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The Honorable Edward J. Kasemeyer
Chair
Senate Budget and Taxation Committee
3 West Miller Senate Office Bldg.
Annapolis, MD 21401-1991

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

Re: **2012 Joint Chairmen's Report, Page 71, M00Q01.01 – Report on Funding for HealthChoice Rural Access to Care**

Dear Chair Kasemeyer and Chair Conway:

Pursuant to the 2012 Joint Chairmen's Report (p. 71), the Department of Health and Mental Hygiene (the Department) respectfully submits this report on how the Department intends to utilize $3 million in General Funds to support Statewide Rural Enrollment Supplemental payments to managed care organizations (MCOs) for Medicaid's HealthChoice program. Based on concerns about implementation of these payments, language in the FY13 budget makes $3 million in General Funds available to the Department for supporting access to care in rural areas through MCO rates rather than as supplemental payments. The Department is required to report to the committees on its plans for utilizing these funds. Please be advised that $3 million in General Funds is being withheld pending approval of this report.

In previous years, and during the first half of FY 13, additional funds were included outside of the capitation rates to encourage statewide participation by MCOs. Beginning with the HealthChoice capitation rates in calendar year 2013, funds are included within the capitation rates through an increase to the underwriting gains in certain regions. The regions chosen to receive funds through an increase in capitation rates were western and eastern areas of the State in an effort to strengthen the network capacity and improve access to care in those weak regions.

An additional $12 million in total funds ($6 million in General Funds in CY13, $3 million in General Funds during FY 13) is planned for CY13 HealthChoice capitation rates through an increase to the underwriting gains equal to 0.4% of the projected statewide medical expense. These additional funds are intended to increase MCO participation and member access to providers in certain areas in the western and eastern parts of the state. Based on an independent actuarial analysis, each year the HealthChoice program divides the state into three regions with comparable actuarial expenses to develop capitation rates. These regions are 'City',

'Montgomery County, Prince George's County, Western (Region 3),' and 'Rest of State.' Because the targeted areas in the western and eastern parts of the state are located within 'Region 3' and 'Rest of State' regions, only the capitation rates for those two regions will be increased. All MCOs with recipients in those specific regions will benefit from the higher capitation payments being made available in the western and eastern regions. Distribution of funds to these specific regions will help ensure that Medicaid recipients are able to have choice and maintain at least two MCOs in all areas of the State.

Historical enrollment levels in the target areas were analyzed to determine the relative increase appropriate for each of the regional capitation rates. The Department anticipates that CY13 'Region 3' capitation rates will be increased by approximately 0.6%, and the CY13 'Rest of State' capitation rates will be increased by approximately 0.5%.

I hope this information is helpful. I respectfully request that the restricted funding be released. If you have any questions or need additional information on this subject, please do not hesitate to contact Marie Grant, Director of Governmental Affairs at (410) 767-6480.

Sincerely,

Joshua M. Sharfstein, M.D.
Secretary

cc: Chuck Milligan
        Tricia Roddy
        Audrey Parham-Stewart
        Marie Grant
        Simon Powell