October 26, 2015

Brian Hoffmeister
Program Evaluator
New Mexico Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Via Email: brian.hoffmeister@nmleg.gov

Re: Leveraging Medicaid Funds Report

Dear Brian:

On behalf of the New Mexico Association of Counties (NMAC) and the NMAC Health Services and DWI Affiliates, we would like to thank you for the opportunity to respond to the portions of the Legislative Finance Committee (LFC) report on leveraging Medicaid funds that pertain to New Mexico counties. As always, NMAC appreciates the work that the LFC does with counties and the collaborative relationship we have shared over the years. Importantly, the insights and recommendations that the LFC makes on various county programs are always helpful in assisting counties in evaluating the effectiveness of and improving their programs.

It is important to emphasize that the community-based DWI and indigent care programs operated by the counties provide an essential safety net for our most vulnerable New Mexicans. As you know, these programs have assisted thousands of people over the years, and our county employees work on a very close and personal level with county residents. Counties' obligations to provide critical services continue to grow and expand, often without a commensurate increase in revenues. Notwithstanding this, we are committed to providing the highest level of services and to being responsive to the needs of our residents.

Our responses to the specific recommendations are included below:

DWI Program

- NMAC supports increased leveraging of Medicaid for treatment of DWI, to the extent this is feasible. There are a number of practical and legal impediments that make it difficult to have many clients treated by Medicaid providers.
- To begin with, most counties do not have access to counselors with the required licensure to qualify as Medicaid providers. This is especially true in rural areas.
- Wait times just for assessments with outside providers are often six months or longer.

- There is often a need for wrap around services for these clients, most of which are not covered under Medicaid (for example, Medicaid does not reimburse for compliance monitoring (probation), anger management, domestic violence batters intervention treatment, case management, or aftercare, among others). In addition, Medicaid providers may not be using evidence-based treatment modalities.
- The number of clients that can be seen could be substantially reduced and the cost of treatment increased since Medicaid providers require additional support staff and treatment providers to comply with the myriad Medicaid requirements. Moreover, those with two or more DWI convictions are statutorily required to attend 26 weeks of substance abuse treatment, and Medicaid requires re-approval for treatment every six weeks. This could result in interruption of treatment which could have serious consequences, or in the provider continuing treatment without authorization resulting in the county having to pay the charges.
- LDWI-funded treatment is generally more comprehensive and has proven effective in reducing recidivism. Treatment begins within two weeks of the judgment and sentence, coverage and treatment is more comprehensive, and evidenced-based modalities that are known to reduce recidivism are used (e.g., moral recognition therapy, craft, and motivational interviewing).
- Some counties use this funding for jail-based treatment, which is not covered by Medicaid.

Indigent Healthcare Program

- The LFC report suggests that increasing revenues from the county indigent gross receipts tax increment could serve as a funding source for health care initiatives currently supported by the general fund. This is wholly unacceptable to counties, and makes a presumption—that the county indigent GRT is producing increasing revenues—that is not true in many counties. To begin with, the second 1/8 GRT increment is imposed locally by county commissions for the benefit of indigent residents in their counties. By mandating intergovernmental transfers, the state would once again be utilizing locally-imposed county taxes for a state purpose. This would result in significant shortfalls to many counties. It is inequitable and inappropriate to continue to require counties to impose taxes locally to fund state programs like Medicaid.
- In 2014 the Legislature passed SB 268 which imposed on counties an obligation to fund the Safety Net Care Pool (the equivalent of a 1/12 GRT increment). These funds are used to leverage federal funds for uncompensated care for sole community hospitals and for funding a Medicaid base rate increase. Many counties pay this requirement from the second 1/8 GRT, which severely limits the amount of funds available for county healthcare assistance programs. Only two counties have actually imposed the 1/12 increment authorized under SB 268 (Colfax and San Miguel Counties).
- GRT revenues in many counties are actually diminishing over time due to the phase out of the state hold harmless payments to counties for the food and medicine GRT, as well as the stagnation in the economy.
- The LFC report states that the statewide county indigent fund balance is approximately $31 million, and suggests "repurposing" these revenues and allowing the state to intercept them. The LFC reports erroneously states that in FY 15 $31 million "went

unused in county indigent funds." Ending fund balances do not take into account the fact that a substantial portion of these funds are encumbered and will be expended. It is important that the LFC show a detailed breakdown of fund balances as of July 1, 2014, the beginning of the fiscal year, total revenues and expenditures ending on June 30, 2015 (including the Safety Net Care Pool) for individual counties, and ending fund balance as of June 30, 2015.

- Counties are obligated to provide healthcare services to individuals incarcerated in their jails, as well as indigent undocumented immigrants. In addition, counties are often taking on responsibility for providing healthcare for individuals in their community who have substance abuse and behavioral health issues. This increasing obligation can be funded, in part, from the indigent health account. If the state intercepts these funds, it will leave the counties and many needy county residents in an untenable position.
- Counties continue to provide assistance to those individuals who do not qualify for Medicaid and who are not insured. In addition, counties cover services not covered by Medicaid and services provided by agencies and providers who are not eligible to receive Medicaid funds. (For example senior citizen dental services and substance abuse services.)
- Please see the attached graphs which depict how Doña Ana, San Juan, and Santa Fe Counties' FY 15 fund balance plus the indigent healthcare revenues will be spent in FY 16. As you can see, 80% of the FY 15 expenditures for San Juan County are for state-mandated programs, primarily the Safety Net Care Pool and county-supported Medicaid.

