



The FY 2012 State Medicaid Budget – Just the Facts

Background

The state has a \$1.9 billion structural deficit, the difference between overall revenues and ongoing expenses, for Fiscal Year (FY) 2012. Fiscal analysts recommended, through the General Assembly's Joint Spending Affordability Committee, that the state permanently reduce its structural deficit by 33 percent--\$650 million--during the 2011 Legislative Session.

The Medicaid budget deficit is \$1.16 billion. The cause of that deficit is enrollment, driven in two ways: a planned expansion after eligibility requirements were loosened; and an unanticipated (and therefore unfunded) increase due to the recession.

- In FY 2007, there were 520,000 Medicaid enrollees.
- In FY 2011, the number grew to nearly 780,000.
- In FY 2012, the number is expected to surpass 815,000; about 82,000 of that is due to the previously planned expansion of eligibility to 116 percent of the Federal Poverty Level.

Another driver of the deficit is the loss of federal stimulus funding; specifically, \$850 million in federal Medicaid support that disappears on June 30, 2011.

The Proposed FY 2012 Medicaid Budget

The following is based on information from the non-partisan Department of Legislative Services (DLS), as well as language in the Budget Reconciliation and Financing Act (BRFA). The budget details released January 21 by the Administration may differ from these DLS numbers.

- **The budget proposes an increase in the hospital assessment to \$370 million.**
 - The \$370 million includes new savings of \$247 million plus a renewal of the \$123 million assessment from FY 2011; this becomes a permanent assessment in state law.
- **The budget proposes a \$160 million assessment to cover the previously planned Medicaid expansion.**
 - The \$160 million includes a new increase of \$14 million plus a renewal of last year's \$146 million (this assessment is permanent in current law).
- **The budget proposes a \$126 million assessment to fund the Maryland Health Insurance Plan (MHIP).**
 - The \$126 million includes a \$4 million increase for FY 2012 in addition to a renewal of last year's \$122 million (this assessment is permanent in law; the state has indicated, through the Health Care Reform Coordinating Council, that it intends to retain the MHIP assessment after it is folded into the national high-risk pool in 2014).

As the following chart illustrates, the total of all three assessments would be \$656 million.

	MEDICAID FUNDING ASSESSMENT	MEDICAID EXPANSION ASSESSMENT	MHIP ASSESSMENT	TOTAL
FY 2011	123 million	146 million	122 million	\$391 million
FY 2012 Increase	247 million	14 million	4 million	\$265 million
Total for FY 2012	\$370 million	\$160 million	\$126 million	\$656 million

The Budget Reconciliation and Financing Act

BRFA, proposed legislation to implement the budget, would also affect hospitals.

- The current “cap” on hospital assessments would be raised from 3 percent to 6 percent of Net Patient Revenues (NPR). (Note: The 5.5 percent federal cap on provider taxes devoted to Medicaid increases rises to 6 percent effective October 1, 2011.)
- A third assessment (in addition to the Medicaid expansion and MHIP assessments) would be made permanent, to “support the general operations of the Medicaid program.”
 - Under the proposed legislation, this assessment would be 2.5 percent of NPR, and the HSCRC would “ensure that assessment costs are shared among hospitals and purchasers of hospital services in a manner that the Commission determines is most equitable.” (This is the assessment estimated to yield \$370 million in FY 2012).
 - The effect of making this assessment permanent is that the Legislature would achieve a portion of the targeted \$650 million (33 percent) reduction in the structural deficit. The \$370 million hospital share therefore accounts for more than half of that savings.
- For the Medicaid expansion program, BRFA calls for the assessment to be the “greater of the total savings realized in averted hospital uncompensated care from the health care coverage expansion; or 1.5 percent of total hospital net patient revenue.” That is estimated to yield \$160 million in FY 2012.
- BRFA also would change Graduate Medical Education (GME) by allowing HSCRC to pool the program’s costs in a way similar to the pooling of uncompensated care funds. The resulting budget savings are estimated at \$17.5 million in state general funds.

Other Known Medicaid FY 2012 Budget Provider Cuts

- Reduces physician fees 1 percent; \$9 million in total funds, \$4.5 million in general funds.
- Increases from 4 percent to 5.5 percent the nursing home assessment; \$90 million for the general fund, based on payer mix, weighted against those with lower Medicaid numbers.
- Cuts HealthChoice rates \$11.5 million for DC hospitals; fee-for-service rates remain flat.