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FISCAL IMPACT REPORT

ORIGINAL DATE 02/21/11
 SPONSOR Park LAST UPDATED 02/26/11 HB 189/aHCPAC
 SHORT TITLE Merge Aging & Human Services Departments SB _____
 ANALYST Earnest

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
ALTSD		(\$20,422.6)	(\$40,845.1)		Recurring	General Fund
HSD		\$20,422.6	\$40,845.1		Recurring	General Fund
Total		\$0.0*	\$0.0*			

(Parenthesis () Indicate Expenditure Decreases)

*See Fiscal Implications Section

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)
 Aging and Long Term Services Department (ALTSD)
 State Personnel Office (SPO)

SUMMARY

Synopsis of HCPAC Amendment

The House Consumer and Public Affairs Committee Amendment to House Bill 189 changes the effective date from July 1, 2011, to January 1, 2012.

Synopsis of Original Bill

House Bill 189 would merge Aging and Long-Term Services Department (ALTSD) programs, property and finances into the Human Services Department (HSD). The 22 sections of the bill amend the necessary existing authorizing statutes and repeal authorizing statutes for ALTSD.

The bill creates within HSD four new divisions including: (1) Adult Protective Services to provide adult protective services; (2) Aging Network Services to administer the federal Older Americans Act of 1965 programs; (3) Consumer and Elder Rights to administer the long-term

care ombudsman program and provide health insurance and benefits counseling and legal services; and (4) Long-Term Care to administer home and community-based long-term care programs. Additionally, HB 189 creates the Office of Indian Elder Affairs within the HSD Office of the Secretary.

FISCAL IMPLICATIONS

HB189 does not contain any appropriation. The table represents the shift in general fund revenue from ALTSD to HSD and is based on the appropriation contained in House Appropriation and Finance Committee Substitute for HBs 2, 3, 4, 5, and 6 – the General Appropriation Act (GAA). GAA already reduces 32 positions from ALTSD and transfers 16 of those FTE to the Human Services Department. This shift saves approximately \$700 thousand of general fund spending, while consolidating administrative functions of Medicaid waiver programs at HSD. As amended, the bill's effective is half way through Fiscal Year 2012.

If additional positions could be reduced, particularly by eliminating duplicative administrative functions, further general fund savings might be anticipated. There are 56 FTE in Program Support of the ALTSD, with an average salary and benefits cost of \$67 thousand per employee.

In sum, the new department would move another 247 FTE and \$40.8 million to HSD, creating a department of more than 2,200 FTE and a general fund budget of about \$1 billion.

There may also be one-time transition costs, which are not estimated here. As ALTSD notes, “transitions of this magnitude often require additional resources (both recurring and non-recurring) to accomplish, particularly in the initial years of the transition. An example of the additional resources needed would be the cost of effectively merging large and complex information technology systems. Experience with ALTSD’s IT systems indicates that the costs associated with an ALTSD and HSD merger may be as high as \$1 million for hardware, software and network connectivity. Currently ALTSD’s Adult Protective Services Division is co-located and supported by the Children, Youth and Families Department (CYFD) for network connectivity.”

SIGNIFICANT ISSUES

The Aging and Long Term Services Department (ALTSD) was created as a cabinet-level department in 2004. With this change in departmental status, ALTSD became the designated state entity for program management of adult protective services and home- and community-based services for the elderly and adult disabled, which were programs previously administered under the Department of Health (DOH), Human Services Department (HSD), and the Children, Youth and Families Department (CYFD).

ALTSD and HSD provided the following report on potential benefits and costs to the merger.

- The merger of ALTSD and HSD could lead to greater efficiency and management control by placing a number of similar programs within the same department, led by a single secretary and management team.
- Seniors and people living with disabilities could see increased access to services by having only one organization to contact or deal with instead of two agencies (or even three, as DOH has additional programs for individuals with disabilities). Similarly, other stakeholders, such as the providers of services and advocates for the elderly and those with disabilities, may find it easier to communicate their concerns and ideas with a single agency.

- Those in need of the services offered through ALTSD may also access other services offered through HSD, such as Food Stamps and Medicaid, and may benefit from having a single point of contact. It is noted, however, that most field offices are not currently co-located.

