

**MINUTES
of the
SECOND MEETING
of the
LEGISLATIVE HEALTH AND HUMAN SERVICES COMMITTEE**

**July 6-8, 2010
Room 307, State Capitol
Santa Fe**

The second meeting of the Legislative Health and Human Services Committee (LHHS) was called to order by Senator Dede Feldman, vice chair, at 9:10 a.m on Tuesday, July 6, 2010. An announcement was made that the meeting would be webcast. Committee members introduced themselves.

Present

Rep. Danice Picraux, Chair
Sen. Dede Feldman, Vice Chair
Sen. Rod Adair (7/6)
Rep. Nora Espinoza
Rep. Joni Marie Gutierrez (7/6)
Sen. Linda M. Lopez (7/6, 7/7)
Sen. Gerald Ortiz y Pino

Absent

Rep. Antonio Lujan

Advisory Members

Rep. Ray Begaye
Rep. Eleanor Chavez (7/8)
Rep. Nathan P. Cote
Rep. Miguel P. Garcia
Rep. Keith J. Gardner (7/6)
Sen. Clinton D. Harden, Jr. (7/6, 7/7)
Sen. Gay G. Kernan (7/7)
Rep. Dennis J. Kintigh
Rep. James Roger Madalena (7/6)
Sen. Cisco McSorley (7/6, 7/7)
Rep. Bill B. O'Neill
Sen. Mary Kay Papen
Sen. Nancy Rodriguez (7/6, 7/7)
Sen. Sander Rue (7/6)
Rep. Mimi Stewart (7/7, 7/8)
Rep. Gloria C. Vaughn

Sen. Sue Wilson Beffort
Rep. Jose A. Campos
Rep. John A. Heaton
Rep. Rodolpho "Rudy" S. Martinez
Rep. Jeff Steinborn
Sen. David Ulibarri

Guest Legislator

Sen. Bernadette M. Sanchez (7/6)

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

Michael Hely
Karen Wells
Zelda Abeita

Guests

The guest list is in the meeting file.

Handouts

Handouts are in the meeting file.

Tuesday, July 6**Welcome and Introductions**

The chair commented on the importance of the work to be done during this interim relative to health care reform. She asked presenters to address specific provisions in the federal Patient Protection and Affordable Care Act (PPACA) that will affect them. A quorum being present, a motion was made and seconded to approve the June minutes of the LHHS; the minutes were unanimously adopted. A request was made for an outline of when each major topic is anticipated to be addressed during the interim.

Advocates Road Map for the Future

Nancy Koenigsberg, legal director, Disability Rights New Mexico (DRNM), presented a brief history of the Interagency Behavioral Health Purchasing Collaborative (IBHPC) and an outline of needs that advocates feel must be addressed in the future. She stated that her presentation summarized comments provided by DRNM in response to a concept paper and request for proposals (RFP) issued by the collaborative, noting that, as a result of the public comments, a decision was made not to issue an RFP at this time. DRNM believes the IBHPC needs to identify what is working well and what is not and then make changes as needed. DRNM recommends development of a master strategic plan to be presented both to the LHHS and the Legislative Finance Committee (LFC). Ms. Koenigsberg commented that the original vision of the collaborative — to move to a system of community-based outpatient services — has not materialized, while access to inpatient, more intensive services or residential treatment centers has languished. She reminded the committee that the statute creating the IBHPC called for a master strategic plan. According to Ms. Koenigsberg, no such master plan can currently be found as a public document, nor do regulations exist, though some have been proposed. DRNM feels development of a master strategic plan containing performance measures is still needed. The IBHPC should be evaluated and consideration given as to whether medical assistance standards are being met. Feedback from local collaboratives should be regularly incorporated into the strategic plan. Close oversight of the comprehensive community support services model is needed, particularly with regard to case management. The legislature should ensure that the statute is upheld.

Committee members had questions and made comments on the following topics:

- staff brought forward a copy of a comprehensive plan, published in July 2007, and Ms. Koenigsberg stated that she does not know whether that plan represented an active and current strategic plan;
- access to services seems to have diminished since the inception of the IBHPC;
- problems with continuing the IBHPC model and a managed care behavioral health system;
- a suggestion that consideration be given to repealing the IBHPC statute and integrating behavioral health services with the Medicaid Salud! program; Ms. Koenigsberg urged members not to make such a major change without taking the evaluation steps recommended in her presentation;
- clarification regarding the nature and purpose of DRNM; and
- an observation that behavioral health funding is being directed into jails and the prison system rather than the community.

Independent Evaluation of Behavioral Health Transformation

Cathleen Wilging, Ph.D., Pacific Institute for Research and Evaluation, Behavioral Health Research Center of the Southwest, offered findings from an independent study she performed of the provision of behavioral health services and the impact of reform efforts in New Mexico. Key points that emerged from the study highlight the continuing need for evaluation of the reform efforts and the need for mid-course corrections. Analysis of the survey results revealed transition issues, including a work force "stressed out" by new billing, reimbursement and enrollment requirements and financial insecurity, particularly with safety net institutions. Issues of reform distress and voluntary staff turnover were explored. Rural personnel appear to have less capacity to respond to the challenges of the reform and transformation. Agency leadership and training are critical to ensure implementation of integrated treatment models with evidence-based practices. The results of the statewide survey yielded important information regarding the capacity and characteristics of the behavioral health work force, including shortages of providers, especially in rural areas with large Native American populations. According to Dr. Wilging, reform planning should include further analysis of these findings and efforts to reduce rural-urban disparities. The survey also looked at the financial status and administrative costs of reform. Consumer analysis should be broadened to ensure that findings accurately reflect the impact of reform on safety net agencies and other factors that color the response of those surveyed. A more concerted effort to strengthen New Mexico's safety net is suggested by the findings, as well as more proactive attention by the IBHPC in addressing "on-the-ground" issues such as training needs, administrative time and costs and the unintended consequences of reform revealed by this study.

Committee members asked questions and made comments in the following areas:

- actions taken to ensure long-term evaluation of the behavioral health system and feedback to legislators;
- the value of stakeholder input;
- the process of the study and whether the administration cooperated in the study;

- clarification regarding why New Mexico has to pay the Western Interstate Commission for Higher Education (WICHE) extra to obtain data about providers when the state already pays \$100,000 per year to participate in WICHE;
- the apparent discrepancy between provider dissatisfaction and consumer satisfaction with services and the system;
- whether the study will be ongoing, to which Dr. Wilging replied that, no, funding for the study is expiring but that a more in-depth analysis of the findings will be released;
- whether the findings and analysis will lead to recommendations for mid-course corrections that could or should be implemented by the IBHPC;
- clarification about the distribution of providers and consumers in rural and urban areas;
- the impact of vacancies that were not replaced and whether funding was reduced as a result of the vacancies;
- whether community-based services will be a successful model in rural areas;
- the pros and cons of mandated mental health treatment;
- the distribution of funds and whether funds are getting to needed services and providers;
- an observation of the usefulness of this data for the Government Restructuring Task Force;
- whether providers are closing agencies and, if so, why;
- clarification regarding what constitutes "rural" in the study and the differentiation between "rural" and "underserved";
- differences between clinical homes and medical homes and differences between comprehensive community support services and case management; and
- whether the presenter has any recommendations for mid-course corrections.

