

Staff Recommendation

Request by the Medical Assistance Program to Modify the Calculation  
of Current Financing Deposits for CY 2014

May 14, 2014

This recommendation was approved by the Commission at the May 14, 2014 public meeting.

## Introduction

The Medical Assistance Program (MAP) has been providing working capital advance monies (current financing) to hospitals for many years. As a result, MAP receives the prompt pay discount as per COMAR 10.37.10.26(B). MAP is unique among third-party payers in that it is a governmentally funded program that covers qualified poor residents of Maryland. As such, it deals, to a large extent, with retroactive coverage. Recognizing the uniqueness of MAP, the Commission allowed MAP to negotiate a special formula with the hospital industry to calculate its fair share of current financing monies. The Commission approved this alternative method of calculating current financing at its February 1, 1995 public meeting. Currently MAP has approximately \$94 million in current financing on deposit with Maryland hospitals.

As a result of the state budget crisis, MAP requested, and the Commission approved, an exception to the requirement that the amount of current financing on deposit with hospitals be re-calculated annually based on the alternative methodology approved by the Commission for CYs 2009 through 2013. MAP also proposed that there be changes in its current financing formula when its new claims system, which is projected to achieve a dramatic reduction in hospital receivables, is implemented.

## MAP's Current Request

As a result of continuing budget shortfalls, on February 24, 2014, MAP requested an exception to the approved current financing calculation for FY 2014. MAP requested that it be permitted to increase the current financing amounts on deposit with each hospital by the HSCRC's update factor for FY 2014. MAP also reported that it anticipated deploying the new claims system in the 2<sup>nd</sup> quarter of FY 2015.

## Staff Recommendation

Based on the current condition of MAP's budget, staff recommends that the Commission approve MAP's request. Staff also recommends that the approval be subject to the requirement that MAP continue to report annually on the status of the implementation of its new claims system.