

MedChi

The Maryland State Medical Society

1211 Cathedral Street
Baltimore, MD 21201-5516
410.539.0872
Fax: 410.547.0915

1.800.492.1056

www.medchi.org

TO: The Honorable Peter A. Hammen, Chairman
Members, House Health & Government Operations Committee
The Honorable Norman H. Conway, Chairman
Members, House Appropriations Committee
The Honorable Mary-Dulany James

FROM: Joseph A. Schwartz, III
Pamela Metz Kasemeyer
J. Steven Wise

DATE: March 20, 2012

RE: **SUPPORT** – House Bill 1341 – *Medicaid Sustainability Commission*

The Maryland State Medical Society (MedChi), which represents over 7,600 Maryland physicians and their patients, supports House Bill 1341.

House Bill 1341 establishes a Medicaid Sustainability Commission that is charged with studying and making recommendations on short and long-term funding needs and options for the Medicaid program to ensure the program is sustainable and does not jeopardize Maryland's Medicare waiver. The Commission is also charged with finding alternative revenue sources to reduce or replace the State's current reliance on hospital assessments. The Commission membership includes leadership from the Administration, General Assembly and relevant appointed stakeholders. The Commission must report to the Governor and specified committees of the General Assembly, by December 15, 2012, on the Commission's interim findings and recommendations, and by June 30, 2013, on the Commission's final findings and recommendations.

In 2011 the General Assembly, through the budget process, required the Department of Health and Mental Hygiene (DHMH) to report on the sustainability of special fund revenue sources that finance the Medicaid program, as well as program cost drivers. DHMH issued a report in December that provided a comprehensive discussion on Medicaid cost drivers and the Department's strategic framework for cutting Medicaid expenditures. DHMH is to be applauded for its work in that regard and the Governor's proposed fiscal year

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2013 budget reflects the Department's commitment to addressing cost drivers and reducing expenditures.

DHMH's report also discussed how provider assessments, particularly hospital assessments, have become a major part of Medicaid's financing. DHMH indicated that it was not the desire of the Department to make these assessments a permanent component of Medicaid financing but that it is up to the Governor and the General Assembly, in each budget cycle, to determine whether provider assessments remain necessary to finance Medicaid. MedChi understands the fiscal challenges the State faces in meeting its obligations to fund the Medicaid budget and the reason why provider assessments, particularly hospital assessments, have become a substantial component of Medicaid revenues. However, MedChi also shares the concern of the hospital industry with respect to the long term implications of the State's growing reliance on these assessments. Failure to evaluate the implications of the State's reliance on these assessments as a primary funding mechanism places the long-term financial sustainability of the Medicaid program in question and threatens the retention of Maryland's Medicare waiver.

The establishment of the proposed Commission will ensure that the State does not continue to rely on provider assessments without an understanding of the long term implications of such a policy. It will also provide a forum for both the identification of alternative financing approaches and a thorough evaluation of the Medicaid program's sustainability and impact on Maryland's Medicare waiver. MedChi urges a favorable report on House Bill 1341.

For more information call:

Joseph A. Schwartz, III
Pamela Metz Kasemeyer
J. Steven Wise
410-269-1618