

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 be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 01/28/09  
 LAST UPDATED 03/07/09    **HB** 130/aHHGAC

SPONSOR Stewart

SHORT TITLE Medicaid and Child Health Insurance Reporting    **SB** \_\_\_\_\_

ANALYST Earnest

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>FTE</b>			\$0.0 - \$180.0*	\$0.0 - \$180.0	Recurring	General Fund
			\$0.0 - 180.0*	\$0.0 - \$180.0	Recurring	Federal Funds
<b>IT</b>		\$0.0 - \$100.0*		\$0.0 - \$100.0	Non- recurring	General Fund
		\$0.0 - \$100.0*		\$0.0 - \$100.0	Non- recurring	Federal Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

\*See Fiscal Implications

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Human Services Department (HSD)  
 Center on Law and Poverty

### SUMMARY

#### Synopsis of HHGAC Amendment

The House Health and Government Affairs Committee amendment strikes Subsection A requiring the department to report annual budget projections by category of eligibility and replaces the Subsection with a requirement to make public all federal reports. The amendment adds an effective date of July 1, 2010.

#### Synopsis of Original Bill

House Bill 130 creates a new section of the Public Assistance Act to require the Human Services Department to report publicly on enrollment and budget data in the Medicaid program and State Children's Health Insurance Program (SCHIP). Specifically, the bill requires monthly reporting of:

- Annual budget projections and expenditures by category of eligibility;
- Monthly point-in-time numbers of recipients by category of eligibility

- Monthly denial rates for Medicaid and SCHIP including:
  - the number of applications received by the department monthly,
  - number of applications approved monthly,
  - number of applications denied monthly, including denial code and reason for denial
- Monthly termination rates of Medicaid and SCHIP including for each month:
  - the number of cases due for renewal
  - the number of renewals received
  - the number of renewal approved
  - the number of renewal denied
  - the number of recipients whose cases were terminated, listed according to the reason for termination by code
  - the number of recipients that the department disenrolled and reinstated within six months
- Any other data that would be useful to consider in determining the programs' effectiveness

The bill would also require HSD to document and store for no less than three years information related to the reasons that individuals have been denied eligibility for Medicaid and SCHIP or have had their eligibility terminated and information about the department's efforts to ensure that Medicaid and SCHIP applicants and recipients receive adequate and timely notification for application for or recertification of needed benefits.

## **FISCAL IMPLICATIONS**

The amendment could significantly reduce the administrative costs for the department by eliminating the need to change its budget projection method. By including a July 1, 2010 effective date, the department should have more time to implement new software to assist in the reporting required by this bill. In addition similar reporting is now required by the federal government.

HSD projects that the bill still carries a significant administrative impact totaling \$180 thousand per year from the general fund for additional FTE and \$200 thousand in FY10 for IT upgrades. According to HSD, the implementation date change does not alter the impact and risk to the ISD2 eligibility system for required changes or the fiscal impact of additional FTE. The requirements would still require significant funding for HSD to make necessary modification and cumulate the required data. These costs through the amendment only change the FY09 costs and shift these costs to FY10. About \$200.0 costs for modifications to the ISD2 eligibility system and the necessary FTE to cumulate the required data for a cost of \$200.0 in FY10.

HSD reports that it plans to implement a business intelligence tool in FY10 which will make it easier for the department to produce reports such as the ones required in HB 130.

However, it is unknown whether the business intelligence tool that the department plans to implement will be able to produce all the reports. The scope of the project for the business intelligence tool has been submitted and approved by the feds. Due to limited funding, the project will start out small and include only data from ISD2 and not any information from MMIS. To expand the scope of the project would require additional funding and the department would need to amend the scope of the project and resubmit to the feds for approval. Until we get the business intelligence tool in place we will not

know whether the reports required in HB 130 can be produced without expanding the scope of the project. Since there is no assurance that the tool will initially allow the HSD to produce the reports required by this legislation HB 130 could result in litigation against the department if the department is unable to comply with the requirements of the bill.

