



LFC Newsletter

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Legislative Finance Committee

Senator John Arthur Smith, Chairman

Representative Jimmie C. Hall, Vice Chairman

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From the Chairman **Tough Choices**

With little growth in state revenues and the enactment of any new revenue sources about as likely as the proverbial cold-snap in hell, legislators this upcoming session will have to think hard about how to prioritize state spending.

The Medicaid program alone is asking for more than a quarter of projected new state dollars. And that is just one of the pressures on the FY17 budget. New Mexico schools continue to struggle – earlier this month we learned that New Mexico was one of only four states that saw a decline in the high school graduation rate, which is, by the way, the worst in the country. Also this month, New Mexico's unemployment inched up, making it the second worst in the nation.

We know we need to invest in schools, in job creation, in public safety, in health care, in so many things. But New Mexico continues to be a state with high need and limited resources. The committee has noted many times that we need to focus those limited resources on the programs with demonstrable success. Similarly, we need to do everything we can to stretch the resources we have.

In addition to the LFC budget hearings that start with this month's meeting, the committee will be hearing about a new staff evaluation on making the best use of Medicaid dollars. The federal government covers much of the costs of that critical healthcare program but reimbursement rates for certain clients are scheduled to drop starting in January 2017.

The evaluation found opportunities to either replace state funding or other sources of funding with Medicaid dollars in programs in a variety of agencies. Among those opportunities: state-funded Health Department services for Medicaid-eligible patients, inmate hospitalizations, and nurse home visits for low-income families with new babies.

The evaluation also found that the state might be overfunding healthcare programs for certain New Mexicans now covered under Medicaid or private insurance because of healthcare reform.

Developing a budget is always a balancing act, particularly when it comes to finding the right mix of tax incentives to directly attract business and investments into quality of life that indirectly attract business – good schools, healthy communities, a clean environment, safe streets, arts and culture. All of these are important. Virtually every state program has advocates. It's the Legislature's almost impossible job to decide what is most important.

*Senator John Arthur Smith
Chairman*

Medicaid Asks for \$86M Boost in State Funding

State Medicaid program managers are asking for \$1.1 billion state dollars for the healthcare program in FY17, \$86 million and 8.5 percent more than this fiscal year.

Human Services Department administrators are scheduled to present to the committee a preview of their \$7.16 billion department request, which includes the key public assistance programs Medicaid and Temporary Assistance for Needy Families, at 10 a.m. on October 27.

The budget request, heavily subsidized by the federal government, is a \$518 million increase in total spending over FY16, with almost all of the increase slated for Medicaid.

While the request assumes unspecified cost-containment measures will save the state almost \$42 million in general fund dollars, those savings are almost completely offset by a \$41 million increase in state spending needed to offset a drop in the federal match for the Medicaid "expansion" population.

The Medicaid program under the federal Affordable Care Act expanded coverage to adults with incomes up to 138 percent of the federal poverty level, or about \$1,800 a month for one person.

The federal law covered 100 percent of the costs of those new enrollees – an

estimated 240,000 in New Mexico – from FY13 to FY16, but the match will drop in the 2017 calendar year, eventually landing at 90 percent in 2020.

Another \$45 million of the \$86 million requested state funding increase is prior-year costs pushed forward to FY17 and about \$42 million is driven by the need to move certain clients from relatively cheaper physical health services to long-term care and support.

The request does not account for a \$17 million increase in federal funding expected because of a slight increase in the federal matching rate for the base Medicaid population.

Enrollment and spending on Medicaid have increased nearly 50 percent since FY13, primarily because of the program expansion in the federal Affordable Care Act. In FY17, the program is expected to provide comprehensive medical care, vision services and dental services to more than 915,000 New Mexicans, more than a third of the state's population and mostly children, pregnant women, low-income parents, and certain low-income disabled and elderly adults.

More than half of the new Medicaid enrollees came into the program under the expansion for adults.

Aging Local Capital Outlay Unspent

A new review of midsize capital outlay appropriations for local projects shows almost half of 2012 appropriations and more than three-quarters of those from 2013 are still unspent, LFC staff report.

Staff are scheduled to report to the committee on the status of capital outlay projects at 10:30 a.m. on October 28.

The presentation will include the review of projects appropriated between \$300,000 and \$1 million sponsored by individual legislators under the allocation set aside for local projects. The report will also include an update on statewide projects valued at \$1 million or greater and a preview of 2016 capital outlay requests.

A total of \$149 million is outstanding for 951 local projects authorized between 2012 and 2014. An additional

\$96 million for 841 projects was authorized during the special legislative session earlier this year.

Much of the outstanding funding from 2012 is for projects in Chaves, Eddy, Lea, Mora, Rio Arriba, Roosevelt, San Juan and Taos counties, while unexpended funds for 2013 projects are primarily in DeBaca, Guadalupe, Harding, Hidalgo, Lea, Union and Valencia counties.

