryland can meet the hospital cost and quality targets without inappropriately shifting costs to nonhospital settings *and* if there is a measurable improvement in quality of care.

State Fiscal Effect: Special fund expenditures for HSCRC increase by at least $100,000 in fiscal 2019, which reflects the bill's October 1, 2018 effective date, to contract with an outside entity to develop a methodology to evaluate the effectiveness of the substance use treatment program. HSCRC advises that the commission does not have the programmatic expertise to develop or conduct such an evaluation internally. Contractual expenditures may continue in future years to the extent the evaluation of the effectiveness of the program is ongoing.

Hospital rates increase by an indeterminate amount beginning in fiscal 2019, depending on the level of services currently provided by hospitals and the amount of capital and operating funds required to expand existing or establish new substance use treatment programs to meet the requirements of the bill. HSCRC can adjust hospital rates within existing budgeted resources. To the extent hospital rates increase, Medicaid expenditures (60% federal funds, 40% general funds) and associated federal matching fund revenues also increase as Medicaid pays approximately 20.2% of hospital charges.

HSCRC notes that it does not have the authority to increase hospital rates to fund services provided in unregulated settings. Thus, rates could not be increased to cover the cost of services provided under contract with unregulated entities outside the hospital system.

Additional Information

Prior Introductions: HB 908 of 2016, a similar bill as introduced, passed the House as amended and was referred to the Senate Rules Committee, but no further action was taken.

Cross File: None.

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

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mm/jc

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