



STATE OF MARYLAND

DHMH

Maryland Department of Health and Mental Hygiene

201 W. Preston Street • Baltimore, Maryland 21201

Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – John M. Colmers, Secretary

OCT 01 2008

The Honorable Thomas M. Middleton
Chairman
Senate Finance Committee
3 East Miller Senate Office Bldg.
Annapolis, MD 21401-1991

The Honorable Peter A. Hammen
Chairman
House Health and Government Operations Committee
241 House Office Bldg.
Annapolis, MD 21401-1991

RE: HB 844 (Ch. 628 of the Acts of 2007) – Impact of Medicaid Day Limits on Medicaid Enrollees

Dear Chairmen Middleton and Hammen:

In accordance with Section 2 of HB 844 (Chapter 628 of the Acts of 2007), the Department is writing to provide the committees with information on the impact of Medicaid day limits on Medicaid enrollees.

The Department implemented hospital day limits for Medicaid enrollees beginning in FY2004, as part of a broad cost-containment effort. Day limits restricted the number of days that the Medicaid program paid for a hospital stay. The calculation of the limit was a percentage of the average length-of-stay according to a diagnostic-related group. The hospital day limits implemented applied only to adults served under the fee-for-service program. As of July 1, 2008, the Department discontinued its hospital day limit policy.

The hospital day limits did not impact enrollees' access to hospital services. Hospital services were still a covered benefit for these enrollees, and Medicaid still covered the vast majority of costs associated with hospital stays, i.e., the annual savings generated from hospital day limits comprised 4.77% of total hospital revenue from Medicaid. Hospitals tracked the uncompensated care costs generated by the hospital day limits, and the Health Services Cost Review Commission allowed these uncompensated care costs to be built into hospital rates. All payers, including Medicaid, paid these higher rates.

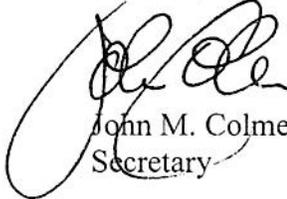


The Honorable Thomas M. Middleton
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Page 2

Initially, the Department's FY 2009 budget allocated funds to discontinue hospital day limits starting January 1, 2009. Section 3 of SB 974/HB 1587 (Chapters 244 and 245 of the Acts of 2008), however, contains uncodified language that authorizes additional funds. The funds are generated by the uncompensated care assessment (§19-214(d)(1)(i) of the Health – General Article), and these funds pay for the elimination of Medicaid day limits on hospital services six months earlier, i.e., for the period July 1, 2008 through December 31, 2008.

If you have questions or need more information on this subject, please contact Tricia Roddy, Director of Planning, at (410) 767-5806.

Sincerely,



John M. Colmers
Secretary

cc: John Folkemer
Tricia Roddy
Susan Tucker
Diane Herr
Nadine Smith
Brenda Rose
Anne Hubbard
Sarah Albert, (MSAR# 6370)