Among the 2012 projects funded with little or no activity is a \$300,000 update of the Española library.

The 2013 projects with little activity include a \$303,000 railyard improvement project in Bernalillo County, \$328,000 in improvements for Uranium Avenue in Cibola County, \$500,000 for the Lea County judicial complex, and \$451,000 for the Santa Fe County fairgrounds.

Better Use of Medicaid Funds Could Save Millions

Rethinking the use of Medicaid funding for certain state programs could translate into almost \$82 million in new or saved general fund revenue, a staff evaluation of Medicaid funding indicates. And that number grows to \$103 million if the use of local funds to replace state funds is also considered.

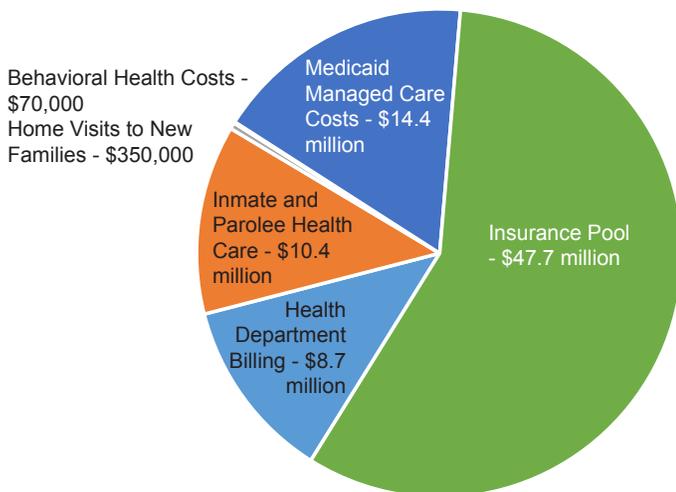
The Medicaid program, which primarily provides health care to children, pregnant women, low-income parents and certain elderly and disabled individuals, is heavily subsidized by the federal government. New Mexico can save state dollars by identifying services that could qualify as Medicaid programs and draw federal Medicaid reimbursements.

In addition, the federal Affordable Care Act expanded the population that can qualify for Medicaid and increased the number of New Mexicans with health insurance, making some state-funded healthcare programs less necessary.

The staff evaluation found the greatest potential impact on state general fund revenue in the possible dissolution of the New Mexico Medical Insurance Pool, created to provide health insurance to those denied coverage and funded through contributions from health insurance companies. Because the ACA eliminated the ability of insurance companies to deny coverage and expanded the number of people covered by Medicaid or insurance, the pool may no longer be necessary.

Health insurance companies get a tax break for contributing to the pool and eliminating the pool would eliminate the tax break and potentially generate \$34 million a year in premium tax revenues, in addition to saving the state almost \$14 million it now pays Medicaid managed-care providers for pool assessments.

Potential New or Saved General Fund Revenues from Leveraging Medicaid Funding



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On the Table

Center Loses Fiscal Agent over Bad Audit

The North Central New Mexico Economic Development District has declined to act as fiscal agent for the \$290,000 Wagon Mound Senior Center project. The district's board of directors said they were concerned about the center's 2014 audit, which had 17 findings and a disclaimer, and they do not have the resources to adequately manage the project.

Colorado Plans To Compete with Spaceport

Colorado plans to apply for a spaceport license with the Federal Aviation Administration by the end of October. If approved, it would be the 11th licensed spaceport in the country. The Colorado director reports Spaceport America in New Mexico will be a direct competitor but stated Spaceport Colorado offers proximity to the population and aerospace manufacturing base in Denver and easy access to the Denver International Airport.

PED Plans To Replicate Charters

The Public Education Department is working with the New Mexico Coalition for Charter Schools and 12 charter schools with school grades of A or B to eliminate barriers to increasing enrollment or replicating each charter school. The department will use a \$26,000 grant from the Daniels Fund to support these efforts.

NM Short on PAs, Dentists, Pharmacists

The first New Mexico Healthcare Workforce Committee annual report to include physician assistants, dentists, and pharmacists in the analysis suggests New Mexico would need 136 assistants, 73 dentists, and 293 pharmacists to meet national benchmarks. The shortages are uneven, with Sandoval, Bernalillo, Santa Fe and Los Alamos counties above the national average for physician assistants and Dona Ana, Otero, Eddy, Lea, and Chaves counties short. The pattern is similar for dentists, with surpluses in the Albuquerque metro and north-central regions and the most severe shortages in the southeast corner of the state. Pharmacist shortages are more severe with surpluses in the metro area and shortages nearly everywhere else.

Transitions

Don Levinski, superintendent of Central Consolidated Schools, was removed in early October. Colleen Bowman has been named interim superintendent. Bowman was formerly acting director of operations. Clinton Turner is the new chief economist at the Department of Finance and Administration. Mr. Turner was formerly chief economist at the Department of Transportation.