

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Aragon DATE TYPED 2/8/04 HB _____

SHORT TITLE Developmental Disability Reimbursement Rate SB 456

ANALYST Dunbar

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|-----------|-----------------------------|------|----------------------|---------------|
| FY04 | FY05 | FY04 | FY05 | | |
| | \$1,000.0 | | | Recurring | General Fund |
| | | | | | |

REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|-------------------|-----------|-------------------------|----------------------|---------------|
| FY04 | FY05 | | | |
| | \$2,912.4 | | Recurring | Federal Funds |
| | | | | |

Relates to SB395, making a \$16 million appropriation to the DOH to expand services for persons not currently enrolled in the Developmental Disability (DD) Medicaid Waiver Program

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
 Human Services Department (HSD)
 Health Policy Commission (HPC)
 Developmental Disabilities Planning Council (DDPC)

SUMMARY

Synopsis of Bill

Senate Bill 456 appropriates \$1 million from the General Fund to the Department of Health (DOH) for FY 2005 for a rate increase to Medicaid Developmental Disabilities (DD) waiver providers.

Significant Issues

DOH is required to obtain approval from the Human Services Department (HSD) for any rate increases to DD waiver providers. The HSD/MAD, as the single state agency, is the only agency responsible for all Medicaid programs including the reimbursement rates of service providers.

An appropriation to provide a reimbursement rate increase for only DD Waiver providers has, according to DOH, the potential to create access to care issues for other Title XIX services where reimbursement rates are not increased. However, an appropriation to increase reimbursement rates for DD Waiver providers may help in finding and maintaining qualified service providers throughout the state. Problems with inadequate numbers of providers, under-qualified providers, and providers who leave the DD Waiver due to the low reimbursement rate have been issues in the Jackson lawsuit.

This appropriation may move both DOH and HSD closer to disengagement from the Jackson lawsuit. It is important to note that HSD will have to verify and make assurances to the Centers for Medicare and Medicaid Services (CMS) that the increased reimbursement rate for providers will not increase the waiver expenditures to the point of exceeding 100% of the amount that would be incurred by the Medicaid program for these individuals, absent the waiver, in a hospital, a nursing facility, or an Intermediate Care Facility for the Mentally Retarded (ICF/MR) as required in 42 CFR §441.302(e) and (f).

Currently, HSD/MAD is facing budget cuts for existing Medicaid programs including existing Medicaid waiver programs. To contain costs for FY05, HSD/MAD is anticipating an estimated 3.5% across-the-board reduction in all provider rates. A rate increase solely for DD Waiver providers for FY05 is problematic for HSD/MAD.

FISCAL IMPLICATIONS

The appropriation of \$1,000.0 contained in this bill is a recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of FY 05 shall revert to the General Fund.

The \$1,000,000 is matched with federal funds (74.44%) in the amount of \$2,912,363 for a total available balance of \$3,912,363.

ADMINISTRATIVE IMPLICATIONS

There does not appear to be administrative implications for HSD due to this appropriation.

OTHER SUBSTANTIVE ISSUES

Recruitment and retention may contribute to the improved quality of care for consumers.

The DOH Long Term Services Division reported in its Fiscal Year 2003 annual report that –

- ❑ NM's spending for the DD Waiver Program increased 28% since Fiscal Year 2000
- ❑ The waiting list to receive DD services increased 15% over the previous year, although the waiting time did not increase substantially (47 to 48 months on average)

Senate Bill 456- Page 3

- 74% of individuals on the waiting list are 22 years or over, 14% are under age 18, and 12% are between 18-22.

A draft report released by the DOH in 2001 on Direct Care Staffing listed barriers to staff retention to include: pay scale too low, jobs too demanding for pay (long hours, physical exhaustion), work too stressful, and inadequate insurance benefits.

The survey indicated that a higher staff turnover was the most evident in the DD Waiver Residential Program compared to any other programs.

BD/yr:lg