## **SIGNIFICANT ISSUES**

The Center on Law and Poverty reports that that the recently enacted federal Children’s Health Insurance Program Reauthorization Act (CHIPRA) will require states to annually report data that is similar to the data requested in HB 130. Section 402 will require states to provide information in their annual reports on “enrollment and retention data (including data with respect to continuity of coverage or duration of benefits),” and “data regarding denials of eligibility and redeterminations of eligibility”. Thus, the department will be required to find a way to report this information for the children’s health programs, and presumably could use the same method for reporting the data required by HB 130.

HSD listed the following additional concerns with the bill, as amended:

- The amendment would require all reports sent to CMS to be made public. The proposed language is vague about which reports would be made public. HSD is constantly communicating with and sending a wide variety of reports to CMS. The amendment is open to interpretation and puts HSD in a position of potentially being out of compliance with the statute. Additionally, the HSD Medicaid budget projection that is shared publicly (at every Medicaid Advisory Committee meeting) is far more informative than would be CMS-64, CMS-21, and CMS-37 budget reports.
- Tracking and posting budget reports sent to CMS within 30 days of submission would place additional burden on already scarce staff resources.
- HSD posts eligibility (i.e., recipients in the program eligible to receive Medicaid services) numbers three (3) months after the month-end. This is to capture the retroactive enrollments for that month that mostly occur within three (3) months after the month has ended (but can continue for many months beyond that). HSD does not post a month’s eligibility numbers earlier than this due to the misleading nature of the eligibility count immediately following the month in question. In the past, it has been HSD’s experience that posting these numbers without waiting for the retroactive eligible’s to be accounted for has led to confusion and incorrect assumptions by the interested public.
- The language that HSD is required to make available any other data that is useful to determining the programs’ effectiveness is too broad and may result in a multitude of requests that the department cannot comply with or would create great administrative burden.

## **ADMINISTRATIVE IMPLICATIONS**

There are conflicting assessments about the availability of the data to be reported by this bill. The positions are summarized below and the full analyses for the original bill are attached.

According to HSD, the modifications to the department’s “fragile” IT system would be costly and ultimately would not produce the reports required by this bill. To meet these requirements, the department finds it will need 4 FTE to produce the reports. HSD is also concerned that the required monthly enrollment reports would be inaccurate and misleading due to inadequate systems. Upgrading the system would take staff and other resources from current projects.

The Center on Law and Poverty argues that much of this data is already collected by the HSD, or kept within its system, and should not be costly to report. Many other states report this information publicly. The Center believes that the bill will result in savings to the state by increasing administrative efficiency, and also finds that collecting and analyzing data on denial rates is necessary to ensure adequate health coverage. The Center notes that the department reports data on denial and closures in the TANF, Food Stamps, and General Assistance programs.

Attachments

BE/svb:mc

LFC Requester:	
----------------	--

**AGENCY BILL ANALYSIS  
2009 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:**

**LFC@NMLEGIS.GOV**

*And*

[DFA@STATE.NM.US](mailto:DFA@STATE.NM.US)

*{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

*Check all that apply:*

**Original**        **Amendment**      
**Correction**        **Substitute**   

**Date** January 22, 2009  
**Bill No:** HB130

**Sponsor:** Representative Stewart    **Reviewing**    Human Services Department  
**Short**    Medicaid and Child Health    **Person Writing**    Ted Roth  
**Title:**    Insurance Reporting    **Phone:**        **Email:** Ted.roth@state.nm.us

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

<b>Appropriation</b>		<b>Recurring or Non-Rec</b>	<b>Fund Affected</b>
<b>FY09</b>	<b>FY10</b>		
\$0	\$0	\$0	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: N/A

