



**Presentation to the Legislative Finance Committee
Fiscal Year 2018 Budget Request
Brent Earnest, Secretary, HSD
December 7, 2016**

New Mexico Human Services Department

Today's Presentation

- ▶ FY18 Appropriation Request Overview
 - Income Support Division
 - Child Support Enforcement
 - Medical Assistance Division
 - Program Support
 - Behavioral Health Services Division
- ▶ Information Technology Request



HSD Overview

HSD Mission

- ▶ To reduce the impact of poverty on people living in New Mexico by providing support services that help families break the cycle of dependency on public assistance

FY18 HSD Goals

- ▶ Promote self-sufficiency of program recipients
- ▶ Slow the growth rate of health care costs and improve health outcomes
- ▶ Implement person-centric service models
- ▶ Improve administrative effectiveness and simplicity

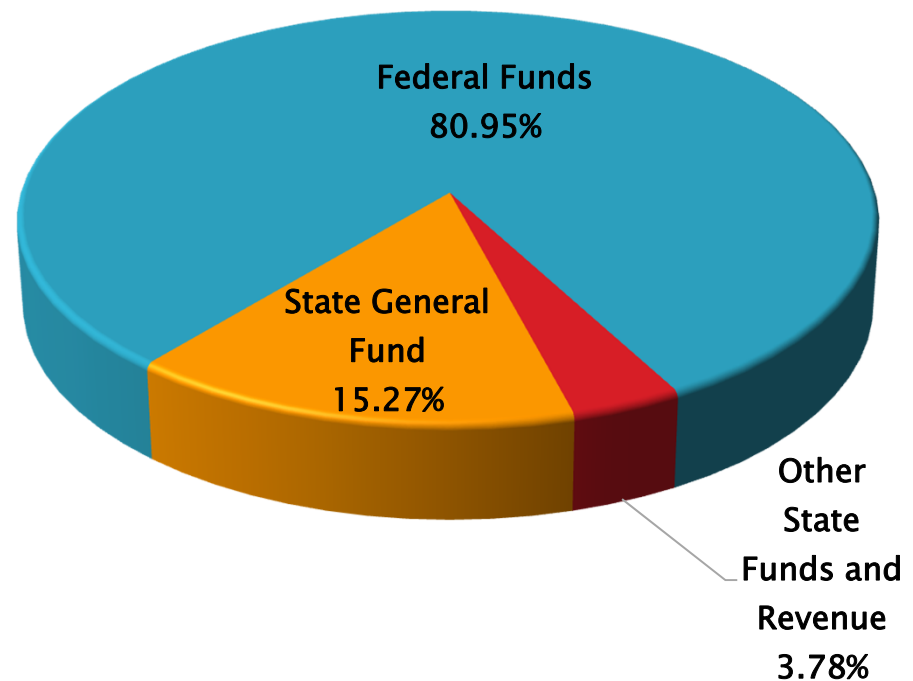
HSD administers services to more than 900,000 low-income New Mexicans through:

- ▶ Behavioral Health Services (mental health and substance abuse services)
- ▶ Child Support (establishment and enforcement)
- ▶ Income Support (cash, food, energy assistance, and supportive services)
- ▶ Medical Assistance (Long term, physical health and behavioral health services)

HSD FY 18 Appropriation Request (Revised)

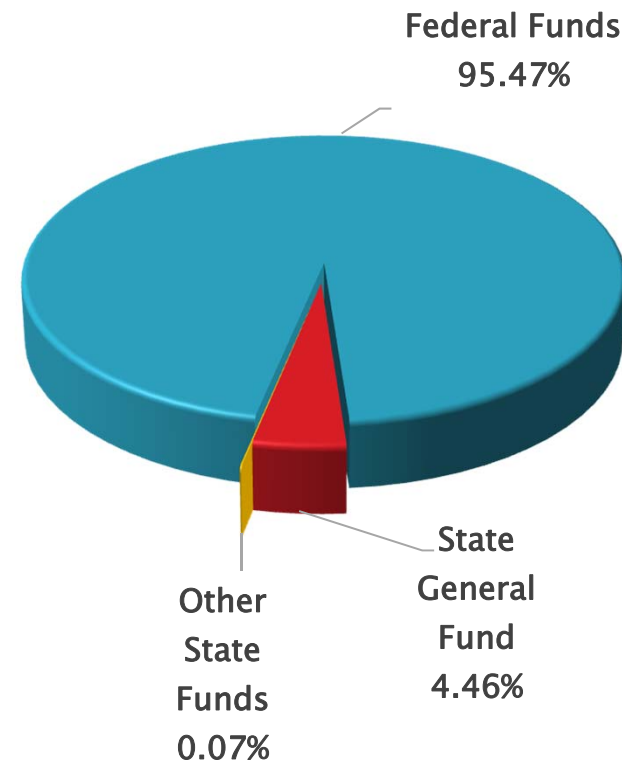
FY 18 Budget Request of \$7.30 billion

- ▶ 5.37% increase overall
- ▶ \$1.115 billion from the general fund (increase of \$80.1 million or 7.7%)
- ▶ \$5.91 billion in federal funds (increase of \$291.4 million or 5.19%)
- ▶ \$275.6 million in other state funds and other revenue



Income Support Division (ISD)

- ▶ Budget increase of \$25.5 million, all from federal funds.
- ▶ FY18 General Fund request is flat from the FY2017 operating budget, but several factors impact the request:
 - Reviewing office consolidation
 - Fixed cost increases such as rent, postage, DoIT telecommunications and utilities
- ▶ The increase in federal funds is primarily due to an increase in SNAP caseload and higher projected spending in the LIHEAP Program- 100% federal funding.

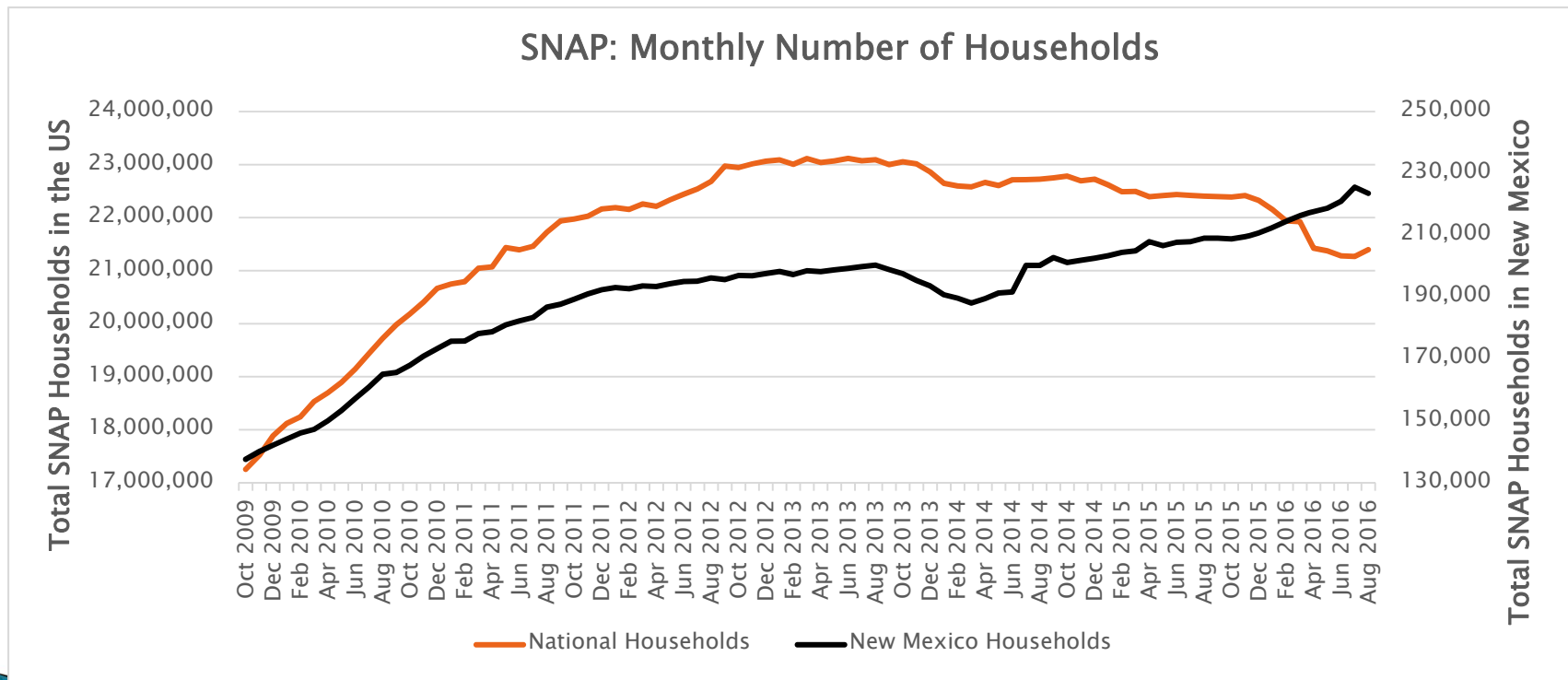


Income Support Division (ISD)