Native American Behavioral Health Concerns

Regina Roanhorse, Diné Local Collaborative 15 and New Mexico Health Advocacy Alliance, testified regarding reductions to funding of prevention services for Native Americans. She identified herself as a family member of a consumer. She stated that all her work for the local collaborative is done on a volunteer basis. She is particularly concerned about the number of youth suicides in McKinley County. She reviewed a letter she sent to the IBHPC in response to its request for public input pursuant to the concept paper. She testified that many Native American providers indicated reluctance to provide input out of fear of reprisals. She identified specific concerns regarding the difficulty of Native American providers in obtaining contracts from OptumHealth. Other areas of concern include lack of attention to cultural competency, how core service agencies and comprehensive community support services will be integrated into the behavioral health system of care, diversion of funding away from services to information technology, the structure within OptumHealth that sidelines Native American issues and a lack of funding for Native American prevention services. Ms. Roanhorse emphasized that prevention is a high priority for the local collaborative. She provided data to demonstrate how cuts to program funding for prevention have affected Native American youth. Five Native American prevention programs lost 100% of their funding. She described the difficulty in obtaining data

from OptumHealth and the IBHPC. She urged the committee to work to restore funding for prevention services for Native Americans.

Committee members asked questions and had comments in the following areas:

- whether OptumHealth representatives were present; Carol Levine, interim C.E.O. of OptumHealth, stated that she heard the concerns and would "follow up" on them;
- whether the drop-in center in Shiprock could be funded using community reinvestment funds; current budget cuts have led to reductions in community reinvestment services; hopefully they will be restored as the budget picture improves;
- an expression of strong sentiment that OptumHealth is not serving Native Americans in New Mexico; and
- a request for LHHS members who are members of the LFC to carry the funding needs of Native Americans to the LFC.

The chair recognized the governor from the Pueblo of Tesuque, the Honorable Rick Vigil, who was present in the audience.

Questions and comments resumed as follows:

- the potential to develop non-Native Americans as youth providers and counselors through the use of role models; provisions in the PPACA support this idea;
- encouragement for Ms. Roanhorse to develop a proposal for the LHHS to consider to raise the level of health among Native American youth; Ms. Roanhorse will provide some material to staff;
- a request for a report on cultural competency as required in legislation carried by Senator Sanchez;
- a request for identification of priorities for funding; programs to prevent youth suicide are paramount; and
- the importance of asking Native American consumers and providers what is needed and listening to the responses.

Public Input on the Behavioral Health Concept Paper and Status of RFP

Teresa Gomez, HSD and IBHPC, and Karen Meader, IBHPC, introduced themselves. Ms. Gomez provided background information on the governor's request for the IBHPC to go out to bid for a new RFP for the statewide entity. She briefly reviewed the content of the concept paper that formed the basis of the public hearings held around the state. Approximately 250 people attended these hearings, including one hearing for tribal members. She highlighted common themes that emerged in public comments, including a strong desire to avoid another transition in such a short period of time; a need for clarification of the roles and responsibilities of the state and a desire for providers to have a stronger role in implementing the programs; a need for individual consumers to have a voice; a desire to open the RFP bid to local nonprofit agencies; doubts about the readiness of the IBHPC to undertake a new contract or RFP; challenges of Governor Richardson's time line; tribal concerns as delineated by the previous presenter; and concern that the concept paper did not reflect any real change. Ms. Gomez

presented this input to the IBHPC in June, which resulted in a unanimous recommendation to the governor not to proceed with the RFP. This recommendation was approved by the governor.

Report: OptumHealth Directed Plan of Correction

Alicia Smith, Alicia Smith Associates, said that her company was engaged as a monitor pursuant to the statewide entity contract to implement a directed corrective action plan (DCAP) required of OptumHealth. She identified the time line of events since OptumHealth was chosen as the statewide entity, to the imposition of sanctions and the onset of the DCAP, to the present status of compliance with the DCAP by OptumHealth. Ms. Smith reviewed the key areas that were addressed in the DCAP, including claims processing, claims submission, fund mapping and provider relations. Steps taken to mediate these circumstances were identified. Initially, OptumHealth relaxed a number of edits in the system that allowed more claims to be processed and expedited payments to be made. A provider council was formed early in the DCAP process and will become a permanent council. Extensive and repeated provider training has been conducted, and alterations in the process of service registration have been achieved. The process of reconciling the claims of those providers who received expedited claims is now occurring. In most cases, agreements have been reached between OptumHealth and providers. Alicia Smith Associates is attentive to any large system issues that may persist. Monitoring is ongoing, with some requirements of edits remaining relaxed until the system is capable of handling the reintroduction of edits. Ms. Smith stated that the DCAP implementation is going well, but it is far from over. Statistics were provided to demonstrate the current status of corrective action. Performance measures that Alicia Smith Associates are tracking on a weekly and monthly basis were identified. The number of claims being paid has gone up while the number of denied claims has gone down. Claims payments and weekly turnaround times have improved. An independent audit, conducted by a company called Hewitt, was conducted as required by the DCAP, the overall result of which reflected that the OptumHealth system meets the commercial objectives for financial accuracy but remains below commercial objectives for payment accuracy and turnaround time. The audit shows, and Alicia Smith Associates concurs, that the core problem appears to be that the system is still unable to identify funding streams appropriately. A one- to two-month lag between service dates and claims payments remains. She reiterated that improvements have been made and are significant; however, there is still work to be done, and the results are not perfect. Ms. Levine has been very cooperative and helpful.

Comments and questions from committee members covered the following areas:

- clarification regarding how providers and OptumHealth will work together after the completion of the DCAP; a permanent provider council will be established;
- a comment from David Ley, a provider in the audience, who asserted that most providers are happier, though concerns still remain; it is hoped that the provider council will be able to participate in decision-making in the future;
- a comment by Ms. Levine agreeing that OptumHealth intends to continue the provider council and plans to allow decision-making with providers in the future;
- fear that once the DCAP is completed, things will revert to a bad situation; Alicia Smith Associates will remain involved up to six months after the completion of the DCAP, as needed;

- whether Mr. Ley was among the providers who offered public comment urging no change in contract at this time; Mr. Ley answered "yes";
- the size of the OptumHealth contract: \$378 million;
- a recommendation that independent monitoring should be a provision of any future contract for a statewide entity;
- the possibility of establishing a "preferred provider" class of providers who are able to get paid without more stringent edits in the system;
- whether any small providers have gone out of business; as far as is now known, no small provider has gone out of business;
- whether the information technology system of OptumHealth now comes up to standards; the comprehensive system that OptumHealth originally proposed was very complex and not adequately tested; many changes have been made to the system, but it is not yet adequate to meet needs;
- whether an overall performance of OptumHealth is anticipated or needed;
- whether standard edits are evaluated as appropriate edits; examples of standard edits were provided; the majority are required by state or federal law; there are six edits that were relaxed and that are being restored through a rigorous testing process;
- clarification regarding the number of providers affected by delayed payments and the number that bill electronically;
- an observation that billing of claims to Medicare is simple and reimbursement is very quick; this could serve as a standard to pursue; and
- a request for staff to review the payment requirements established under the New Mexico statutes requiring prompt payment of clean claims.

