



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

SEP 18 2009

The Honorable Ulysses Currie
Chairman
Senate Budget and Taxation Committee
3 West Miller Senate Office Bldg.
Annapolis, MD 21401-1991

The Honorable Norman H. Conway
Chairman
House Appropriations Committee
121 House Office Bldg.
Annapolis, MD 21401-1991

RE: 2008 Joint Chairmen's Report (P. 124) – Final Report on Implementation of Medicaid Expansion to Parents and Their Children

Dear Chairmen Currie and Conway:

In keeping with the requirements of the 2008 Joint Chairmen's Report (p. 124), the Department is submitting the attached final report on the progress of the implementation of the Medicaid program expansion to parents and their children. The expansion was required by SB 6 (Chapter 7 of the Acts of the 2007 Special Session). An interim report was submitted to the legislature on January 13, 2009.

If you have questions or need more information on the topics covered in this report, please contact Anne Hubbard, Director of Government Affairs, at (410) 767-6481.

Sincerely,



John M. Colmers
Secretary

Enclosure

cc: The Honorable Thomas M. Middleton
The Honorable Peter A. Hammen
John Folkemer
Anne Hubbard
Tricia Roddy
Susan Tucker



Introduction

This Joint Chairmen’s Report provides additional information on the Medicaid Expansion to supplement the preliminary report submitted to the General Assembly in January 2009.

The April 2008 Joint Chairmen’s Operating Budget Report requires that the Department of Health and Mental Hygiene (“the Department”) submit a final report to the Budget Committees reviewing the Medicaid expansion to parents and their children through the first year of implementation. The report includes content on the following:

- the method used to collect funds from the Maryland Health Insurance Plan, the hospital uncompensated care fund, and the federal government;
- the current status of funds transferred from the Maryland Health Insurance Plan;
- an explanation of the eligibility determination and tracking process for new parents and children; and,
- the utilization rates and costs associated with inpatient hospital care and specialty mental health services of the new enrollees.

SB 6, the *Working Families and Small Business Health Coverage Act* (the Act), passed during the 2007 special legislative session (Chapter 7 of the Acts of the 2007 Special Session). The legislation expands Medicaid coverage for parents/caretakers and childless adults. The Medicaid expansion for parents/caretakers took effect July 2008. Maryland now provides coverage to parents/caretakers with incomes up to 116 percent of the federal poverty level.¹ (Attachment A provides the new income threshold amounts that were adjusted in March 2009 to reflect the updated federal poverty level.)

The Act also expands services to childless adults with incomes up to 116 percent of poverty over a three-year period, if available funding exists. Currently, the childless adult population receives primary care, pharmacy, and certain office and clinic-based mental health services (the Primary Adult Care Program (PAC)). The Department will be adding substance abuse treatment and emergency services to the PAC program starting January 1, 2010. The specialty physician benefit expansion, however, has been delayed due to lower-than-expected State revenues.

¹ Previously Maryland covered parents/caretakers with incomes up to 30-40 percent of the FPL.

In addition, the Act creates the Health Insurance Partnership, which encourages employers with a small number of moderate-wage employees to offer health insurance benefits to those employees.

Medicaid Eligibility and Tracking

The Department made several improvements to the Medicaid enrollment process when implementing the expansion. They included:

- Eliminating the face-to-face interview;
- Removing the asset test requirement;
- Allowing families to submit applications through the mail, fax, or even on-line;
- Allowing local health departments to accept applications for families; prior to July 1, local health departments only accepted applications for pregnant women and children.

These processes were previously in place for pregnant women and children. Studies have shown that imposing an asset test for families has a very low yield in finding persons ineligible, but is expensive to administer.²

Once local health departments (LHD) or local departments of social services (LDSS) receive an application, it is entered into Maryland's automated Client Automated Resource and Eligibility System (CARES). The CARES system contains all the information necessary to make an eligibility determination. CARES was changed to account for the expanded household income criteria for parents/caretakers. CARES was also modified to place a special code on parents/caretakers who are eligible under the new criteria.

Following implementation, barriers were identified in processing on-line applications and ensuring that families were enrolling at the appropriate site. While families can apply for Medical Assistance at either the LHD or LDSS, additional assistance such as Food Stamps is handled at the LDSS only. Additional training was done to ensure that workers could properly handle and transfer cases that originated at either office.

²Vernon K. Smith, et. al, "Eliminating the Medicaid Assets Test for Families," Kaiser Commission on Medicaid and the Uninsured, April 2001, page 8.