- ▶ Application and eligibility services for all HSD public assistance programs
 - 968 FTE (funded); 36 offices
- ▶ FY18 request of \$987.9 million
 - \$44.1 million from the general fund
 - \$943.2 million in federal funds
- ▶ Major programs include:
 - SNAP = \$704 million (federal funds)
 - TANF = \$128.3 million (federal funds)
 - LIHEAP = \$19.8 million (federal funds)
 - General Assistance = \$10.3 million (\$7.2 million GF; \$3.1 million other state funds)

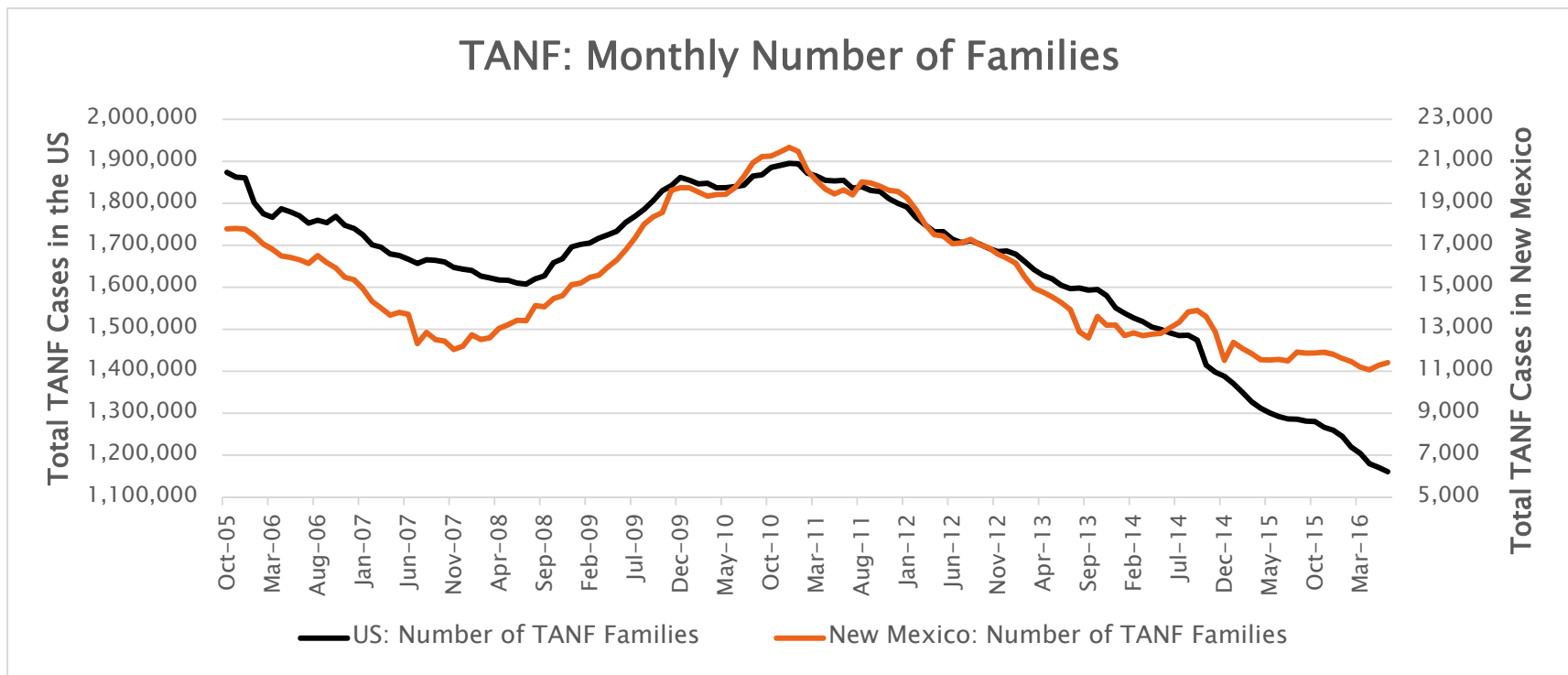
ISD: Federally Funded Programs

- ▶ Supplemental Nutrition Assistance Program (SNAP)
 - FY18 projection of \$704 million
 - Average caseload of about 222,600 families receiving benefits
 - Average monthly benefit of \$263.56 (est.)



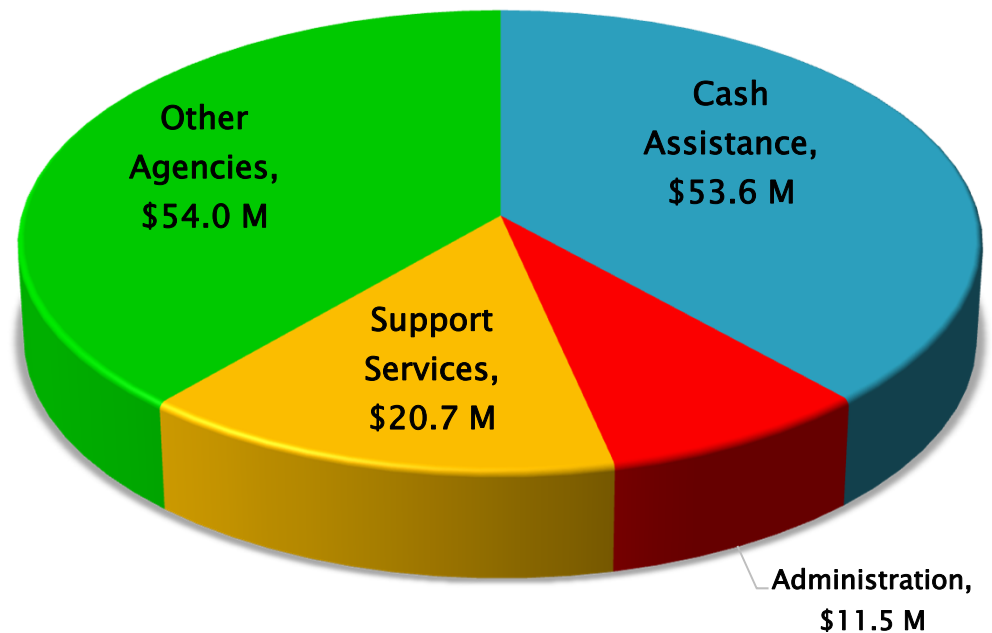
ISD: Federally Funded Programs

- ▶ **Temporary Assistance for Needy Families (TANF)**
 - FY18 projected expenditures of \$128.3 million
 - Average caseload of about 13,500 families
 - Average monthly benefit of \$310



Temporary Assistance for Needy Families – (TANF)

- ▶ Request of \$139.6 million, including:
 - TANF block grant of \$110.6 million and \$29 million of current carry over balances.
 - About 33,400 individuals in TANF
 - ISD projects to spend \$53.6 million for cash assistance, about \$5.8 million more than the FY16 spend.



