# F I S C A L  I M P A C T  R E P O R T

**SPONSOR** SFLS **ORIGINAL DATE** 8/16/08 **LAST UPDATED** 8/18/08 **HB**

**SHORT TITLE** Health Insurance Rates and Coverage **SB** 22/SFLS/aSFL#1/aSFL#2

**ANALYST** Earnest

## APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---|---|---|---|
| **FY09** | **FY10** | | |
| | $32,500.0 | Recurring | General Fund |
| | | | |

(Parenthesis ( ) Indicate Expenditure Decreases)

Companion to Senate Bill 19 and House Bill 5

## SOURCES OF INFORMATION

LFC Files
Human Services Department (HSD)
Department of Health (DOH)
Discussions with Secretary Hyde and Medical Assistance Director Ingram

## SUMMARY

Synopsis of Senate Floor Amendment #2

Senate Floor Amendment #2 to the Senate Floor Substitute for Senate Bill 22 replaces the phrase "other health coverage programs" with "state children health insurance program" in two instances – page 1, line 25, and page 2, line 5.

Synopsis of Senate Floor Amendment #1

Senate Floor Amendment #1 to the Senate Floor Substitute for Senate Bill 22 limits the use of the $2.5 million appropriation for direct behavioral health services. The amendment prohibits the use of the appropriation for administration of the programs.

Synopsis of the Original Bill

The Senate Floor Substitute for Senate Bill 22 appropriates $32.5 million to HSD, as follows:

- $10 million to provide coverage for individuals enrolled in or eligible for the developmental disabilities waiver;
- $20 million to provide health care coverage for individuals through age 18 in Medicaid or other health coverage programs designed to reduce the number of children without coverage; and

  - $2.5 million for direct behavioral health services to individuals through age 18 with behavioral health care needs in Medicaid or other health coverage programs designed to reduce the number of children without coverage.
- The effective date of the bill is April 1, 2009.

## FISCAL IMPLICATIONS

The appropriation of $32.5 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2010 shall revert to the general fund.

**Developmental Disabilities (DD) Waiver.** In the 2008 session, the Legislature appropriated $4 million for direct DD services. Based on information from the Department of Health, LFC projected that the additional funding would serve another 160 individuals.

Using similar figures, the $10 million proposed in this bill may provide services to another 430 individuals currently on the waiting list. The FY09 per-person cost per year for DD services is approximately $25 thousand from the general fund, which is then matched with federal funds.

**Child Enrollment in Medicaid**. Based on information provided by HSD for the original bill, the per-child cost is about $3,500 per year for enrollment in Salud! – Medicaid's managed care program. Using that figure, the $20 million appropriated by this bill, and matched with federal funds, may provide coverage under Medicaid to more than 19,000 currently eligible children. This assumes that the department will use all of the appropriated funds to enroll children in Medicaid. If the department sets aside some funding for the premium assistance program and administration, the number of newly enrolled children may be less.

HSD reported that the $3,500 cost per year for children through 18 represented the average. The best information available to HSD is the cost for children age 0 to 5. The cost is more difficult to project for children age 5 to 18 with incomes above 235 percent of FPL. Depending on how many kids enroll, and at what ages and incomes, the risk to this projection is unknown. However, the un-enrolled but eligible population is likely healthy, bringing the per-year costs down.

**Behavioral Health Services.** The bill appropriates $2.5 million for direct behavioral health services for children through age eighteen with behavioral health care needs in Medicaid, premium assistance or other health coverage programs. HSD has projected that the average cost for behavioral health services for all individuals covered under ValueOptions NM is about $780 per year -- $226 in state general funds and $554 in federal funds. It is difficult to project any additional enrollment of children specifically for behavioral health services. The physical health and behavioral health services are administered by different managed care organizations, but an individual covered under Medicaid is enrolled in both. The state does not enroll an individual solely for behavioral health services. It is possible the appropriation could be used to expand benefits of behavioral health services.

