



# MB&TPI FACT SHEET

## MEDICAL CARE PROGRAMS BUDGET

MARCH 4, 2009

- **The Department of Health and Mental Hygiene's (DHMH) Medical Care Programs Administration (MCPA) administers the Medical Assistance Program (Medicaid), the Maryland Children's Health Program (MCHP), the Primary Adult Care Program (PAC) among other vital health programs.**

Eligibility for Maryland Medical Care Programs is based upon income and technical eligibility requirements. Medicaid and Maryland's Children's Health Program (MCHP) provide vital health care coverage to over 500,000 of Maryland's low-to-moderate income and vulnerable people. Department of Legislative Services expects an enrollment increase of 758,287 (8%) for beneficiaries of for Medicaid and MCHP.

- **Although, the proposed budget for MCPA increases by nearly \$436 million, Medicaid Expansion to childless adults comes to a standstill.**

While the Governor's budget maintains a commitment to expanding coverage to parents up to 116% of federal poverty level (FPL), the planned expansion of Medicaid coverage to 30,000 childless adults in July 2009 is deferred indefinitely. The proposed FY 2010 budget for MCPA increases by \$435.8 million (or 8.1%) for a total of \$5.8 billion. The MCPA represents 18% of the Governor's total state FY 2010 budget. General Funds decrease by \$250.7 million (-10.8%). Special Funds increase by \$131.7 million (40.4%). Federal Funds increase by \$556.3 million (20.7%). The budget assumes \$350 million in extra federal assistance for the Medicaid program. Based on legislation passed by the US Congress, this aid could actually total at least \$560 million in FY 2010 (or \$1.3 billion over three fiscal years).

- **Most health care providers receive little-to-no increase in their rates.**

June and October 2008 Board of Public Works (BPW) actions cut the MCPA budget by \$108 million. Of the \$108 million, provider rates were cut by \$30.6 million (half of this was in the form of the federal funds). Most provider rates are being held at their current levels. Community providers (for example in areas on mental health, developmental disabilities and substance abuse treatment) will get a 9/10 of 1% rate increase. While dental and physician were expected to receive an increase in the FY 2010 budget, both were level funded. Essentially, this results in a \$14 million loss to dental rates. On the other hand, Managed Care Organizations (MCOs) who receive an increase on a calendar year basis will be granted a 5.1% rate increase. Inadequate provider rates have the effect of reducing access to health care, as many providers will not serve Medicaid patients due to low provider payments.

- **The American Recovery and Reinvestment Act of 2009 (ARRA) increases the Federal Medical Assistance Percentage (FMAP). Furthermore, after two attempts at reauthorization of the Children Health Insurance Program (CHIP), the third time is a charm.**

#### Temporary FMAP increase

The economic recovery bill or ARRA provides a temporary increase in the share of the Medicaid program paid by the federal government (known as the Federal Medical Assistance Percentage or "FMAP"). The provisions will take effect immediately and provide Maryland with approximately

\$1.3 billion in assistance over nine calendar quarters (October 1, 2008 through December 31, 2010). The FMAP increase for Maryland equals 6.2% and based upon Maryland's current unemployment rate, the state would receive an additional 2.9% increase. Under the Governor's funding plan, the Medicaid match would total \$420 million in FY 2009, \$560 million in FY 2010 and \$300 million in FY 2011.

### CHIP

The CHIP reauthorization signed by the President last month will be in effect for the next four and a half years. According the DLS, the additional funding in CHIP increases MCHP's federal allotment by 162%. However, the funding only increases MCHP's *actual* federal fund receipts by 47%. Maryland had been relying on the redistribution of other states unused CHIP funds to maintain the 65% matching rate because the initial federal funds allotted by CHIP were inadequate to cover MCHP's program cost. The reauthorization also provides states with a new option to provide dental coverage to children under 300% FPL.

### Sources

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