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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 02/20/13  
**LAST UPDATED** 02/28/13     **HB** \_\_\_\_\_

**SPONSOR** Ortiz y Pino

**SHORT TITLE** Expand Medicaid Benefits     **SB** 503/aSPAC

**ANALYST** Geisler

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

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		.01, minimal see fiscal impact	.01, minimal see fiscal impact		Recurring	General fund and federal funds

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
 Human Services Department (HSD)

### SUMMARY

#### Synopsis of SPAC Amendment

The Senate Public Affairs Committee amendments to SB 503 add licensed dental hygienists in collaborating practice to the list of expanded Medicaid services providers which includes licensed doctors of oriental medicine, licensed chiropractic physicians and licensed naprapaths.

HSD notes the amendment to the bill creates no additional financial impact because the Medicaid program already covers the services of dental hygienists in collaborating practices within the Medicaid benefit package as allowed under the current wording of the act giving the Medicaid program the option to do so.

#### Synopsis of Original Bill

Senate Bill 503 would amend the Public Assistance Act to expand Medicaid benefits to include the services of (1) licensed doctors of oriental medicine; (2) licensed chiropractic physicians; and (3) licensed naprapaths.

The existing wording in the Act that makes the coverage contingent on the appropriation and availability of federal and state funds still applies to the language in the bill.

## **FISCAL IMPLICATIONS**

Adding these services will add minimal additional cost to the \$4.3 billion Medicaid program.

This analysis assumes HSD is able to obtain federal approval for these services (see administrative implications section for more discussion). Estimating the cost of changing the Medicaid benefit package or eligibility is difficult, especially when some services, such as naprapathy, are not Medicaid covered services in other states. Often such changes prove to be more costly than initial estimates, as more Medicaid enrollees take advantage of a new benefit.

Nevertheless, based on the experience of other states that cover acupuncture and chiropractic services, and adjusted for the Medicaid population of New Mexico, HSD estimates expenditures for these services in FY14 would be \$700,000, with 30% of the amount coming from state general funds appropriated to the HSD for the Medicaid program and the remainder from federal Medicaid matching funds. The first-year estimate assumes that coverage would begin approximately January, 1, 2014, because it takes at least six months to obtain federal approval to cover the services. The FY15 estimate of \$1.4 million represents a full year cost. This funding is not part of the LFC or executive budget recommendations.

Note: HSD did not find that naprapathy is a covered Medicaid benefit in any other state, but the estimate provided here does include the cost of some naprapathic services. Naprapathy is a covered benefit for state employees. For reference, although not included in the analysis above, in FY12 the state employee plan with the largest enrollment had \$515,490 in expenses for naprapathy services. Extrapolating to all 71,000 individuals covered lives through state plans results in total spending of about \$860,000, or about \$12.15 per participant. Medicaid covers eight (8) times as many individuals as the state employee plans. Based on this, the naprapathic benefit alone could cost about \$6.8 million in future years.

As noted above, federal approval would require at least six months, at which point the Centennial Care program would be operational. The cost of additional services approved by CMS would be incorporated into the capitation rates paid to the managed care organizations rather than paid on a fee-for-service basis. This would require actuarial analysis on the part of HSD's rate-setting contractor and an amendment to the MCO contracts.

## **SIGNIFICANT ISSUES**

Chiropractic services are generally available throughout New Mexico, and Medicaid already pays for the co-insurance and deductible following Medicare payments for individuals with both Medicare and Medicaid, but the current expenditure for these services is very small. Acupuncture and oriental medicine services are available primarily in the larger cities of New Mexico. Naprapathy is available primarily in Santa Fe, Albuquerque and Farmington. It is a growing health care service in New Mexico and is currently available to most state employees through their state health insurance programs.

Coverage of the services by the Medicaid program would be limited to what the federal Centers for Medicare and Medicaid Services would approve in a state plan.

## **PERFORMANCE IMPLICATIONS**

There would be some ongoing work to ensure that services are medically necessary and possibly some level of prior authorization or limit on the frequency or duration of treatment. This type of work would be similar to what is already in place for other rehabilitative and therapeutic services.

## **ADMINISTRATIVE IMPLICATIONS**

HSD would have to file state plan amendments to the Centers for Medicare and Medicaid Services (CMS) and obtain approval prior to covering any services provided by this level of practitioner. Because Medicare covers chiropractic manipulation of the spine if medically necessary to correct a subluxation, it is likely that the Medicaid program could obtain the federal CMS approval to cover this service for Medicaid recipients. Other services provided by chiropractic physicians, such as massage and other palliative treatments, would most likely not be approved for coverage.

Medicare does not cover the services of licensed doctors of oriental medicine, so it may be more difficult to obtain federal approval to cover their services for Medicaid recipients. Some states have approval to cover acupuncture services when related to a medical condition and shown to be medically necessary, and Medicare has pilot programs for such coverage, so it is possible that CMS may approve a specific, well-defined range of services for Medicaid recipients when documentation of effectiveness can be provided.

Medicare does not cover the services of licensed naprapaths, and apparently the services are not covered by other state Medicaid programs. Without the precedence of other federal approval or coverage, it would be more difficult to obtain federal approval. However, if passed, a state plan amendment would have to be filed to determine what coverage, if any, could be provided to Medicaid recipients. Federal rules do have provisions to allow a state to cover the services of providers licensed in the state, so the discussion with CMS would be related to how the services could be ensured to be medically necessary and effective.

GG/blm