Medicaid Expansion Enrollment Numbers

Over 44,000 newly eligible parents/caretakers have enrolled between July 1, 2008 and June 30, 2009. The table below shows the new parent/caretaker enrollment by county. These enrollment numbers are original count and do not reflect individuals whose eligibility is made retroactive from the month they applied. A member's enrollment may be backdated up to three months to allow retroactive coverage for medical bills prior to the date of application. The Department estimates that the final June 2009 enrollment number will be over 48,000.

Parent and Caretaker Relative Enrollment by County as of July 2008 and June 2009

County	July 2008	Percent of Population	June 2009	Percent of Population
Allegany	318	4%	1638	4%
Anne Arundel	353	5%	2695	6%
Baltimore City	1883	26%	9074	21%
Baltimore County	817	11%	5736	13%
Calvert	119	2%	744	2%
Caroline	88	1%	642	1%
Carroll	164	2%	845	2%
Cecil	224	3%	1253	3%
Charles	170	2%	940	2%
Dorchester	99	1%	516	1%
Frederick	178	2%	1157	3%
Garrett	136	2%	779	2%
Harford	272	4%	1539	3%
Howard	129	2%	936	2%
Kent	61	1%	300	1%
Montgomery	596	8%	3999	9%
Prince Georges	726	10%	5237	12%
Queen Anne's	77	1%	572	1%
St. Mary's	97	1%	914	2%
Somerset	91	1%	496	1%
Talbot	64	1%	369	1%
Washington	242	3%	1622	4%
Wicomico	196	3%	1464	3%
Worcester	104	1%	760	2%
Out of State	6	0%	28	0%
Total	7210	100%	44255	100%

Note: Enrollment numbers are original count. These numbers will be higher once retroactive enrollment is considered. The Department estimates that the June 2009 number will be over 48,000.

Throughout the year, there was a steady increase in enrollment. This is likely due to the current economic climate as well as the various outreach and enrollment initiatives the Department is engaged in. Throughout the year, the Department has worked statewide to enroll eligible families by working with Health Care for All, Head Start, school nurses, local health departments, the Maryland Hospital Association and other advocacy and stakeholder groups.

A small percentage of the enrollment growth is due to populations shifting from existing covered populations. Specifically, the Department has noticed the number of women covered under pregnant women categories (with an income limit of 250 percent of poverty) has decreased by approximately 4,500 over the year. In prior years, this number has remained steady or slightly increased. The decrease is likely due to the fact that pregnant women with incomes between the old parent/caretaker limits and 116 percent of poverty are now eligible under the increased parent/caretaker category. These 4,500 women no longer automatically lose coverage two months after giving birth.

It is impossible for the Department to determine the indirect effect of the Medicaid expansion on children's enrollment. Other factors that may affect the Medicaid expansion include the changing economic state of Maryland residents, increased outreach efforts through the Kids First Act, and other community initiatives that might contribute to children's enrollment in health coverage. Between January and June 2008, approximately 12,000 additional children joined the Medicaid program. During this same period a year later, January to June 2009, this number grew two-fold with over 25,000 children joining the Medicaid program.

Medicaid Expansion Costs

Data also show that the population served is more expensive. Approximately 16 percent of the parents/caretakers are older than age 44, which is more than the Department's original estimates. The older population tends to have more health care needs, resulting in higher costs. Initially, per member per month costs were estimated at \$462.58. The actual per member per month costs are \$510.61, including wrap-around services such as specialty mental health care. Combined

with the increase in enrollment, the parent/caretaker expansion is expected to cost the state approximately \$160 million in FY 2009.³

Revenue Collection and Expenditures

The first year of the Medicaid expansion is funded with a mix of special and federal funds. The special fund portion is comprised of three main sources: hospital assessment funds, and one-time transfers of unspent funds from the Maryland Health Insurance Plan (MHIP) and Rate Stabilization Accounts.

Expanding health coverage to uninsured individuals results in less uncompensated care at hospitals. The Health Services Cost Review Commission (HSCRC) assesses hospitals each year based on the expected averted uncompensated care savings from the expansion.⁴ Monies received from the hospital assessment are eligible for a federal-matching rate when applied to Medicaid expenditures.⁵

During FY 2009, 25 percent of the assessment was used to lower the hospital rates paid by payers, and the remaining portion was transferred to the Department to fund expansion activities.⁶ (See Attachment B for HSCRC's Assessment Methodology.) The Department received \$24.2 million from the assessment to support the Medicaid expansion during FY 2009. This estimate was based on the Department's original enrollment and cost projections.

When the Working Families and Small Business Health Coverage Act passed, no one anticipated the drastic economic decline of the past year. Medicaid enrollment levels are significantly higher than initially projected, and the FY 2009 hospital assessment did not accurately reflect the averted uncompensated care resulting from the Medicaid expansion. The additional savings from the higher averted uncompensated care is estimated at \$16.5 million. (See Attachment C

³ The number has been adjusted to not account for the pregnant women who would have been eligible prior to the parent/caretaker expansion.

