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FISCAL IMPACT REPORT

ORIGINAL DATE 02/03/06

SPONSOR B. Sanchez LAST UPDATED _____ HB _____

MEDICAID SERVICES FOR MENTALLY

SHORT TITLE RETARDED SB 734

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$10,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 663, HB 704

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	\$25,000.0		Recurring	Federal Medicaid

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Bill 734 appropriates \$10 million from the general fund to the Human Services Department for the purpose of increasing the Medicaid reimbursement rate for nursing facilities and intermediate care facilities for the mentally retarded to maintain competitive wages, adequate staffing and local minimum wage requirements.

FISCAL IMPLICATIONS

The appropriation of \$10 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.

SIGNIFICANT ISSUES

HSD notes that currently, Medicaid rates are determined by variety of factors including wages and staffing levels. This bill would require HSD to determine for each facility local prevailing wages for similar work and adjust for any local minimum wage requirements. Those determinations are complex and beyond the resource level of HSD. To meet these requirements, HSD would have to enter into a contract for those determinations. No funds are provided for that type of contract, which is likely to be expensive. In addition, the Department of Health currently establishes requirements for adequate staffing for the enumerated facilities. Those levels are considered when HSD establishes reimbursement rates. There are currently no requirements regarding salary levels paid by facilities. Rates paid to the facilities would be adjusted when Medicaid rates are adjusted if salaries are increased. This bill would require an annual appropriation increase for the Medicaid Program to account for this increase.

Medicaid regulations allow for rebasing of the rates for nursing facilities and ICF/MRs every three years with a percentage increase up to the market basket index (MBI) for the two years prior to the rebasing year if budget is available. An increase in this amount exceeds what the MBI would allow, as the MBI normally ranges from 2.5% to 3.5%. Also, because the rebasing takes cost into consideration, any increase in costs in one year from an increase in rates would drive up the rates for the next rebasing.

POSSIBLE QUESTIONS

Many provider groups are adversely affected financially by the relatively low Medicaid reimbursement rates yet this bill offers relief to only one. Should other provider groups be considered?

MW/nt