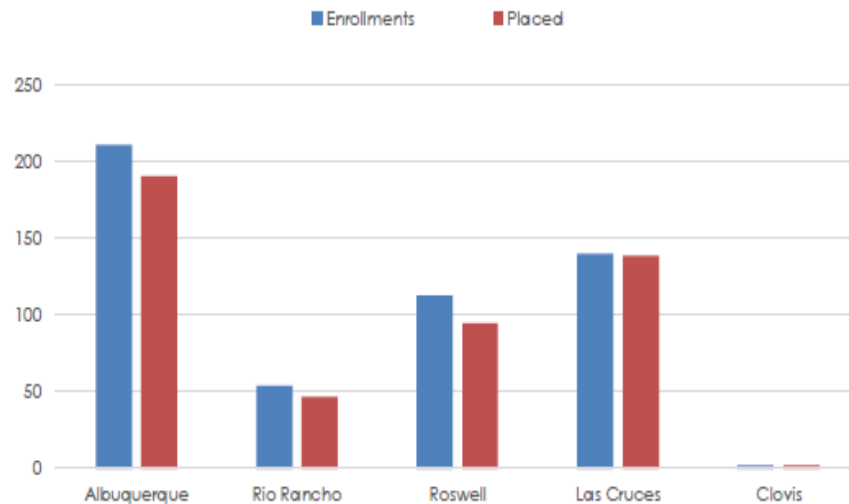
Temporary Assistance for Needy Families – (TANF)

Job Readiness Activities

- ▶ ISD remains focused on helping TANF recipients prepare for and find employment
 - CareerLinks
 - Expanded to Clovis, Los Lunas and Grants in FY17
 - Wage Subsidy
 - High School Equivalency Credential Program
 - Vocational Training Program
- ▶ Partnering with the Department of Workforce Solutions

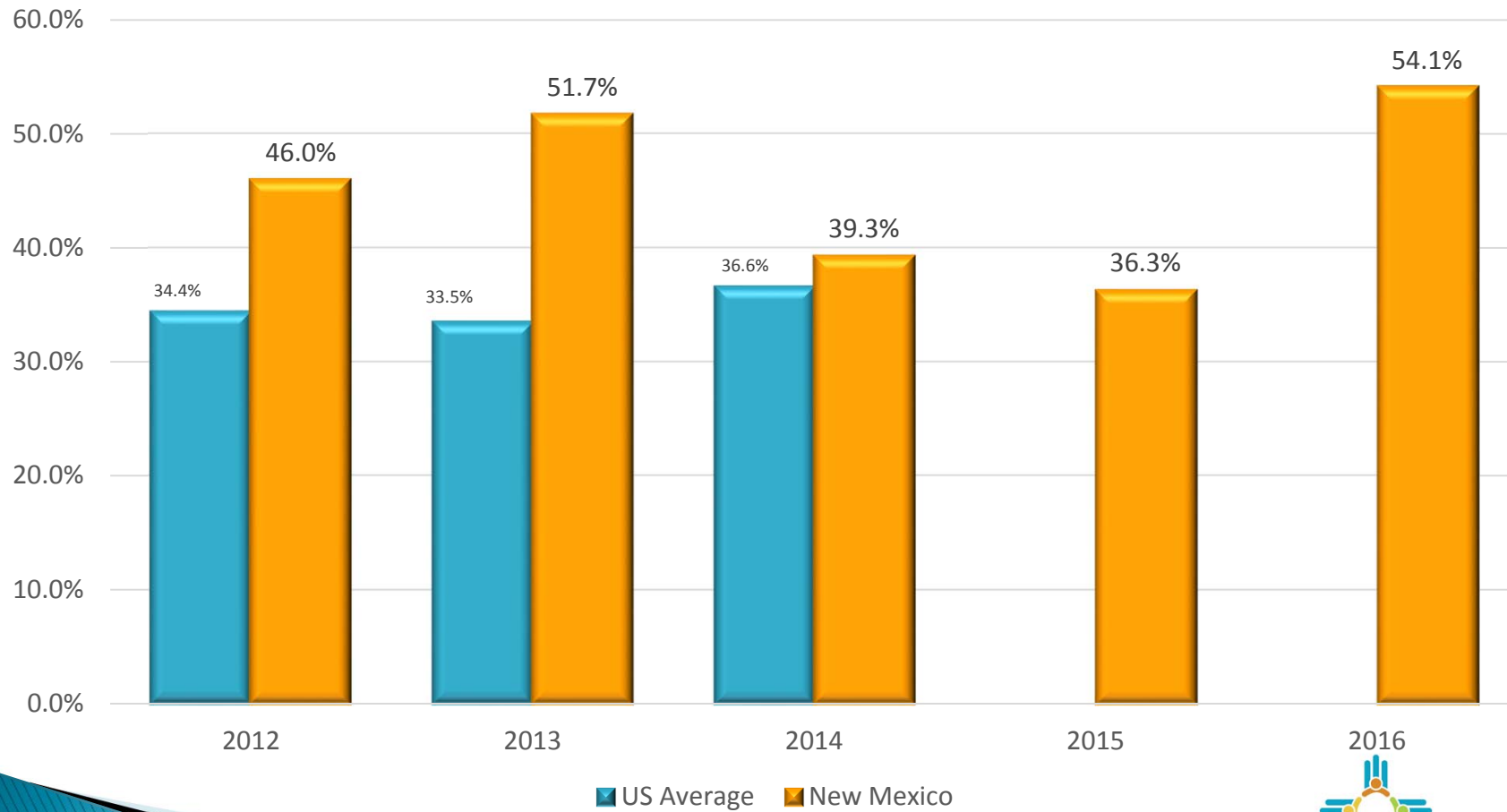
FY16 Career Links:

