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Medicaid Finance 101
Behavioral Health 101

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Overview

- Medicaid
  - Joint federal-state health care program with certain national standards and wide latitude for state policy differences through Medicaid waivers
  - In NM, Medicaid covers low-income individuals, including elderly, disabled, families and children, pregnant women, and very low-income adults without children
- Cost Drivers and Trends
- Major Costs
- Barriers to care
- Behavioral Health Services and Spending

Key Medicaid Concepts

- Managed Care Organization (MCO) – A commercial insurance company that state governments contract with to manage Medicaid programs for cost, utilization, and quality.
  - In New Mexico, the Managed Care program is known as Centennial Care and will be replaced by Turquoise Care
- Fee For Service (FFS) – The state directly pays providers for services.
- State Plan – Each state develops its own Medicaid program within federal guidelines, outlining services covered, eligibility criteria, and administrative processes.
- Waiver – Special permissions granted by the federal government to states to deviate from standard Medicaid rules for experimental or innovative programs.

Federal Medical Assistance Percentage

- Federal Medical Assistance Percentage (FMAP) – The federal government's reimbursement rate for state expenditures on Medicaid. The rate is dependent on the population served with differing rates for children, income levels, adult expansion, and other groups.
- Base and enhanced rates – Changes each year based on a state's economic performance on per capita personal income. For federal FY25 New Mexico's rate decreased 0.91 percent, costing about $68.9 million in state general funds.
- Blended Rate – Accounts for the different FMAP rates for different populations by weighting the number in each group. For FY25 the blended rate is 77.71 percent. With every state dollar spent the federal government reimburses $3.45.

Medicaid Eligibility Groups

Threshold (FPL)	Population	FMAP 2025
100%	Traditional Base	71.68%
138%	Adult Expansion	90.00%
190%	Children 6-19 (Medicaid)	80.18%
240%	Children 0-6 (Medicaid)	80.18%
240%	Children 6 to 19 (CHIP)	80.18%
250%	Pregnancy Services	71.68
300%	Children 0-6 (CHIP)	80.18%
	Native Americans	100%

Turquoise Care Vs. Centennial Care

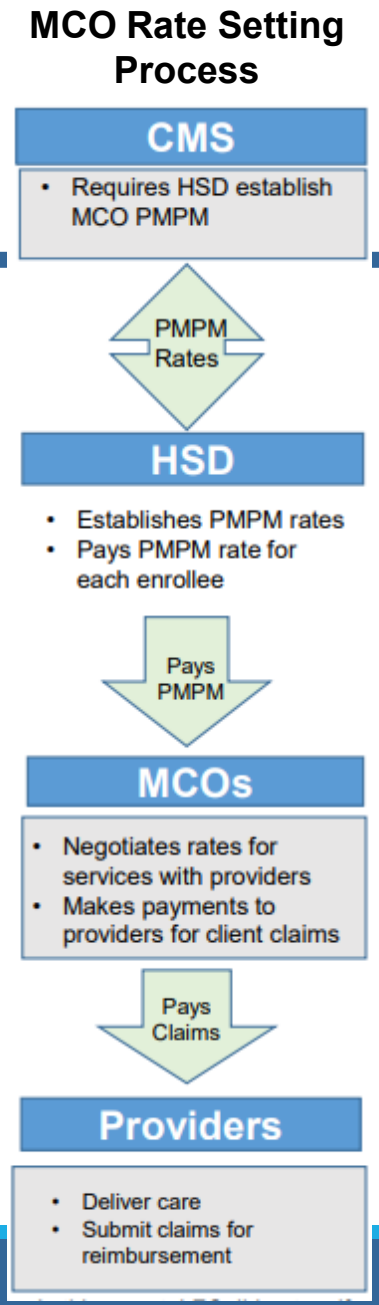
- Turquoise Care is the name of the Medicaid Managed Care Program replacing Centennial Care
- Going from 3 Managed Care Organizations (MCO) to 4, with Molina and United Health Care added and Western Sky Community Care Dropped
- Adding Benefits such as:
  - Supportive Housing
  - Continuous Eligibility for children under six years old
  - Expansion of Home Visiting
  - Evidence-Based Behavioral Health services treatment modalities
- Presbyterian will be the MCO for Children in State Custody

About the Data

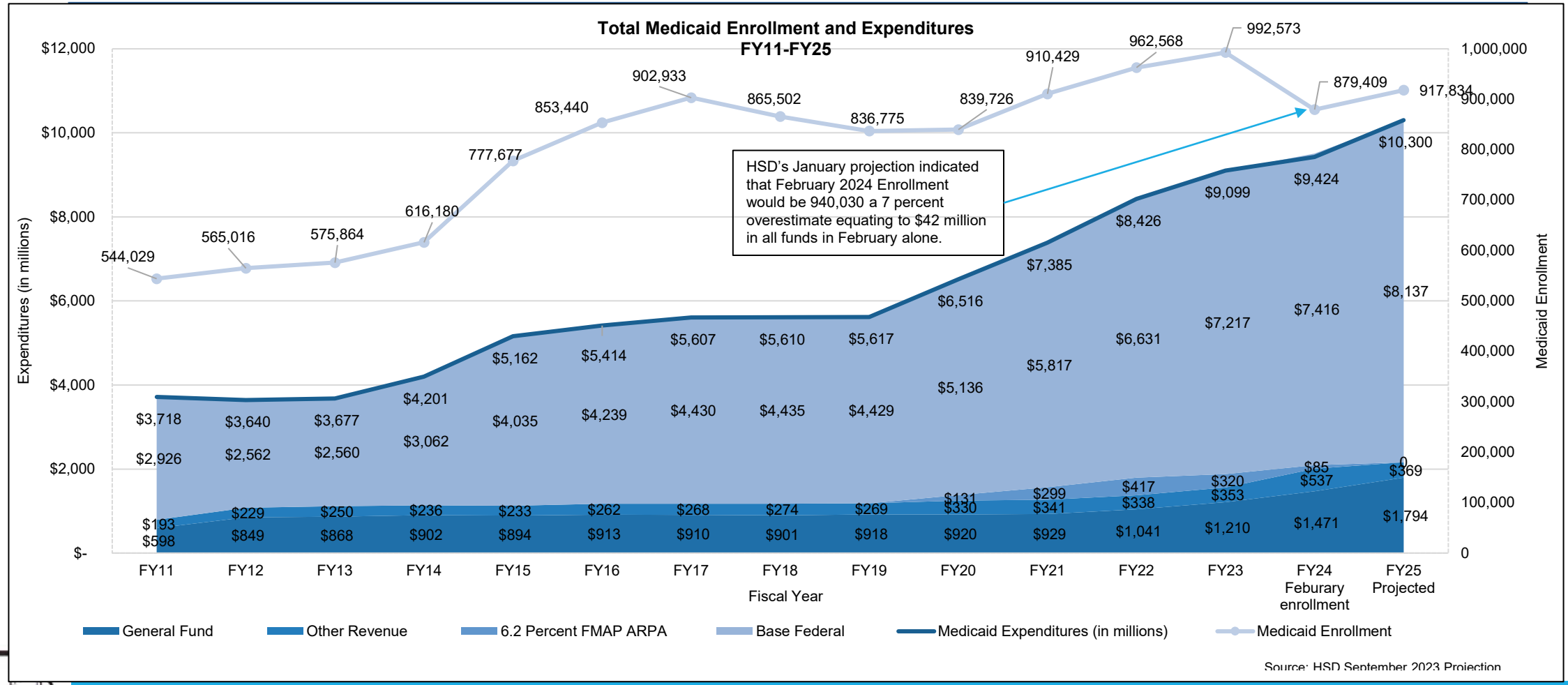
- Data as reported by HSD and Medicaid MCOs.
- Data point in time and can change for a given period due to new/adjustment for claims, enrollment adjustment etc.
- Some data are current projected spending by HSD overall (anticipated expenditures); while others reflect actual reported spending by MCO, both subject to adjustments.
- Some data is state fiscal year – other calendar year
- All data represent “best information” at the time of this presentation and are not considered final and have not been audited.

