

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 1109

(Senator Madaleno, *et al.*)

Finance

Health and Government Operations

Nursing Homes - Partial Payment for Services Provided

This bill requires the Department of Health and Mental Hygiene (DHMH), in consultation with the Department of Human Resources (DHR), to submit a report to specified committees of the General Assembly by December 31, 2018, on the percent of applications for Medicaid eligibility filed between October 1, 2017, and March 31, 2018, that did not receive an eligibility determination within 90 days. If the percent of applications reported exceeds 20%, DHMH must begin making advance payments to nursing homes as specified under the bill.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: No effect in FY 2018. DHMH and DHR can submit the required report using existing budgeted resources. To the extent that the reported percent of applications exceeds 20%, Medicaid expenditures (50% general funds, 50% federal funds) increase by at least \$116,600 beginning in FY 2019 for additional personnel to provide advance payments to nursing homes. Federal fund matching revenues increase accordingly. General fund Medicaid expenditures also increase, potentially significantly, beginning in FY 2019 to provide advance payments to nursing homes (not reflected below). Future years reflect annualization.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FF Revenue	\$0	\$58,300	\$104,500	\$109,500	\$114,800
GF Expenditure	\$0	\$58,300	\$104,500	\$109,500	\$114,800
FF Expenditure	\$0	\$58,300	\$104,500	\$109,500	\$114,800
Net Effect	\$0	(\$58,300)	(\$104,500)	(\$109,500)	(\$114,800)

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

Local Effect: None.

Small Business Effect: Meaningful for any small business nursing homes that accept Medicaid patients.

Analysis

Bill Summary: If more than 20% of the applications included in the required report did not receive an eligibility determination within 90 days, DHMH must, at the request of a nursing home, make an advance payment for Medicaid services provided to a resident whose Medicaid eligibility has not been determined within 90 days of filing an application. An advance payment may not exceed 50% of the estimated amount due for uncompensated services. If the resident is found eligible for Medicaid, DHMH must pay the balance due to the nursing home. If the resident is ineligible for Medicaid, DHMH must recover any advance payments made by reducing payments due to the nursing home.

Current Law/Background: Medicaid provides health care coverage to children, pregnant women, elderly or disabled individuals, and indigent parents who pass certain income and asset tests. DHMH is responsible for administering and overseeing Medicaid and determines the eligibility rules. DHR is responsible for management of the Client Automated Resource and Eligibility System, the computer system for most eligibility information (better known as CARES), and the initial determination and annual redetermination of eligibility for many Medicaid programs, including long-term care.

Applications for Medicaid must be processed within 30 days, or 60 days if a disability determination is necessary. Federal regulations require that Medicaid long-term care applications be processed within 45 days; however, long-term care applicants have up to six months to provide proof of income and resources. According to DHR for a similar bill in 2016, the *average* number of days to process approvals of long-term care applications statewide had declined by 42% in the previous five years to a low of 52 days in November 2015. Even so, almost 250 applications in any given month had been pending for more than 90 days.

In October 2015, DHR's Bureau of Long-Term Care initiated a pilot project to decrease the number of denied applications due to missing documentation. DHR had mapped the long-term care application process and identified bottlenecks and areas for streamlining. According to DHR for a similar bill in 2016, the largest barrier to rapid eligibility determination was asset verification. DHR advised that it was fast tracking acquisition of a web-based automated asset verification service.

Chapter 303 of 2016 requires DHMH, in consultation with DHR, to submit specified quarterly reports regarding Medicaid long-term care eligibility determinations beginning October 1, 2016, through December 31, 2018. DHMH, in collaboration with DHR, must also conduct quarterly meetings with interested stakeholders to discuss the reports and develop strategies to resolve ongoing issues with and delays in Medicaid long-term care eligibility determinations.

DHR advises that, on average, approximately 31% of applications for Medicaid long-term care filed from June 2016 through January 2017 did not receive an eligibility determination within 90 days.

State Expenditures: To the extent that the reported number of Medicaid applications that did not receive an eligibility determination within 90 days exceeds 20%, DHMH must begin making advance payments to nursing homes. Based on the percentage of eligibility determinations exceeding 90 days reported by DHR for applications filed during the eight-month period from June 2016 through January 2017, the Department of Legislative Services assumes that DHMH will be required to begin making advance payments to nursing homes and such payments will begin January 1, 2018.

Thus, Medicaid expenditures (50% general funds, 50% federal funds) increase by at least \$116,615 in fiscal 2019. This estimate reflects the cost of hiring three full-time positions (one grade 11 Medical Care Program associate II, one grade 15 Medical Care Program specialist II, and one grade 15 agency budget specialist) to issue the advance payments, monitor the eligibility of individuals for whom the funds were advanced, and reconcile payments on an ongoing basis. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3
Salaries and Fringe Benefits	\$101,757
One-time Start-up Expenses	13,920
Ongoing Operating Expenses	<u>938</u>
Total FY 2019 State Expenditures	\$116,615

Future year expenditures reflect full salaries with annual increases and employee turnover as well as ongoing operating expenses.

Medicaid general fund expenditures increase further, potentially significantly, beginning in fiscal 2019 to provide advance payments to nursing homes. As advance payments would be made for nursing home residents who are not yet Medicaid eligible, federal matching funds are not available and 100% general funds are required. Some payments will be made on behalf of residents who are ultimately determined eligible for Medicaid and, thus, would

have been made to the nursing home anyway. Under the bill, Medicaid can also recover advance payments made for residents who are found ineligible for Medicaid. However, given the nature of long-term care eligibility, new applications are submitted monthly. Thus, a certain amount of advance payments would be constantly in the possession of nursing homes and never fully recovered by DHMH.

DHMH advises that it currently operates an Interim Working Capital Fund under which qualified nursing homes are eligible to receive 1.5% of their Medicaid revenues from the previous year in a lump sum amount to assist with cash flow. As \$16.2 million was allocated to the fund in fiscal 2015, DHMH estimates that advance payments could be as much as \$8.1 million annually (0.75% of total Medicaid nursing home payments that year).

Additional Information

Prior Introductions: SB 939 of 2016, a similar bill, passed the Senate with amendments, but no further action was taken. Its cross file, HB 1181, was enacted as Chapter 303 of 2016, which requires specified reporting and stakeholder meetings as noted above.

Cross File: HB 1599 (Delegate Morgan) - Rules and Executive Nominations.

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

Fiscal Note History: First Reader - March 21, 2017
mm/ljm Third Reader - April 10, 2017
Revised - Amendment(s) - April 10, 2017

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