

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 851 (Delegate Reznik)
 Health and Government Operations

**Medicaid and the Maryland Children's Health Program - Home and
 Community-Based Providers - Funding**

This bill requires the Governor’s proposed budget, beginning in fiscal 2020, to include a 3.5% rate increase over the funding provided in the legislative appropriation for the immediately preceding fiscal year for Medicaid home and community-based providers. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: No effect in FY 2019. Medicaid expenditures increase by a total of \$19.9 million (53% federal funds, 47% general funds) in FY 2020. Federal matching fund revenues increase accordingly. Future years reflect the compounding effect of the rate increase; by FY 2023, the total increase is \$83.8 million. **This bill establishes a mandated appropriation beginning in FY 2020.**

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
FF Revenue	\$0	\$10.6	\$21.5	\$32.8	\$44.5
GF Expenditure	\$0	\$9.3	\$19.0	\$29.0	\$39.3
FF Expenditure	\$0	\$10.6	\$21.5	\$32.8	\$44.5
Net Effect	\$0.0	(\$9.3)	(\$19.0)	(\$29.0)	(\$39.3)

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Bill Summary: “Home and community-based provider” means a provider of services to Medicaid or Maryland Children’s Health Program recipients under the Medical Day Care Services Waiver, the Home and Community-Based Options Waiver, the Model Waiver for Medically Fragile Children, the Brain Injury Waiver, the Community First Choice Program, the Community Personal Assistance Program, the Employed Individuals with Disabilities (EID) Program, the Program of All-Inclusive Care for the Elderly (PACE), or any other program that provides home or community-based services or supports. “Home and community-based provider” includes a provider of medical day care services and private-duty nursing services.

Current Law/Background: Chapter 262 of 2014 required, for fiscal 2016 through 2019, that the Governor’s proposed budget for the Developmental Disabilities Administration include an annual 3.5% rate increase for community service providers over the funding provided in the prior year’s legislative appropriation.

The Governor’s proposed fiscal 2019 budget includes a 1.0% rate increase for the Community First Choice Program (\$2.9 million), the Medical Day Care Services Waiver (\$1.2 million), private-duty nursing services (\$1.1 million), home and community-based services (\$200,000), and Medicaid personal assistance providers (\$46,000).

State Fiscal Effect: Medicaid expenditures increase by an estimated \$19.9 million (53% federal funds, 47% general funds) in fiscal 2020 to provide a mandated 3.5% rate increase to Medicaid home and community-based services providers. Federal fund revenues increase correspondingly. The compounding effect of the 3.5% mandated rate increase results in Medicaid expenditures increasing by an estimated \$83.8 million in fiscal 2023. The year-over-year incremental impact on expenditures for fiscal 2020 through 2023 is shown in **Exhibit 1**. The Governor’s proposed fiscal 2019 budget includes \$568.3 million (total funds) for Medicaid home and community-based providers.

Medicaid advises that, although EID and PACE are specified in the bill, they would not receive rate increases. EID does not offer services but is a program for obtaining Medicaid eligibility; PACE is a capitated program with payment amounts based on an actuarial methodology.

Exhibit 1
Incremental Impact of Annual 3.5% Rate Increase for
Medicaid Home and Community-based Providers
Fiscal 2020-2023
(\$ in Millions)

<u>Program</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Community First Choice	\$10.35	\$10.72	\$11.09	\$11.48
Medical Day Care Services	4.39	4.55	4.71	4.87
Private-duty Nursing	3.78	3.91	4.05	4.19
Home and Community-Based Options Waiver	0.84	0.87	0.90	0.93
Brain Injury Waiver	0.31	0.32	0.33	0.34
Community Personal Assistance Program	0.17	0.18	0.18	0.19
Model Waiver for Medically Fragile Children	0.04	0.04	0.04	0.05
Year-over-year Total	\$19.89	\$20.59	\$21.31	\$22.05
<i>General Funds</i>	<i>\$9.32</i>	<i>\$9.65</i>	<i>\$9.99</i>	<i>\$10.34</i>
<i>Federal Funds</i>	<i>\$10.57</i>	<i>\$10.94</i>	<i>\$11.32</i>	<i>\$11.71</i>

Notes: Numbers may not sum to year-over-year total due to rounding. The federal matching rate on all services is 50%, with the exception of Community First Choice, which has a 56% federal matching rate; thus, the blended rate is 53%. The total amount required in each year is the sum of all prior years reflected, such that, in fiscal 2023, federal fund expenditures increase by \$44.5 million and general fund expenditures increase by \$39.3 million for a cumulative total increase of \$83.8 million.

Source: Department of Legislative Services

Small Business Effect: Small business providers that provide Medicaid home and community-based services receive mandated rate increases under the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management; Maryland Department of Health; Department of Legislative Services

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mm/ljm

Analysis by: Jennifer B. Chasse

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