- 474 Placed in employment
- 214 continued in unsubsidized employment



TANF: NM's Work Participation Rate

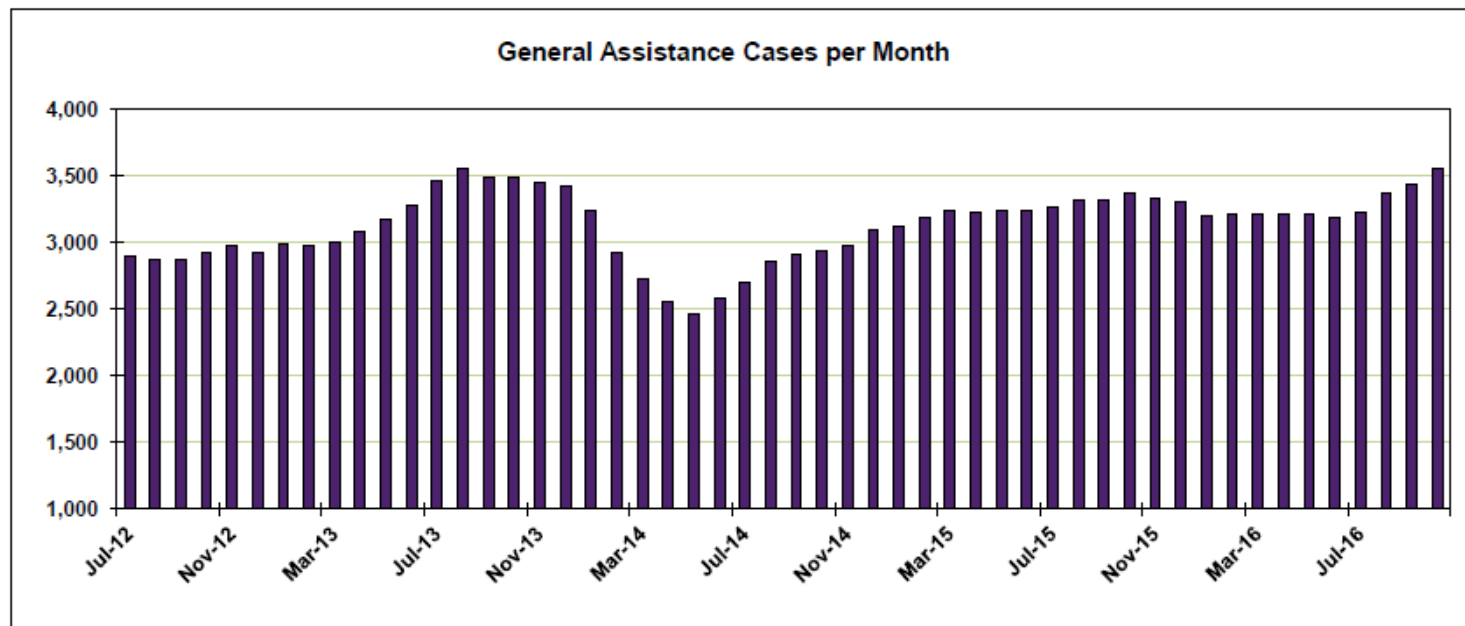
FFY Work Participation Rates



ISD: State Funded Programs

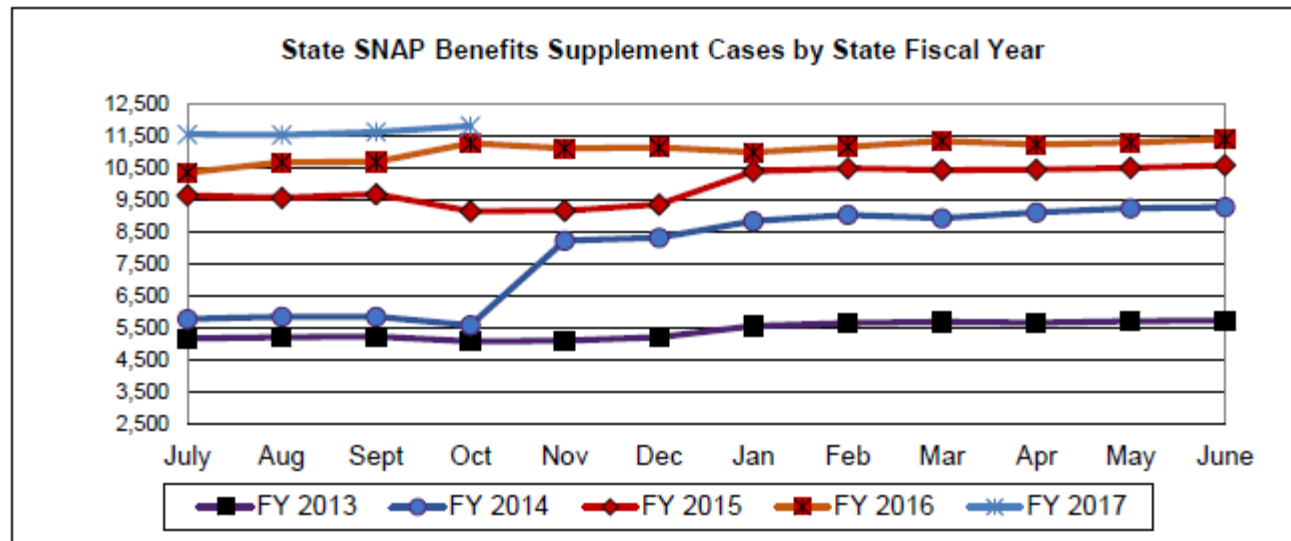
▶ General Assistance

- FY18 request of \$10.3 million (\$7.2 from the general fund and \$3.1 million in federal recoupments).
- Average caseload of about 3,600
- Average monthly benefit of \$239.28



ISD: State Funded Programs

- ▶ Senior SNAP supplement
 - FY18 request of \$1.2 million from the general fund
 - Average caseload of about 11,900
 - Average monthly benefit of \$8.53
 - State supplement brings the monthly SNAP benefit to \$25



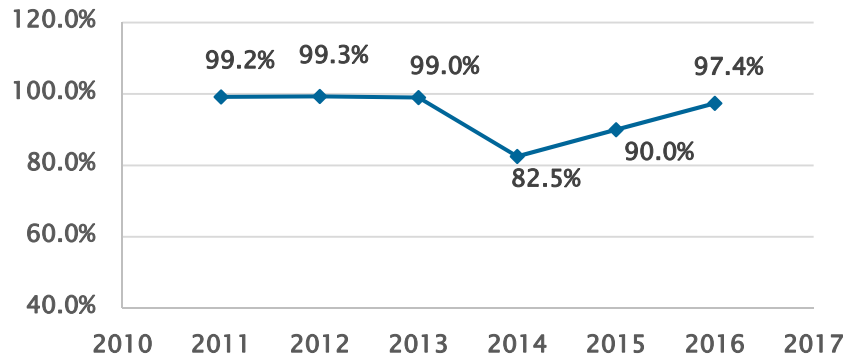
ISD Administration

- ▶ \$81.6 million, essentially flat from FY17 OpBud
 - \$30.97 million (general fund)
 - \$49.9 million (federal funds)
 - \$0.7 million (other revenue)
- ▶ 968 FTE (funded) in 36 offices statewide
- ▶ Priority is to improve eligibility services for New Mexicans in need of assistance, including a current notice improvement project
- ▶ DHG consent decree and federal court action impacting the division
- ▶ Recent appointment of a special master will bring an objective reviewer to the litigation, but does carry additional costs.
- ▶ Requested a special appropriation (but total is subject to change):

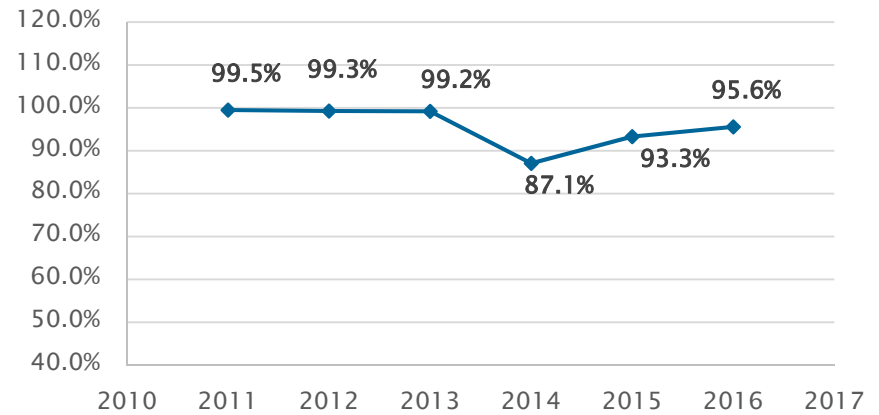
DHG Special	Total	GF %	FF%	GF	FF
Legal Fees	575,000	100%		575,000	
Special Master	375,000	100%		375,000	
Consultant Services	1,000,000	38.2%	61.8%	382,400	617,650
Total	1,950,000			1,332,400	617,650

