



LFC Newsletter

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Representative Patricia Lundstrom, Chairwoman
Senator George Muñoz, Vice Chairman
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From the Chairwoman Idle

The judicious use of one-time public funds – whether federal pandemic-relief funds or state funds from the explosion in the oil and gas industry – can meaningfully change the lives of New Mexicans. One-time funds can fix a road, create educational endowments, open up public land to outdoor recreation, and lure a business to a small New Mexico community.

Late last year and early this year, the Legislature appropriated \$1.645 billion of federal American Rescue Plan Act funds and nonrecurring state funds to hundreds of projects. Some of that money has been committed – \$50 million for an acute care hospital in Valencia County, \$15 million for Covid-19-related expenses, \$3 million for state parks improvements, and almost \$15 million for tourism marketing and advertising – but 75 percent of the federal and 90 percent of the state funds were still untouched as of early August.

Money for regional airports, wildlife habitat improvements, community recreation centers, and affordable energy-efficient housing sits idle. Hundreds of millions for transportation projects, job development, and other quality of life projects untouched. While a delay in spending construction money is understandable – preliminary work takes months – delays for many projects are likely simply the result of an inefficient bureaucracy.

The executive has taken steps to make the process more transparent, with newly developed grants management systems and two online fund-tracking dashboards updated twice a week. However, the dashboards don't reflect the expenditure of state funds, local funds, or grants between agencies, and a piece of the system that tracks the competitive grant announcement and recommendation process has not been shared.

These transparency efforts are laudable but tracking systems won't expedite spending. And while we don't want to sacrifice accountability for speed, especially with the volume of dollars involved, we do want to see some results sooner rather than later. The needs of New Mexicans have always exceeded the means. Now that the means are available, we should not make them wait any longer than they have to.

Representative Patty Lundstrom
Chairwoman

Care Problems Persist at NM Veterans Home

Despite improvements, quality of care continues to be a concern at the state Veterans' Home and underuse remains an issue at other Department of Health facilities, a progress report by LFC evaluators finds.

In the follow up to a program evaluation on Department of Health facilities released in July 2021, staff reports, while some management practices have improved, poor healthcare at the Veterans' Home has prompted the federal Centers for Medicare and Medicaid Services, or CMS, to notify the long-term care facility all federal payments will stop unless conditions improve by December 15.

Progress Report: Department of Health Facilities, scheduled to be heard by the committee 4 p.m. September 22, says the CMS found deficient care at the home led to falls, medication errors, and failure to follow patient end-of-life directives.

In one case, a diabetic patient was sent home with insulin but not a glucose meter, placing the patient at risk of life-threatening under- or overdosing. In another case, the home failed to implement any interventions for a patient who had fallen eight times; the

patient died after being found unresponsive after a fall.

CMS also cited a continuing lack of proper use of personal protective equipment to control the spread of infection, an issue raised in the LFC's 2021 report. Many residents had been infected with Covid-19 by the time of that report's publication and 28 residents had died. The 2021 report also found accident hazards, weeklong delays in helping patients shower, improper medication storage and usage, and patients restrained in their beds.

The medical director, paid about \$750 thousand over FY21 and FY22, lost medical privileges after the CMS June 2022 survey and has since resigned.

The progress report says the Department of Health has improved its management of health facilities in the year since the original evaluation, with the hiring of central office staff for facilities, but continues to face issues with underuse of facilities.

Underutilization, which drives up the cost per bed, is partially the result of staffing shortages, facility leadership vacancies and turnover, and mixed care quality.

Home Visiting Expansion Stalled

Efforts to expand home visits to new families, a cornerstone of state efforts to improve the well-being of young children, have stalled, with the state struggling with efforts to take advantage of Medicaid funding to expand the program and efforts to draw in new families, LFC analysis shows.

A [LegisStat report](#) presented to the committee in August indicates the state could draw \$45 million in federal funds for the voluntary parenting education and supports program by using Medicaid-eligible models, allowing the program to potentially reach three times as many families as are now being served with the \$15 million in state money available.

Medicaid pays for the healthcare in almost three-quarters of the 21 thousand births per year in New Mexico, suggesting most families would qualify for the Medicaid-supported Home Visiting Program. However, Medicaid-supported Home Visiting is serving just 933 fami-

lies this fiscal year.

The Human Services Department, which manages Medicaid, reports federal regulation limits Medicaid matching funds to approved, evidence-based home visiting services, and many New Mexico providers do not qualify, the state report says.

The Early Childhood Education and Care Department, which manages Home Visiting, released a report in 2021 that concluded Home Visiting could be expanded through expanded use of Medicaid funds, better collaboration between Medicaid care managers and Home Visiting providers, an improved process for referring families to the program, and expanded access to different Home Visiting models.