Key Cost Drivers

- Enrollment, particularly in managed care
- State pays a per member (client) per month (capitation) payment for each enrollee regardless of services used
- MCO Rates – intended to cover all medical services, administration, profit, taxes
- Healthcare Prices and inflation
- Rates MCOs pay to healthcare providers
- Fee-for-Service HSD rates paid to providers
- Members' Use of Services (Utilization)
- Acuity of members
- FMAP



Medicaid Enrollment Revenue and Expenditures– Approximately 42% of NM population is covered by Medicaid

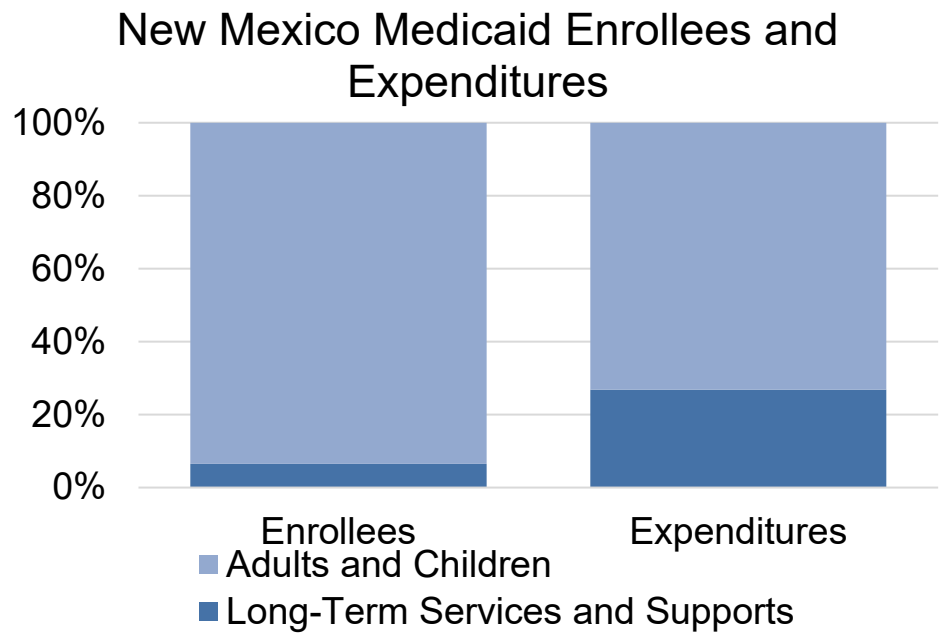


Medicaid Enrollment

MAJOR ENROLLMENT CATEGORIES

- Feb 2024 enrollment - 879,409.
- About 282K enrolled in the expansion/other adult group
- 160K Medicaid adults
- 354K children
- Others with partial benefit

COST DIFFERENCES



Source: HSD

Key Financing Components

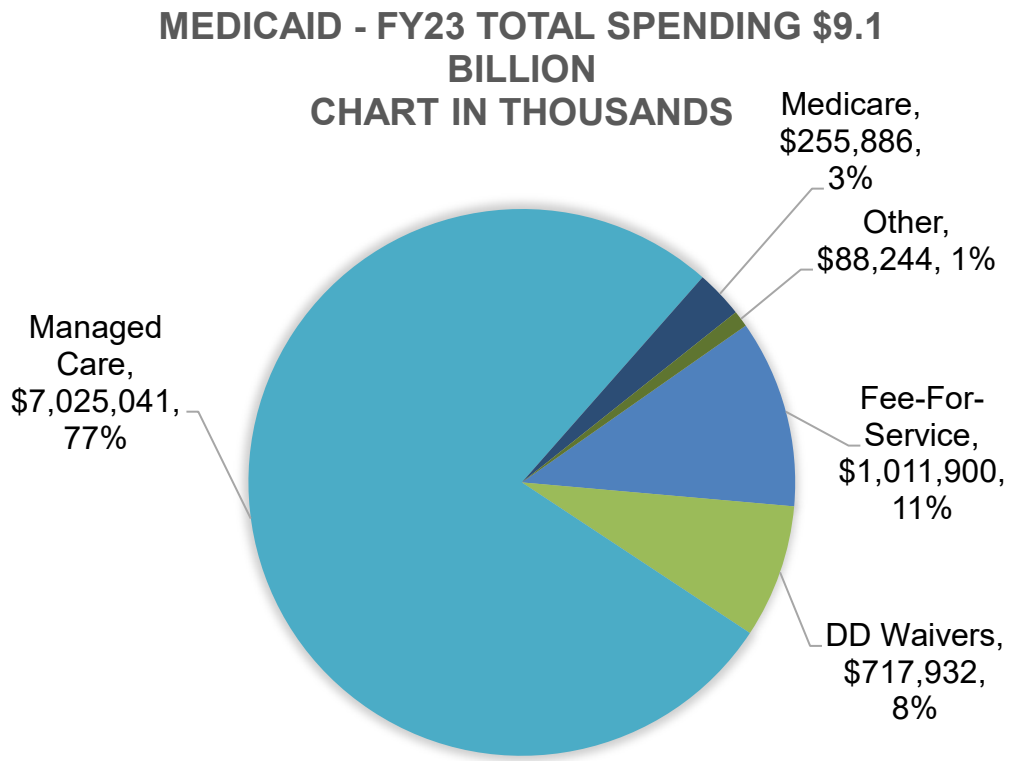
Revenue Sources

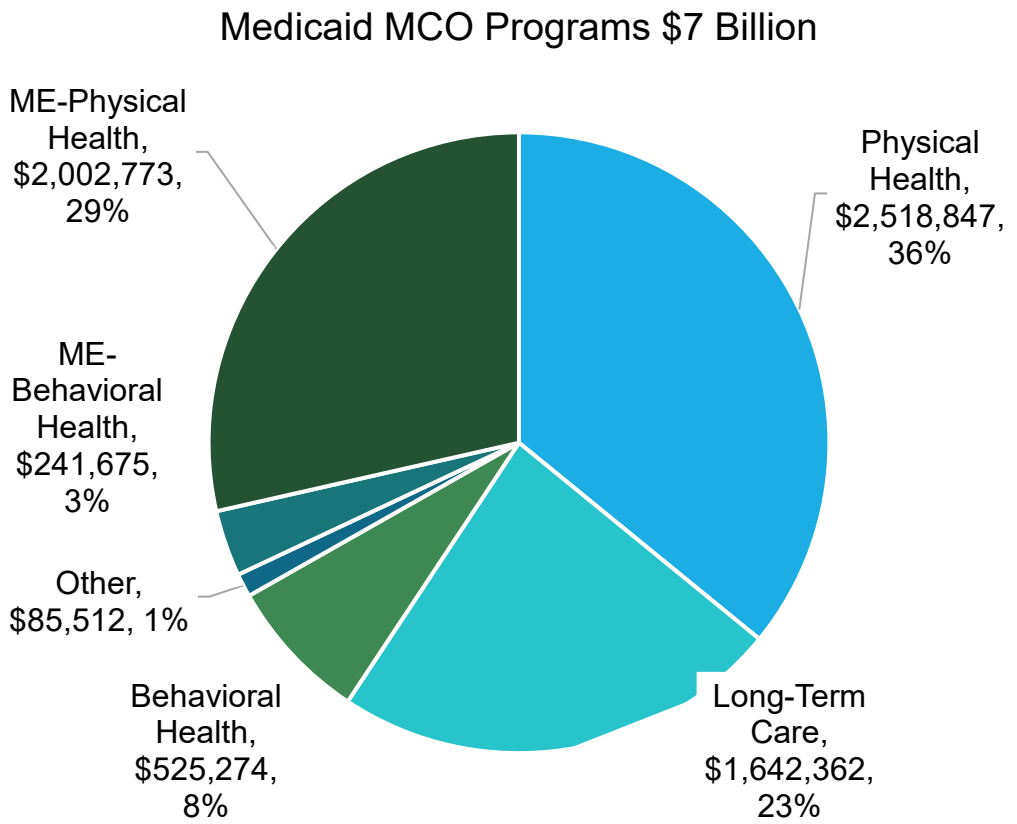
- General Fund
- County Supported Medicaid Fund
- Tobacco Settlement Fund
- UNM and other Hospital Transfers
- Other Agencies (e.g. DOH)
- Federal Funds
- Various Matching Rates