ISD Administration: Performance Data

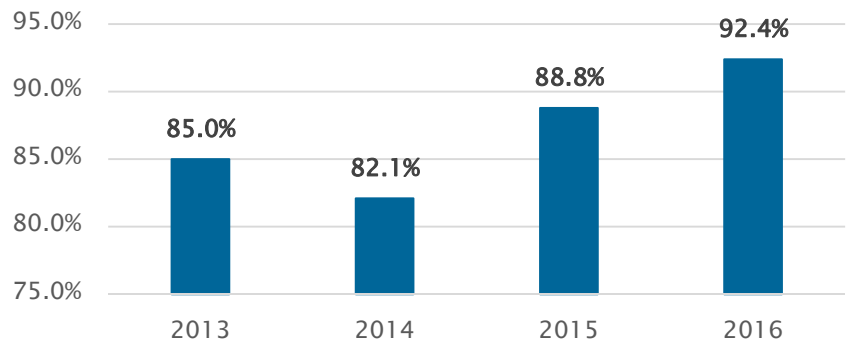
SNAP Application Timeliness: Expedited



SNAP Application Timeliness: Regular



Percent of Children Eligible for SNAP and Participating

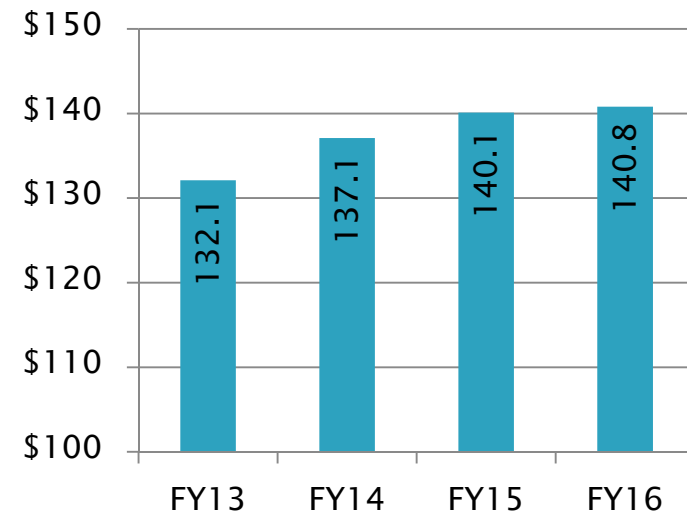


- In FY17, SNAP application timeliness metric will likely decline as HSD processes long-pended cases due to court action.
- HSD continues to improve reach to SNAP-eligible children

Child Support Enforcement Division

- ▶ \$30.5 million total budget request
 - \$7.09 million from the general fund
 - \$19.98 million from federal funding
 - \$3.4 million from other revenue
- ▶ 68,119 child support cases involving 98,542 children in FY16
- ▶ Increasing child support collections, reaching \$140.8 million in FY16
- ▶ Key priorities
 - Business process redesign to ensure more efficient and effective service
 - Implementation of e-filing with New Mexico Courts
 - Replacement of the old Child Support Enforcement IT system

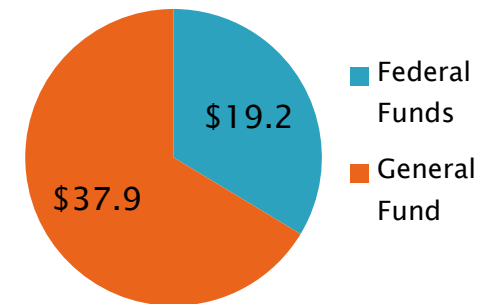
Child Support Collections
(in millions)



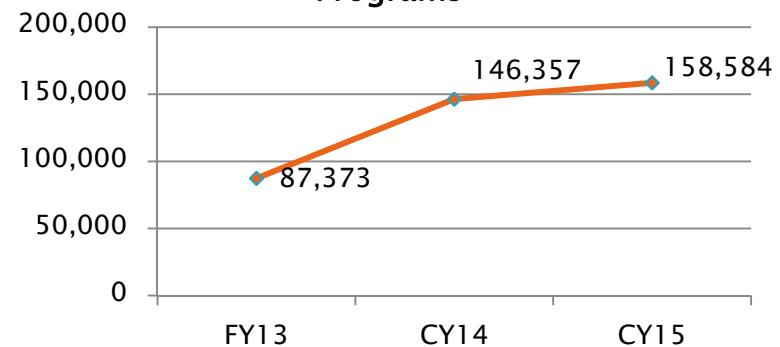
Behavioral Health Services Division

- ▶ State substance abuse and mental health authority
- ▶ Supporting recovery, resiliency and healthy living through the provision of comprehensive and integrated behavioral health services in New Mexico communities.
- ▶ Administers federal and state funding for (non-Medicaid) behavioral health services
- ▶ General fund spending in BHSD budget down 10% from FY13
- ▶ Total budget request is about 1% less than FY17

\$57.17 Million Request

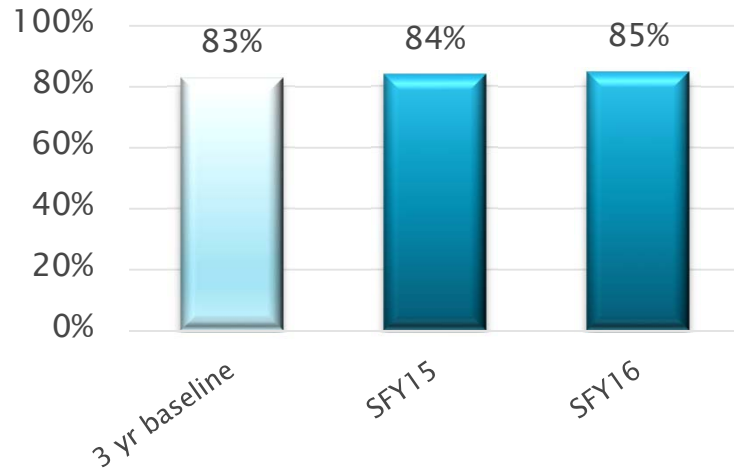


Individuals Served by BH Collaborative Programs

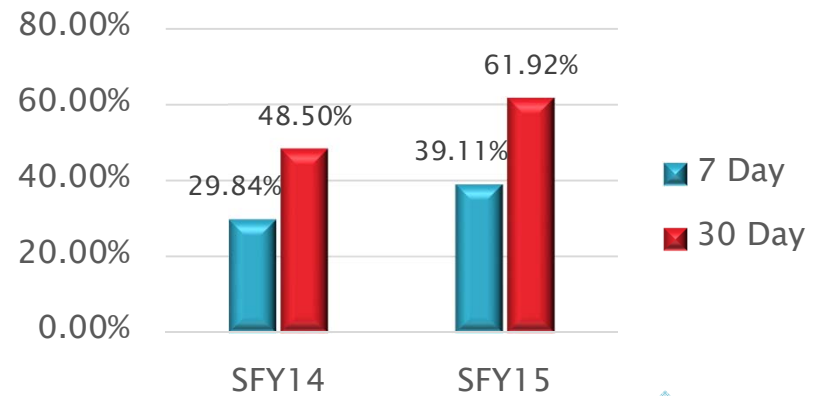


Behavioral Health Performance

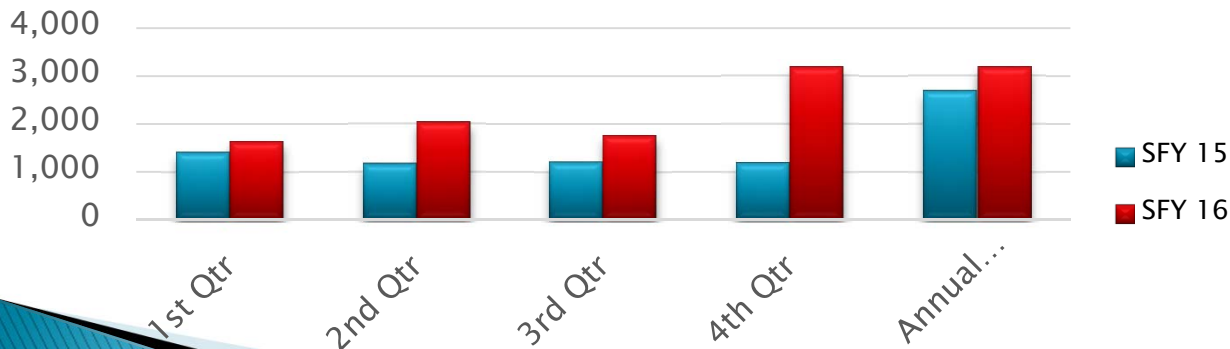
Increased satisfaction with BH services



Improving follow-up services after discharge



Number of persons served through Telehealth in rural and frontier counties



NM jumped 14 spots, from 36 to 22, among states by Mental Health America



Behavioral Health Priorities

- ▶ Implementing a two-year strategic plan
 - regulatory updates, finance (payment reform), and workforce development
- ▶ Key Priorities
 - Delivery System reforms and network development
 - Development of health homes, focus on care coordination, and improvements in licensing and certification
 - Increased access to BH services and overall increase in services delivered
 - “Demystifying Detox:” Promoting and educating providers about the availability of medical detox benefit
 - Development of the “treat first model”
 - Establishing Certified Community Behavioral Health Clinics
 - Expanding NM Crisis Access Line
 - Targeting high needs areas through “investment zones”
 - Prevention
 - Development of the evidence-based prevention service PAX Good Behavior game
 - Implemented in Farmington, Bloomfield, Espanola and Santa Fe
 - Quality and Program Integrity
 - Development of integrated quality service review, in conjunction with providers
 - Preventing Opioid Overdose
 - NM is one of only four states to adopt 5 of 6 recommendations by the National Safety Council