Behavioral Health Vision and Strategic Plan Development

Kathryn (Katie) Falls, secretary, HSD, presented material originally scheduled for presentation by Linda Roebuck Homer, who was unable to attend due to the death of her father. Secretary Falls identified the goals and vision of the IBHPC. She reviewed the structure and membership of the IBHPC, the Behavioral Health Planning Council and 18 local collaboratives.

The 17 state agencies that comprise the IBHPC meet regularly to work together to address the goals and vision of the collaborative. A continuum of care was described that ranges from prevention and early intervention through inpatient services. She described community-based services and programs and which agency is primarily responsible for each program. Secretary Falls identified services that started to be consolidated on July 1, 2010, including the Office of Substance Abuse Prevention, the Compulsive Gambling Council and pre-admission-screening and resident-review activities. These services will be jointly managed between the Department of Health (DOH) and the HSD through a joint powers agreement. She reviewed the role of the statewide entity and highlighted the accomplishments of the IBHPC.

Ms. Gomez described the functions and role of core service agencies (CSAs) in ensuring a clinical home to coordinate comprehensive community support services (CCSS). This new model of service delivery is designed to support the provision of quality care and build capacity. Ms. Gomez described actions taken to increase efficiency and effectiveness, including

consolidated funding, maximized Medicaid funding, strengthened oversight and contract management. Accountability has improved with the use of numerous performance measures and indices and the implementation of multi-systemic therapy treatment modalities. Also described were supportive housing initiatives. Future directions and issues were highlighted, including efforts of the Workforce Solutions Department (WSD) to enhance higher education for work force development and training and for addressing shortages among the provider community.

A new comprehensive strategic behavioral health plan is currently under development that will align behavioral health in New Mexico with the PPACA and the needs of the state. The plan is intended to integrate primary and behavioral health services, to strengthen linkages of prevention programs, to emphasize early intervention, to establish regional systems of crisis response and care and to target returning veterans.

Questions and comments by committee members covered the following areas:

- how the IBHPC made the decision to rely on CSAs as a delivery system model and whether this model will limit consumers' provider choices; consumers will be able to choose all providers and services except for CCSS, which must be provided by CSAs;
- how conflicts of interest are being identified with CSAs;
- clarification regarding the current status of implementation of CSAs;
- a request for a list of all agencies already approved, where they are located and their qualifications to be CSAs; Secretary Falls will provide this information;
- concerns about the process of deciding to move to CSAs and what supportive data were used to make this decision; Secretary Falls offered to create a report to answer all of these questions and more;
- whether cultural competency was considered in the development of CSAs;
- concern that OptumHealth will be responsible for implementing CSAs before the state is satisfied that OptumHealth is capable of managing claims payments;
- what is happening with case management as a service and how it is different from CCSS; CCSS are a replacement for case management for people with serious mental illness or co-occurring disorders; CCSS help people learn to manage their own needs, versus having arrangements made for a client by a case manager;
- clarification regarding the reported lack of regulations; there are regulations in each department, and IBHPC regulations are under development; and
- an observation that performance measures identified in a strategic plan should tie directly to the contract for the statewide entity.

Public Comment

Patsy Romero, Romero and Associates, spoke on behalf of several behavioral health providers around the state whom she represents as clients. She provided a position paper that is critical of the implementation of CSAs, contending that the concept is ill-conceived and excludes many valuable providers. She requested that the program of CSAs be halted until further planning and development can be accomplished.

Dr. Deborah Altschul, Consortium for Better Health Research Training, University of New Mexico (UNM), stated that the program she works with is working with the IBHPC on a six-year project, funded by a grant, to assess rural provider and consumer needs.

Veronica Rodriguez, Esperanza Guidance Services, has been a provider of CCSS since 2008. She fears her small agency will not be in existence as of January 1, 2011 due to implementation of the CSA delivery system model.

Susan Trujillo of Silver City urged the committee to work together with the local collaboratives to find workable solutions to problems.

The committee recessed for the day at 5:50 p.m.

Wednesday, July 7

Call to Order

The meeting was called to order by the chair at 9:20 a.m.

Health Care Work Force: Current and Anticipated Needs

Frank Hesse, M.D., chair, New Mexico Health Policy Commission (HPC), and Jerry Harrison, Ph.D., executive director, New Mexico Health Resources (NMHR), presented information regarding the shortage of health professionals in the areas of primary care, mental health and dental services. Dr. Hesse offered comments on behalf of the HPC and described the need for an increased health professional work force and the need for system reforms that encourage more self-care and prevention. In addition to doctors, allied health professionals at all levels are needed. He contends that UNM graduates too few health care providers, many of whom do not remain in New Mexico to practice. All health professional education programs in the state will need to be expanded. He noted that the HPC is constrained in its ability to be of assistance to the legislature due to severe budget cuts. He called for the creation of a new health care work force commission that will build on the remaining strengths of the HPC.

Dr. Harrison noted that in the last 15 years, NMHR has successfully recruited over 850 health care professionals, 123 of whom were recruited within the last two years. He described the mission and funding source for NMHR. He noted that New Mexico has virtually no statistics regarding the health care work force. He provided background information regarding health professional shortage areas (HPSAs) and how these areas are determined. Maps were provided showing HPSAs in New Mexico for primary care, dental and mental health professionals. In primary care, virtually the entire state qualifies as an HPSA. New Mexico is ranked between forty-ninth and fiftieth in the United States in terms of access to dental providers. He noted that a majority of health professionals are aging and are expected to retire soon. Available data only reflect the number of health care professionals who are licensed in the state and do not identify which of those licensed professionals are still practicing. He described the New Mexico loan for service program and loan repayment program, which assist medical students with tuition costs, including WICHE funding for dental students. Though the programs are vital, they do not

eliminate substantial debt for students. The PPACA contains significant new funding for the National Health Service Corps, of which New Mexico has traditionally been a big recipient. The DOH administers the New Mexico Health Service Corps, which augments federal funding for New Mexico medical students. Dr. Harrison recommended the creation of a loan program specifically targeted at nurses and other allied health professionals. He also recommended examining the current process of review of scope of practice issues. Coordination between various health professional training programs could result in retention of graduates in New Mexico. Additionally, data must be collected that accurately identify needs for the future in all health care professions. He recommended greater investment in faculty.