Spending Categories

- Fee-For-Service
- Managed Care
- Per Member (Client) Per Month Payment to Managed Care Organizations (MCOs)
- Administration

Medicaid Spending has grown from just over $5.6 billion in FY17





Source: HSD January 2024 Projection

Medicaid Managed Care Spending on Services

Physical Health CY23 (thousands)	
Hospital Services	$1,230,852.3
Transportation	$123,772.4
Primary Care/Home Health/FQHCs/	$738,536.0
Medical Supplies/Pharmacy/Dental	$858,424.6
Other	$242,955.9

Long-Term Services and Supports CY23 (thousands)	
Nursing Facility	$281,455.4
Community Benefit/Hospice/Personal Care	$601,980.7
Hospital Services	$129,861.9
Primary Care	$46,585.1
Other	$329,710.9

Source: LFC analysis of MCO reports to HSD

On the Horizon

- Enactment of Health Care Delivery and Access act may lead to improvements in:
  - State employee health insurance rates,
  - Access to hospital services,
  - Hospital performance, and
  - Healthcare workforce.
- However, significant improvements will need to be made in how the state negotiates for employee health purchasing and oversees network adequacy, hospital performance, and workforce development.

On the Horizon Continued

- Significant rate increases were allocated in the last two years
- Rural health delivery grants: $80 million in 2023 session and $46 million in 2024 session
- Hospital one-time funding
  - $45 million for subsidies for 11 struggling hospitals (SB161)
  - $44 million for various other hospitals

Recent Provider Rate Adjustments (Millions)*

Provider Type	FY24	FY25	FY26
**Maternal and Child Health and Primary Care	$ 222.5	$ 148.5	
***Hospital Rates	$ 105.9	$ 39.20	$1,361.4
Maternal Health Services	$ 29.6		
Phase III Providers		$ 42.6	
Prior Year Rate Maintenance		$ 116.6	
Rural Primary Care Clinics and FQHCs		$ 9.0	
Birthing Doulas and Lactation Councelors^		$ 26.0	
Total	$ 358.0	$ 381.9	$1,361.4

* Includes both state funds and federal match funds

** includes $5 million EC trust for maternal and child health

*** FY26 based on FIR for Health Care Delivery and Access Act

^$5.8 million from EC trust added this year

LFC Evaluation: Medicaid enrollees face significant barriers when trying to get care

- An LFC "secret shopper" survey found issues with access to care
  - Only able to get an appointment with a primary care or behavioral health provider 13 percent of the time
    - A new patient would have to make an average of **6-7 calls** to get an appointment with a primary care physician and
    - **10 calls** to get an appointment with a behavioral health provider
  - 1/3rd of appointments with primary care physicians were more than 30 days out
  - Provider directories are inaccurate and outdated
    - 1 in 4 providers unreachable
    - 1 in 6 not accepting new patients

- Strategies to improve access to care
  - **Network adequacy standards** for MCOs were too weak and have not ensured people can receive timely care from a provider. Turquoise Care contracts partially address these concerns but could be strengthened.
  - **Increasing provider rates**, particularly in targeted areas, could improve access. Potential rate increases should be verified and evaluated for their impact on patient access.
  - Strategies to **increase the overall healthcare workforce**, including entering into interstate licensing compacts, investing in medical residencies, growing the number of mid-level providers, and expanding loan forgiveness programs.

Behavioral Health

- Behavioral Health Collaborative
- Behavioral Health Funding
- Children's Behavioral Health Opportunities

What is “Behavioral Health”

- The term “behavioral health” is a broad term covering both mental illness and substance use disorder, including treatments. According to the federal Substance Abuse and Mental Health Agency (SAMHSA):
- Serious mental illness is defined by someone over 18 having (within the past year) a diagnosable mental, behavior, or emotional disorder that causes serious functional impairment that substantially interferes with or limits one or more major life activities.
- For people under the age of 18, the term “Serious Emotional Disturbance” refers to a diagnosable mental, behavioral, or emotional disorder in the past year, which resulted in functional impairment that substantially interferes with or limits the child’s role or functioning in family, school, or community activities.
- Substance use disorders occur when the recurrent use of alcohol and/or drugs causes clinically significant impairment, including health problems, disability, and failure to meet major responsibilities at work, school, or home.

The coexistence of both a mental health and a substance use disorder is referred to as co-occurring disorders.

Behavioral Health Collaborative

- Origins date back to system disruption during transition to managed care in late 1990s and a Needs/Gaps study in 2002.
- The report summarized consumer and family feedback re behavioral health services. The behavioral health system too often:
  - provided insufficient access to evidence-based care;
  - delivered services through a confusing array of uncoordinated public and private agencies and providers; and
  - focused on “managing” people’s problems rather than helping them adapt and lead productive lives.

Behavioral Health Collaborative

- In 2004, the Legislature created an Interagency Behavioral Health Purchasing Collaborative (Collaborative), consisting of 16 agencies, to develop and coordinate a single statewide behavioral healthcare system.
- Intent was to form a virtual department, with participating agencies continuing to house programs with actual services contracted through a single entity. The Collaborative staff are managed by a CEO, which is currently vacant.
- While about $200 million in services were contracted out in 2022 for agencies such as the Department of Health and the Children, Youth and Families Department, over $600 million went through the Human Services Department's Medicaid program where the majority of patients are served.

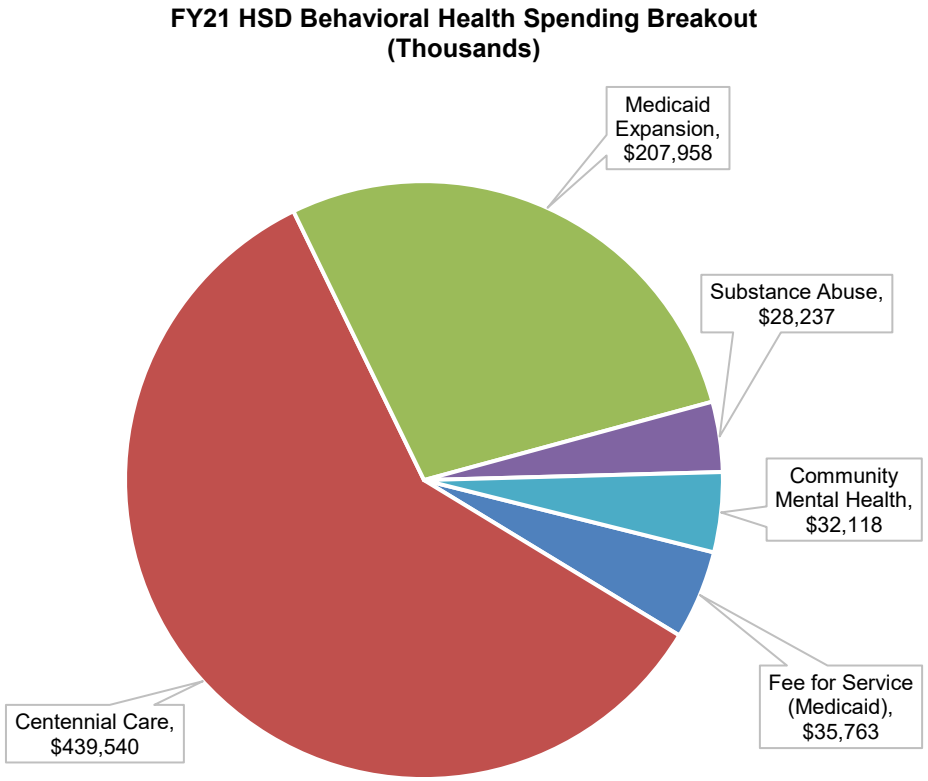
Current Behavioral Health Collaborative Strategic Goals and ASO