Changing BH Administrative Services Organization (ASO)

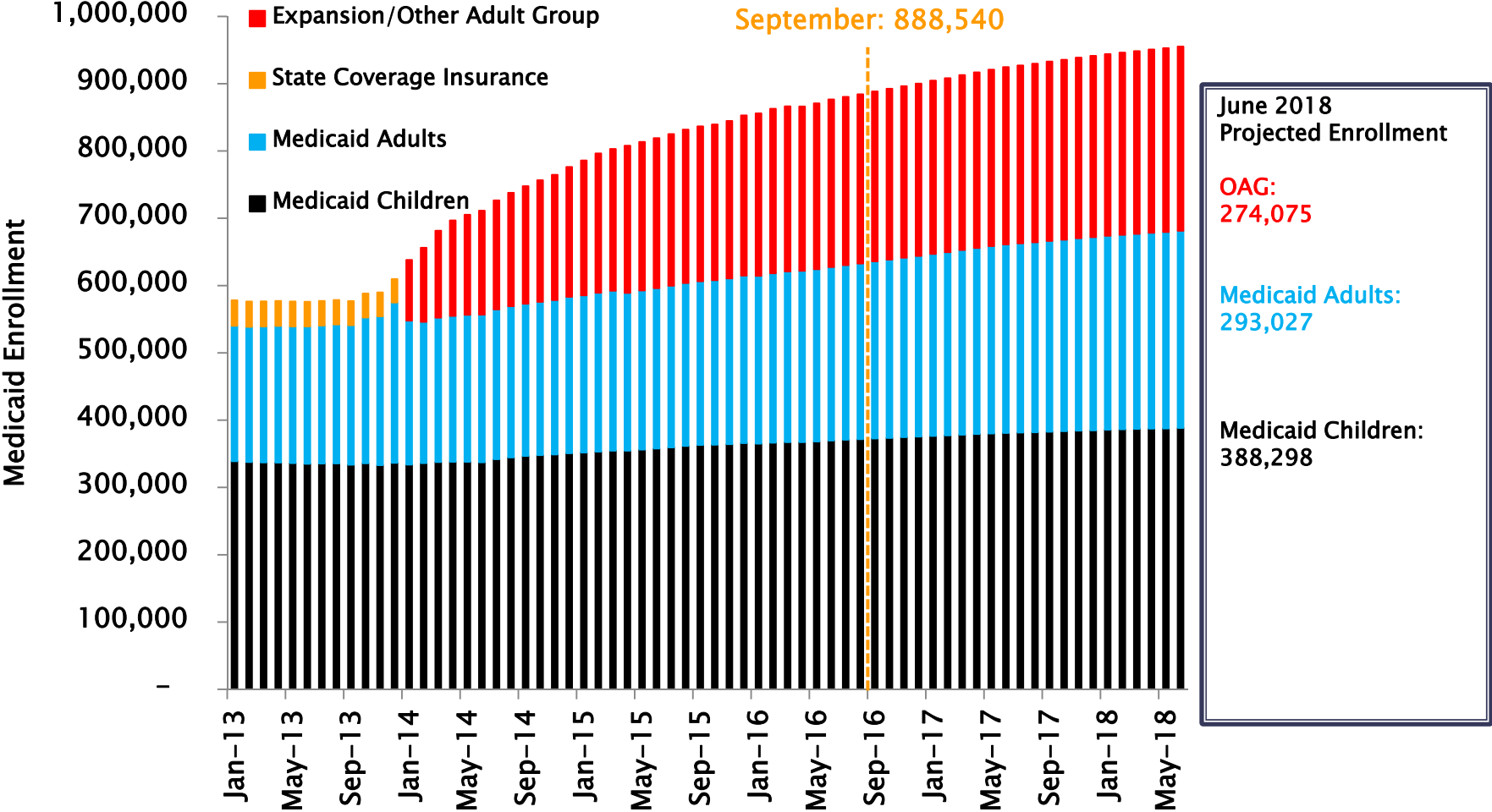
- ▶ Transition from external ASO (OptumHealth) to a hybrid model
- ▶ Contracted ASO functions:
 - BHSD Star Operations, End-User Trainings, System Modifications and Enhancements
 - Provider registration, credentialing, contracting & help desk operations
 - Client Registration
 - Report development and delivery
 - Claim & invoice processing, verifications and payments
- ▶ In-house functions
 - Client issue resolution
 - Provider Scope of Work development and approvals
 - Program integrity and quality improvement
 - Provider corrective actions
 - Client Data Report Reviews
- ▶ Additional clinical support via expanded contract with UNM
- ▶ Shift of contractual service spending to other contracts and personnel

Medicaid: FY18 Budget Request Highlights

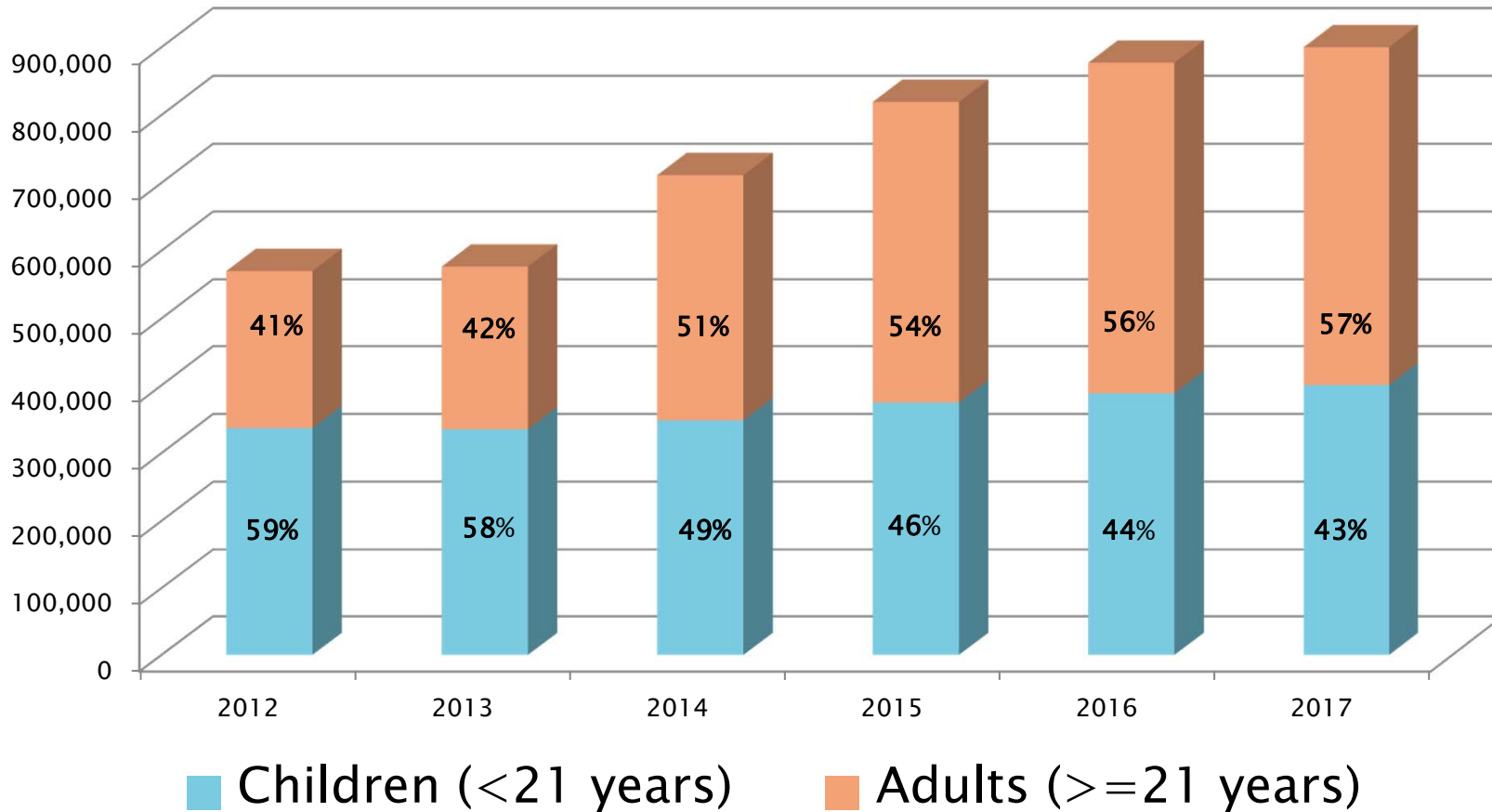
- ▶ Enrollment continues to grow but at a slower pace
- ▶ Cost trends in Centennial Care are significantly lower than regional and national health care inflation
- ▶ Upcoming federal rule changes may impact the budget need
- ▶ FY18 projection is now lower than the request on September 1.