Committee members asked questions and made comments in the following areas:

- resources needed to expand training and education of health professionals;
- frustration regarding resistance to changes in scope of practice by health care professionals;
- whether New Mexico has the right array of licensing boards;
- the need for reimbursement reform in order to incentivize more people to practice in needed professions such as primary care;
- whether New Mexico's diversity impairs the recruitment of health professionals, especially mental health professionals; the difficulty of earning a competitive wage in New Mexico is the greater problem;
- whether the inclusion of federally qualified health centers in the HPSA maps would change the HPSA status; it would not change the status;
- clarification regarding the current status of physicians' payment of gross receipts taxes (GRT); some relief was given to some practitioners;
- an observation that some doctors find it more profitable to practice in Colorado or Texas in order to avoid payment of GRT;
- the extent to which malpractice insurance is a problem and how it affects recruitment;
- the importance of educating and supporting health professionals in New Mexico and providing incentives for them to remain in the state to practice;
- the lack of data regarding reasons why doctors are leaving the practice of medicine; the last data collected was in 2006 by the HPC;
- whether anti-competition clauses are common in recruitment and employment contracts;
- the impact of caps on limited liability corporations imposed by the Insurance Division of the Public Regulation Commission on physicians in independent practice; the Board of Medical Examiners has mediated this impact by regulation;
- the reasons why UNM is graduating so few professionals and the effect that low faculty salaries have on this issue;
- the effect of additional grant funding on the supply of nurses; and
- whether elimination of certain boards or commissions through government restructuring efforts will help or harm scope of practice issues; Dr. Harrison expressed a concern that such a move would expose the state to a great deal of liability.

Pat Boyle, director, Center for Nursing Excellence, testified that nursing grant funds are being used for a variety of things, including information technology, advanced education and training for nurse faculty and program enhancements. The number of nursing school graduates has doubled over the last four years; however, a shortage still remains. A consortium has been formed to promote partnerships between schools of nursing.

Deborah Walker, director, Board of Nursing, noted that statutes provide an environment in which nurses can pursue advanced nursing degrees. She voiced concern that new graduates with associate degrees are not getting jobs. So far, the information is only anecdotal; however, the board, in collaboration with other entities such as the Center for Nursing Excellence, will look into this in more detail. Ms. Walker and Ms. Boyle reminded the committee that they will hear testimony and receive a written report in October on these issues in response to HJM 50.

John Anderson, lobbyist for the New Mexico Medical Society (NMMS), explained the GRT issue: doctors can claim a tax deduction for the amount of GRT they pay; additionally, there is a component of Medicare and Medicaid reimbursement to compensate for GRT. In fee-for-service, doctors can claim a line item on their tax forms for GRT paid, but few do so. In the first year of Governor Richardson's tenure, the legislature passed a bill to provide a deduction to doctors for GRT paid to managed care organizations. Mr. Anderson will provide a booklet to the committee developed by the NMMS that explains this in greater detail. He offered to have the NMMS tax expert give a presentation on this issue. Dr. Harrison added that the GRT issue is not an issue in the recruitment of doctors to New Mexico. He reminded the committee that doctors who agree to practice in a rural area are entitled under state law to a tax credit and that more than 1,400 physicians have taken advantage of this provision. Mark Moore, director, New Mexico Dental Association, testified that GRT payment is a problem for the recruitment of dentists.

Work Force Data Needs and Work Force Provisions and Opportunities in the PPACA

Dan Derksen, M.D., Center for Community Partnerships, Robert Wood Johnson Center for Health Policy fellow, reiterated the need for additional health care professionals and emphasized the need for data to demonstrate fully the need. He identified funding opportunities that are contained in the PPACA, including \$230 million for teaching health centers, \$168 million for primary care provider training and much more. New Mexico is currently ranked last in the nation in access to care, according to the Commonwealth Fund, but opportunities now exist to change that. He reviewed the number of New Mexicans currently covered by some form of publicly funded health insurance, which is close to 75% of the current population of the state. When the PPACA is fully implemented in 2014, that number will increase, creating an additional demand for health care professionals. Dr. Derksen reviewed old data that are available to demonstrate the shortages that New Mexico is currently experiencing and to project future needs. Recent data from UNM indicate that 40% of practicing physicians in New Mexico graduated from UNM. New Mexico is increasingly successful in retaining graduates in the state, but the state needs to do better. The state is currently increasing its primary care work force by approximately 1% per year; however, Dr. Derksen estimates that New Mexico will need an increase of 6.5% per year to meet future needs. Training of health professionals in teaching health centers such as health commons models has been proven to increase the retention of

providers in the state and should be encouraged. A disturbing trend in the nation is the significant decline of medical school graduates that enter family medicine. This trend will become very serious by 2014.

Dr. Derksen identified several ideas for addressing these trends, including continued support for the B.A./M.D. program at UNM, expanding family medicine training to new sites, increasing family nurse practitioner and physician assistant training, funding tuition payments for physicians who practice primary care in HPSAs and actively taking advantage of the many funding opportunities in the PPACA. He emphasized the benefit of reaching out to medical students while they are still in school to give them the support and encouragement they need. He advocated for increased training sites, coordinating training efforts with system and reimbursement reforms and a commitment to improving patient outcomes. New Mexico should be proud of the progress it has made and continue to work toward the future.

Harvey Licht, Varela Consulting Group, provided a historical perspective of the health professionals pipeline in the United States. By 2020, a shortage of 120,000 to 125,000 health professionals in the country is projected. In the PPACA, significant provisions address this shortage, including 40 different sections that modify or authorize almost 50 different programs. For the most part, the funding language is conditional, authorizing funding rather than appropriating funds; however, Kathleen Sebelius, secretary, federal Health and Human Services Department, has committed \$200 million to fund work force initiatives out of current funds. Mr. Licht provided the statutory definition of "health work force" and other important terms contained in the PPACA. Program provisions in the act fall into three categories, including education and training programs, educational financing and location incentive programs and work force assurance programs. Perhaps the most important provision is the establishment of the National Health Care Workforce Commission, which will include state work force development grants and the establishment of national/state health care work force analysis centers. Federal money will be available to states for comprehensive planning to meet work force needs and to develop a single evidence-based strategic plan. Mr. Licht highlighted appropriations that are contained in the PPACA to expand the National Health Service Corps tenfold, as well as increased funding for educational loans, loan repayment and training for mid-career training scholarships. Selected training program provisions target training in primary care, increasing teaching capacity and a graduate nurse education demonstration. Training for dentistry, mental and behavioral health, direct care workers and public health is contained in the act and could have a significant impact on New Mexico's ability to train needed health care professionals.

Mr. Licht recommended a variety of steps to maximize the use of resources in the PPACA. Requirements in state health work force development grants may suggest legislation that could be introduced to establish work force data monitoring, planning and development, educational program coordination and educational financing of program outreach.

Questions and comments covered the following areas:

- clarification regarding who is eligible for grants and how funding for these initiatives will be distributed;

- the status of mandated cuts to physician reimbursement under Medicare; the issue is complicated, but it appears Congress does not want to cut payments to doctors and will ultimately identify a long-term solution to this problem;
- an observation that until the issue of low reimbursement of primary care physicians is addressed, it is unlikely that more physicians will choose primary care as a specialty;
- whether the PPACA contains provisions to create additional residency programs; the primary care extension program may have opportunities;
- the effectiveness of rural doctors mentoring students in actual practice situations;
- the lack of uniformity in the activities that nurse assistants, medical assistants and other allied health practitioners are able to perform;
- clarification regarding what is being done to encourage middle school and high school students to pursue health professions;
- encouragement to rebuild the HPC to enable it to be more effective in these challenging times;
- whether other states are looking at similar measures to enhance the choice of primary care as a specialty;
- whether there is potential in the PPACA to fund tuition repayment, as provided for in Senator Feldman's unfunded bill; there may be potential if additional capacity could be created at UNM;
- clarification regarding the eligibility to apply for work force grants;
- concern that grant opportunities will be missed and a suggestion that someone in the Legislative Council Service be identified to track grants; synchrony between the executive and legislative branches will be necessary to benefit the state fully;
- recommendations, if any, that are coming from physicians in the state;
- the number of grants that require matching funds from the state and whether there will be a need to appropriate funds before the January session; and
- a request for data regarding where UNM medical school students went to high school and college; Pug Burge, vice president for administration for health sciences, UNM, stated that she would obtain the information from Dr. Paul Roth.

