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FISCAL IMPACT REPORT

SPONSOR Feldman DATE TYPED 3-9-05 HB _____
 SHORT TITLE Study Facility-Based Care Impact on Medicaid SB SM 35
 ANALYST Collard

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|---------|----------------------|---------------|
| FY05 | FY06 | FY05 | FY06 | | |
| | | | Minimal | | |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

Aging and Long-Term Services Department (ALTSD)

SUMMARY

Synopsis of Bill

Senate Memorial 35 directs ALTSD to lead a study on the financial impact of long-term care on the Medicaid budget and identify alternative models of financing long-term care services. Long-term care includes nursing home and Disabled and Elderly (D&E) Waiver services. ALTSD is required to report findings and recommendations of the study to the interim legislative Health and Human Services Committee in October 2005. ALTSD is also directed to provide copies of the report to appropriate statewide organizations representing aging and long-term care. The memorial directs HSD to cooperate with ALTSD in the study.

The study will involve appropriate statewide organizations representing aging and long-term care services; identify appropriate incentives to encourage self-care and the use of insurance; explore ways to limit asset identification and asset transfers and promote maximum Medicaid estate recovery; and develop recommendations for the implementation of alternative mechanisms for financing long-term care services.

ALTSD is also directed to support the efforts of a statewide organization representing the needs of people with Alzheimer's disease and relevant other organizations, and to hold a conference exploring alternative models of financing long-term care services.

Significant Issues

HSD and ALTSD note the memorial states that the cost of providing long-term care services in New Mexico exceeds \$221 million in state and federal funds. This amount includes providing nursing home care to approximately 6,850 individuals and D&E Waiver services to approximately 2,442 individuals in FY04.

Additionally, the memorial asserts that since people find it relatively easy to qualify for institutional care, there is an “entitlement mentality” regarding the financing of institutional care. HSD determines a person’s financial eligibility for Medicaid services. Once a person is determined to meet financial and medical eligibility criteria for institutional care in New Mexico, that person is *entitled* to receive nursing home care. By regulation, D&E Waiver applicants must also meet the financial and medical eligibility criteria for institutional care; however, D&E Waiver services are not considered entitlement services. HSD is allowed by federal requirements to limit the number of individuals who receive D&E Waiver services and/or the total cost of D&E Waiver services based on a Home and Community Based Services waiver application that is approved by the Center for Medicare and Medicaid Services (CMS).

HSD indicates financial and medical eligibility criteria for institutional care, including nursing home and D&E Waiver services in New Mexico, are established by the state within federal parameters. Currently, institutional care income eligibility is established at a level of 300 percent of Supplement Security Income. It is possible for New Mexico to establish income levels that are lower than the current level, which would reduce the number of individuals who meet financial eligibility criteria for institutional care.

Alternatives to financing long-term or institutional care in New Mexico already exist. People who cannot afford institutional care, based on existing income and resources, are able to access Medicaid-funded care. Within federal parameters, HSD can raise financial eligibility criteria to further limit the income or resources a person may have in order to qualify for Medicaid benefits.

FISCAL IMPLICATIONS

There is no appropriation contained in this memorial.

Fiscal implications for HSD and ALTSD to participate and pay for staff time committed to the study would be approximately \$6.4 thousand for each agency in FY06.

There would be fiscal implications for HSD and ALTSD to implement any recommendations made in the study. However, both departments indicate it is impossible to estimate the costs of implementing the recommendations before the recommendations are made.

ADMINISTRATIVE IMPLICATIONS

The memorial requires HSD to participate in the ALTSD-lead study of institutional care. It is estimated that members from HSD and dedicated staff from ALTSD would be required for approximately six months to carry out the study and referenced conference.