NMAC respectfully submits this response and requests that these comments are taken into account before the LFC moves forward with any legislative initiatives or program changes. NMAC and its affiliates are committed to continued collaboration with the LFC and all stakeholders to strengthen these important programs and to utilize dwindling resources and funding. Again, we thank the LFC staff for taking the time to work with New Mexico counties and to take input from our subject matter experts. We look forward to following up with them on the matters identified in this report, and to working with them in the future.

Sincerely,

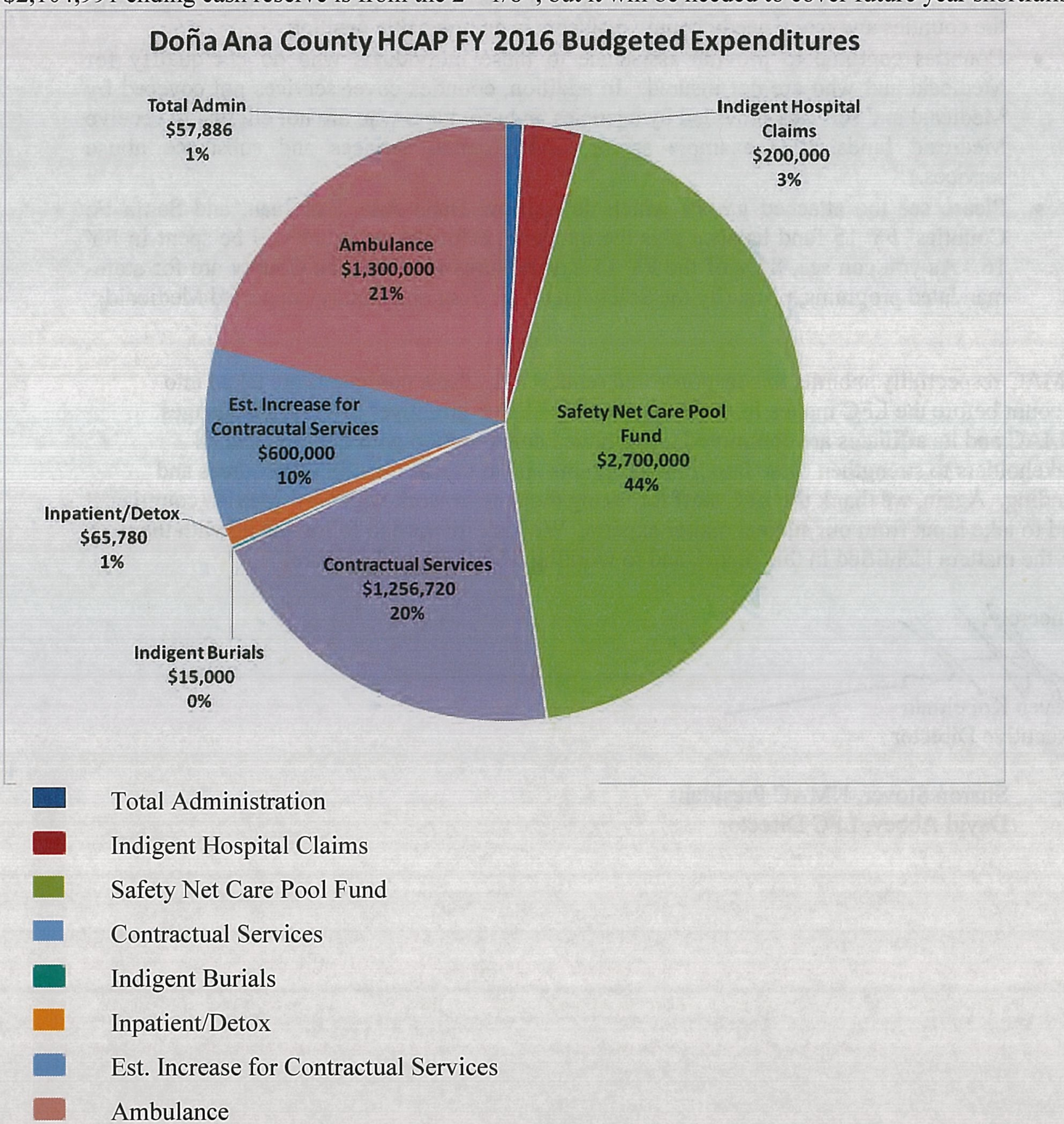
Steven Kopelman
Executive Director

cc: Sharon Stover, NMAC President
David Abbey, LFC Director

FY 15 Beginning Fund Balance	$3,379,465	
Total Revenues	+ 4,945,394	
Total Expenditures	- 5,300,701	
Ending Fund Balance	$3,024,158	75% of FY 15 expenditures were state mandated.