Medicaid Enrollment

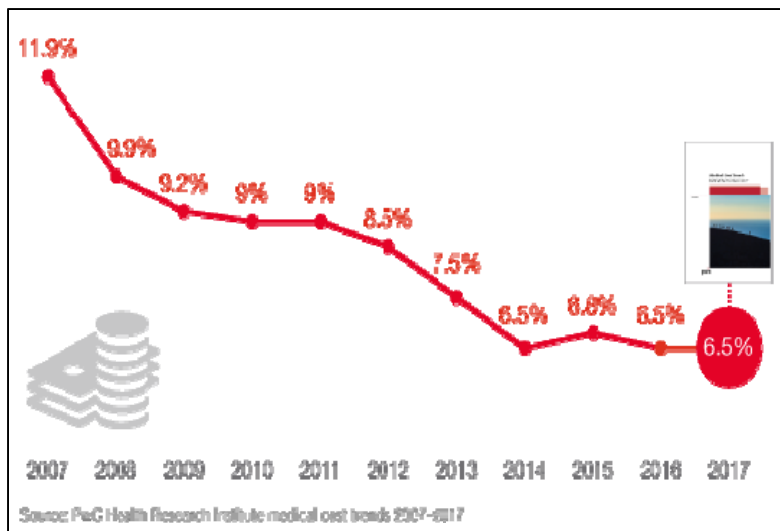


Medicaid Enrollment Transformation



Managing Cost Growth

- ▶ Consumer Price Index (CPI-U) for medical care grew an average of 2.7% in 2015 and growth is averaging 3.2% in 2016
- ▶ Other national studies estimate medical cost inflation (price and utilization) at 6.5%



Centennial Care Stats

- ▶ Per capita costs in Centennial Care down 1%
- ▶ Projecting only 1.5% price and utilization increase in 2017
- ▶ Increased preventive services and decreased inpatient hospital costs

Centennial Care: Managing Cost Growth

2. Total Centennial Care Dollars and Member Months by Program

Population

- Physical Health
- Long Term Services and Supports
- Other Adult Group
- Total Member Months**

Aggregate Member Months by Program			
	Previous (12 mon)	Current (12 mon)	% Change
Physical Health	4,676,813	4,763,276	2%
Long Term Services and Supports	549,081	568,627	4%
Other Adult Group	1,945,362	2,531,109	30%
Total Member Months	7,141,476	7,863,012	10%

Enrollment up 10%;
Per capita costs down 1%

Programs

- Physical Health
- Long Term Services and Supports
- Other Adult Group Physical Health
- Behavioral Health - All Members
- Total Medical Costs**

Aggregate Medical Costs by Program			
	Previous (12 mon)	Current (12 mon)	% Change
Physical Health	\$ 1,223,760,964	\$ 1,218,428,592	0%
Long Term Services and Supports	\$ 834,372,993	\$ 915,548,053	10%
Other Adult Group Physical Health	\$ 745,107,755	\$ 948,902,919	27%
Behavioral Health - All Members	\$ 299,764,570	\$ 322,736,937	8%
Total Medical Costs	\$ 3,103,006,282	\$ 3,405,616,501	10%

Per Capita Medical Costs by Program (PMPM)

	Previous (12 mon)	Current (12 mon)	% Change
Physical Health	\$ 261.67	\$ 255.80	-2%
Long Term Services and Supports	\$ 1,519.58	\$ 1,610.10	6%
Other Adult Group Physical Health	\$ 388.97	\$ 374.90	-4%
Behavioral Health - All Members	\$ 41.98	\$ 41.04	-2%
Total	\$ 434.50	\$ 433.12	0%

Aggregate Non-Medical Costs

- Admin, care coordination, Centennial Rewards
- NMMIP Assessment
- Premium Tax - Net of NIMMP Offset
- Total Non-Medical Costs**

	Previous (12 mon)	Current (12 mon)	% Change
Admin, care coordination, Centennial Rewards	\$ 343,688,418	\$ 375,825,561	9%
NMMIP Assessment	\$ 63,674,492	\$ 52,783,952	-17%
Premium Tax - Net of NIMMP Offset	\$ 120,597,706	\$ 134,135,433	11%
Total Non-Medical Costs	\$ 527,960,616	\$ 562,744,946	7%

	Previous (12 mon)	Current (12 mon)	% Change
Admin, care coordination, Centennial Rewards	\$ 48.13	\$ 47.80	-1%
NMMIP Assessment	\$ 8.92	\$ 6.71	-25%
Premium Tax - Net of NIMMP Offset	\$ 16.89	\$ 17.06	1%
Total	\$ 73.93	\$ 71.57	-3%

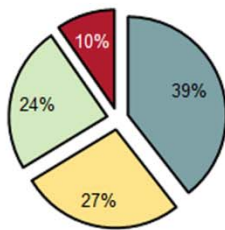
Estimated Total Centennial Care Costs

	\$ 3,630,966,898	\$ 3,968,361,447	9%
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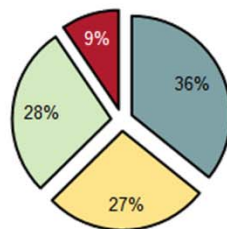
	\$ 508.43	\$ 504.69	-1%
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Centennial Care Medical Expenditures

Previous (April 2014 - March 2015)



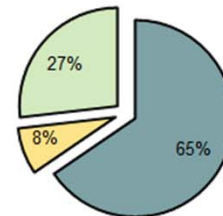
Current (April 2015 - March 2016)



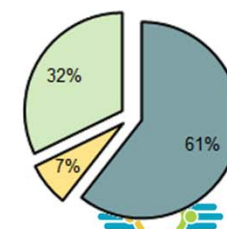
*See above for legend.

Centennial Care Member Months

Previous (April 2014 - March 2015)



Current (April 2015 - March 2016)



*See above for legend.

