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FISCAL IMPACT REPORT

ORIGINAL DATE 02/02/07

SPONSOR Picraux LAST UPDATED _____ HB HM 4

SHORT TITLE Medicaid Quality-Control Procedures SB _____

ANALYST Weber

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|------|-------------------------|------------------|
| FY07 | FY08 | | |
| | None | | |
| | | | |

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY07 | FY08 | FY09 | 3 Year Total Cost | Recurring or Non-Rec | Fund Affected |
|--------------|------|--------|--------|----------------------|-------------------------|------------------|
| Total | | \$31.6 | \$31.6 | \$63.2 | Recurring | General Fund |
| | | \$31.6 | \$31.6 | \$63.2 | Recurring | Federal Fund |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

House Memorial 4 asks that the Human Services Department be encouraged to track the number of terminated Medicaid cases on a monthly basis and to institute an audit process to determine the percentage of terminated cases and whether those cases are later reinstated. In addition; HSD should track a representative sample of cases terminated by automatic closure and review the sample before actually terminating clients. HSD should then weigh whether the sample cases were accurately assigned for termination. A determination should then be made as to whether a terminated child who should be penalized for a parent's failure to recertify and whether the

House Memorial 4 – Page 2

disruption caused by a wrongful termination was justified by the administrative cost savings of an automatic closure.

Copies of this memorial should be transmitted to the governor and to the secretary of HSD.

The memorial indicates these procedures are necessary since the department implemented a new program to close Medicaid cases automatically without review if clients have not properly recertified. It further states that over one hundred twenty thousand Medicaid cases have been automatically closed and that an estimated seventy-five percent were reinstated without an adequate explanation of why such a high percentage of cases were reinstated. Further, there is no process in place for auditing whether cases are appropriately closed.

FISCAL IMPLICATIONS

HSD estimates annual operating costs of \$63.2 thousand for an additional FTE to collect and report the data required by this House Memorial.

SIGNIFICANT ISSUES

HSD reports federal regulations require that states re-determine the eligibility of Medicaid recipients at least every 12 months. The cases are certified for a twelve month period. Each case is scheduled for a re-determination in the twelfth month and a notice is mailed to the head of household of each case. If no application is received so that a determination of eligibility can be made in accordance with federal regulations, the case is closed. There is nothing additional in the case record to review before actually terminating clients if a reapplication has not been made.

The Department cannot be certain why those who were closed later returned. A variety of reasons may be given. Tracking the number that closed and later again became eligible would only tell us, with certainty, that they were eligible at the time they submitted their application.

While children cannot ensure that their parents properly recertify or reapply for them, it remains the responsibility of those parents. And federal regulations do not allow for exceptions to the twelve month re-determination requirement for children.

Cases are not “assigned for termination”, but rather, as stated above, scheduled for re-determination. The termination occurs when the proper application is not forwarded to the Department.

OTHER SUBSTANTIVE ISSUES

A recent case was filed in United State District Court for the District of New Mexico regarding the apparent same issues related to the HSD Medicaid re-certification process. On September 29, 2006 the case against HSD was dismissed in its entirety and left existing re-certification procedures, including automatic closure, intact.

MW/csd