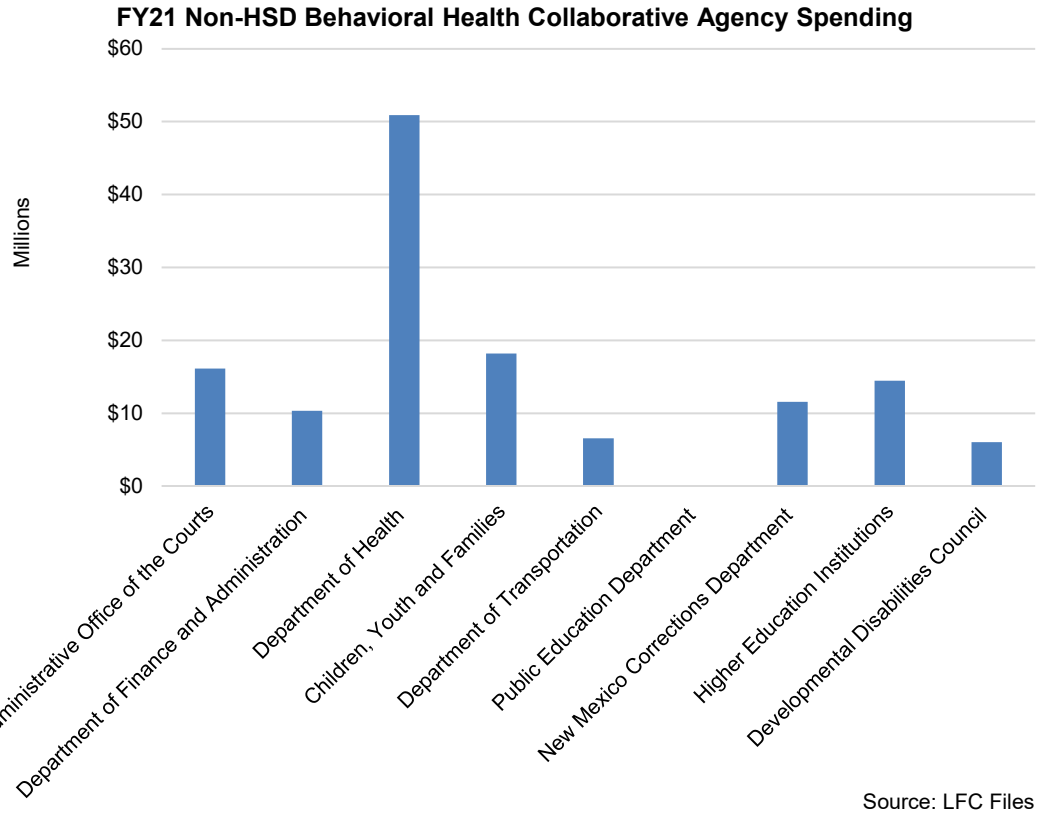
1. Strengthen behavioral health workforce
2. Develop community-based mental health services for kids and families
3. Effectively address substance use disorder
4. Address behavioral health needs of justice-involved individuals
5. 2017 Falling Colors Contract as statewide Administrative Services Organization

Behavioral Health Collaborative Key Responsibilities

1. Conduct an ongoing needs and gaps analysis and develop a master plan for behavioral health services.
2. Contract for service delivery and set system standards, in rule, for service standards, access and availability of services, performance measures, and credentialing of providers.
3. Submit a separate budget request to LFC/DFA for all state-administered behavioral health services across agencies.
4. Submit quarterly performance reports and an annual report on progress implementing the master plan, performance, and information on spending and services delivered.

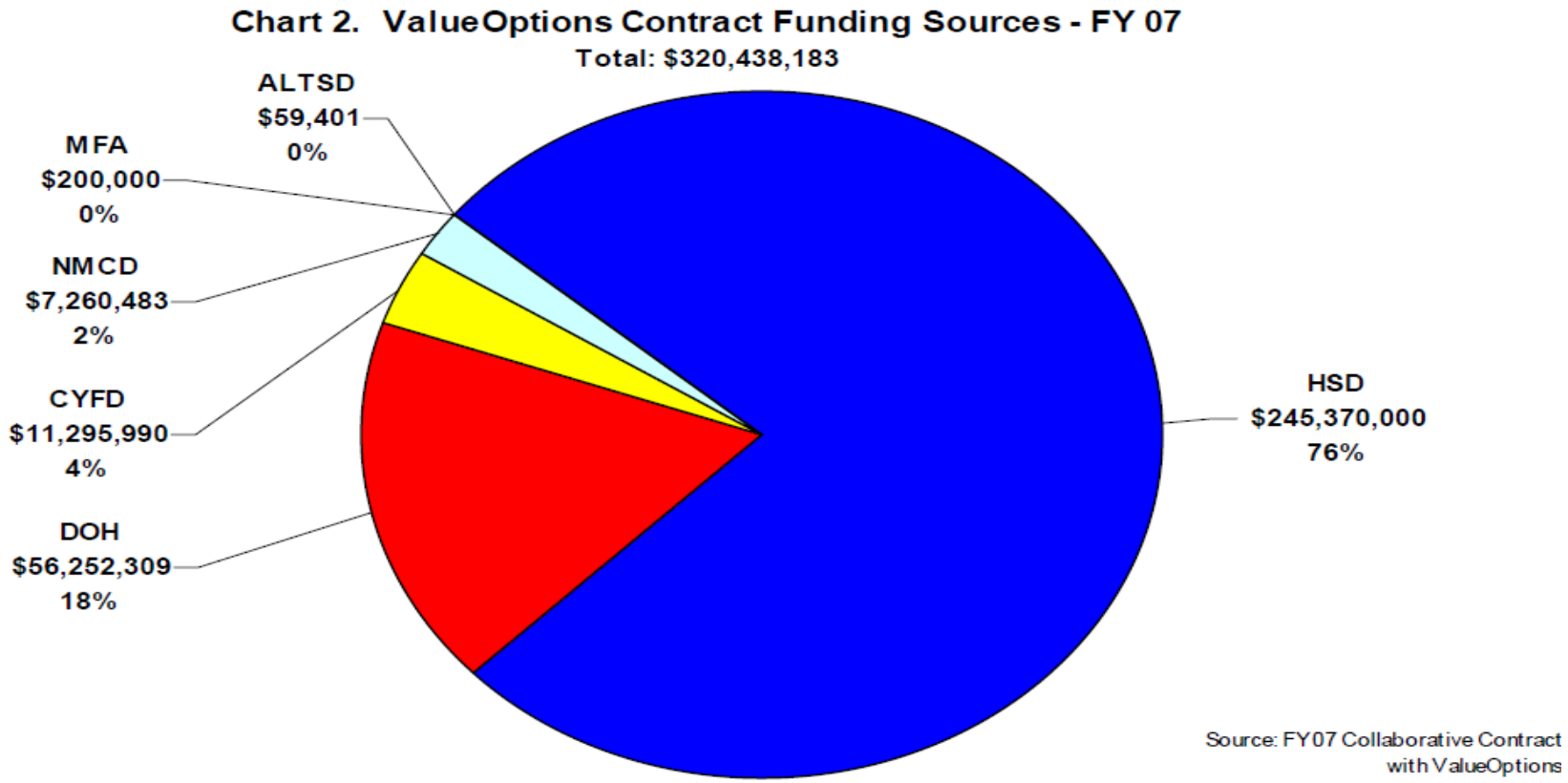
Behavioral Health Collaborative Agencies Spent Almost $878 million in FY21; $945 million in FY22; FY24 request = $1 billion



