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FISCAL IMPACT REPORT

ORIGINAL DATE 2-6-06

SPONSOR Jennings LAST UPDATED _____ HB _____

SHORT TITLE Developmental Disabilities Mental Services SB 576

ANALYST Collard

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$13,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 189, SB 15, SB 137, HB 356

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	\$23,729.5	\$23,729.5	Recurring	FFP

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY 06	FY07	FY08	3 Year Total Cost	Recurring or Non- Rec	Fund Affected
Total		\$4,528.2*	\$4,528.2*	\$9,056.4*	Recurring	General Fund and FFP

(Parenthesis () Indicate Expenditure Decreases) *See fiscal and administrative implications.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)

Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Bill 576 appropriates \$3 million from the general fund to DOH for the purpose of providing mental health services statewide and \$10 million from the general fund to DOH for the purpose of shortening the developmental disabilities Medicaid waiver (DD waiver) waiting list.

FISCAL IMPLICATIONS

The appropriation of \$13 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY07 shall revert to the general fund.

HSD indicates the appropriation to DOH of \$10 million would qualify for \$23,729.5 thousand in federal matching funds, according to the distribution by service and administrative costs, for a total of \$33,329.5 in available funds. After DOH applies an 8 percent administrative share, the remaining total is \$32,529.5 thousand (\$9.2 million from the general fund and \$23,329.5 from Federal Financial Participation [FFP]) designated for services. HSD estimates that the appropriation would provide services to approximately 540 additional individuals.

HSD indicates the additional individuals on the DD waiver would impact the HSD operating budget. Each individual on the waiver becomes eligible for Medicaid state plan services. The average cost of Medicaid state plan (non-waiver) services for individuals on the DD waiver is \$7.3 per year based on FY05 costs. If the additional 540 individuals received DD waiver services, additional costs to HSD in Medicaid non-waiver services would be \$3,972.2 thousand (\$1,123.4 thousand from the general fund and \$2,848.8 thousand in FFP). HSD notes the appropriation would not cover these costs.

SIGNIFICANT ISSUES

DOH indicates as of January 2005, there were 3,499 applicants listed on the DD waiver waiting list. Based on expenditures from the FY06 budget for DD waiver services and the number of clients currently enrolled in the program, DOH projects that the appropriation will generate funding for approximately 540 individuals. This depends on the age and level of care characteristics of the applicants. This projection assumes a FY07 federal Medicaid blended match rate of approximately 28 percent and that, as authorized under federal guidelines, eight percent of the appropriation (\$800 thousand) would be used for program infrastructure and participant supports rather than for new allocations.

The current length of wait for services through the DD Waiver is approximately four years, although this varies by region.

If the bill is enacted, DOH indicates aggressive recruitment and training initiatives will be needed to qualify providers, support entry of persons into the system, provide required services and supports and ensure participant health and safety. Historically, the provider system (case management and direct service providers) has been able to address growth at a maximum of 300 to 400 individuals entering into service within any fiscal year.

The \$10 million appropriation included in this bill would be recurring, as it will be used to allocate additional individuals to the DD waiver. When an applicant is allocated to the DD waiver, they are entitled to continue to participate in the program as long as they continue to meet federal level of care requirements. Developmental disability is a lifelong condition and once allocated, individuals typically continue to meet level of care criteria and remain in services. There is minimal attrition in the program and any funding linked to vacated positions is used to address the need for individual crisis allocations to the DD waiver.

According to an HSD/MAD ad hoc report of census data for clients served on the DD waiver that reflects claims adjudicated as of January 6, 2006, there were 3,521 preexisting DD waiver clients receiving services at the beginning FY06. According to DOH approximately 190 additional individuals are projected to receive DD waiver services in FY06. It is estimated that the total number of individuals to receive DD waiver services for FY06 is approximately 3,711.

HSD indicates while the bill also appropriates \$3 million from the general fund for mental health services, it is silent to the populations to be served.

Beginning in July 2005, all public behavioral health services in the state are coordinated through a contracted statewide entity, ValueOptions which presumably would also coordinate the mental health portion of this appropriation. Additionally, HSD notes the local behavioral health collaboratives should be part of the decision-making process regarding the need for specific mental health services in their geographic areas.

HSD indicates some of the individuals who would benefit from mental health services could potentially be Medicaid eligible and those services would therefore be eligible for a federal Medicaid match. Since the target population is not identified, it is not possible identify the number of individuals who would benefit, who are Medicaid eligible. Therefore, it is not possible to calculate any federal Medicaid match for the appropriation.

ADMINISTRATIVE IMPLICATIONS

DOH states, if the bill passes, additional FTE will be needed to enable the Developmental Disabilities Supports Division (DDSD) and the Division of Health Improvement (DHI) to:

- Ensure that the management standards mandated by federal law for the Central Registry and the Medicaid processes are upheld;
- Oversee and ensure effective service delivery;
- Provide training/technical assistance to individuals served and community service agencies.

With this appropriation for FY07, the DHI estimates it would require an additional 18 FTE in order to maintain current caseloads in the Incident Management Bureau and to handle a larger sample size for its current provider program review functions within the Quality Management Bureau.

In addition to the cost of Medicaid State plan services described above, HSD indicates it would also have a fiscal impact of \$556 thousand in administrative costs (\$278 thousand from the general fund and \$278 thousand from 50/50 federal administrative match), in order to implement the bill. The impact includes:

HSD would have added costs for staff to conduct additional determinations for initial and annual Medicaid eligibility. Each ISD FTE can service approximately 250 waiver recipients. An additional 2.20 FTE would be required by ISD to provide financial eligibility determinations for the additional 540 waiver recipients. The cost of the 2.20 FTE is \$176 thousand per year (\$88 thousand per year from the general fund and from federal administrative match).

Additionally, the Medicaid Utilization Review (UR) contractor would have added costs to determine client level of care and data enter Individual Service Plans. Using FY05 base costs, the UR contractor costs would increase by \$340 thousand per year from the general fund and federal administrative match.

HSD Medical Assistance Division (MAD) would have added costs to provide oversight of the program. Approximately 0.50 FTE would be needed to provide the oversight for a total cost of \$40 from general fund and federal administrative match.

The total cost to HSD to implement SB 576 including Medicaid State plan services, ISD, UR, and HSD/MAD administrative costs is \$4,528.2 (\$1,401.4 GF and \$3,126.8 Federal administrative match and FFP.)

RELATIONSHIP

Senate Bill 576 relates to Senate Bill 189, which appropriates \$59 million from the general fund to DOH to eliminate the DD waiver waiting list for services; Senate Bill 15, which appropriates \$3.3 million from the general fund to DOH in FY07 – \$2.5 million for inpatient assessment and treatment of individuals who are under protective custody or are under 30-day involuntary civil commitment, \$400 thousand to establish and operate mobile crisis teams to work with law enforcement to respond to life threatening situations, and \$400 thousand for residential and non-residential transitional treatment or temporary bed days for court-ordered jail diversion; Senate Bill 137, which appropriates \$2 million to DOH to leverage resources and provide 1) mobile crisis and 2) assertive community and residential treatment services in Dona Ana County and southern New Mexico for persons with serious mental illness; and House Bill 356, which appropriates \$4 million from the general fund to DOH and anticipates the allocation of approximately 200 applicants to developmental disabilities services through the DD waiver.

TECHNICAL ISSUES

HSD suggests modifying the bill to identify the population to be served with the mental health appropriation and specifying that 3,711 individuals are estimated to receive DD waiver services during FY06. This number would serve as a baseline number to allow a more accurate determination of how many additional individuals received services in FY07.

KBC/nt