Potential negative consequences include:

- The combination of ALTSD and HSD would create a large agency that could be unwieldy. Total FTE would be approximately 2,245 and those employees would be housed in over 60 different buildings. As the bill outlines, the proposed agency would have at least ten divisions and many major programs. An agency of this size could create more burdensome bureaucracy and offset any potential efficiencies gained both to state government and to people receiving services and supports.
- The merger could create conflicts of interest for HSD, for example, the new department would house both the programs for seniors and people with disabilities and the Ombudsman program designed to investigate complaints related to the services that these individuals receive.
- Lastly, the state and its citizens benefit from having human services agencies that focus on the needs of differing populations. This multi-disciplinary approach increases the state's ability to develop programs and policies that best meet the unique needs of its citizens. A merger could diminish the state's capacity to accomplish this.

HSD also noted that the bill creates a new Advisory Committee, duplicating the existing Medicaid Advisory Committee, which currently advises HSD. It might be more efficient, and would streamline administrative functions, to create a new Subcommittee to the Medicaid Advisory Committee rather than create a new and separate Advisory Committee within HSD.

ALTSD, in an updated analysis, raised several additional concerns about the potential loss of focus on elderly and disabled individuals within a larger department. ALTSD cites the increasing demographic shift to an older population in New Mexico as reason for an independent, cabinet-level agency for services to elderly New Mexicans. In general, ALTSD is concerned about the loss of the advocacy and customer-service functions for elderly and disabled persons in New Mexico. Specific points are restated or summarized below:

- Eliminating the Aging & Long-Term Services Department as a cabinet level department would impede responsive access to services for seniors and adults living with disabilities, who typically would not consider contacting a Department in a much larger bureaucratic structure.
- The disposition of the Elderly and Disabled Services Division (EDSD, also known as the Long Term Services Program) is not well defined. "EDSD responds to over 3,800 inquiries per month from consumers and providers seeking assistances to navigate health care systems.... Merging ALTSD with HSD risks losing this integrated, consumer-oriented system of services and the ability of EDSD to respond in a timely manner to these vulnerable populations.
- The role and function of the Aging and Disability Resource Center (ADRC) is not defined or mentioned. This "one stop shop" program, also known as "No Wrong Door – Single Points of Entry" Program, is designed to serve as a "visible and trusted" source where people can turn for objective information on their long-term services and support options and their Medicare benefits. The ADRC, which is averaging over 3,500 inquiries a month, has a central role in providing an integrated and responsive system of

information, referral and assistance. It provides “one-on-one” counseling and advice to help consumers, including private pay individuals, to fully understand how available options relate to their particular needs.

ADMINISTRATIVE IMPLICATIONS

The State Personnel Office suggests that a thorough human capital study, entailing further in-depth analysis, is required to identify specific savings from this merger, including a detailed review of position functions to pinpoint where and why duplications exist; how bureaus and sections can be combined to provide the utmost efficiency; organizational alignment and job measurement. The State Personnel Office would be able to assist the HSD to analyze and establish appropriate staffing and an effective organizational structure prior to the merger. The State Personnel Office staff currently supports agencies by conducting job, organizational and workflow analysis which is delivered to agency leadership as part of the State Personnel Office’s service model when assisting with reorganization efforts.

CONFLICT, RELATIONSHIP

The bill conflicts with House Bills 94 and 570 and Senate Bills 162 and 15. The bill also relates to appropriations in the General Appropriation Act.

TECHNICAL ISSUES

The bill creates the Long Term Care Division of the Human Services Department. Many of the functions of that division, which currently reside at the Aging and Long Term Services Department, are already performed by the Medical Assistance Division of the Human Services Department. Adding Long-Term Care Division of the HSD may duplicate the Medical Assistance Division.

The purpose of the Section 5, which names the Secretary as a member of the Interagency Behavioral Health Purchasing Collaborative, is unclear. Existing law [9-7-6.4 NMSA 1978] already names the secretary of human services as chair of the Interagency Behavioral Health Purchasing Collaborative.

OTHER SUBSTANTIVE ISSUES

ALTSD provided the following demographic data information.

The demographics in New Mexico are rapidly changing. Projections for 2015 indicate that 16.8%, 343,000 New Mexicans, will be 65 and older, increasing to 26% in 2030. Currently, 13.1% of NM’s are over the age of 65 and 15% (300,000) of New Mexicans of all ages are living with a disability, of which 100,000 are 65 and older.

The changing demographics of New Mexico establishes the need for comprehensive policy changes regarding the growing numbers of informal caregivers, the rapidly increasing costs associated with caring for those with chronic disease and disability, the need for providers with geriatric training, the aging of persons with developmental disabilities and their caregivers, and the increasing number of individuals with transportation and mobility needs.