Duplicates/Relates to Appropriation in the General Appropriation Act: N/A

**REVENUE (dollars in thousands)**

<b>Estimated Revenue</b>			<b>Recurring or Non-Rec</b>	<b>Fund Affected</b>
<b>FY09</b>	<b>FY10</b>	<b>FY11</b>		
\$0	\$0	\$0	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates, Relates to, Conflicts with, Companion to: N/A

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>3 Year Total Cost</b>	<b>Recurring or Non-Rec</b>	<b>Fund Affected</b>
<b>Total</b>	\$200.00	\$180.00	\$180.00	\$560.00	Recurring	General Fund
	\$0.00	\$180.00	\$180.00	\$360.00		Federal Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**SECTION III: NARRATIVE**

**BILL SUMMARY**

**Synopsis:** HB130 would require the Human Services Department (HSD) to make certain information related to Medicaid and State Children’s Health Insurance Program (SCHIP) eligibility and enrollment available to the public on its website. The information required would be:

- Annual budget projections and expenditures by category of eligibility;
- Monthly point-in-time numbers of recipients by category of eligibility
- Monthly denial rates for Medicaid and SCHIP including:
  - the number of applications received by the department monthly,
  - number of applications approved monthly,
  - number of applications denied monthly,
  - for the applications denied monthly
    - the number of cases denied and the denial code listed according to the following reasons for denial:
      - a. Income or asset ineligibility
      - b. Voluntary withdrawal
      - c. Procedural denial
      - d. Categorical ineligibility; or
      - e. Any other reason
- Monthly termination rates of Medicaid and SCHIP including for each month:
  1. the number of cases due for renewal
  2. the number of renewals received
  3. the number of renewal approved
  4. the number of renewal denied
  5. the number of recipients whose cases were terminated, listed according to the reason for termination by code
  6. the number of recipients that the department disenrolled and reinstated within six months
- Any other data that would be useful to consider in determining the programs’ effectiveness.

The bill would also require HSD to document and store for no less than three years information related to the reasons that individuals have been denied eligibility for Medicaid and SCHIP or have had their eligibility terminated.

**FISCAL IMPLICATIONS**

HSD’s eligibility IT system is a fragile mainframe system that is more than twenty years old. Most of the required information in HB 130 would come from the ISD2 eligibility system. Making changes to the

system is difficult and costly, and any changes made to the system create risks that the system may crash or that errors occur within the system that result in incorrect issuance of benefits.

Some of the information requested in HB130 is currently available on HSD's website or through the Monthly Statistical Report that HSD produces and distributes to all interested parties. Other information required by HB 130 is not available and ISD2 would have to be modified to produce some of the data listed in the bill. Other data required by the bill is available through ISD2 but the data reports received through ISD2 can not be produced in a format that can be transferred into a readable and useful format. For example, in order to put one of the reports on denial codes into the MSR, data must be manually extracted from a hard coded report that is over 800 pages long and manually entered into MS Excel spreadsheet to produce the report required by HB 130. Finally, some of the reports required by HB 130 are available through ISD2 but because of the way the data is captured the reports are inaccurate and misleading. Compliance with this legislation would require funding for the changes necessary to the ISD2 system and additional FTE to produce accurate reports.

The way data is captured in the twenty year old ISD2 system either cannot be modified or, if it can be modified, can only be done so at significant cost and at great risk to the functionality of the IT system. This limits the usefulness of the data as the system does not capture the information required by HB130 to give accurate disclosure of the true nature of the program decisions made. For example regarding numbers of approvals and denials of Medicaid applications, a family may apply for several types of Medicaid coverage and only be approved for the best coverage. The family applies for Family Medicaid, Children's Medicaid and SCHIP, Pregnancy related Medicaid or Family planning, and State Coverage Initiative for each parent. If this family was approved for Family Medicaid which is the best coverage, all others would be denied. The data in ISD2 shows 1 case approved and 5 cases denied and no correlation between all the cases. This distorts the denial rates and doesn't show the effectiveness of Medicaid enrollment policies. HB130 requires a similar report for Medicaid case closures and renewals. A young child enrolled as a newborn will have his/her case closed automatically when he turns one year, as required by federal rules. The child could then be covered under Children's Medicaid, if eligible. The data report from ISD2 would show 1 case closed and 1 application approved with no correlation between the two to show that the child did not lose his Medicaid but is now covered under a different category. The inability of the ISD2 system to produce accurate reports required by HB130 means either HSD would be required to publish inaccurate and misleading information or hire additional staff and make costly changes to the ISD2 system in order to publish accurate information.