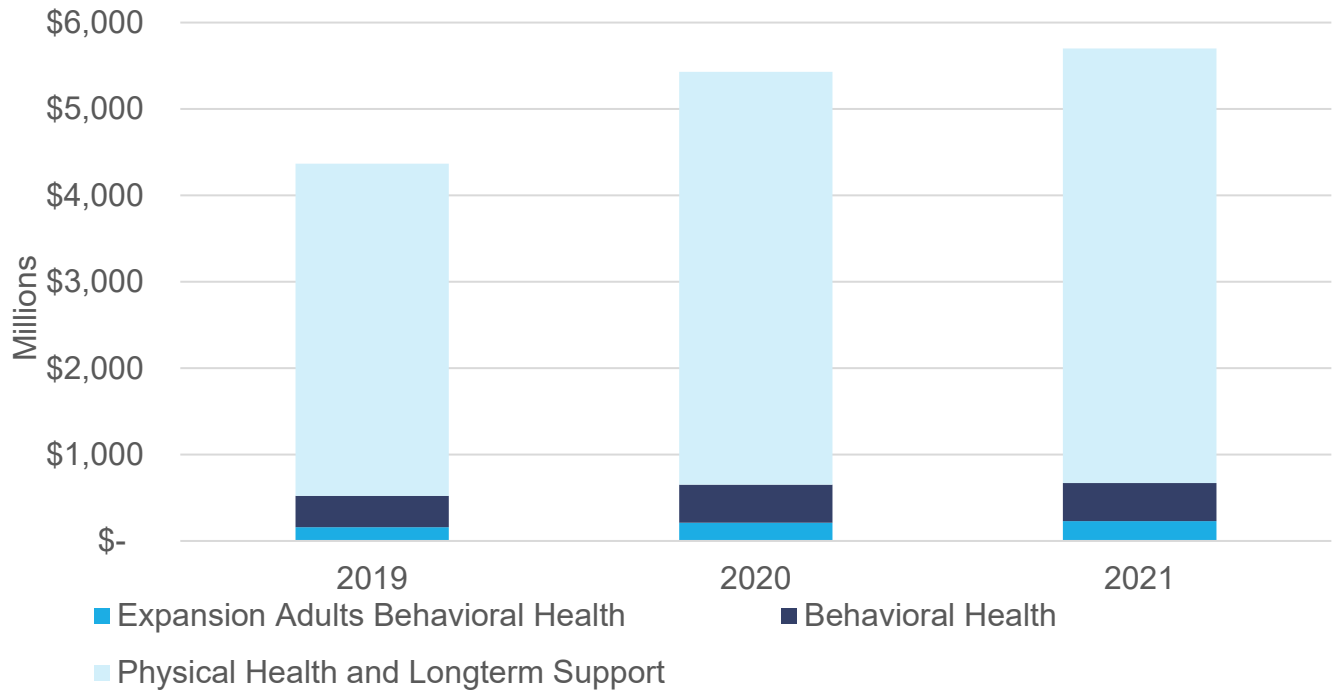


Source: LFC Files

By Comparison – BHC Agencies Allocated about $320 million in FY07



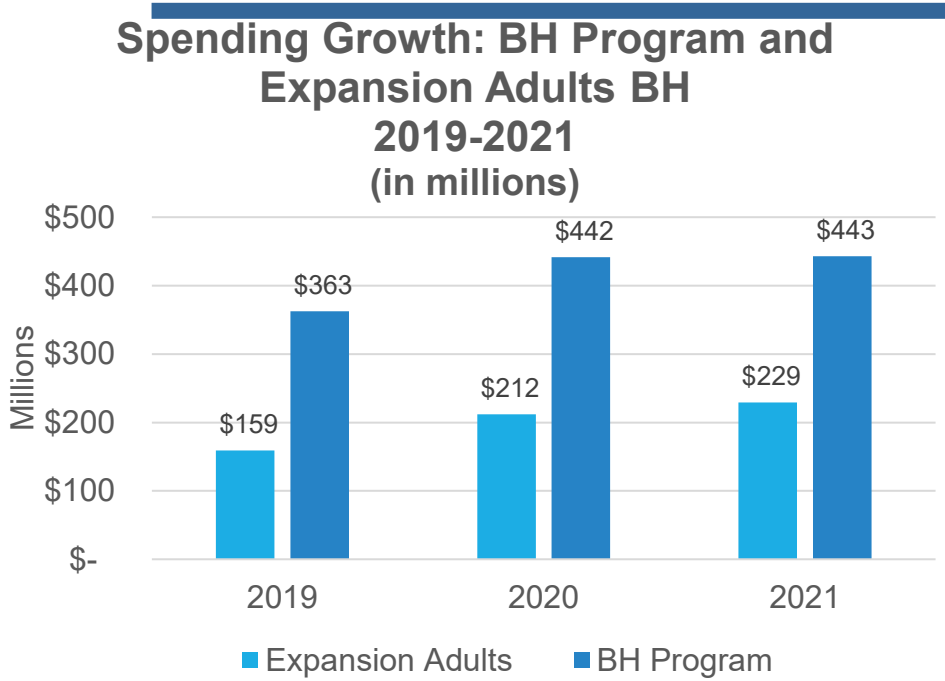
Medicaid Managed Care: Behavioral Health v. Other Programs Reported Spending



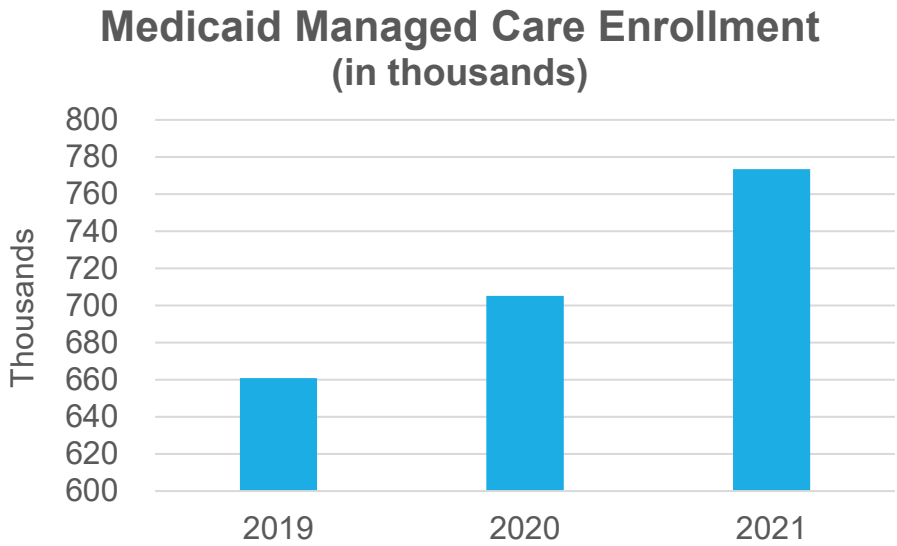
Source: LFC analysis of MCO quarterly reports

Behavioral Health spending reflects 12% of all managed care spending and has grown from $521 million in 2019 to $672 million in 2021.

