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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 02/18/09  
**LAST UPDATED** 03/15/09    **HB** 602/aHFL#1

**SPONSOR** Sandoval

**SHORT TITLE** All Inclusive Care for Elderly    **SB**

**ANALYST** Earnest

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	None		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates Senate Bill 635

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

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$0.0 - \$4,100.0*	\$0.0 - \$4,100*	\$0.0 - \$8,200.0	Recurring	General Fund and Federal Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

\*See Fiscal Implications Section

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Human Services Department (HSD)  
 Aging and Long Term Services Department (ALTSD)  
 Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of HFL Amendment #1

House Floor Amendment #1 strikes lines 17- 21 in their entirety and replaces them with the following:

"[NEW MATERIAL] OPTIONAL PROGRAMS FOR ALL-INCLUSIVE CARE FOR THE ELDERLY.--The department shall provide an optional program of all-inclusive care for the elderly, consisting of direct delivery of comprehensive primary, acute and long-term care services, to eligible individuals fifty-five years of age or older consistent with the regulations for the federal PACE program."

The amendment appears to clarify that the PACE program is federally recognized and member participation is optional. The amendment carries no other significant changes to the fiscal impact report for the original bill.

### Synopsis of Original Bill

House Bill 602 adds a new section to the Public Assistance Act to provide a program of all-inclusive care for the elderly (PACE), consisting of acute and long-term care services, to eligible individuals 55 years of age and older.

### **FISCAL IMPLICATIONS**

It is unlikely the bill will have a significant fiscal impact from current operations and programs. However, HSD notes that the bill limits the flexibility and discretion of HSD and the Legislature to make decisions about how to provide services for the elderly in the most cost-effective way. If the bill is viewed as mandate to offer a PACE program statewide, HSD estimates a cost of \$4.1 million per year for an expanded program.

ALTSD states that costs could be expected to remain consistent with current expenditure trends in the existing New Mexico PACE program located in Bernalillo County.

### **SIGNIFICANT ISSUES**

HSD is currently implanting the coordination of long term services (CoLTS) program – the new managed long-term services program that will serve an estimated 38,000 Medicaid recipients. Two managed care companies – Amerigroup and Evercare – contract with the state to provide services. The program began in selected counties on July 1, 2008, and the final phase for northern and eastern counties begins in April 1, 2009.

The Medicaid program also currently provides a PACE program option to Medicaid consumers living in Bernalillo County. The current PACE program, provided by Total Community Care, a non-profit LLC, has been in place since 2004. With the implementation of CoLTS, the PACE provider is concerned that the program will be eliminated or rolled into CoLTS. This bill would require the state to offer at least one PACE program.

HSD states that placing a mandate into law to provide a PACE program is unnecessary. The Centers for Medicare and Medicaid Services must still approve a three party agreement between the State and the Secretary of the Department of Health and Human Services and PACE providers.

ALTSD reports:

The Centers for Medicare and Medicaid Services' (CMS) Program of All-Inclusive Care for the Elderly (PACE) is a comprehensive acute and long-term services program designed to support persons age 55+ to remain in their home and community instead of receiving institutional care- a strategic priority of the Aging and Long-Term Services. The PACE program is a capitated long-term services delivery system. PACE providers are reimbursed through a per-member per-month payment system supported by Medicare and Medicaid funds.

New Mexico's PACE program, administered by the Aging and Long-Term Services Department (ALTSD) and financed through the Human Services Department, is located in Bernalillo County. The state's PACE program offers accessible, quality and cost-effective services to approximately 350+ Medicaid recipients living in the PACE service area.

HB602 would ensure that the Department of Human Services continues the current operation of the PACE program model as it exists today. ALTSD supports the PACE service delivery model because of the positive outcomes including fewer ER visits, fewer and shorter hospitalizations and the ability to live in the home and community without ever having to be admitted to a nursing facility. This model is a national best practice of a long-term services managed care delivery system that provides an excellent quality of services. Because PACE is all-inclusive the participant can have all of their healthcare needs met under this single model.

According to DFA, the Medicaid program currently funds two all-inclusive care programs for the elderly consisting of acute and long-term care services.

The PACE program is geographically limited to the Albuquerque metropolitan area. PACE provides an integrated service delivery system including primary care, home care, rehabilitation services, personal care, meals, transportation, pharmacy and hospitalization, funded by combining Medicare, Medicaid and private financing. Enrollees in the PACE plan must be at least 55 years old, live in the PACE service area, and be certified as eligible for nursing home care per Medicaid criteria. The comprehensive service package permits most enrollees to continue living at home while receiving services rather than be institutionalized. Capitated financing allows enrollees to receive all needed services without the limitations of Medicare and Medicaid reimbursement restrictions. PACE provides many of its services in an adult day health center—a combination primary care clinic, adult day care program and rehabilitation center—supplemented by in-home and referral services in accordance with each enrollee's needs. There is currently one private provider of these services

The Coordination of Long-Term Services program (CoLTS) is a statewide Medicaid managed care program that provides and coordinates services to certain Medicaid recipients including the elderly and disabled. Services include all physical health and/or long-term care services, such as: doctor visits, hospital services, home and community-based services and long-term services. Individuals enrolled in CoLTS receive their services under a managed care setting. There are two managed care organizations providing these services statewide.

Although the service models of PACE and CoLTS differ somewhat, both provide all-inclusive care for the elderly. Only the CoLTS program, however, provided services statewide. Since the services described in HB602 are already provided, there does not appear to be a need for additional legislative mandates. HB602 could also create some confusion if it is interpreted to mean that the continuation of a particular program such as PACE represents a legislative mandate. Such an interpretation would limit HSD's ability to consolidate like programs in an effort to achieve greater cost effectiveness.

**POSSIBLE QUESTIONS**

With the implementation of CoLTS is a separate PACE program necessary?

What are the per-member per-month rates in the PACE program and the CoLTS program?

How many clients are in each program?

How are health outcomes of clients measured and reported? Are client health outcomes better in one program than in the other?

BE/svb:mt