Dr. Harrison introduced Melissa Candelaria and Kevin McMullen, two recruiters for the NMHR.

Work Force and the PPACA: State Coordination

A panel composed of Sam Howarth, director of policy and performance, DOH, Teresa Casados, deputy secretary, WSD, and Len Malry, director of workforce education, Higher Education Department (HED), was invited to discuss efforts to coordinate grant applications for work force development. Mr. Howarth spoke about what the state is doing to identify and track health work force and other health care grant applications. He noted that the SJM 1 Health Care Reform Working Group and the Governor's Health Care Reform Leadership Team have been working on PPACA implementation issues. The final report of the leadership team is complete and will be presented to the LHHS after the governor formally accepts it. This report contains a

recommendation to continue the work of the leadership team. Mr. Howarth noted that the leadership team members, who are all exempt employees, have appointed classified employees to provide continuity in implementation after the November elections. He provided documentation of all of the grants or RFPs that the DOH is tracking. The DOH monitors federal registers, LISTSERV and many other sources to follow these grant opportunities, and once the applications are issued, they are entered into a matrix that contains eligible applicants, grant amounts, cost-sharing requirements, deadlines and detailed information regarding what the grant is funding. Mr. Howarth reviewed the basic goals and purposes of all of the PPACA grants for which applications have already been released. He noted that the DOH is coordinating with all partners and potential partners for grants for which the state can apply and is distributing grant opportunities to other eligible entities for grants for which the state is not eligible to apply. The HSD web site contains information that is updated weekly on grant opportunities and action.

Committee members had questions and comments in the following areas:

- the status of grants that are imminently due;
- how to avoid competing grant applications;
- a request by Ms. Burge to report all grants for which UNM is applying and to contact New Mexico State University to identify grants for which it may be applying;
- an observation that legislators are getting calls from constituents about how to apply for grants;
- whether the state is notifying eligible entities of grant opportunities; the DOH and the grant lead in each executive agency are notifying as many entities as they can identify when grant announcements are made;
- whether there are opportunities for the legislature to help the executive in getting the word out;
- how matching funds are being identified and the lack of appropriations from the legislature; and
- possibilities to partner with the State Workforce Development Board.

Ms. Casados described a work force planning grant for which the WSD is applying. She noted that the current makeup of the State Workforce Development Board may need to be altered slightly in order to qualify for the grant. The purpose of the grant is to foster state partnerships to create and implement plans for health work force development. If the planning grant is awarded, the state will be eligible for an implementation grant. The planning grant calls for an assessment of health care career pathways that already exist, regulations, barriers and a plan to eliminate barriers. Some resources already exist to get started on this planning effort and to include them in the grant application. The planning grant is for \$150,000, and, if awarded, the implementation grant would provide \$1.5 million per year for three years. The goal is to plan for an increase in the primary care work force of 10% to 15% over the next 10 years. She described the matching requirements.

Committee members had questions and comments in the following areas:

- how the WSD intends to obtain the necessary data; the HED has four-year-old data that are being updated, and the HPC has geographic access data for selected health care professionals that are current through 2009;
- the type of in-kind matching funds that are available; it could be part of individual salaries at the DOH;
- estimates of state expenditures to apply for and carry out the purpose of the planning grant; and
- how changes in the composition of the State Workforce Development Board will be accomplished.

Mr. Malry discussed the planning grant for which the WSD is applying. The grant will allow the HED to update data regarding the current education and training opportunities that exist in New Mexico and to identify a strategic plan for coordinating and consolidating those opportunities. Mr. Malry expressed excitement about the potential for increased public-private partnerships. He provided a memorandum describing all of the activities in which the HED is currently involved to promote higher education of health work force training and education.

Committee members asked whether the HED tracks the number of nurses who graduate in New Mexico; Mr. Malry will provide that information.

Mr. Howarth closed by identifying three key areas to ensure an adequate work force in the future. First, students need to be encouraged at an early educational level to pursue a health professional education. Second, the pipeline needs to be enhanced so that more opportunities to obtain a health professional education are available. Finally, ongoing recruitment and retention efforts will always be needed. He noted that the HPC will be issuing a white paper on the health work force later this year.

Workforce Solutions Department

Ken Ortiz, secretary, WSD, identified areas of the department in which funding has been cut and measures that the department has taken to accommodate those cuts. He began with a general overview of program support since fiscal year 2009, when state general funds were cut by 36% and federal funds increased by 6%. Secretary Ortiz provided more specific detail in the areas of program support, work force transition services, information technology, business services and the labor relations program identifying the amount of decrease that has been seen in both state general funds and federal funds. Generally, cuts have resulted in unfilled vacancies. The WSD currently has approximately an 18.5% vacancy rate. He provided information about the federal American Recovery and Reinvestment Act of 2009 (ARRA) funding received and how those stimulus funds were used to support specific program areas. Programs that benefited from ARRA funds included the federal Workforce Investment Act of 1998 youth program, adult program and dislocated program. Reemployment through the federal Wagner-Peyser Act of 1933 also benefited from ARRA funds by allowing significant project completion to assist job seekers. The largest amount of ARRA funding, \$39 million, was received under the Unemployment Insurance Modernization Act of 2009, and it is being used in a phased-in approach. Finally, a variety of grants for green jobs received ARRA funds.

Secretary Ortiz identified numerous ideas to enhance government efficiency. Included are suggestions to eliminate staff travel through increased internet use; form redesign; administrative simplification and program reduction; electronic payments of unemployment insurance benefits; co-location of support services such as the temporary assistance for needy families (TANF) program, job placement and training; collection of tax assessments; consolidation of other state agencies such as the Workers' Compensation Administration and the Vocational Rehabilitation Division of the Public Education Department; increased internet use; creation of a universal call center; consolidating call centers of other agencies; consolidating inspector general and audit activities for the state; and certain Procurement Code adjustments. Secretary Ortiz has created a competitive grant team to ensure that maximum revenue is received. Several of these ideas would require legislative action.

