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FISCAL IMPACT REPORT

SPONSOR: J.P. Taylor DATE TYPED: 02/12/03 HB 417

SHORT TITLE: Medicaid for the Medically Ill SB _____

ANALYST: Weber

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
\$250.0				Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
\$741.3			Recurring	Federal Funds

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From
Human Services Department

SUMMARY

Synopsis of Bill

House Bill 417 appropriates \$250,000 from the General Fund to the Human Services Department (HSD) to develop a Medicaid waiver for the purpose of creating a pilot Assertive Community Treatment (ACT) program in Dona Ana County for 100 individuals with severe and persistent mental illness and co-occurring alcohol or drug addiction disorders. Included with the ACT program are acupuncture and nutrition services. HB 417 requires the Department to contract with the Department of Health (DOH) to design, develop and operate the Waiver program. The bill contains an emergency clause.

Significant Issues

The Human Services Department reports that HB 417 proposes to pilot an ACT program through a Medicaid Waiver that would serve 100 adult individuals in Dona Ana County. Clients served by ACT programs are typically extremely difficult to reach and often suspicious of health care providers. These individuals have pervasive mental illness, often combined with alcohol or substance use, and are homeless or transient. Initially, significant time is spent locating individuals and getting them into care.

The majority of current Medicaid expenditures for adults with both mental illness and co-occurring alcohol or drug use are for hospitalizations and medications that are not taken, or not taken as prescribed. The Medicaid program currently offers case management for the chronically mentally ill, psychological and psychiatric evaluations, and outpatient therapeutic interventions/counseling as general benefits. Under the Psychosocial Rehabilitation (PSR) benefit, case management, high complexity assessment, therapeutic interventions, psychiatric and psychological evaluations, medication management, and crisis intervention are offered. The majority of mental health/behavioral health services are provided by local community mental health centers (CMHC). Individuals whose needs would be addressed by an ACT team are not likely to access their local CMHC for services on their own.

HB 417 requires HSD to offer acupuncture and nutrition services as part of the ACT program. It is not clear how acupuncture and nutrition services will fit in with the type of services traditionally offered by ACT teams. Nutrition services for adults who are not pregnant and acupuncture services are not current benefits of the Medicaid program.

FISCAL IMPLICATIONS

The appropriation of \$250.0 contained in this bill is a recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of Fiscal Year 2004 shall revert to the General Fund.

Because of the length of time it takes to receive approval for a waiver, the funding would most likely not be used until FY04. If a waiver were approved, the federal match would bring the total funding for the program to \$991,300. The Department of Health (DOH) estimates it would cost approximately \$6,000 per person per year to provide ACT team services. According to DOH, this amount is based on national figures from other ACT programs. This estimate may be low compared to New Mexico Medicaid expenditures for mental health services.

HB 417 requires HSD to contract with DOH for the design, development and operation of the Waiver. There is no additional appropriation for contracting with DOH.

ADMINISTRATIVE IMPLICATIONS

The Human Service Department report that developing a Medicaid Waiver application to the Centers for Medicare and Medicaid Services (CMS) is extremely onerous and time consuming. It would require additional staff to perform the necessary analysis and cost projections and to write the application. Staff will be required to implement and oversee the waiver if approved. HB 417 also requires HSD to contract with DOH for the design, development and operation of the Waiver program. Federal law does not allow the Single State Medicaid Agency to delegate

its authority to another agency. HSD must maintain responsibility for the waiver. HSD would initiate a Joint Powers Agreement (JPA) with DOH to administer certain functions of the Waiver. Staff would have to be devoted to working with DOH on this program.

OTHER SUBSTANTIVE ISSUES

A Medicaid waiver allows the state to target services to a narrowly defined population and to limit the numbers of persons served, in this case 100 persons. However, experience with Medicaid waivers has shown that waiting lists often lead to frustration.

It is difficult to actually estimate the cost of providing services under an ACT program. The clients are frequently difficult to reach. Implementation of a new program of this nature may require considerable expense for locating clients, out-reach and treatment engagement.

There is significant support in the literature for the efficacy of ACT programs, especially for persons with schizophrenia. The Substance Abuse and Mental Health Services Administration (SAMHSA) has recognized ACT as a quality indicator for state mental health programs. In 1999, the Surgeon General endorsed ACT. On June 7, 1999, CMS authored a Dear State Medicaid Director letter that noted, "...programs based on ACT Principles can be supported under existing Medicaid policies, and a number of states currently include ACT services as a component of their mental health service package."

MW/yr