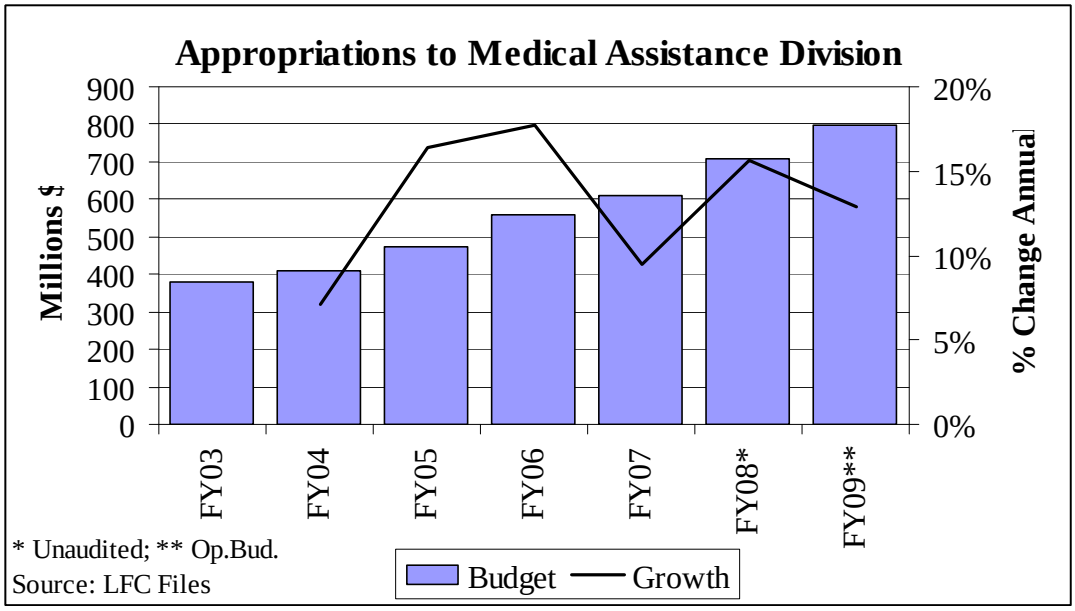
## SIGNIFICANT ISSUES

**Developmental Disability (DD) Waiver.** Approximately 3,800 special needs individuals receive services under the Developmental Disabilities (DD) Medicaid waiver. The 2008 GAA included an additional $4 million for direct DD services in FY09 (on top of a $5 million increase

in FY08). The increased funding in FY09 should reduce the waiting list, currently about 4,300 individuals, by approximately 160.

**Medicaid Expansion and Enrollment of Children.** The bill proposes to enroll additional children in Medicaid or other health coverage programs designed to reduce the number of uninsured children. Current projections reported by HSD for FY09 indicate a $14.5 million shortfall. The department expects to be able to manage the shortfall through cost containment measures, like restricting enrollment and services, but the appropriation in this bill is intended to expand enrollment of children. This proposal expands enrollment while HSD is currently trying to restrict growth.

In addition, there are several unknown factors for the FY10 Medicaid budget. Base growth costs in Medicaid, as in the rest of the health care industry, have been significant. Without an FY10 budget request or Medicaid projection, the needs for FY10 are unknown. At a minimum, appropriations for Medicaid are expected to grow by more than 8 percent per year, or about $63 million in FY10.