Committee members had questions and comments in the following areas:

- the effect of Congress' lack of action to extend unemployment benefits and whether benefits could be restored retroactively if Congress acts at a later time to extend these benefits;
- estimates of the number of people who are affected by this; approximately 400 to 500 people per week apply for unemployment benefits with an estimated 60,000 people currently unemployed who will not receive benefits when their current benefits are exhausted;
- clarification regarding the impact of the vacancy rate at the WSD;
- the disproportionate effect of unemployment on Native Americans;
- encouragement regarding the idea to co-locate support offices at one-stop shops;
- an observation that approximately 25% of the unemployed in the state are registered with a work force connection site and do not realize the services that are available to them;
- the source of funding for extended unemployment benefits;
- when the state's Unemployment Compensation Fund will become insolvent; the tax liability to employers is increased at such time as insolvency is imminent to keep the fund solvent;
- ways in which the business community is notified of the trigger that will result in increased tax liability;
- whether the dislocated worker money could be used to support health professional job development;
- clarification regarding outreach in the re-employment program funded by the ARRA;
- whether unemployment insurance is taxable income; yes, it is;
- the number of job openings the state currently has; more than 20,000 jobs are actively posted, but more than 65,000 people are unemployed;
- the impact of workers with arrests for driving while intoxicated who lose their driver's licenses and whether they are eligible to seek unemployment benefits if they lose their job for this reason; and
- the impact of payment of unemployment benefits by the Navajo Nation.

Public Comment

There being no public comment, the committee recessed at 5:25 p.m.

Thursday, July 8

The meeting was called to order at 9:05 a.m. by the chair.

Children, Youth and Families Department (CYFD)

William Dunbar, secretary-designate, CYFD, and Marisol Atkins, deputy secretary, CYFD, provided a budget overview to the committee describing the effect of budget cuts on programs. Since fiscal year 2009, the department has been cut by \$24 million, \$7 million of which is in fund balances. More cuts are anticipated before the end of fiscal year 2011. The CYFD has spread the effect of the cuts throughout the department, with some programs being disproportionately affected. The juvenile community corrections program was reduced by \$3.9 million, and the domestic violence program was cut by \$2.6 million, including lost TANF funds. The department's vacancy rate has nearly doubled since June 2008. While under a hiring freeze, the CYFD has developed a system for filling critical positions that prioritizes the health and safety of clients in direct state care. Cost-efficiency measures, such as the elimination of staff cell phones, have been implemented. New contracts have been negotiated, with partners such as UNM and pharmaceutical manufacturers, that have saved significant money.

Ms. Atkins testified that in January of this year, a waiting list was established for families seeking child care assistance who are above 100% of the federal poverty level. By May 2010, 1,952 children were on a waiting list. The CYFD anticipates additional federal dollars through a child development block grant beginning in the fall of 2010. Currently, ARRA funds are funding that block grant; however, ARRA funds will end in July 2011. Secretary-Designate Dunbar noted that child care assistance is a program that keeps families working; loss of child care assistance often results in a family losing employment, at which time the family can be expected to apply for additional state and federal benefits. Despite the difficulty of receiving subsidies for enrolled children, child care providers continue to work to improve the quality of their programs. Ms. Atkins reported that federal funds for home visiting programs were reduced through TANF; however, the governor has supplemented those funds with discretionary dollars to keep the program whole. The CYFD is applying for a grant to expand home visiting through the PPACA in close coordination with the DOH.

Secretary-Designate Dunbar pointed out that accepted reports of child abuse requiring investigation have increased. Jared Roundsville, deputy secretary for protective services, added that the number of children in foster care has remained stable. In order to meet demands in an environment of reduced funds, the CYFD has worked hard to keep children in homes. The complexity and severity of abuse and neglect cases have increased and continue to rise. These cases require more resources on the part of the state and place a tremendous emotional burden on staff. Since January 2010, the CYFD has seen 17 fatalities and 39 cases of severe injuries. The department has concluded that this rise in abuse and neglect is due in part to the poor economy.

Secretary-Designate Dunbar reported that the "Cambiar model", based upon the "Missouri model", is being implemented to reform juvenile justice services in secure facilities as well as in the community. This model has resulted in lower rates of recommitment and a decrease of youth entering the adult corrections system. The CYFD wants to implement the model statewide. John Sweeney, director, Juvenile Justice Division, CYFD, provided additional details regarding the success of this model where it has been implemented. In order to sustain the model, the CYFD will need to maintain ongoing training of staff, continue succession planning to develop facility staff skill levels, continue to develop data and outcome measures and encourage partnerships with communities.

David Martinez, youth and family services director, noted that coordination among all divisions and programs of the CYFD is essential. Secretary-Designate Dunbar stated that he is not prepared to talk about restructuring at this time. He believes that the CYFD is organized properly. Other departments around the nation have indicated that New Mexico is a model program. The CYFD will continue to report undocumented immigrants, despite confusion regarding this policy.

Committee members had questions and comments in the following areas:

- ways in which programs and services in general could be consolidated; the CYFD would like to meet with the secretaries of health and human services before making formal recommendations;
- the possibility of moving TANF to the HSD;
- any changes envisioned for early childhood services such as moving the licensing of child care facilities to the DOH; childhood services are vitally important, and the CYFD believes all of these services should remain together in one department;
- plans to fund an early childhood coordinator through the Lieutenant Governor's Office;
- the extent of training for foster parents;
- whether there is a sliding scale for child care, to which CYFD staff responded that, yes, people on the waiting list would pay a co-payment once their child is enrolled; however, without the subsidy, most are unable to pay for any portion of child care;
- whether there could be consideration of increasing the co-payments to keep some children in child care; the CYFD will look into it;
- whether federal funds are still available for Head Start; yes, but state-funded Head Start has been discontinued due to budget cuts;
- what the department is able to do to prevent incidents of torture and deaths of children; oversight has been increased and response procedures enhanced for children aged three years and under in response to the increase in serious incidents of this sort;
- whether there are children in the system who are being served but who do not have documents proving legal presence in the United States; seven individuals are identified but not yet reported due to the lack of a reporting procedure; a meeting is scheduled with U.S. Immigration and Customs Enforcement, and the children will be reported;

- whether one of the individuals who does not have documents proving legal presence in the country is a convicted sex offender; the response was that no individual has been accused or convicted of a sex offense;
- whether the number of children who died or were seriously injured were under the custody of the state; none of them were; of the 17 fatalities, six were known to the CYFD;
- whether the CYFD overrules recommendations of the New Mexico Child Abuse and Neglect Citizen Review Board; safety is always the first priority of the CYFD, and a child will never be returned to a home if the CYFD believes that the child's safety is in jeopardy;
- ways in which the department determines the children and families who are most in need during these tight economic times;
- whether an institutional bias exists against group homes; group homes are an important part of the network of services and are currently funded; work is ongoing to identify greater resources to allow a child to be supported in the community for the long term;
- the percentage of incarcerated youths with behavioral health conditions and the level of psychiatric care they receive while they are incarcerated and after they are discharged;
- clarification regarding training provided to foster parents and extended family members;
- the percentage of children who are abused by family members; the vast majority are;
- contingency plans for when ARRA or TANF funds cease if the state cannot replace those funds;
- whether the CYFD is aware of youth suicides among members of the Mescalero Apache Tribe and what is being done; an extensive, cross-agency coordinated effort is underway;
- whether federal funds are available to support children aging out of foster care; yes, up to \$1,500 is available for transitions, education vouchers and monthly stipends up to the child's twenty-first birthday so long as the child is employed or in school;
- the availability of housing for these youth;
- clarification regarding the size of the home visiting grant available under the PPACA and what New Mexico's chances are of receiving it; a \$500,000 planning grant, if awarded, will be followed by additional money for implementation;
- the number of families currently receiving home visiting services and in what model; state-funded programs are located in 22 counties serving just over 1,300 families;
- clarification regarding the nurse/family partnership model of home visiting; it is not currently funded by the state; however, a community may choose this model and seek CYFD funding;
- caseload sizes of caseworkers in protective services; there is no set requirement; a reasonable caseload is 25 to 30; and
- the number of pending protective services investigations.