Centennial Care: Managing Cost Growth

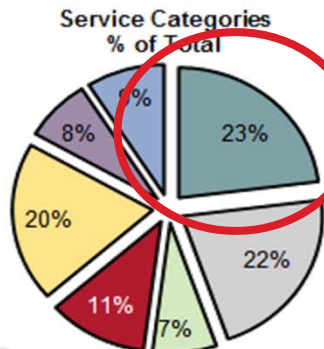
3. Total Program Medical/Pharmacy Dollars

Aggregate Costs by Service Categories				Per Capita Medical Costs by Program (PMPM)			
	Previous (12 mon)	Current (12 mon)	% Change	Previous (12 mon)	Current (12 mon)	% Change	
Medical	\$ 2,823,523,324	\$ 3,049,901,663	8%	\$ 395.37	\$ 387.88	-1.9%	
Pharmacy	\$ 279,482,958	\$ 355,714,838	27%	\$ 39.14	\$ 45.24	15.6%	
Total	\$ 3,103,006,282	\$ 3,405,616,501	10%	\$ 434.50	\$ 433.12	-0.3%	

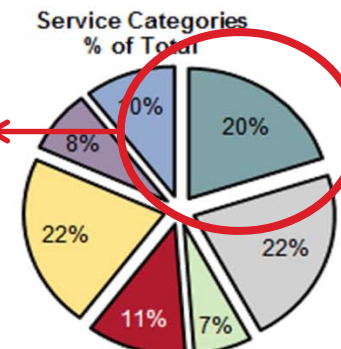
Aggregate Costs by Service Categories				Per Capita Medical Costs by Program (PMPM)			
Service Categories	Previous (12 mon)	Current (12 mon)	% Change	Previous (12 mon)	Current (12 mon)	% Change	
Acute Inpatient	\$ 714,005,570	\$ 680,427,311	-5%	\$ 99.98	\$ 86.54	-13.4%	
Acute Outp/Phy	\$ 671,593,855	\$ 755,467,535	12%	\$ 94.04	\$ 96.08	2.2%	
Nursing Facility	\$ 228,445,499	\$ 227,007,301	-1%	\$ 31.99	\$ 28.87	-9.7%	
Community Benefit/PCO	\$ 356,689,826	\$ 389,278,234	9%	\$ 49.95	\$ 49.51	-0.9%	
Other Services	\$ 614,299,624	\$ 733,754,085	19%	\$ 86.02	\$ 93.32	8.5%	
Behavioral Health	\$ 238,488,950	\$ 263,967,198	11%	\$ 33.39	\$ 33.57	0.5%	
Pharmacy (All)	\$ 279,482,958	\$ 355,714,838	27%	\$ 39.14	\$ 45.24	15.6%	
Total Costs	\$ 3,103,006,282	\$ 3,405,616,501	10%	\$ 434.50	\$ 433.12	-0.3%	

* Per capita not normalized for case mix changes between periods.

Previous (12 mo.) service distribution



Current (12 mo) service distribution



- Inpatient spending down
- BH and physician services up



Medicaid: FY 18 Appropriation Request (revised Nov. 2)

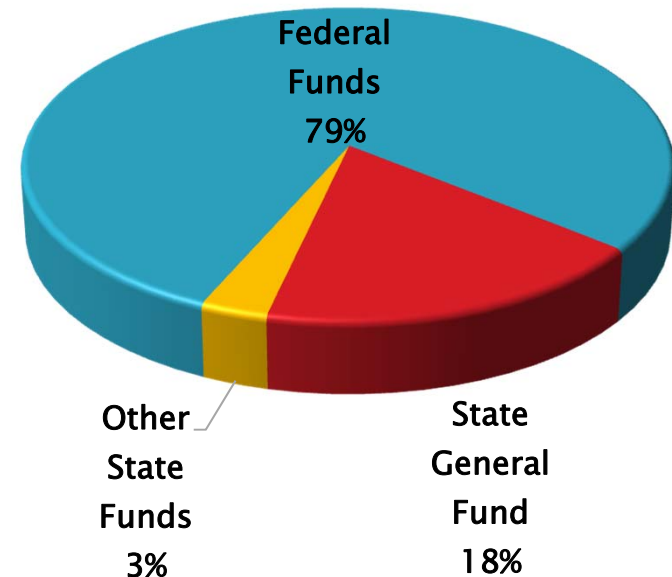
- ▶ Total Medicaid Program spending in FY 18 is projected to be \$6.093 billion.
 - \$995.8 million from the general fund, an \$82.2 million increase. Major changes from FY17 include:

(\$ in thousands)

FY17 base – additional general fund above FY17 appropriation	\$12,550
Expansion FMAP (drops to 95% in 2017 and 94% in 2018)	\$43,641
Enrollment	\$35,421
Utilization and Price increases (1.5% growth)	\$12,700
Medicare Part B and D impact	\$7,611
Health Insurance Provider Fee	\$20,401
Other changes	\$1,767
Cost Containment	(\$16,000)
FMAP increase	(\$35,884)
Total	\$82,207

Medicaid: Administration

- ▶ The total FY 18 budget request for administration of the Medicaid program is \$79.54 million
 - \$1.019 million decrease from FY17.
 - \$749.8 thousand decrease in general fund need achieved through FTE and contract reductions.
- ▶ Medical Assistance Division administrative spending is only 1.29% of the total program budget.
- ▶ Priorities for MAD staff in 2018 include:
 - 1115 Waiver Renewal
 - Procurement and implementation of replacement MMIS



Update: Cost Containment

Medicaid Advisory Cost Containment Subcommittees

Provider Payment Subcommittee	Benefit and Cost Sharing Subcommittee	Long Term Leveraging Subcommittee
<ul style="list-style-type: none"> • 4 Meetings • Recommended rate reductions, in line with HB2 • Rate reductions phasing in July, August and Jan. • Est. up to \$122M total savings • Est. up to \$26M general fund savings 	<ul style="list-style-type: none"> • 5 meetings • Reviewed benefit and cost sharing • Recommended no changes • HSD considering new copayments • Align current copays and add co-pays for Expansion adults 	<ul style="list-style-type: none"> • 5 meetings • Considered a wide range of financing and payment reforms • 8 general recommendations for HSD/State consideration

Additional Cost Containment Activities

- ▶ HSD plans to submit a draft State Plan Amendment to CMS and for public input before end of calendar year to implement copayments;
 - Nominal copays for certain populations with higher income for outpatient visits and inpatient stays.
 - Copays for non-preferred drugs for all populations;
 - Certain exemptions will apply to Native Americans, pregnant women and children.
 - Copays for non-emergent use of the emergency room for all populations, unless exempt.

- ▶ Submitting plan to implement CMS guidance on services “received through” an IHS/Tribal 638 facility
 - Increased federal funding, which will reduce general fund need

- ▶ Reviewing benefit design for future cost containment requirements



Program Support

- ▶ Program Support provides administrative support to the program divisions of HSD
- ▶ Includes the Office of the Secretary, the Office of General Counsel, the Office of Human Resources, the Office of Inspector General, Fair Hearings, Administrative Services Division and Information Technology Division.
- ▶ The FY18 budget request for Program Support is \$51.9 million, with \$15.3 million requested from the General Fund.
 - Unmodified opinion by independent external auditors
 - Zero procurement violations
 - Re-established access to Federal Treasury Offset Program to collect restitution claims due to HSD

Information Technology – Project Update

- ▶ HSD continues work toward Health and Human Services 2020 (HHS 2020) vision
 - Flexible, scalable technology and services framework to efficiently support current and future programmatic needs of HSD and other NM HHS departments
 - Customer-focused approach
 - Enables transition to outcomes-based model by providing improved access to more extensive, quality data

IT – Program Support *(cont'd)*

- ▶ Medicaid Management Information System Replacement (MMISR) Project
 - MMIS processes nearly \$6 billion annually
 - Handles more than 10 million transactions annually
 - Supports services for more than 880,000 New Mexicans
- ▶ HSD receives a 90% federal match for each dollar of state general fund for the project
 - FY18 GF request = \$7.37M; FF = \$67.7M; Total = \$75.1M
- ▶ Modular build with six separate procurements
- ▶ HSD must comply with new federal rules by the end of 2019
 - Failure to comply could result in a decreased federal match for MMIS operations and maintenance

IT – Program Support *(cont'd)*

- ▶ ITD working with CSED on Child Support Enforcement System (CSES) replacement
 - Needed to enable improved CSE results and to replace older, inflexible legacy system
 - Evaluating options that maximize reuse of existing technology investments
- ▶ CSES replacement will enable improved CSE performance
 - Incorporate new tools using predictive modeling and similar techniques to focus efforts on most productive activities
 - Provide access to quality data and analytics to inform work
 - Streamline CSE processes



Questions?