Managed Care Behavioral Health Spending Growth



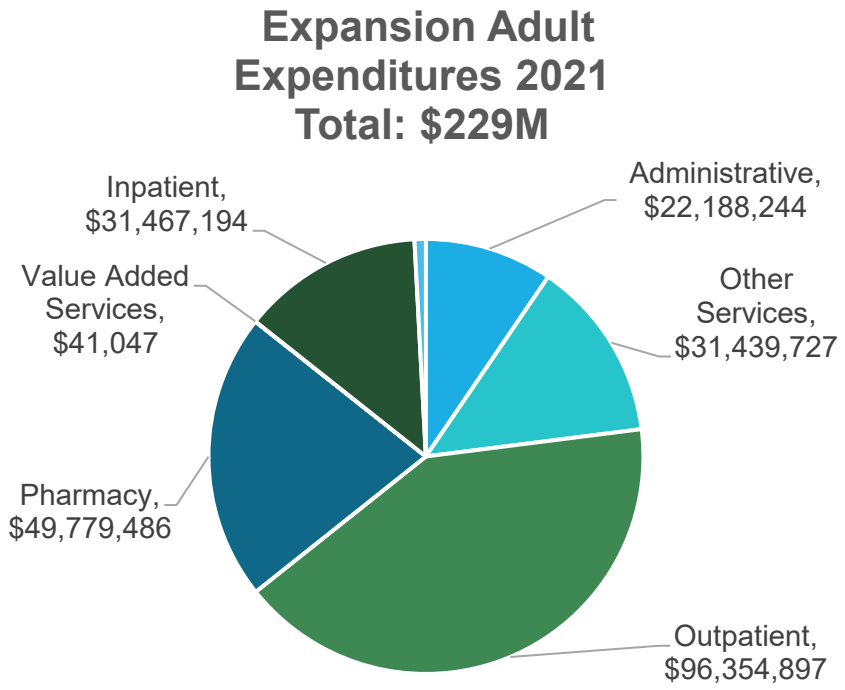
Source: LFC analysis of MCO Financial Reports



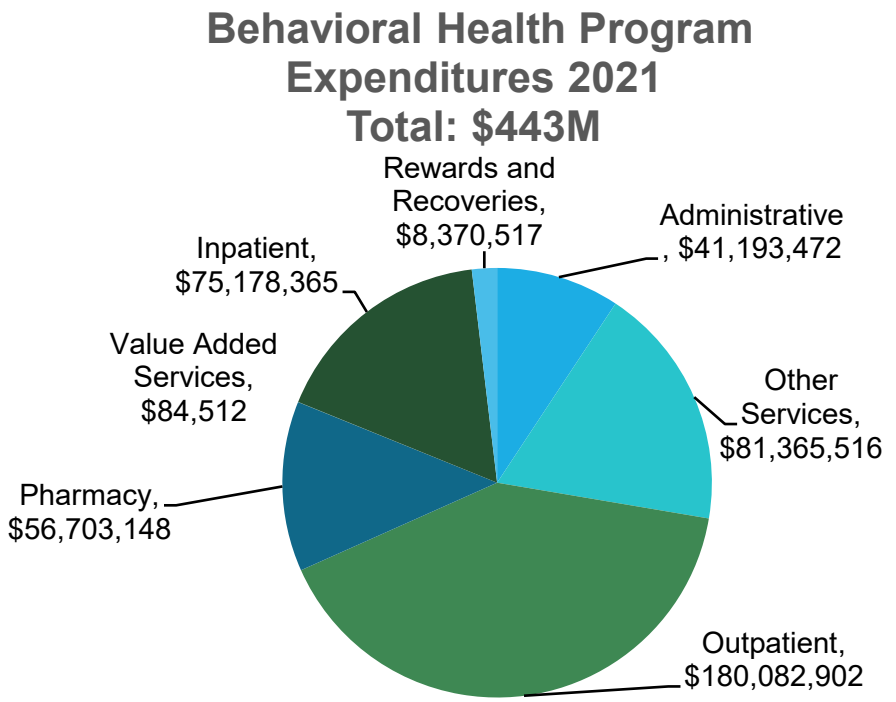
Source: LFC analysis of June MER reports

Between 2019 and 2021, spending for the behavioral health program has grown by 22%, while spending on behavioral health for expansion adults has grown 44%. When taken together, all behavioral health spending grew by 29%. During the same period of time, enrollment in managed care grew 17%.

Medicaid Behavioral Health Spending



Source: LFC analysis of MCO Financial Reports

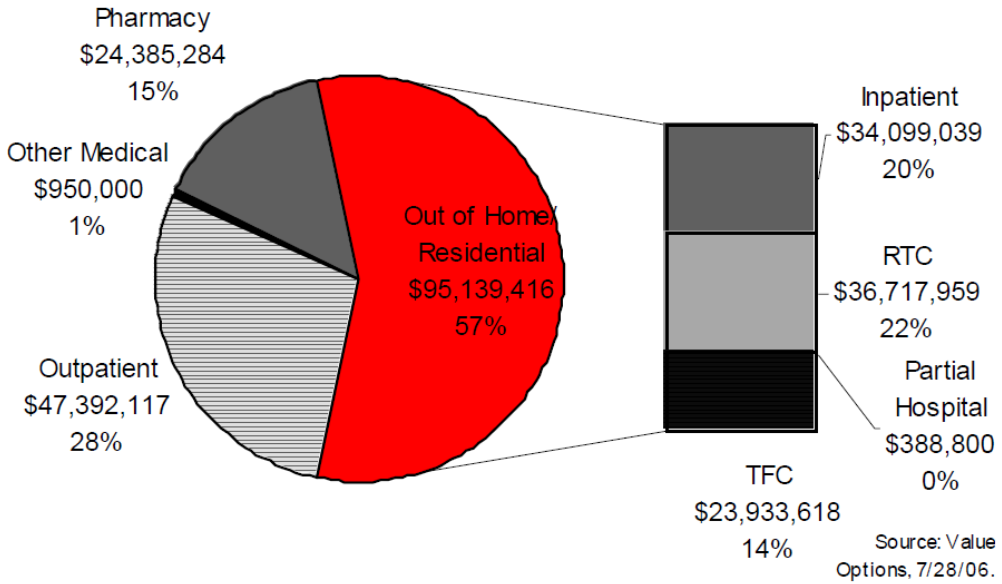


Source: LFC analysis of MCO Financial Reports

Outpatient services is the largest spending category in both the Behavioral Health Program (41%) and the Expansion Adults BH Program (42%)

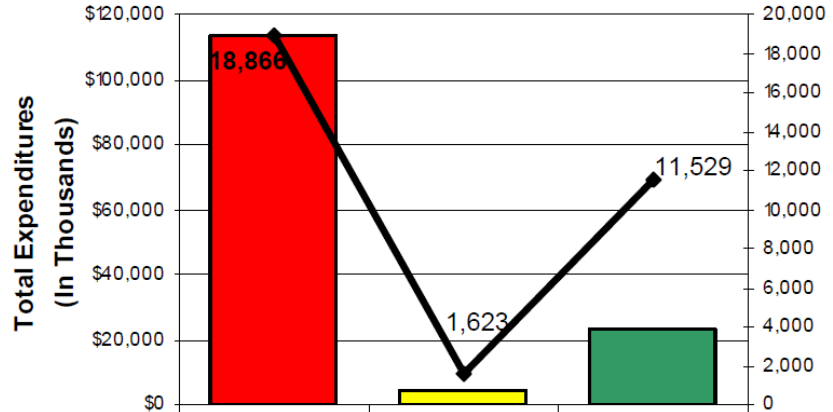
Prior Examples of Behavioral Health Spending

Chart 5: Medicaid Managed Care
Direct Behavioral Health Costs - FY06



Source: Value Options, 7/28/06.