Various committee members expressed thanks for the work done by the CYFD for the children of New Mexico.

Aging and Long-Term Services Department (ALTSD)

Michael Spanier, secretary, ALTSD, and Matthew Onstott, deputy secretary, ALTSD, provided information about the programs and services of the ALTSD and the effect of budget cuts on the department. Secretary Spanier began with an overview of the department, identifying populations served and the mission of the department. He reviewed significant population projections and trends and the anticipated impact of those trends on the ALTSD for the future. Most remarkable is that by 2015, an estimated 16.8% of the population of the state will be over age 65, and by 2030, it is expected that more than 25% of the population will be over the age of 65. Factors for this trend were identified, including the aging of the population, New Mexico as a retirement destination and the departure of many youths who move away from the state. Federal funding formulas are determined by the size of the aging population relative to the rest of the nation. Secretary Spanier is advocating with the New Mexico congressional delegation for the formula to be altered to recognize the percentage of the population over age 65. He noted that New Mexico is now first in the nation in the number of Medicaid dollars spent on home and community-based services. He reviewed the department's priorities and related those priorities to the previously discussed trends and impacts. Support of volunteer caregivers has emerged as a critical work force issue, particularly in light of increasing needs and declining revenues. As was reported by the CYFD, instances of abuse, neglect and exploitation of elders are increasing in frequency and intensity. The issue of economic insecurity, especially food insecurity, was highlighted as a critical concern. Deputy Secretary Onstott addressed budget trends and cuts, identifying an overall 12% reduction in the budget. In fiscal year 2009, the ALTSD received \$51.9 million in general fund dollars; in fiscal year 2011, state general funding has been reduced to \$44.1 million, which is a reduction of \$6.9 million. The department will also lose an estimated \$730,000 in ARRA funding, mostly used for meal programs. He provided specific information about the impact of cuts in each of the program divisions. Although the need for adult protective services is growing, funding has declined by 15% in the same period of time. Funding for home and community-based services covered largely by Medicaid has declined by 22%. Services offered through the aging network and senior centers, which are in greater demand due to cuts in other areas, have declined by 9%. Funding for the Consumer and Elder Rights Division of the ALTSD, in which the Aging and Disability Resource Center is located, has been reduced by 10%. The effects of these cuts were briefly identified. Administrative support, including information technology, staff for the aging network, legal services and other administrative costs, has been reduced by 17%.

Committee members had questions and comments in the following areas:

- whether meals are provided for the weekends when hot meals may not otherwise be available; some communities are able to provide additional meals, but not all;
- whether there are any grants to provide food to hungry seniors; ARRA funds have helped, but these funds will cease; there have been efforts to link seniors with the supplemental nutrition assistance program (SNAP);

- whether opportunities exist to consolidate programs, such as meals programs with other state and privately funded programs, to achieve economies of scale in feeding the hungry;
- an observation that home-delivered meal programs often provide the only point of contact that a particular senior has with others;
- whether there has been an increase in the number of people with Alzheimer's disease and the types of services available to them; this information will be provided;
- whether the Adult Protective Services Act is strong enough and how it compares to other states; there was a request for a meeting of key people to examine that issue;
- whether the money for the coordination of long-term services (CoLTS) program match is in the ALTSD; program dollars are in the HSD; some administrative dollars are in the ALTSD and some are in the HSD;
- whether the CoLTS program is effective; the model has benefits and the state is headed in the right direction; however, it is not perfect, and improvements should still be pursued;
- the average cost of a senior meal; it varies around the state;
- projections regarding the number of senior centers that are reducing served meals;
- clarification regarding the Aging and Disability Resource Center services; coordination of all of the ALTSD programs and services occur through the call-in center, which averages approximately 300 calls per day; the ALTSD, the HSD and the DOH are working to combine their efforts in this area;
- clarification regarding the percentage of grandparents with primary caregiving responsibility and whether the ALTSD has any programs that address this situation; the ALTSD provides free legal services to assist grandparents with guardianship issues; and
- whether other agencies hold revenues in reserve as the ALTSD does.

Secretary Spanier addressed areas in which the ALTSD is identifying efficiencies. The department has established a cost-savings task force, which has already saved money in telephone and transportation costs. House Memorial 43 calls for the development of a plan to reflect a business model of operation for federal Older Americans Act of 1965 programs and services. Previously mentioned was the effort to integrate information technology systems. He spoke about the recommendation in the Carruthers report to consolidate the ALTSD with the HSD. The ALTSD would resist this recommendation. A document justifying keeping the ALTSD as a separate department of state government was distributed. He acknowledged that there is also discussion of consolidating all the Medicaid waiver programs within one department. Secretary Spanier believes that this is an idea worth exploring; however, it would be premature to consolidate those programs at this time, and such a move should be made slowly and deliberately.

Human Services Department

Secretary Falls provided a brief overview of the organization and structure of the HSD and the programs for which it is responsible. She provided detailed information regarding the impacts of budget cuts to all divisions of the department, beginning with the Income Support

Division, which is currently functioning with a 19% vacancy rate despite increases in enrollment of all programs, including SNAP, TANF, general assistance, Medicaid and medical assistance. The TANF program is a federal block grant amounting to \$110 million per year. Current enrollment projections indicate that TANF funding will be insufficient to meet the need for fiscal year 2011, with an anticipated shortfall of \$10.8 to \$12.4 million. The Child Support Enforcement Division has been supported through ARRA funding; however, it is functioning with a 17% vacancy rate. The Behavioral Health Services Division has been funded largely through grants that are ending or that have already ended. A large transformation state incentive grant in the amount of \$2.5 million has ended, and there is no general fund money to replace that funding. Substantial grants for substance abuse prevention are also ending without general fund replacement dollars. The Behavioral Health Services Division is functioning with a 33% vacancy rate. In the area of program support, the Administrative Services Division has a 15% vacancy rate, the Office of the Inspector General has a 28% vacancy rate, the Office of the General Counsel is functioning with a 17% vacancy rate and the Information Technology Division is down 25 positions with a 28% vacancy rate.

