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## FISCAL IMPACT REPORT

ORIGINAL DATE 1-23-06

SPONSOR King LAST UPDATED \_\_\_\_\_ HB 205

SHORT TITLE Increase Family, Infant, Toddler Funding SB \_\_\_\_\_

ANALYST Collard

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$5,000.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates SB 112  
Relates to Appropriation in the General Appropriation Act

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	\$3,200.0		Recurring	Federal Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Department of Health (DOH)  
Interagency Coordinating Council (ICC)

### SUMMARY

House Bill 205 appropriates \$5 million from the general fund to DOH for the purpose of increasing funding for the Family, Infant, Toddler (FIT) program.

### FISCAL IMPLICATIONS

The appropriation of \$5 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY07 shall revert to the general fund.

DOH indicates the bill relates to \$1.5 million for the FIT program in the executive budget recommendation and the \$1.2 million in the LFC recommendation. ICC indicates the FIT program needs an additional \$5 million for services, but that the recommendations in both the LFC and executive budget recommendations are part of the total amount needed.

DOH indicates approximately 25 percent of general fund appropriated to DOH for the FIT program are used as match for Medicaid. Utilizing this match, \$1.25 million (\$5 million x 25 percent) from the general fund would generate approximately \$3.2 million in additional federal Medicaid funds, in the state Medicaid Early Periodic Screening Diagnosis and Treatment (EPSDT) program budget.

ICC indicates the cost per child in FY04 and FY05 was \$3,270. Using a consumer price index of 2.5 percent for two years, ICC cites the current cost per child at \$3,436. Based on this cost and the number of children in the FIT program that are not Medicaid eligible and funded completely through the general fund, 4,629, the ICC notes a need of \$15.9 million for the FIT program in FY07. Adding the amount of general fund needed for Medicaid match (\$1.7 million) and subtracting the current FIT budget of \$9.9 million, as well as possible insurance revenues of \$2.6 million, the ICC justifies a need of approximately \$5 million.

## **SIGNIFICANT ISSUES**

DOH indicates the FIT program is the lead agency under the Individuals with Disabilities Education Act (IDEA) Part C for the administration of a statewide system of early intervention services for infants and toddlers (birth to age 3), who have or are at risk for developmental delays or disabilities. The FIT Program is an entitlement program for children and families who are eligible in accordance with the New Mexico, “Education of the Handicapped” (28-18 NMSA 1978) and the “Requirements for Family Infant Toddler Early Intervention Services” (7.30.8 NMAC).

The FIT program utilizes the general funds to fund early intervention services on a fee-for-service basis through a statewide network of private and public provider agencies. The FIT program pays the match for early intervention services provided to children who are enrolled in Medicaid. In addition, the FIT program utilizes the annual federal IDEA Part C grant and payments made through private insurance under legislation passed in the 2005 Legislative session.

The FIT Program served 9,171 infants and toddlers (birth to 3) and their families in FY05 and has experienced an average annual growth rate of 15 percent over the past three years. This growth is as a result of ongoing child find and public awareness efforts to medical, childcare, home visiting and social service providers. The FIT program continues to experience significant growth in referrals as a result of changes in the Child Abuse Protection and Treatment Act (CAPTA) that now mandates the referral of children under age three from CYFD when there is substantiated abuse or neglect.

In 2003, DOH commissioned an independent rate study. The study, which was finalized in 2004, recommended an increase in the reimbursement rates for early intervention services based on an analysis of provider agency costs of delivering early intervention services in New Mexico. The increase in costs are partly due to the increase in services that are delivered in the family’s home or a community child care setting (87 percent in FY05 compared to 59.8 percent in FY00), which have increased the cost of travel and time related to that travel.

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The cost of hiring and retaining licensed and certified therapists to ensure that children are served by qualified staff has also increased.

The average annual cost per child in the FIT program in FY05 was approximately \$2.6 thousand. If the rate study recommended rates (with a cost of living adjustment of 3.2 percent) were to be applied in FY07 the annual average cost per child is projected to be approximately \$3.2 thousand.

If enacted, the \$5 million appropriation would enable the FIT program to serve an additional 1,582 children in FY07 (over FY06 projected numbers) even with the higher cost per child.

### **DUPLICATION**

House Bill 205 duplicates Senate Bill 112.

### **OTHER SUBSTANTIVE ISSUES**

Although DOH oversees the administration of the FIT program, it does not have authority to increase reimbursement rates paid by Medicaid to providers. Unless the Human Services Department (HSD) agrees to match the proposed rate increase in this bill, providers would be reimbursed at two rates.

KBC/nt