With a beginning balance of $3,024,158 for FY 16 (see chart), anticipated revenues of $5,276,219, and expenditures of $6,195,386, it leaves an anticipated FY16 ending fund balance of $2,104,991.

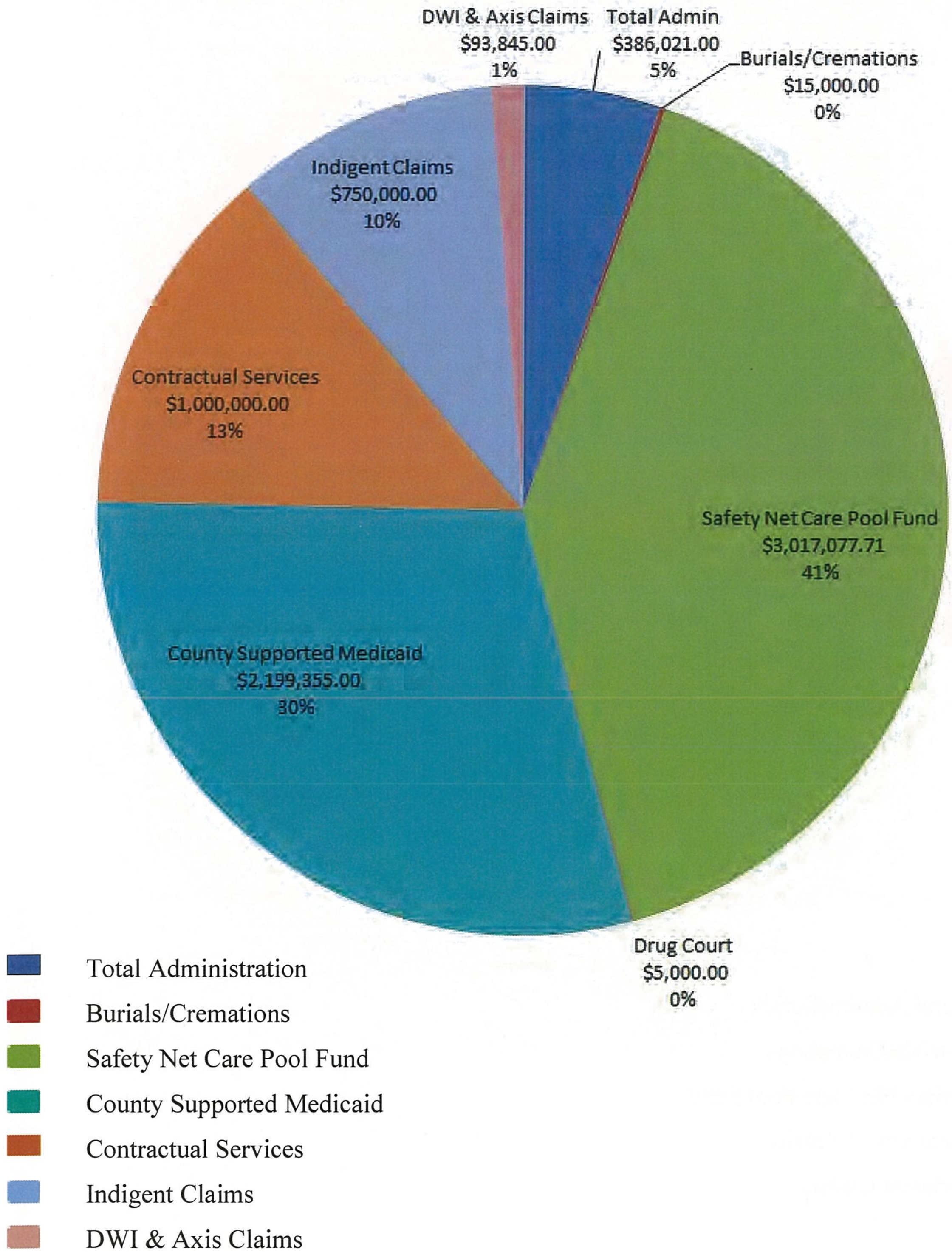
It is also worth noting that in addition to the 2nd 1/8th, the indigent fund also includes revenue from the 3rd 1/8th. In previous years the county dedicated the full 3rd 1/8th to the indigent fund. Beginning in FY15 $1,000,000 of the 3rd 1/8th is dedicated to the indigent fund. Therefore, not all of the anticipated $2,104,991 ending cash reserve is from the 2nd 1/8th, but it will be needed to cover future year shortfalls.



FY 15 Beginning Fund Balance	$5,597,952
Total Revenues	+ 5,397,663
Total Expenditures	- 6,239,240
Ending Fund Balance	$4,756,376

80% of FY15 expenditures were state mandates.

San Juan County HCAP FY 2016 Budgeted Expenditures



FY 15 Beginning Fund Balance	~$3,600,000
Total Revenues	+ 4,822,829
Total Expenditures	- 4,641,425
Ending Fund Balance	$3,781,404

Santa Fe County HCAP FY 2016 Budgeted Expenditures