

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 02/28/11

SPONSOR Wooley LAST UPDATED _____ HB 570

SHORT TITLE Merge ALTSD with CYFD; Medicaid to HSD 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
CYFD		\$20,422.6	\$40,845.1		Recurring	General Fund
HSD		\$0.0*	\$0.0*		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)
 Children, Youth and Families Department (CYFD)
 Aging and Long Term Services Department (ALTSD)

SUMMARY

Synopsis of Bill

House Bill 570 merges the Aging and Long Term Services Department (ALTSD) with the Children, Youth and Families Department (CYFD) and transfers the Medicaid programs currently being administered by ALTSD to the Human Services Department (HSD). The bill requires the Department of Finance and Administration (DFA) to form a transition team on June 17, 2011, made up of representatives of the ALTSD, CYFD and HSD, and the State Personnel Office (SPO) to develop and implement transition and integration plans.

Sections 1 through 4 amend the Executive Reorganization Act and Children, Youth and Families Department Act to merge ALTSD into CYFD.

Section 5 creates the Office of Indian Elder Affairs within the Office of the Secretary at CYFD.

House Bill 570 – Page 2

Sections 6 through 19 amend statute to replace references to ALTSD and the former State Agency on Aging with CYFD and HSD, where appropriate.

Section 20 transfers to HSD, on the effective date of the act, all functions, appropriations, money, records, furniture, equipment, supplies, and other property related to the following programs:

- Coordination of Long-Term Services (CoLTS)
- Mi Via self-directed waiver
- Those parts of the Brain Injury Services program specific to the Mi Via waiver
- Program of All inclusive Care for the Elderly (PACE)
- Quality Assurance Programs related to any of these programs.

Section 21 transfers all other property, contracts and statutory references to the Children, Youth and Families Department.

Section 22 creates the transition team mentioned above.

Section 23 repeals statute creating the Interagency Coordinating Group (9-2A-13), whose duties were subsequently assumed by the Children's Cabinet, and statutes creating ALTSD and the State Agency on Aging.

Section 24 sets the effective dates, with the transition team to be formed by June 17, 2011, with a report by September 1, 2011. All other sections of the act would become effective January 1, 2012.

FISCAL IMPLICATIONS

The table represents the shift in general fund revenue from ALTSD to CYFD 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. No additional savings are assumed by the the bill's provisions moving Medicaid administration from ALTSD to HSD.

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 bill would move another 247 FTE and \$40.8 million to CYFD, creating a department of more than 2,350 FTE and a general fund budget of about \$233.5 million.

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. 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).

HSD offered the following potential benefits of a merger”

- 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. 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 SNAP and Medicaid, and may benefit from having a single point of contact.
- One of the ALTSD divisions is primarily, although not entirely, involved with the administration of Medicaid-funded programs. The merger proposed in this bill could, therefore, lead to some streamlining of program and policy functions related to the operation and management of these long-term community-based services.
- 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.

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....” The bill creates a long-term care division within CYFD but does not describe its mission, role, functions and services and does not clarify these in relation to the Elderly & Disability Services Division (EDSD) long-term services programs, which are to be transferred to HSD.
- 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

According to ALTSD, “the merger would require new systems, new hardware, and training for staff.

- An estimated, minimum of five million dollars would be needed to handle just the merger of ALTSD systems into the CYFD network, without considering the full impact of such a merger on the CYFD systems. The development of a new, statewide system to consolidate all ALTSD and CYFD systems could cost over \$10 million and require 5 years to implement. These estimates are based on ALTSD IT experience in transitioning the Adult Protective Services (APS) case management system from CYFD to ALTSD and actual resources invested in the design, development and implementation of the Harmony based system since 2005.
- Implementation of Harmony, the case management system for Adult Protective Services, required an intensive process over nearly three years, including planning, design, testing, implementation, and stabilization. Adult Protective Services was previously on the CYFD Family Automated Client Tracking System (FACTS) system, which did not provide all required fields for appropriate documentation and management of APS cases. To reintegrate the APS system alone into a CYFD system would require a similar process and period of time and would result in walking away from a sunk cost of \$1.5 million incurred in the development of the Harmony system. In addition, the APS Harmony system requires significant band width, which would require extensive upgrades to the CYFD network.
- Merging the functions of the Social Assistance Management System (SAMS) case management system would impact over 300 people using this single state-wide data base. SAMS serves the Consumer and Elder Rights Division (CERD) and the aging network, and is the single statewide database for the Area Agencies on Aging (AAA) including the city of Albuquerque. SAMS is required to meet federal reporting requirements for the National Aging Program Information System (NAPIS) and the Administration on Aging State Program Report.”

ALTSD reports that the effective date of January, 1, 2012, would not allow sufficient time to transition the services and program without some disruption.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Conflicts with House Bills 94, House Bill 198 and Senate Bill 15.

BE/bym