

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Revised

Senate Bill 433

(Senator Dyson, *et al.*)

Finance

Rules and Executive Nominations

**Department of Health and Mental Hygiene - Newborn Screening Program Fund -
Establishment**

This bill establishes the Newborn Screening Program Fund, which is administered by the Secretary of Health and Mental Hygiene, to cover the administrative, laboratory, and follow-up costs associated with performing newborn screening tests. The fund is primarily funded through fees collected from the Newborn Screening Program.

Fiscal Summary

State Effect: General fund revenues decrease by \$3.4 million in FY 2015, and special fund revenues increase by the same amount. General fund expenditures decrease by \$2.4 million in FY 2015, and special fund expenditures increase by the same amount. This estimate accounts for the 32.8 full-time regular employees and one full-time contractual employee working for the Department of Health and Mental Hygiene's (DHMH's) Newborn Screening Program. Out-years reflect annualization and inflation and assume a steady birth rate and no change in the fee charged.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Revenue	(\$3,350,000)	(\$6,700,000)	(\$6,700,000)	(\$6,700,000)	(\$6,700,000)
SF Revenue	\$3,350,000	\$6,700,000	\$6,700,000	\$6,700,000	\$6,700,000
GF Expenditure	(\$2,381,600)	(\$4,984,700)	(\$5,175,800)	(\$5,378,500)	(\$5,593,800)
SF Expenditure	\$2,381,600	\$4,984,700	\$5,175,800	\$5,378,500	\$5,593,800
Net Effect	\$0	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The fund is a special, nonlapsing fund that is not subject to the general requirement for reversion in the State Finance and Procurement Article. The Comptroller must collect and distribute the fees to the fund. The fund is funded through fees from the newborn screening program, money appropriated in the State budget, and any other money from another source accepted for the benefit of the fund beginning January 1, 2015. The State Treasurer must invest the fund money in the same manner as other State money. The bill does not specify that interest accrues to the special fund, which means fund interest accrues to the general fund.

The fund may only be used to cover administrative, laboratory, and follow-up costs associated with the performance of newborn screening tests.

Current Law/Background: DHMH's Newborn Screening Program is a statewide system for screening all newborn infants in the State for certain hereditary and congenital disorders associated with severe problems of health or development (except when the parent or guardian of the newborn objects).

The DHMH Public Health Laboratory is the only laboratory in Maryland authorized to perform the screening tests. The system for newborn screening includes laboratory testing and reporting of test results and follow-up activities to facilitate the rapid identification and treatment of an affected child. The laboratory is required to screen for 53 first-tier metabolic hereditary disorders on all screening specimens collected from a newborn infant. These disorders are all listed in the Code of Maryland Regulations (10.10.13.12). Second-tier tests can only be performed when requested by an individual authorized to request a medical laboratory test.

The State Advisory Council on Hereditary and Congenital Disorders gathers and disseminates information on the treatment of hereditary and congenital disorders in Maryland. The advisory council (1) continually evaluates the need for, and efficiency of, relevant State programs and (2) institutes and supervises education programs and counseling on heredity and congenital disorders.

The Laboratories Administration has regulatory authority under § 13-111 of the Health-General Article to establish fees for newborn screening that do not exceed the administrative, laboratory, and follow-up costs associated with newborn screening testing in the State.

State Fiscal Effect: By statute, fees are supposed to be sufficient to cover costs of the program, and they do. Fees currently accrue to the general fund, and the program receives a general fund appropriation to cover its costs. In fiscal 2011 and 2012, fees

raised a little more than \$4.7 million in general fund revenues annually while the program served more than 67,000 newborns annually. During this period, the fee was set at \$70 per newborn. Then, beginning in fiscal 2013, the fee was raised (by regulation) to \$100 per infant, and the birth rate dropped slightly. In fiscal 2013, fees raised \$6,697,500 for the general fund, but the program did not receive additional resources. By creating a special fund to directly cover costs, the program has more flexibility to expand its screening operations or cover costs as they increase.