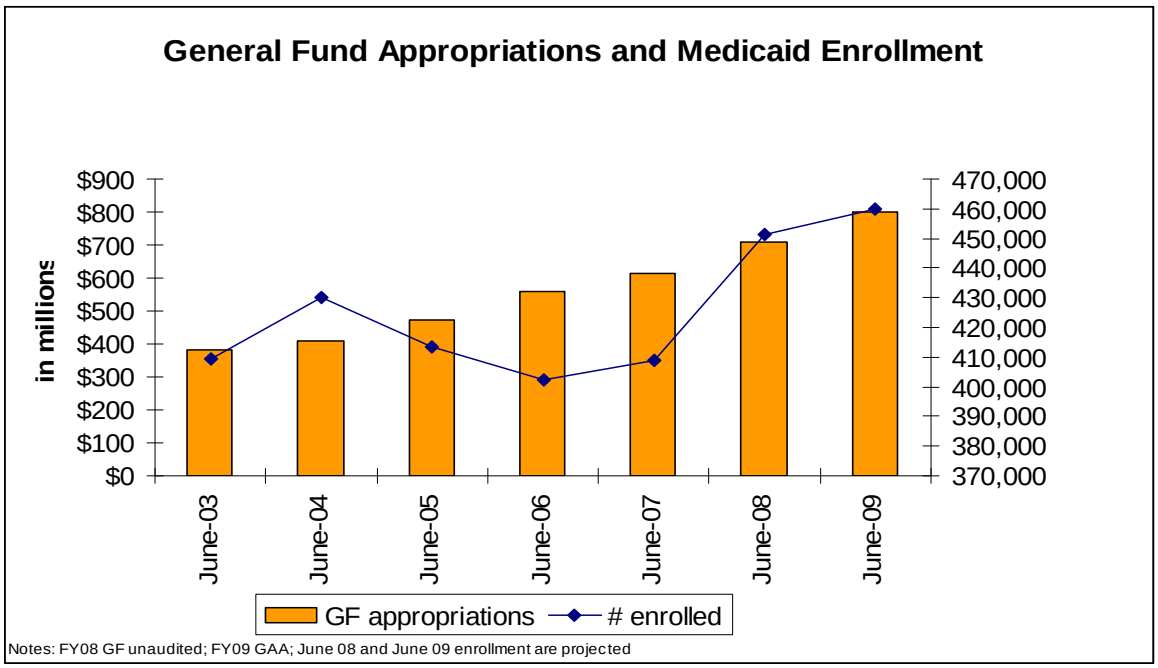



***Medicaid Enrollment.*** As of April 2008, there were 440,693 individuals enrolled in Medicaid. Of the total, 290,783 were children under age 21. There are 40 categories of eligibility for children. Enrollment in selected categories is provided in the following table:

**Children Under 21 Enrolled in Medicaid**

| FPL (ages) | # enrolled | Medicaid Category |
|---|---|---|
| 100% | 67,555 | 72 |
| 133% | 82,530 | 32 |
| 133% (0-5) | 53,062 | 32Q |
| 185% | 22,876 | 36 |
| 185% (0-5) | 3,539 | 36R |
| SCHIP | 8,767 | 71/1 |
| SCHIP (0-5) | 812 | 71/1/Y |
| Other | 51,642 | Various |
| Total | 290,783 | |

Source: HSD Medicaid Eligibility Report, August 5, 2008




By appropriating $20 million for FY09 and FY10, the bill assumes some 19,000 children will be enrolled in FY10. This population of uninsured children is arguably difficult to enroll, and the appropriation as proposed may put a large surplus in the Medicaid program without demonstration of need.

Enrolling 10,000 to 15,000 additional kids per year may be more reasonable. Using HSD's projected cost per client of $3,500 per year, the general fund requirement under this scenario would range from $10.4 million to $15.6 million

***Access to Data.*** It is difficult to estimate the number of new clients to be served by this bill. LFC has requested details of payments and clients enrolled in Medicaid managed care organizations in order to project budget needs and evaluate cost effectiveness of the Medicaid program. HSD does not provide up-to-date information on managed care enrollment and the average amount of payments by type of client to LFC to assist with budget analysis. Secretary Hyde pledged to meet with LFC staff to review the requests and facilitate access to as much information as legal counsel deems permissible.

HSD has also cited a lack of staff resources and insufficient budget in denying requests for information about enrollment in and aggregate per member per month payments to managed care organizations. It is unclear whether the department would use some of the appropriation for administrative purposes, such as new FTE and marketing. The currently strained HSD may be unable to take on the aggressive outreach needed to enroll this population.

***Health Care Investments.*** Given the various opportunities for health care investments, the health and economic benefits of expanding insurance rates for a mostly healthy population (children age 0 to 19) should be considered. Most of the children proposed for coverage already have access to Medicaid and other publicly funded programs but have not requested it or have fallen off.

***Access to Care.*** Other states that have enacted laws to expand the insured population have seen a decline in access to medical services. The supply of physicians in primary care practice has been declining nationally relative to those in specialty practice.

**Behavioral Health Services.** ValueOptions NM is the managed care organizations contracted with the state to provide behavioral services under Medicaid and other state funded programs

## ADMINISTRATIVE IMPLICATIONS

The bill carries a significant administrative cost for the Human Services Department. The department needs to upgrade its information technology system, and it is unclear whether the department would use some of the appropriation for administrative needs.

## ALTERNATIVES

The appropriation language of the bill provides broad authority to HSD for use of the funding. The Legislature may consider language to restrict the funding ensure greater accountability for state spending. For example:

- Include language to allow HSD to draw down the appropriation in increments upon certification of need for new enrollees beyond those enrolled on June 30, 2009.
- Limit the use of the appropriation for administration (e.g. 3%) to ensure a maximum is allotted to coverage and services.
- Specify the appropriation by program – e.g., a certain amount for Medicaid and a certain amount for the premium assistance program.
- Appropriate the general fund revenue to a contingency fund that may be used solely for newly enrolled children. This may coincide with requirements that HSD report to the Legislature on current monthly enrollment of all Medicaid programs.

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