⁴ HB1587/SB 974 passed during the 2008 Legislative Session. The legislation gives HSCRC the authority to assess the hospitals based on averted uncompensated care, which is to be used to fund the health care expansion.

⁵ With the passing of the American Recovery and Reinvestment Act of 2009, the State will receive enhanced funding for Medicaid-eligible populations. The percent of federal matching dollars is based on unemployment and varies quarterly. Maryland is expected to receive 61.59 percent federal funds for services for this population.

⁶ During FY 2010, 10 percent of the assessment will be used to lower hospital rates paid by payers.

for the Department's updated calculations.) The Department has requested that HSCRC reallocate these funds to the Department as soon as possible.

The Department has established a mechanism to share information with the HSCRC and hospitals within Maryland to track inpatient and outpatient service utilization. Since the utilization and cost data are incomplete, the Department has provided information to each hospital on the individuals accessing their hospitals based on claims and encounter information. Hospitals will use the data to determine the actual impact of the expansion on their hospital uninsured rates. This process allows hospitals to monitor the impact of the expansion on uncompensated care, and for the HSCRC to ensure the assessment reflects hospitals' actual experience.

Summary

This first year of the Medicaid expansion has gone extremely well. The pace of current enrollment exceeds the initial estimates. The declining economy and increase in unemployment continue to have an impact on Medicaid and other public programs. The Department estimates that the expansion may provide health care coverage to over 50,000 parents/caretakers in FY 2010.

ATTACHMENT A

2009 Federal Poverty Guidelines									
based on Federal Income Guidelines Printed in the Federal Register, 2009 (bottom number reflects monthly income)									
Family Size	Income								
	100%	116%	133%	150%	185%	200%	250%	275%	300%
1	\$ 10,830	\$ 12,563	\$ 14,404	\$ 16,245	\$ 20,036	\$ 21,660	\$ 27,075	\$ 29,783	\$ 32,490
	902.50	1,046.90	1,200.33	1,353.75	1,669.63	1,805.00	2,256.25	2,481.88	2,707.50
2	\$ 14,570	\$ 16,901	\$ 19,378	\$ 21,855	\$ 26,955	\$ 29,140	\$ 36,425	\$ 40,068	\$ 43,710
	\$ 1,214.17	\$ 1,408.43	\$ 1,614.84	\$ 1,821.25	\$ 2,246.21	\$ 2,428.33	\$ 3,035.42	\$ 3,338.96	\$ 3,642.50
3	\$ 18,310	\$ 21,240	\$ 24,352	\$ 27,465	\$ 33,874	\$ 36,620	\$ 45,775	\$ 50,353	\$ 54,930
	\$ 1,525.83	\$ 1,769.97	\$ 2,029.36	\$ 2,288.75	\$ 2,822.79	\$ 3,051.67	\$ 3,814.58	\$ 4,196.04	\$ 4,577.50
4	\$ 22,050	\$ 25,578	\$ 29,327	\$ 33,075	\$ 40,793	\$ 44,100	\$ 55,125	\$ 60,638	\$ 66,150
	\$ 1,837.50	\$ 2,131.50	\$ 2,443.88	\$ 2,756.25	\$ 3,399.38	\$ 3,675.00	\$ 4,593.75	\$ 5,053.13	\$ 5,512.50
5	\$ 25,790	\$ 29,916	\$ 34,301	\$ 38,685	\$ 47,712	\$ 51,580	\$ 64,475	\$ 70,923	\$ 77,370
	\$ 2,149.17	\$ 2,493.03	\$ 2,858.39	\$ 3,223.75	\$ 3,975.96	\$ 4,298.33	\$ 5,372.92	\$ 5,910.21	\$ 6,447.50
6	\$ 29,530	\$ 34,255	\$ 39,275	\$ 44,295	\$ 54,631	\$ 59,060	\$ 73,825	\$ 81,208	\$ 88,590
	\$ 2,460.83	\$ 2,854.57	\$ 3,272.91	\$ 3,691.25	\$ 4,552.54	\$ 4,921.67	\$ 6,152.08	\$ 6,767.29	\$ 7,382.50
7	\$ 33,270	\$ 38,593	\$ 44,249	\$ 49,905	\$ 61,550	\$ 66,540	\$ 83,175	\$ 91,493	\$ 99,810
	\$ 2,772.50	\$ 3,216.10	\$ 3,687.43	\$ 4,158.75	\$ 5,129.13	\$ 5,545.00	\$ 6,931.25	\$ 7,624.38	\$ 8,317.50
8	\$ 37,010	\$ 42,932	\$ 49,223	\$ 55,515	\$ 68,469	\$ 74,020	\$ 92,525	\$ 101,778	\$ 111,030
	\$ 3,084.17	\$ 3,577.63	\$ 4,101.94	\$ 4,626.25	\$ 5,705.71	\$ 6,168.33	\$ 7,710.42	\$ 8,481.46	\$ 9,252.50
	for each additional person add				\$3,740				