HSD is working on centralizing billing for Home Visiting services to reduce the administrative burden on providers and is seeking federal approval of four currently ineligible Home Visiting models used in New Mexico

Rising Medical Costs Absent Rate Increases Feed Deficit

While medical expenses for state employees have increased, the fund that pays for them has not, creating a growing deficit in the Employee Group Health Benefits Program, LFC analysis indicates.

In the agency report cards scheduled to be presented to the committee 11 a.m. September 21, staff report the deficit in the fund grew to \$65 million in FY22, and absent rate increases, could grow to \$113 million in the current budget year.

While the state prohibits agencies from spending money they don't have, the General Services Department, which manages the programs and the fund, has been covering the excess costs through bookkeeping overdrafts of the general fund pool managed by the State Treasurer.

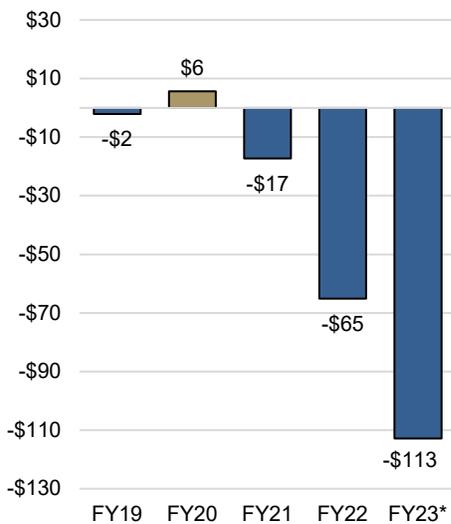
Despite persistent shortfalls, the department has not increased health insurance rates for participating employees.

In addition, while the Legislature authorized a 5 percent rate increase for FY23, the governor vetoed funding for the increase and stated in her veto message that premiums would not rise this year.

The department reports average per-member-per-month increases in healthcare costs of 5 percent, in line with the amount appropriated by the Legislature.

While containing healthcare costs would improve the financial position of the fund, closing the gap now will likely require a rate increase to generate revenue, staff conclude.

Health Benefits Fund Balance
(in millions)



*Projected; assumes no rate increase and shortfall equal to FY22.

Source: GSD

On the Table

Faculty Endowments Funded

The Higher Education Department has distributed all but about \$20 million of the \$130 million appropriated for faculty endowments. Colleges now have the endowments of \$50 million for teaching programs and \$30 million for nursing programs. Social work education programs have received \$30.5 million of their \$50 million endowment appropriation. LFC staff is working with the colleges to identify the number of additional faculty and students the endowments will fund.

Malpractice Fund Still Short

The patient's compensation fund, which helps cover medical malpractice awards for its healthcare provider members, has a projected deficit of almost \$69 million, despite a \$30 million infusion of state funds this year. Legislators revamped the rules for the funding pool in 2021 because of a growing deficit and directed the pool administrators to eliminate the deficit within five years. The continuing deficit is likely due in part to a \$17.4 million increase in claims in FY22.

Physical Care Costs Majority of Increase

More than half of the \$2.8 billion increase in total Medicaid spending between FY17 and FY22 is attributable to the cost of physical healthcare for a growing patient population. Total Medicaid spending increased by 50 percent over the five years, from \$5.6 billion to \$8.4 billion. Physical care costs for both the regular Medicaid population and the expansion population, childless adults with incomes under 138 percent of the federal poverty level who came into the program through the federal Affordable Care Act, grew by \$1.6 billion. Behavioral healthcare, which cost the program \$750 million in FY22, was also a significant contributor, as was long-term care.

Social Services Lawsuits Might Conflict

Disability Rights New Mexico has petitioned the court to order the Human Services Department (HSD) to rescind a policy it says keeps some children in foster care from receiving needed services, but changing the policy might put the agency at odds with the settlement in the *Kevin S.* foster care lawsuit. The suit asks the court to order HSD to scrap its policy that prioritizes in-state treatment services for high-need foster children because it keeps the children from receiving better care available out of state. However, the *Kevin S.* settlement mandates the state restrict out-of-state placements to only the most severe cases.

Transportation Projects Take Two Years

The Department of Transportation takes an average of 675 days, or about 23 months, to put out to bid major projects funded by special transportation appropriations in the state budget bills, according to data from the State Transportation Improvement Program. Bidding opens on most projects within 580 days, or about 19 months, but some projects have longer lead times, pushing up the average. Projects must be designed and permits acquired before a program can be put out to bid.

Transitions

LFC has hired Brendon Gray as the new judiciary analyst. Gray has a bachelor's degree in economics and political science from the University of New Mexico and a master's in public policy and management from Carnegie-Mellon University. He has worked in juvenile justice and economic development. Patrick Sandoval has returned to the director's position at the Public School Insurance Authority after a month as chief financial officer of the Education Retirement Board. Dr. Jose Acosta, chief medical officer for the Department of Health, has resigned.



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