Chart 6: Medicaid Managed Care
Direct Behavioral Health Services Costs
FY06



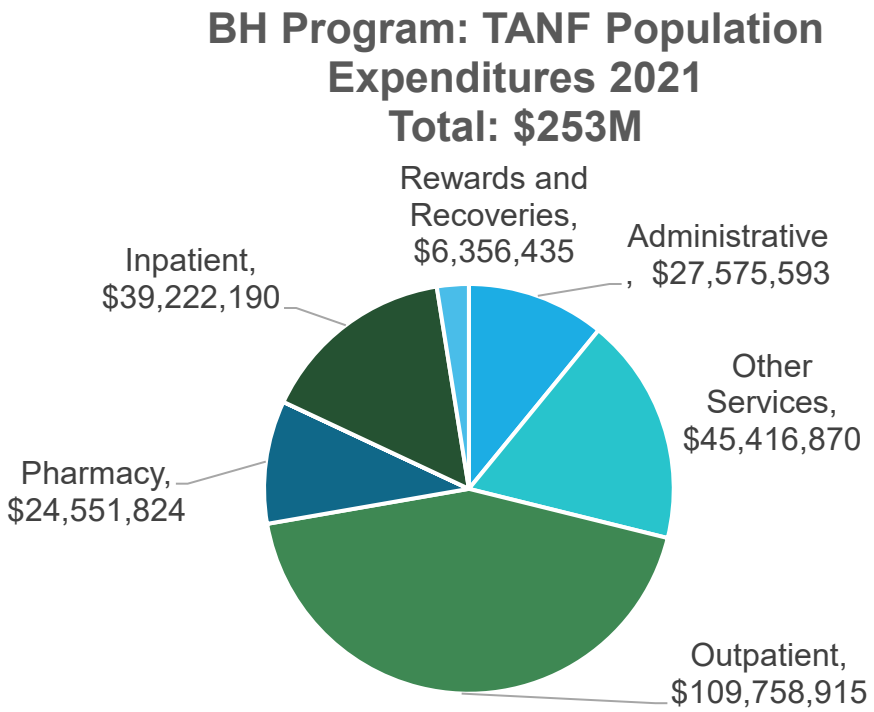
	Children (Under 18)	Youth (18-20)	Adult (21 +)
Direct Costs	$113,388.9	$4,662.8	$23,161.5
People Served	18,866	1,623	11,529

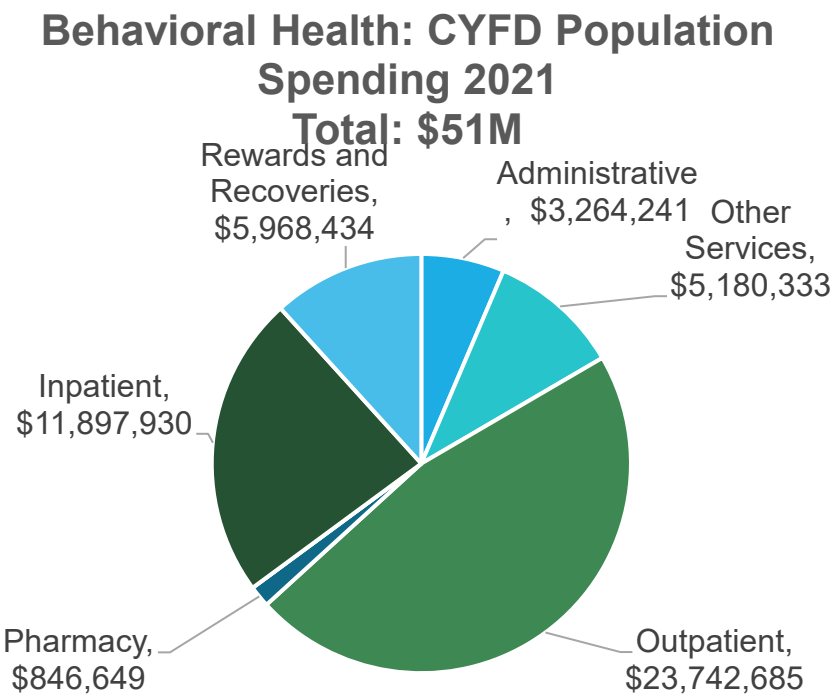
Source: Collaborative

Children's Behavioral Health System

- System operates on a continuum of care ranging from prevention services, community-based interventions (counseling, in-home services), out-of-home placement (acute psychiatric hospital, residential treatment, treatment foster care).
- Historically the system was weighted towards costly and traumatic out-of-home placements.
- Community-based services were weighted towards paraprofessionals delivering most care, with limited evidence-based in-home care with licensed professionals.

Behavioral Health Program Spending: CYFD (Kids) and TANF (Adults/Kids) Populations