HB 130 requires HSD to do annual budget projections and expenditures by category of eligibility. Currently HSD does this by categories of service. It would take at least 18 months for HSD staff to develop this additional projection model given the amount of data that would need to be considered, limited staffing resources and on-going work that is needed. When completed the result would only be 80-85% "reliable". To develop this kind of projection to the level of reliability that we have in our current budget projection would require extensive IT work including changes to our interface with ISD2, major table additions to our data warehouse and other major changes to the way the data is organized. Work on developing a new projection model and producing report would require delays of other critical IT work needed for things like MCO oversight and federally mandated IT changes. Additional staff resources would be needed to develop a new projection model and produce this report on an ongoing basis.

There would also be costs to the Income Support Division (ISD) to carry out the required documentation and storage of denial and termination rates.

Four additional FTE are needed to fully carry out the requirements of this bill including both monthly reports produced from ISD2 data and a new projection model and report. Funding for changes to ISD2 are also required. Those costs are also included in the table above.

## **SIGNIFICANT ISSUES**

The Department is interested in program effectiveness and disclosure of information that is necessary for appropriate program analysis. HSD currently produces and makes available the information that is possible within its limited staffing and system resources.

HSD has previously discussed developing projections of expenditures by category of eligibility, such as would be required by the bill. Based on these discussions and considering the data, staff and ongoing work we currently have, it would take at least 18 months for to develop this kind of projection. The result would only be 80-85% “reliable”. To develop this kind of projection to the level of reliability that we have in our current budget projection would require extensive IT work including changes to our interface with ISD2. This work would require delays of other critical IT work needed for things like MCO oversight and federally mandated IT changes.

Regarding monthly point-in-time numbers of enrolled recipients, HSD already produces this information on a monthly basis but does not make those data available to the public until the enrollment month is 3 months prior to the posting month. For example, the enrollment data we posted in early January shows September as the most current enrollment month. This is because enrollment numbers for months more recent than that are misleading and do not provide useful information on the number of enrollees for these months. HB 130, however, suggests this information be made available 30 days after the month has ended. HSD finds that Medicaid enrollment numbers for the current (posting) month as well as the 2 months prior to the posting month do not supply useful information when it comes to Medicaid enrollment, not even in terms of identifying enrollment trends. The addition of retro-active Medicaid can increase the enrollment figures by up to 10,000 individuals or over 2.25%. Early reporting, as required by HB 130, does not give an accurate basis for either enrollment or expenditures. Posting this information sooner does not better inform the legislature or general public than the timing of the reports we release now and, in fact, provides misleading information. Some interest groups have complained that it is difficult to understand the Medicaid data of enrolled individuals and projections of estimated enrollees. Publishing data that we know is incomplete and misleading will only cause further confusion on this subject.

## **PERFORMANCE IMPLICATIONS**

Focusing on meeting the requirements of this bill could actually reduce performance as it would take resources away from HSD’s core mission and programs.

“The data requested in HB 130 is different than existing data in which the Medicaid program is measured and contrary to information reported to the federal oversight agency for number of Medicaid participants since the data is released prior to consideration of cumulative monthly data. This data elements as indicated would skew currently measured baseline data.”

## **ADMINISTRATIVE IMPLICATIONS**

Given the current state of human and system resources at HSD, this bill would pose a significant administrative burden.

State government is under a hiring freeze which is likely to be on-going with continued state budget shortage. Hiring additional FTE to meet the requirements of HB 130 would require an appropriation and an exception to the hiring.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

None.