General fund revenues decrease, and special fund revenues increase, by \$3,350,000 in fiscal 2015 and \$6,700,000 annually thereafter. This estimate accounts for the January 1, 2015 date upon which fee revenue begins accruing in the special fund established by the bill. The estimate assumes the current birth rate of approximately 67,000 newborns annually remains steady in future years. Additionally, the estimate assumes the current fee for newborn screening remains at \$100 per newborn in future years.

General fund expenditures decrease, and special fund expenditures increase, by \$2,381,579 in fiscal 2015. This estimate assumes that special fund expenditures do not begin until January 1, 2015, which is when special fund revenues begin accruing. This estimate reflects the conversion of 32.8 full-time regular employees and 1 contractual full-time employee from general fund to special fund status. It includes the one-half year effect of their salaries, fringe benefits, contractual services, and ongoing operating expenses as provided in the fiscal 2015 operating budget. This estimate includes both the costs for initial newborn screenings performed by DHMH’s Laboratories Administration and follow-up care, which is performed by DHMH’s Prevention and Health Promotion Administration (PHPA).

Full-time Regular Positions	32.8
Contractual Position	1
Salaries and Fringe Benefits	\$1,272,066
Contractual Services (Including Equipment)	180,865
Operating Expenses	<u>928,648</u>
Total FY 2015 State Expenditures Affected	\$2,381,579

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenditures.

Although the bill has no net impact on State funding, the amount by which the special fund accrues a balance is the amount by which general fund revenues would have continued to exceed appropriations. Special fund expenditures for fiscal 2015 are estimated to be \$968,421 lower than special fund revenues. Thus, the program builds a fund balance in fiscal 2015 and in future years as shown in **Exhibit 1**.

Exhibit 1
Projected Fund Balance of the Newborn Screening Fund
Fiscal 2015-2019

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Starting Balance	\$0	\$968,421	\$2,683,735	\$4,251,973	\$5,621,447
New Fee Revenues	3,350,000	6,700,000	6,700,000	6,700,000	6,700,000
Available Balance	3,350,000	7,668,421	9,383,735	10,907,975	12,229,469
Expenditures	2,381,579	4,984,686	5,175,760	5,378,506	5,593,798
Annual Surplus/(Deficit)	968,421	1,715,314	1,524,240	1,321,494	1,106,202
Ending Fund Balance	\$968,421	\$2,683,735	\$4,207,975	\$5,529,469	\$6,635,671

Source: Department of Legislative Services

The Department of Legislative Services (DLS) advises that this fund balance is sufficient to cover additional screening of newborns that has been recommended but not yet funded. For example, in 2010, the Secretary of the U.S. Department of Health and Human Services recommended that newborn screening programs include screening for Severe Combined Immunodeficiency Disease (SCID). Subsequently, the State Advisory Council on Hereditary and Congenital Disorders recommended that SCID be added to the newborn screening program in June 2011. However, the SCID screening program has not yet been implemented in the State. According to the *DLS Analysis of the FY 2014 Maryland Executive Budget*, DHMH provided an estimate (as required by the *2012 Joint Chairmen's Report*) that implementing SCID screening in the State would cost \$745,000 initially and \$472,000 annually thereafter. Assuming no change in birth rate, fee level, or other anticipated costs, the fund balance projected in this estimate would be sufficient to fully cover implementation of the SCID screening program. It would also provide a cushion for new and replacement equipment purchases and expansion of the program to cover other types of screenings.

Additional Information

Prior Introductions: None.

Cross File: Although designated as a cross file, HB 111 (Delegate Hubbard - Health and Government Operations) is not identical. However, although not designated as a cross file, HB 1542 (Delegate O'Donnell, *et al.* – Finance) is identical except for the effective date.

Information Source(s): Department of Legislative Services

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