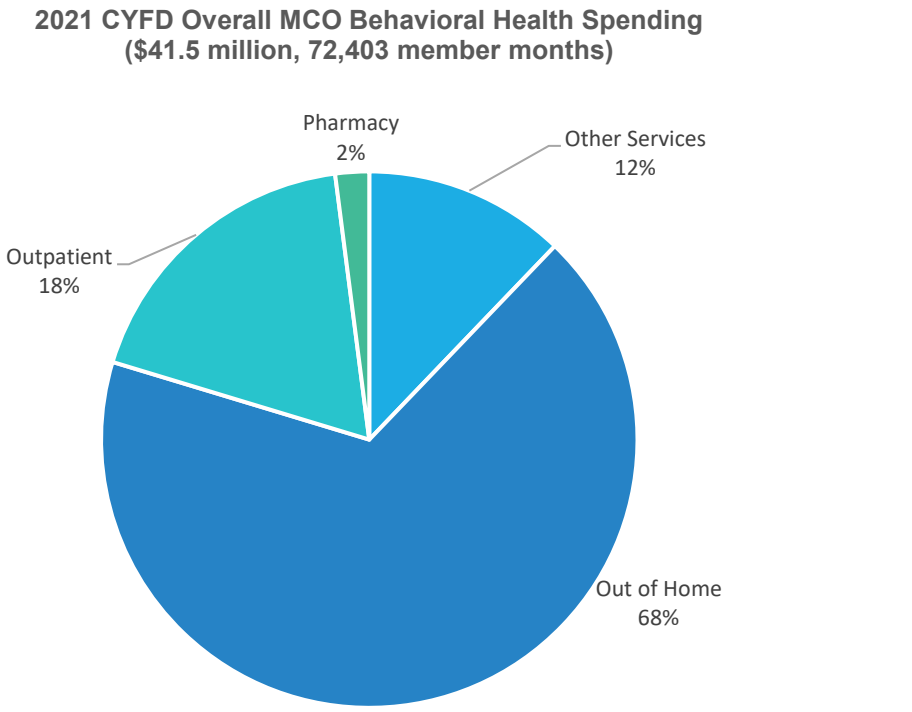




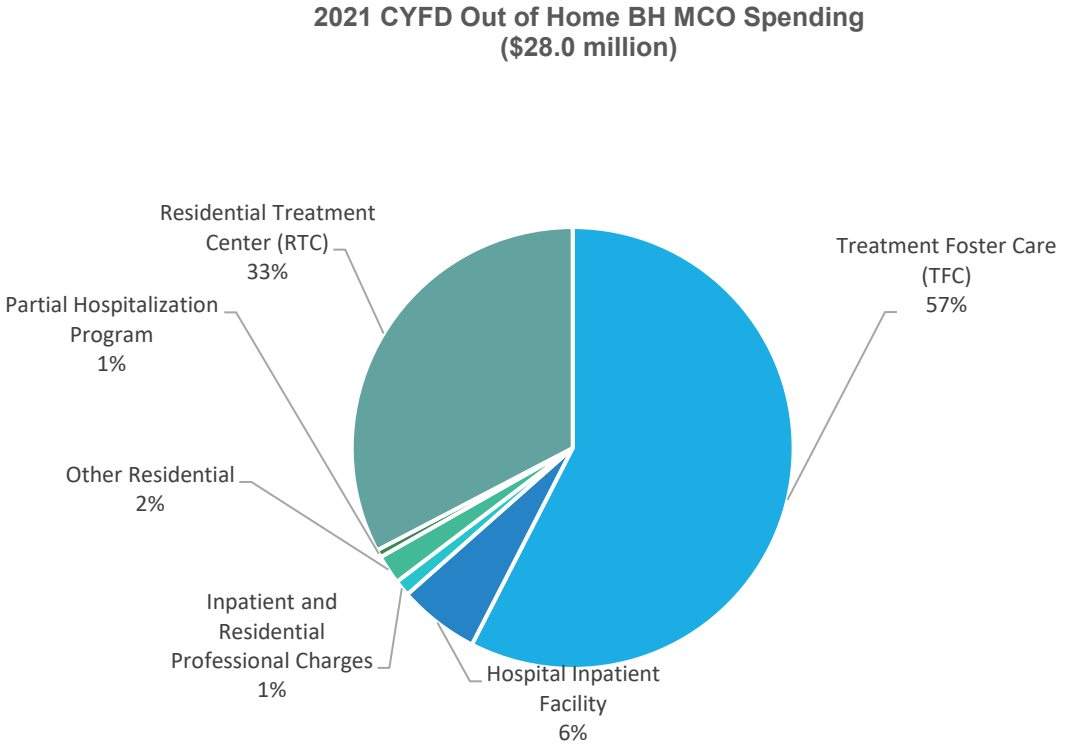
Source: LFC analysis of MCO Financial Reports

Source: LFC analysis of MCO Financial Reports

Medicaid MCO BH Spending on CYFD Clients



Source: LFC analysis of MCO quarterly reports



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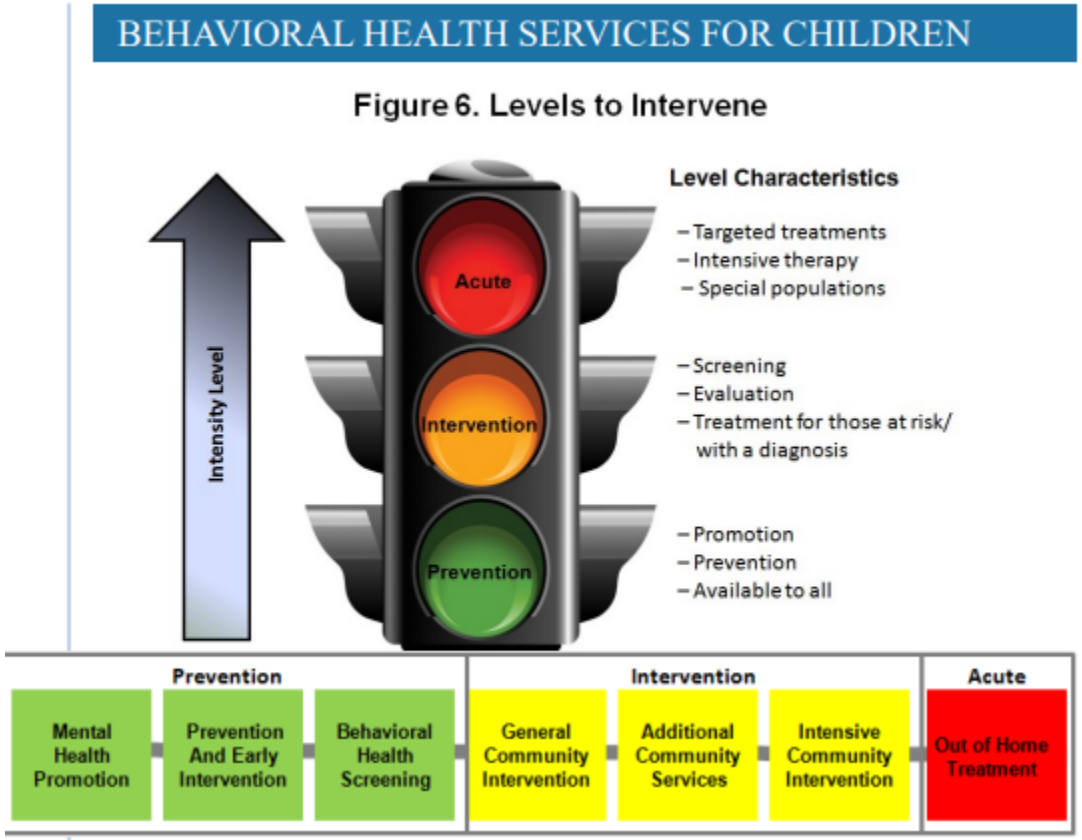

Selected Children's BH New Mexico Results First Cost Benefit Analysis

	Program Name	Return on Investment per dollar spent
Promotion and Prevention	Nurse Family Partnership	$10
	Other Standards Based Home Visiting Programs	$1
Intervention	Cognitive Behavioral Therapy (CBT) for Child Trauma	$8
	Group CBT for Child Depression	$24
	Group CBT for Anxious Children	$10
	Eye Movement Desensitization and Reprocessing for Child Trauma	$9
	Multisystemic Therapy for Youth with Serious Emotional Disturbance	$2
	Brief Strategic Family Therapy	$2
	Parent Child Interaction Therapy for Children with Disruptive Behavior	$3
	Motivational Interviewing	$29
	Seeking Safety	$33
	Multisystemic Therapy for Juvenile Offenders	$3
	Functional Family Therapy for Youth in State Institutions	$11
	Functional Family Therapy for Youth on Probation	$8
	Juvenile Drug Courts	$5
Acute Intervention	Multidimensional Treatment Foster Care	$2
	Relapse Prevention	$4

Source: LFC

Opportunities for Children's Behavioral Health System Enhancements

FUNDING FOR PROVIDER START-UP COSTS TO EXPAND CHILDREN'S BEHAVIORAL HEALTH AND CHILD WELFARE SERVICES IN NEW MEXICO COMMUNITIES

- $20 million appropriated to CYFD and HSD to expand behavioral health and child welfare services.
- Fund services that could then bill Medicaid or Families First (CPS).
- Increased capacity could entail:
  - training costs for providers to be certified to deliver the evidence-based services. Often evidence-based programs have training program costs and other licensing fees.
  - paying salary and other costs of people who are being trained to implement the services (state is buying a trained and certified program and workers)
  - any fees for implementation monitoring (make providers are doing it correctly) and for performance monitoring/evaluation.

Multi-systemic therapy – History in NM and currently billable. Could expand to families involved in Child Protective Services through MST-CAN

Family Functional Therapy – CYFD clinicians could provide and bill where MST more difficult. Could also stand up private clinical providers, particularly rural areas.

Good Behavior Game – already successful in NM. Now $60-$1 ROI in LFC Result First cost benefit model.

Wraparound services – currently being deployed and LFC recommended building in Medicaid funding for services, but capacity to deliver those services needs support.

Clinical training in certain cognitive behavioral therapies

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- https://www.nmlegis.gov/Entity/LFC/Default
  - Session Publications – Budgets
  - Performance Report Cards
  - Program Evaluations

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