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## FISCAL IMPACT REPORT

ORIGINAL DATE 1-23-06  
 SPONSOR     Komadina     LAST UPDATED     1-28-06     HB                       
 SHORT TITLE     Medically Fragile Waiver Program Waiting List     SB     47      
 ANALYST     Collard    

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$1,000.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates HB 230  
 Relates to Appropriation in the General Appropriation Act

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
N/A	\$3,535.8	\$3,535.8	Recurring	HSD FFP

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	FY06	FY07	FY08	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
	N/A	\$571.0	\$571.0	\$1,142.0	Recurring	General Fund
<b>Total</b>		\$1,284.5	\$1,284.5	\$1,569.0	Recurring	FFP

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Health (DOH)

Human Services Department (HSD)

Developmental Disabilities Planning Council (DDPC)

Medically Fragile Case Management Program (MFCMP) at the University of New Mexico

## SUMMARY

### Synopsis of Bill

Senate Bill 47 appropriates \$1 million from the general fund to DOH for the purpose of eliminating the waiting list for the medically fragile Medicaid waiver (MF waiver) program.

## FISCAL IMPLICATIONS

The appropriation of \$1 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.

The LFC budget recommendation for DOH includes \$729.5 thousand from the general fund for the elimination of the MF waiver waiting list. This amount is based on a waiting list of 75 clients at an average cost of \$37,408, as provided by DOH in July 2005.

MFCMP indicates the annualized budget for all of the levels of MF waiver clients is \$44,715 per year.

HSD indicates the appropriation to DOH will qualify for \$3,535,818 in Federal Financial Participation (FFP) funds for a total of \$4,535,818.

The additional individuals on the MF waiver will impact the HSD operating budget. Each individual on the waiver becomes eligible for Medicaid state plan services. The average cost of Medicaid state plan (non-waiver) services for individuals on the MF Waiver is \$12,168 per year for FY05. If the wait list grew between January 2006 and June 2006 and 135 additional individuals served, additional costs to HSD would be \$1,178.1 thousand (in general fund and FFP). The appropriation does not cover these costs.

There is also fiscal impact for: Income Support Division (ISD) will have added costs for staff to conduct additional determinations for initial and annual Medicaid eligibility. Each ISD full-time equivalent (FTE) can service approximately 250 waiver recipients. An additional 0.54 FTE would be required by ISD to provide financial eligibility determinations for the additional 135 waiver recipients. The cost for the 0.54 FTE is \$43.2 thousand per year. This position is eligible for federal administrative matching funds at 50 percent (\$21.6 thousand per year from the general fund and \$21.6 thousand per year FFP).

The Medicaid Utilization Review (UR) contractor will have added costs to determine client level of care and data enter Individual Service Plans. Following the FY05 base costs, the UR contractor costs would increase by \$129.6 thousand per year (\$64.8 from both the general fund and federal administrative match.)

HSD will have added costs to provide oversight of the program. Approximately 0.50 FTE will be needed to provide the oversight for a total cost of \$40 thousand (\$20 thousand from the general fund and from federal administrative match).

The added cost to HSD for implementation of this bill totals \$1,855.5 thousand (\$570,983 from

the general fund and \$1,284,497 FFP and 50 percent federal administrative match.) It should be noted the above items total \$1,309.9 thousand and HSD has not accounted for \$464.6 thousand of the total estimated cost. Based on HSD's additional cost analysis, it would cost \$22.6 thousand per person for administrative costs. This seems an exorbitant expense that would require detailed explanation.

### **SIGNIFICANT ISSUES**

DOH indicates the percentage of the total number of registrants on the MF waiver waiting list that will meet the definition of being medically fragile should be considered. An example: currently there are 82 individuals on the waiting list. The amount to be appropriated from the general fund will have a federal match of 72 percent. Utilizing the average annualized budget for MF waiver recipients being served for the current fiscal year as \$48 thousand (the lowest level of care) the total number of individuals that may be served on the medically fragile waiver waiting list for fiscal year 2007 is an estimated 74 individuals.

DOH notes the appropriation proposed may not be enough monies to eliminate the MF waiver waiting list for FY07. The MF waiver has capitated annual budgets for each individual served that may range from \$48 thousand to \$70 thousand, depending on the level of care. Level of care is based on medical necessity of services to be accessed for each individual based on their approved medical eligibility for level of care with capitation for level of care I: \$70 thousand, level of care II: \$60 thousand, and level of care III: \$48 thousand. The actual number of individuals that may be served might be limited based on their approved annualized level of care.

DOH and HSD state some of the individuals on the MF waiver waiting list are receiving medical services through other payor sources such as the HSD Medicaid Medically Fragile Early Periodic Screening Diagnostic Treatment (EPSDT) program that serves individuals from birth to 21 years; and some of the individuals are receiving limited medical services through private pay insurances.

HSD indicates the \$1 million appropriation will generate FFP of \$3,535,818, for a total of \$4,535,818 available to provide services. The average cost of waiver services per year per recipient for FY05 was \$33,384. Using the same costs per year for services, the appropriation will serve an additional 135 individuals on the MF waiver. HSD indicates the appropriation exceeds the cost of waiver services for all individuals currently on the wait list.

### **ADMINISTRATIVE IMPLICATIONS**

HSD notes while the bill appropriates funds to DOH to reduce the wait list for the MF waiver, it does not appropriate any funds to HSD to cover the costs of Medicaid state plan services to which the new waiver recipients are entitled. There are also an administrative and fiscal impacts for: 1) ISD staff to conduct additional determinations for initial and annual Medicaid eligibility; 2) the Medicaid Utilization Review contractor to determine client level of care and data enter Individual Service Plans; 3) HSD to provide oversight of the program; and 4) DOH to provide administration, incident management and quality management for the program.

HSD/MAD has programmatic oversight of the MF Waiver. The MF Waiver application, approved by CMS in June 2005, will have to be amended to accommodate the higher expenditures and recipient count. HSD/MAD will have to adjust the Medicaid UR contractor's budget to en-

sure coverage of the cost of additional reviews. Program oversight and UR contract oversight would also be impacted to the extent that additional consumers entail a proportionate increase in problem-resolution incidents. HSD/ISD will have to complete additional financial eligibility determinations and provide other support to the additional individuals.

### **OTHER SUBSTANTIVE ISSUES**

Statistics on the MF waiver population, according to MFCMP:

- There is a 20 percent to 30 percent death rate for this population each year.
- Individuals are served by MFCMP in 26 counties. Children are served in 7 frontier counties.
- Forty-seven percent of the families served are Hispanic, 13 percent are Native American, 2 percent are African-American, 35 percent are Anglo and 3 percent are other.
- Forty children are on ventilators, 65 have tracheotomies, over half of the children require feeding tubes for nutrition and medication administration, 10 percent of the children receive IV medicine, and over half of the children are on oxygen.

### **DUPLICATION**

Senate Bill 47 duplicates House Bill 230.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If SB 47 was not enacted, the MF Waiver would continue to have a wait list for services and allocations could be made only through attrition of individuals currently receiving services. Some families of the individuals on the wait list may not be able to afford the medical services their children need.

KBC/mt:nt