## **TECHNICAL ISSUES**

It would be difficult to complete the systems changes necessary to fully comply with the requirements of this bill.

## **OTHER SUBSTANTIVE ISSUES**

The bill would require “point-in-time” eligibility data, made available 30 days after month’s end. The Department currently posts eligibility numbers with a 3-month lag. The reason for this is that there are a significant number of individuals who come onto Medicaid retroactively. HSD believes that point-in-time numbers are not particularly valuable because they will undoubtedly change significantly.

## **ALTERNATIVES**

None.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The Department will continue to produce the information it does currently, posting that information on the HSD website as well as producing the Monthly Statistical Report.

## **AMENDMENTS**

# NM center on law and poverty

## Memorandum

**To: Brent Earnest**  
**From: Sireesha Manne**  
**Re: Considerations for Analyzing Fiscal Impact of HB 130 (Medicaid Reporting)**  
**Date: January 23, 2009**

---

House Bill 130 requires the Medicaid program to publicly report on enrollment data, and specifically on the program's budget listed by category of enrollment, monthly point-in-time enrollment numbers, denial rates of new applications by reason for denial, and closure rates of cases by reason for closure. Much of this data is already collected by the Human Services Department (HSD), or kept within its system; the bill only asks that the data be publicly reported.

The bill will result in savings to the state by increasing administrative efficiency. Costs would be limited to the expense of generating monthly reports of data that is already maintained by HSD. These costs are inherent to the management and performance evaluation of any agency. Well run programs across the country collect the same data asked for in the bill.<sup>1</sup> For example, the Deputy Director of Medicaid in Louisiana has remarked that collecting data on case denials and closures is "essential" for effectively managing a Medicaid program.<sup>2</sup> The Legislative Finance Committee in New Mexico has found that budgeting by key spending categories would significantly increase the transparency of the HSD budget for legislators, and make budgeting more predictable, citing other states that report their budgets by eligibility category.<sup>3</sup>

National experts recognize that savings ultimately result from improving administrative practices related to enrollment and retention of participants in Medicaid. Collecting data on denial rates and closure rates is the first step to reducing the number of people improperly denied or terminated from Medicaid, thereby reducing the gaps that enrollees face in their health care coverage. The Georgetown University Health Policy Institute has found significant consequences from this instability of coverage on states, health plans, and providers who must absorb the costs of case closures by reenrolling individuals who lost coverage, the cost of extra staff time to track applications that were incorrectly processed, and the costs of compensating unmet health needs.<sup>4</sup>

---

<sup>1</sup> At least fifteen states publish data on their budgets, broken down by category of enrollment. Another ten states report "point-in-time" enrollment data. The states of Arizona, Florida, Louisiana, Missouri, New York, and Virginia make denial rates publicly available. At least ten states also make some form of information available regarding the case closure rates, either by showing the number of renewal applications denied, or the number of cases closed and then reinstated, or the percent of people whose coverage has continued for certain periods without gaps.

<sup>2</sup> Email from Ruth Kennedy, Medicaid Deputy Director/LaCHIP Director, Louisiana Department of Health and Hospitals, sent to Sireesha Manne, staff attorney at the NM Center on Law and Poverty (January 16, 2009).

<sup>3</sup> State of New Mexico Legislative Finance Committee, *Department of Human Services Report #08-05, Program Evaluation: Medicaid Managed Care* (January 14, 2009), at p. 26.

<sup>4</sup> Laura Summers and Cindy Mann, *Instability of Public Health Insurance Coverage for Children and Their Families: Causes, Consequences and Remedies*, Georgetown University Health Policy Institute (June 2006), at p. x.

720 Vassar Drive NE • Albuquerque NM • 87106

[www.nmpovertylaw.org](http://www.nmpovertylaw.org) • Phone: (505) 255-2840 • Fax: (505) 255-2778

In addition, interruptions in coverage are associated with more hospitalizations and ambulatory visits.<sup>5</sup> The state often bears the burden of these uncompensated costs.

