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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/13/19

SPONSOR Rodriguez LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Raise Developmental Disabilities Waiver Rate SB 355

ANALYST Chenier

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$5,000.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$13,248.0	\$13,248.0	\$26,496.0	Recurring	Federal Medicaid Matching Revenue

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to a \$1.6 million appropriation increase in the General Appropriations Act to provide a 2 percent rate increase to the same providers.

#### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Health (DOH)

Human Services Department (HSD)

#### SUMMARY

##### Synopsis of Bill

Senate Bill 355 appropriates \$5 million from the general fund to DOH for expenditure in FY20 to fund rate increases for providers of direct-care services that serve recipients of Medicaid waiver services for individuals with developmental disabilities.

## **FISCAL IMPLICATIONS**

The appropriation of \$5 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY20 shall revert to the general fund.

Based on the \$1.6 million 2 percent rate increase the proposed \$5 million in the bill would be adequate for a roughly 6.25 percent rate adjustment for these providers dependent on which providers received the rate increase.

HSD said they would receive federal Medicaid matching funds for this appropriation. Waiver services are matched at the regular federal medical assistance percentage (FMAP). The \$5 million appropriation will result in a federal fund match of \$13.2 million for total available funding of \$18.2 million for increased rates for DD Waiver providers upon CMS approval. The rate increase is recurring and will require \$5 million be added to the operating budget each subsequent year.

## **SIGNIFICANT ISSUES**

DOH said the HSD Medical Assistance Division recently updated the Developmental Disabilities (DD) Waiver provider fee schedule to implement a provider rate increase of 2 percent, effective January 1, 2019. Rates for behavioral support consultation, case management, community integrated employment services, customized community supports, customized in-home supports, crisis supports, living supports, nutritional counseling, preliminary risk screening and consultation related to inappropriate sexual behavior, adult nursing, respite, supplemental dental care, occupational therapy, physical therapy, and speech language pathology will be increased. In FY19, an \$800 thousand supplemental appropriation was requested to address this 2 percent provider rate adjustment for DD Waiver services from 1/1/19 through 6/30/19. For FY20, a \$1.6 million base increase was requested to address the 2 percent rate adjustment for DD Waiver.

HSD stated that the federal Centers for Medicare and Medicaid Services (CMS) requires states to conduct a formal rate study every five years for 1915(c) waivers. The New Mexico Department of Health is currently conducting a comprehensive rate study that includes all three of New Mexico's 1915(c) HCBS waivers: Developmental Disabilities, Medically Fragile, and Mi Via. Factors that will be reviewed during the rate study include: effect of recent federal legislation regarding settings requirements; current wages; productivity assumptions; benefit factors; administrative overhead; program support costs; paid time off; training time; and staffing ratios. Once the rate study is completed in FY19, recommendations for rates will be developed and reviewed with providers. There is a possibility that the rate increase funded by the bill may conflict with the rates established through the rate study.

## **ADMINISTRATIVE IMPLICATIONS**

HSD said the reimbursement rates for all 1915(c) waivers are reported to and subject to CMS approval. The bill would require HSD to submit a waiver amendment to CMS. Changes submitted in a waiver amendment may only be implemented prospectively after CMS approval has been obtained. The entire waiver amendment process may take six months or more and could impact the ability of HSD to access federal matching dollars starting in FY20. A waiver

amendment must go through 30 days of public comment and 60 days of tribal notification. CMS has 90 days to review and approve the amendment or formally request additional information, which may lengthen the CMS review period.

EC/gb