Secretary Falls reported that the Medical Assistance Division is projecting a shortfall for fiscal year 2011 of between \$36 million to \$196 million. The Centers for Medicaid and Medicare Services (CMS) has verbally indicated that the state coverage insurance program (SCI) will be eligible to receive an enhanced federal match for childless adults who were required to be moved to a new waiver. This amount, however, will result in New Mexico exceeding a budget cap that is a requirement of that waiver and could result in a shortfall of \$132.5 million. Secretary Falls is hopeful that an arrangement can be made with the CMS not to have this occur. The ARRA enhanced federal match for Medicaid will expire on December 31, 2010. If this match is not extended, the program will have an anticipated \$600 million combined federal fund and general fund shortfall. If the enhanced match is extended in a phased-in reduced manner, as proposed, the shortfall would be an estimated \$245 million. Combined with the current base shortfall, the shortfall in Medicaid is likely to be \$400 million. Cuts of this extent will require elimination of programs, and decisions to do that will have to be made prior to the next legislative session in order to notify beneficiaries on a timely basis. Secretary Falls reviewed cost-containment measures that the department has already implemented or has identified for implementation. Despite these actions, Medicaid will have a \$20 million shortfall in fiscal year 2010 that the HSD will be able to push forward to fiscal year 2011. She provided a breakdown of medical expenses by category. Long-term care services, particularly personal care option services, have seen a significant growth rate. Additional cost-containment options under consideration were described, including provider taxes, limiting pharmacy benefits to mail order, limiting emergency room visits and revamping long-term care services and programs. An evaluation of steps taken or under consideration by other states has been conducted. The SCI program could be eliminated, although that would result in 52,000 people becoming uninsured. There are no easy options left; all the easy steps have been taken already.

Secretary Falls then identified the agencies whose missions and administrative functions overlap with the HSD. There might be opportunities for administrative consolidation with some of these programs or agencies.

Committee members had questions and comments in the following areas:

- the process by which current and anticipated cost-containment measures were identified; evaluation of other states' actions, work with advocates and providers, input from the Medicaid Advisory Committee and more; consideration will be given to what will have the greatest and least impact on consumers;
- how the HSD ensures that cuts do the least amount of harm;
- recognition of the profound impact of any decisions to cut programs from Medicaid;
- great concern for the disruption to these essential programs with a change of governor in November;
- whether opportunities exist to alter programs or services for people who account for a disproportionate amount of expenditures; most of the high-cost people are elderly, disabled or very high-risk; New Mexico has worked hard to limit the cost of their care by maximizing home and community-based care;
- recognition of the ethical dilemma of providing the greatest good for the greatest number of people versus meeting the needs of the sickest people;
- an observation that a type of rationing is already occurring;
- federal limitations in making cuts to Medicaid; New Mexico must provide certain mandatory services, some of which are costly such as nursing home care; additionally, the PPACA includes a maintenance of effort requirement between now and 2014, when all citizens at or below 133% of the federal poverty level will be eligible for Medicaid; among those restrictions is a prohibition against lowering eligibility;
- whether there is any scenario in which the HSD would consider eliminating managed care contracts and putting in place a simpler approach to administering Medicaid; a reliable alternative approach would have to be demonstrated first; medical homes and accountable care organizations might become a good model both to contain costs and manage care;
- whether it is really known how much money managed care organizations are actually spending and on what; a report has been given to the LFC reflecting 2009 encounter and claims data; a lot is known, but there are still opportunities to do a better job;
- whether data in the report are segmented by category of eligibility; no, it is provided by category of service; a request was made for data by category of eligibility, which the HSD will provide;
- clarification regarding cost savings for cost-containment measures already implemented; and
- whether cuts to providers result in poorer care to beneficiaries.

Department of Health

Alfredo Vigil, secretary, DOH, introduced Mike Mulligan, deputy secretary for finance and administration, DOH. Deputy Secretary Mulligan talked about the effects of budget cuts in the department. The department has seen a decrease of approximately \$25 million in general funds and another \$25 million in ARRA funds. He reviewed the cuts beginning in fiscal year 2009 and how reductions were implemented. Inpatient facilities were held harmless. In fiscal year 2010, reductions of \$23.1 million resulted in cuts to the Facilities Division, the Trauma

System Fund, the Public Health Division, the Scientific Laboratory Division, the Administrative Services Division and the Epidemiology and Response Division. Cuts were offset by \$16.2 million in ARRA funds. An additional \$10.3 million in cuts were required by executive order in 2010. In fiscal year 2011, \$9.7 million in cuts resulted in a reduction of funding to the Public Health Division, the Facilities Division and the Epidemiology and Response Division. Efficiencies were achieved by elimination of most travel, vacancies and other administrative actions. General fund contracts were reduced by \$8.8 million in the Public Health Division. Efforts were made to protect programs that provided direct patient care services. Other costs were reduced by reducing vaccines, medications, medical supplies, children's medical services and family planning. Tobacco settlement funds were also reduced in fiscal year 2011, affecting tobacco cessation, diabetes, HIV/AIDS and breast and cervical cancer programs. The Epidemiology and Response Division is working with an 18% vacancy rate and is seeking federal funding for emergency response activities. The Scientific Laboratory Division will maintain a 14% vacancy rate, and revenues to this division are further reduced by cuts to other agencies. The DOH is realigning general fund dollars to meet the needs of inpatient facilities managed by the DOH. The Facilities Division is maintaining a 6.2% vacancy rate, though the department is trying hard to hold this division harmless. The developmental disabilities (DD) waiver program will be badly hurt if the enhanced federal Medicaid match is not extended. If it is not extended, the DOH will need a \$16 million supplemental appropriation or it must drastically reduce services to individuals. Funding for certification and licensure was reduced by 16%. The Development Disabilities Support Division will maintain a 30% vacancy rate. A reduction in surveys, especially start-up surveys, will be impaired by this cut.

Secretary Vigil summarized the effect of budget cuts on the department, highlighting those areas with the largest impact. In many health programs, federal funding will be reduced if the department is unable to provide the level of expected services. Facilities and other programs in the DOH that require health care professionals will find it harder to hire needed staff as the department becomes less and less able to provide competitive wages. The DOH is committed to continuing most, if not all, of the programs with the help and partnership of communities and volunteers.

Jack Callaghan, director, Public Health Division, DOH, noted that last year is the ninetieth year of public health. New Mexico has 55 public health offices, without which the state is ill-prepared to deal with public health emergencies. The goal of the Public Health Division is simply to maintain the infrastructure.

Committee members had questions and comments in the following areas:

- ways in which public health offices and activities will be sustained; the department will continue to make cuts to programs that will have the greatest impact in the future; prevention programs will be reduced first;
- recognition of the devastating impact of cuts to public health that will be long-lasting;
- the intention of the DOH to maintain infrastructure so that when the funds come back, or when the next emergency event occurs, the state will have the ability to expand and respond;

- the potential for establishing regional public health offices that are smaller and more flexible;
- clarification regarding the "triage" system that the department is using to determine where to cut funding;
- whether there is a potential to get a federal waiver from some facility licensing requirements; most of the regulations are not things that the DOH would want to change as they are targeted to safe patient care;
- ongoing concerns regarding the DD waiver;
- the potential for a redesign of the DD waiver as a result of the required waiver resubmission by March 31, 2011; and
- clarification regarding the effects of reductions; adult vaccines were reduced or eliminated; children's medical services now require pre-authorization; and family planning programs were tightened to focus on populations meeting high-risk criteria.

Secretary Vigil declined to identify opportunities for restructuring and stated that the department is already excessively flat in organizational structure. He contended that moving the boxes around on the organizational chart would cost more money and would not help. The department has not done any analysis of what it would take to consolidate with other agencies; it has focused instead on dealing with budget cuts.

Public Comment

There being no public comment, the meeting was adjourned at 4:55 p.m.