The Human Services Department already collects the data requested in House Bill 130, or stores it in its system, and thus the expenses associated with reporting this data would be minimal. The department is capable of publishing the data by using its existing reports:

- The Human Services Department currently publishes data about the public assistance programs in its *Monthly Statistical Report* and through *Client Eligibility Reports* for the Medicaid program, published on the department's website. The department can use these existing avenues for publicly reporting the data, and would not need to create a new one.
- The department collects and reports data on the number of case closures and denials for the TANF, Food Stamps, and the General Assistance programs. These reports are published in the *Monthly Statistical Report*. The cost of adding the same data for the denial and closure rates in the Medicaid program would be minimal.
- The department maintains records on each file within its computer system. Each time a case is denied or closed, a caseworker must enter the reason into the computer. Each reason for denial is assigned with an attendant computer code. For example, all procedural denials of cases that occur when paperwork has not been processed are assigned the code "564". House Bill 130 asks the department to generate reports based on coding that already exists within its computer system.

More specifically, the department already stores and collects the data that is requested in each provision of the bill:

- For budget projections by category of enrollment, the bill would require the department to publish its existing budget in another format that shows how many expenditures were spent on each category of enrollment (for example, Category 03 is for the blind, Category 30 is for pregnant women, and Category 32 is for children). Currently, the department reports budgets that show expenditures for services, such as ambulance care or labs and X-Rays. However, the department can provide these figures according to enrollment category. The department likely maintains expenditure data on each enrollee, as well as data on the per-member-per-month fees charged by managed care programs, which can be used to create budgets showing expenditures by each category of enrollment. As mentioned above, this type of budget is routinely reported in many other states, and should not be difficult for HSD to create or publish.
- For point-in-time enrollment numbers, the department already reports on "final count" data in the *Monthly Statistical Report* and the *Client Eligibility Report* for Medicaid. The department takes the original point-in-time data from each month and then, several

---

<sup>5</sup> A.B. Bindman, A. Chattopadhyay, and G.M. Auerback, *Interruptions in Medicaid Coverage and Risk for Hospitalizations for Ambulatory Care-Sensitive Conditions*, *Annals of Internal Medicine*, December 16, 2008, 149 (12): 854-60.

months later, adds the number of enrollees who received retroactive coverage. The cost would be nominal for publishing both the original point-in-time data and final count.

- For denial rates shown by reason for denial, the department already collects and reports the number of new applications received and denied for Food Stamps, TANF, and the General Assistance programs, and would have the same capacity to do this for Medicaid. In addition, records are maintained in the computer system with attendant codes for each reason an application was denied. To generate a report on the number of applications denied for each reason, the department would need to submit a query for extracting the computer data. There is no reason why this data would be inaccurate because it has been entered by a caseworker and assigned a code. The department only needs to write the query one time; every report thereafter could use the same query.
- For closure rates shown by reason for closure, the department already collects and reports the number of cases closed in Food Stamps, TANF, and the General Assistance programs, and would have the same capacity to do this for Medicaid. For the number of renewals due, received, and processes, the department is already tracking this information as part of the “Renewal Pilot Project” for the purpose of managing its employees, according to Deputy Director Katie Falls.<sup>6</sup> In addition, the department has computer codes assigned to each reason that a case has been closed, that are entered by caseworkers. Generating a report on this would be similar to the report for case denials that requires writing a query one time only for extracting the data. Finally, the department provided reports in the past on the number of cases closed and reinstated, between May 2004 and July 2005, and thus already has a query in place for extracting this data.

*For additional information or questions, please contact Sireesha Manne or Gail Evans at the New Mexico Center on Law and Poverty at (505) 255-2840.*

---

<sup>6</sup> Phone call with Katie Falls, Deputy Director of Human Services Department, New Mexico, and Sireesha Manne, staff attorney at New Mexico Center on Law and Poverty (January 20, 2009).