ATTACHMENT B (Provided by the Health Services Cost Review Commission)

SB 974/HB 1587 (Chapters 244 and 245 of the Acts of 2008) repealed the assessment of hospital uncompensated care savings established under Chapter 7 of the 2007 Special Session and replaced it with a new assessment. The original assessment was hospital specific, retrospective, and non-uniform, thereby restricting the State's access to federal funds, disproportionately affecting high uncompensated care hospitals, and incurring additional administrative burden for implementation.

The 2008 bill requires the Commission to implement a uniform assessment on hospital rates to reflect the aggregate reduction in hospital uncompensated care from the expansion of health care coverage under Chapter 7. The new assessment is broad-based, prospective, and uniform and will reflect averted uncompensated care realized from the expansion of the Medicaid program under Chapter 7. The legislation authorizes the Commission to establish the assessment provided that it does not exceed the actual averted uncompensated care.

The federal Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991 require that in order for provider taxes to access federal matching funds, they may not exceed 25% of a state's share of Medicaid expenditures; they must be broad-based and uniform; and they may not hold providers harmless. A uniform tax is one that is imposed at the same rate on all providers. This approach also positively impacts the Medicare waiver test, more equitably shares the burden of providing uncompensated care, and reduces expenditures for Medicaid since its patients tend to utilize hospitals that, under the Chapter 7 assessment, would likely have higher rates.

In addition to altering funding of health care expansion efforts, SB 974/HB 1587 made the Maryland Health Insurance Plan ("MHIP") assessment more responsive to the current needs of the program. Pursuant to this provision, regulations were adopted to increase the assessment from the previous requirement of 0.81% to 1.0% of net patient revenue. The combined assessment (averted uncompensated care and MHIP) may not exceed 3% of total net patient revenue at Maryland hospitals.

Estimates of averted bad debt

Lower hospital uncompensated care resulted from two features of the 2007 and 2008 legislation - the Medicaid Expansion and subsidies to small business. The averted uncompensated care from the Medicaid expansion is calculated based on the following assumptions:

- Estimated share of the spending that went to individuals who had coverage previously, known as crowd out, approximately 28%, based on available literature;
- The percentage of expenditures that would go to hospitals (61%), calculated based on the Medicaid HealthChoice rate-setting process that breaks out payment rates into hospital, drug, and other components;

- The percentage of expenditures that will be spent in-state, 94%, calculated using a three year average of Medicaid claims data;
- The lower use rate of the uninsured, approximately 82%, based on the available literature.

**ATTACHMENT C – UPDATED EXPANSION COSTS AND AVERTED
UNCOMPENSATED CARE NUMBERS**

HSCRC Assessment Calculation Based On Initial Enrollment and Cost Estimates

Total Estimated Cost of Medicaid Expansion	\$94,550,722
Total Cost Adjusted for Crowd-Out	\$68,522,850
Amount Spent on Hospital Services (61%)	\$41,798,939
Adjusted To Account for Lower-Hospital Use Rate Of Uninsured (82%)	\$34,275,130
Reduce to Account for Out-Of-State Hospital Expenditures (6%)	\$32,218,622
Reduced to Account For Savings to Payers (25%)	\$24,163,967
TOTAL AMOUNT DUE TO MEDICAID	\$24,163,967

DHMH Assessment Calculation Based On Actual Enrollment and Costs

Total Estimated Cost of Medicaid Expansion <i>Note: This includes pregnant women who would have been eligible prior to expansion.</i>	\$176,227,851
Adjusted For Pregnant Women Who Would Have Been Eligible Prior To Exp. (Average Annual Enrollment of 2,629)	\$160,119,126
Adjusted For Crowd-Out	\$115,285,771
Amount Spent on Hospital Services (61%)	\$70,324,320
Adjusted To Account for Lower-Hospital Use Rate Of Uninsured (82%)	\$57,665,943
Adjusted to Account for Out-Of-State Hospital Expenditures (6%)	\$54,205,986
Adjusted to Account For Savings to Payers (25%)	\$40,654,490
TOTAL AMOUNT TO DUE MEDICAID	\$40,654,490
DIFFERENCE BETWEEN ACTUAL TRANSFER AN UPDATED NUMBER	\$16,490,523