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FISCAL IMPACT REPORT

ORIGINAL DATE 2/13/09

SPONSOR Neville LAST UPDATED _____ HB _____

SHORT TITLE State Insurance Program Reimbursement Rate SB 314

ANALYST Earnest

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$3,500.0	\$3,500.0	\$7,000.0	Recurring	General and Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Human Services Department

SUMMARY

Synopsis of Bill

Senate Bill 314 would require the Human Services Department (HSD) to establish a reimbursement rate for physicians, dentists, optometrists, podiatrists, and psychologist in the state coverage insurance program of at least 125 percent of the Medicare fee schedule.

FISCAL IMPLICATIONS

HSD estimates an annual cost of \$3.5 million in state and federal funds. According to the department, current managed care reimbursement for these providers is approximately 105% of the Medicare rate. To increase reimbursements for this group of providers (e.g., physicians) by 15% would cost approximately \$3.5 million in the first year and would be considered recurring unless rates would be reduced in future years.

SIGNIFICANT ISSUES

HSD provided the following description of the SCI program and current provider reimbursement mechanisms.

The State Coverage Insurance program (SCI) is authorized under a Section 1115 HIFA waiver through the Centers for Medicare and Medicaid Services. A provision of the waiver requires that the program be administered under the current managed care model in which a capitated prepayment is made for medical services for all enrollees. Managed care organizations (MCOs) negotiate provider reimbursement rates independently of the Human Services Department. The state does not set minimum amounts for reimbursement for SCI or any of the managed care Medicaid programs. Unlike the Salud program, there is no fee for service component of the SCI program. All services are rendered through the managed care organization and therefore there is no opportunity for HSD to designate provider reimbursement rates and to do so may violate provisions of the waiver.

- Managed care providers are usually reimbursed at or near Medicaid fee for service provider reimbursement, approximately 105% of Medicare, for the type of services designated in the bill, although there are exceptions in that some provider specialties are reimbursed significantly more.
- Increases to provider reimbursement are part of the calculation of the capitation amount which the state pays for each of its enrollees. Increases to provider reimbursement increase the capitation amount. Since the HSD has already negotiated capitation rates and a contract for the SCI, any program changes to reimbursement would result in significant cost increase to the program.
- The SCI waiver specifically designates the amounts of premiums and co-payments that enrollees in the program can pay based on countable household income. Any change to these amounts require a waiver amendment, therefore the ability to pass any of the cost of increased provider reimbursement on to the consumer of the service is severely limited.

HSD believes reimbursement rates for all Medicaid programs, like SCI, should be administered similarly with reimbursement rates at similar levels. The department finds no reason to differentiate reimbursement rates for one program. HSD has historically taken a thoughtful approach to increasing provider rates, using the following criteria in the decision making process:

- Historical increases;
- Promoting preventive care;
- Establishing parity among rates paid for similar services;
- Provider costs;
- Providers' dependence on Medicaid as a funding stream;
- Rates as compared to Medicare.

HSD also finds that using Medicare rates as a benchmark for reimbursement is popular but problematic. The Medicare provider reimbursement scheme is a complex formula subject to the vagaries of the economy and often requires Congressional intervention to prevent reimbursement reductions. There is no guarantee that a reimbursement rate based on a percentage of Medicare is a stable reimbursement or that it is likely to result in an increase to the provider in the future.

OTHER SUBSTANTIVE ISSUES

According to HSD:

New Mexico has a high rate of uninsured at 21%, or an estimated 401,000 individuals.

Additionally, 88% of small employers in New Mexico employ less than 20 employees; 41% of those do not offer health insurance. Eighty-one percent of the small employers that do not currently provide coverage cite cost as the primary reason and 67% of uninsured individuals say it is affordability. The purpose of the SCI program is to address the needs of the small uninsured employer and provide affordable health coverage to those employees and to help meet the needs of uninsured individuals. Currently about 32,000 lives are insured through SCI. The public/private funding nature of SCI brings federal funds and private funding together with state dollars to provide an affordable benefit for low income New Mexicans. Raising reimbursement to providers would raise the cost of the program. The state could not continue to insure the current amount of enrollees for the same amount of available appropriation. It might be necessary to consider raising the premiums for the programs which would cause financial burden for the employer/employee and/or the individual purchaser. It is likely that fewer people would take up SCI and the uninsured rates would increase.

BE/mc