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FISCAL IMPACT REPORT

SPONSOR Cordova **DATE TYPED** 2/25/05 **HB** 685/aHCPAC

SHORT TITLE Family, Infant, Toddler Program Insurance **SB** _____

ANALYST Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 589
Relates to SB 62

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		See Narrative		

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
Health Policy Commission (HPC)
Human Services Department (HSD)
Public School Insurance Authority (PSIA)
Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of HCPAC Amendment

The House Consumer and Public Affairs amendment to HB 658 requires the coverage for medically necessary service be provided as part provided as part of an individualized family service plan and delivered by certified and licensed personnel who are working in early intervention programs approved by the DOH.

Synopsis of Original Bill

House Bill 685 amends a number of New Mexico health insurance statutes to include coverage for children, from birth through three years of age, who are eligible for the Family Infant Toddler (FIT) Program. The coverage includes a maximum annual benefit of \$3,500 for medically necessary early intervention services. No payment shall be applied against any maximum lifetime or annual limits specified in the health benefits plan, policy or contract

Significant Issues

The FIT program is currently funded primarily through the general fund and medicaid. The early intervention services provided through medicaid are considered to be medically necessary for children eligible for the FIT Program who have or are at risk for developmental delays or disabilities.

The Individuals with Disabilities Education Act (IDEA) that governs the State's provision of early intervention services requires the coordination of payments for early intervention services from federal, state, and private resources that include public and private insurance. Currently, Developmental Disability (DD) services are excluded under private health plans in New Mexico.

This bill will mandate that health plans in New Mexico include early intervention services provided through the FIT Program to eligible children and their families, with a maximum annual benefit cap of \$3,500 after which the DOH will pay. The House Joint Memorial 38 report published in October 2004 estimated that approximately \$3 million in revenue could be generated for the FIT Program. HJM 38 estimated that the effect on private insurance premiums to be between .04% - .07%.

PSIA provided the following:

- PSIA does not currently cover medical services provided for a diagnosis of 'developmental delay'.
- There is no appropriation included in the bill to pay for the additional claim expenses that occur as the result of this bill.
- This is cost-shifting to health insurance plans for services that currently are provided and funded through the DOH.
- Industry standards for health plans are to exclude developmental delay as these services are traditionally paid for through other public programs and are not part of health insurance claims.

HSD states FIT services are a federal entitlement for all children regardless of family income. Increasing numbers of NM children are accessing this service, placing a burden on DOH and medicaid funds. Approximately 4% of children may need this program. Providing an insurance coverage requirement spreads the cost rendering services to a larger portion of the New Mexico population and will ease taxation in the future.

Some of the insurance plans who will share this burden are partially state supported such as the Risk Management employee benefits plan, the RHCA and PSIA.

FISCAL IMPLICATIONS

Based on the HJM 38 analysis, the use of private health insurance to fund early intervention services provided through the FIT Program has the potential to generate approximately \$3million in revenue. The total expenditures for the FIT program in fiscal year 2004 were approximately \$21 million. Private insurance could generate approximately 14% of the overall revenue for early intervention services in New Mexico.

ADMINISTRATIVE IMPLICATIONS

This bill will have some administrative implication for DOH as the billing office will monitor when a client reaches the maximum benefit cap and when general funds should be billed. DOH believes this will require between .5 and 1 FTE.

DUPLICATIONTECHNICAL ISSUES

HB 685 duplicates SB 589 and relates to SB 62 which makes a \$3 million appropriation from the general fund to DOH to increase funding for the FIT program.

TECHNICAL ISSUES

DOH suggests on p. 5, line 23-24 after the words “early intervention services” add the words “provided in accordance with an individualized family service plan and delivered by certified and licensed early intervention personnel working in early intervention programs that are certified by the department of health”.

OTHER SUBSTANTIVE ISSUES

DOH provided the following:

The FIT program provides an array of early intervention services to children less than three years of age and their families. The statewide provider network offers services such as speech therapy, physical therapy, nursing and development intervention. Over 7,000 children and their families were served in fiscal year 2004. The increase in referrals from medical and other providers has resulted in an average growth of 13% per year.

Eligibility for the FIT Program is determined through a comprehensive multidisciplinary evaluation that includes a review of medical and other pertinent records, family interview's, observations and use of developmental assessment instruments. Children determined to have or be at risk for a developmental delay or disability are eligible for the FIT Program. Early intervention services are considered medically necessary and are reimbursable under medicaid fee-for-services. DOH pays the State match. Non-medicaid eligible children are funded through DOH with state general funds.

Several States have had significant success in billing private health insurance for early intervention services. Massachusetts, for example, is able to fund approximately 40% of its overall costs for early intervention through private insurance. DD services are currently excluded under private health plans in New Mexico.

In 2004 DOH established a taskforce in response to HJM 38. The potential of mandating

private health insurance coverage for early intervention services through the FIT Program was explored. One of the recommendations from the resulting report was to mandate coverage but with a maximum benefit of \$3,500 per year. If the cost of early intervention is greater than \$3,500 for a particular child, DOH would fund the additional amount, subject to appropriations. Estimates are that only 20% of eligible children would meet this annual benefit cap. If a child is in the FIT Program for a full 12 months at an average service delivery of six hours per month, the total cost per child is approximately \$6,480 excluding service coordination and the initial developmental evaluation which must be provided at no cost to the family. Because children and families enter and transition from the FIT Program at various times in the year, the actual average cost per child per year is \$2,325.00.

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