



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

February 12, 2008

Honorable Henry A. Waxman, Chairman
Committee on Oversight Government Reform
Congress of the United States
House of Representatives
2157 Rayburn House Building
Washington, DC 20515-6143

Schneider
Medicaid

Dear Mr. Waxman:

The Maryland Department of Health and Mental Hygiene (DHMH) would like to thank the Committee on Oversight and Government Reform for undertaking the investigation of the Administration's regulatory action on Medicaid. On behalf of DHMH, I am submitting to the committee an analysis of the fiscal and program impact for Maryland Medicaid. This attached table contains this analysis for the following federal regulations: provider taxes (CMS-2275-P), payment for graduate medical education (CMS-2279-P), public provider cost limits (CMS-2258-FC), coverage of rehabilitation services (CMS 2261-P), school-based administration and transportation services (CMS-2287-P), payment for hospital outpatient services (CMS-2213-P), and targeted case management (CMS-2237-IFC).

Maryland Medicaid will suffer drastic losses in federal funding and increases in administrative costs from implementation of these regulations. With a limited state budget, the federal funding cuts will have a significant impact on the services provided to Medicaid recipients. This series of regulations considerably restricts Maryland Medicaid's ability to provide necessary services for our state's most vulnerable populations.

Please contact me at 410-767-5807 if you have any questions.

Sincerely,

John G. Folkemer
Deputy Secretary
Health Care Financing

Enclosure

Recent Federal Medicaid Regulations

Effective Date	What the Rule Proposes to Do	Impact/ Cost Estimate for Maryland
Provider Tax (CMS-2275-P)		
January 1, 2008	The proposed rule seeks to clarify a number of issues in the original regulations, including more stringent language in applying the hold-harmless test. The new language temporarily reduces the permissible rate from Jan 1, 2008 through 2011 to 5.5 percent. On October 1, 2011, the cap reverts back to 6 percent.	<p><u>Fiscal Impact:</u> The temporary reduction in payments resulted in a decrease in federal revenue due to provider tax on Intermediate Care Facilities for the Mentally Retarded (ICFs/MRs). Maryland Medicaid will lose \$87,202 in federal dollars in FY 2008 and \$181,031 in FY 2009.</p> <p><u>Impact on Medicaid recipients:</u> This will not have a significant impact on recipients.</p>
Payment for Graduate Medical Education (CMS-2279-P)		
Delayed until May 25, 2008	CMS indicates that graduate medical education (GME) is not in the statute and therefore federal matching funds are not available under Medicaid.	<p><u>Fiscal Impact:</u> If we are unable to convince CMS that this doesn't apply to Maryland because of our federal all-payor Medicare waiver, Maryland Medicaid could lose \$7 million in federal revenue.</p> <p><u>Impact on Medicaid recipients:</u> Under our federal all-payor Medicare waiver, the Maryland Medicaid program will be required to pay the \$14 million (rather than \$7 million) in State general funds. The cost shift will cause an additional deficit to the Maryland Medicaid program and will result in the need to implement further cost containment which generally results in decreases in services or payment rates to providers.</p>
Public Provider Cost Limits (CMS-2258-FC)		
Delayed until May 25, 2008	The rule imposes new restrictions on payments to providers operated by units of government and clarifies that those entities involved in the financing of the non-federal share of Medicaid payments must be a unit of government. In addition, the rule formalizes policies for certified public expenditures and other reporting requirements.	<p><u>Fiscal Impact:</u> This rule will require significant increases in administrative burdens for state agencies (approximately \$1 million in administrative costs for Maryland Medicaid providers). All government providers will be required to cost settle payments on an annual basis. This mainly affects schools and local health departments throughout Maryland. In addition, in order to avoid significant accounting problems, the state may need to transfer general funds currently budgeted in other state agencies, but matched by the federal Medicaid program, into the budget of the Medicaid program.</p> <p><u>Impact on Medicaid recipients:</u> Small safety net providers (especially in rural areas) who serve vulnerable populations may have to discontinue services or reduce the scope and quality of services.</p>

Effective Date	What the Rule Proposes to Do	Impact/ Cost Estimate for Maryland
Coverage of Rehabilitative Services (CMS-2261-P)		
Delayed until June 30, 2008	The rule seeks to clarify the definition of rehabilitative services. It also seeks to determine the difference between habilitative and rehabilitative services.	<p><u>Fiscal Impact:</u> Although Maryland has not been able to quantify the fiscal impact, it is clear that this rule could have a significant impact on certain mental health services. It could also have a negative impact on reimbursement for services provided to children in out-of-home placement.</p> <p><u>Impact on Medicaid recipients:</u> Losses in federal funds for these services will result in the need to implement further cost containment which generally results in decreases in services or payment rates to providers. Approximately 30,650 Medicaid recipients currently receive services that could be affected.</p>
School-Based Administration and Transportation (CMS-2287-P)		
Delayed until June 30, 2008	The rule eliminates funding for administrative activities performed by school employees or contractors or anyone under the control of a public or private educational institution, and transportation from home to school and back for school-age children with an individualized education plan (IEP) or individualized family service plan (IFSP).	<p><u>Fiscal Impact:</u> The State will lose approximately \$1 million in federal funds for children with IEPs needing specialized transportation to schools.</p> <p><u>Impact on Medicaid recipients:</u> Children will continue to receive transportation. Schools will need to make other cuts to make up for the loss in revenue.</p>
Clarification of Outpatient Clinic and Hospital Facility Services Definition and Upper Payment Limit (CMS-2213-P)		
Not certain	The rule implements cost limits on payments to governmental providers. The rule would also limit the definition of outpatient hospital services and put a restriction for upper payment limit methodologies for private outpatient hospitals and clinics.	It is not clear if this rule will affect Maryland because of the Maryland Hospital All-Payor waiver. We cannot estimate the fiscal impact at this time.
Targeted Case Management (CMS-2237-IFC)		
March 3, 2008	The interim final rule implements restrictions so that states would no longer receive Medicaid reimbursement for case management services that could be paid for by third parties or other federal programs. The rules also apply to home and community-based waivers and to administrative case management or care coordination activities performed by State staff.	<p><u>Fiscal Impact:</u> This rule would have a significant negative fiscal impact on the State of Maryland (\$66.2 million federal funds at risk).</p> <p><u>Impact on Medicaid recipients:</u> It would disrupt case management services for vulnerable populations, create tremendous new administrative burdens, and lower the quality of services. Currently, approximately 200,000 Medicaid recipients receive case management services in Maryland.</p>