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## FISCAL IMPACT REPORT

SPONSOR: Aragon DATE TYPED: 03/03/01 HB \_\_\_\_\_  
 SHORT TITLE: Expand Medicaid Eligibility Criteria SB 644  
 ANALYST: Taylor

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	\$ 5,322.6			Recurring	Tobacco Settlement Program Fund
	\$ 3,677.4			Recurring	General Fund
			\$ 33,157.5	Recurring	Federal Funds

Duplicates/Relates to Appropriation in The General Appropriation Act SB392, SB418a, SB479, HB238a, HB592

### SOURCES OF INFORMATION

Human Services Department (HSD)  
 Health Policy Commission (HPC)  
 Legislative Finance Committee (LFC) files

### SUMMARY

#### Synopsis of Bill

Senate Bill 644 would expand eligibility for the Medicaid and State Children's Health Insurance Programs by making eligible:

- a. all New Mexico Works Act participants receiving cash assistance;
- b. parents whose net income, based on New Mexico Works requirements, is less than 100% of the federal poverty level;
- c. New Mexico Works Act participants whose medicaid benefit might have been terminated due to sanctions for failure to comply with the work program or child support enforcement requirement.

The bill appropriates \$5,322.6 from the tobacco settlement program fund and \$3,677.4 from the general fund to pay for the expansions. The Human Services Department is required to obtain the most favorable federal match rate available for these programs and to provide health insurance premium payments for employer-based insurance where it is determined to be cost-effective.

## **FISCAL IMPLICATIONS**

The appropriations of \$5,322.6 from the tobacco settlement program funds and \$3,677.4 from the general fund contained in this bill are recurring expenses. Any unexpended or unencumbered balance remaining at the end of FY02 shall revert to the respective funds.

The appropriations would leverage \$33.2 million in federal funds, assuming that the \$5.3 million appropriation from the tobacco settlement program fund would receive an 81% federal match rate, and that the \$3.7 million appropriation from the general fund would receive a 74 percent federal match rate.

The cost to enroll persons in the temporary assistance for needy families program TANF who are currently not enrolled because their income exceeds the program's guidelines or because they are being sanctioned is \$3.5 to \$4.0 million. The number has decreased over time as the number of families receiving TANF assistance has fallen. The cost of enrolling just those who are not eligible because of the income guidelines is probably between \$2.2 and \$2.5 million.

The Human Services Department has indicated that applying for an SCHIP waiver to cover low-income parents would take a considerable amount of time. They anticipate that it would take at least six-months to get such a waiver approved and an additional 3 months for them to write regulations. This means that the program would be operational for only the last quarter of the year. The department suggests that eventually, they might be able to enroll 75 percent all eligibles. Based upon an average cost of \$3,120 per person annually, the total cost would be \$177 million, with the state paying 19 percent or \$33.6 million. Since the program would only be in effect for one-quarter, the maximum needed by the state would be \$8.4 million. However, based on the experience of other states, and the work of the Health Policy Commission's consultants expanding enrollment can be expected to ramp up over time, eventually reaching a plateau at about 65 percent. The \$5.3 million appropriated in the bill for the purpose of enrolling parents would enable the department to enroll 64 percent of its eventual goal. This is probably optimistic, thus, the \$5.3 million is more than likely to be sufficient for the first year of the program. In FY03, the state share of the cost would likely be about \$22 to \$23 million, assuming that 50 percent of eligibles are enrolled on a full-time equivalent basis (note this implies that more than 50 percent are enrolled by the end of the year). In the third or fourth year, the cost to the state could reach \$29 to \$33.6 million, depending on how successful it is in enrolling eligibles.

## **ADMINISTRATIVE IMPLICATIONS**

The Human Services Department notes that the workload associated with enrolling and administering cases grows as the number of people eligible for the program grows.

## **OTHER SUBSTANTIVE ISSUES**

The Human Services Department bill analysis includes the following as significant issues:

Under Subsection C, as renumbered in SB 644, families would be eligible for Medicaid if their **net** income, as determined in the NMW program, is below federal poverty guidelines. Usually, programs employing federal poverty guidelines determine eligibility based on gross income rather than net income. The NMW program currently makes families ineligible based on net income if net income is

above program need standards, which are currently about 33% of the federal poverty level (FPL). Moving net income eligibility standards to 100% of FPL will have the result of tripling the eligibility standard for this group of persons and will greatly increase the number of eligible persons.

- The language in paragraph C. in section 27-2B-15 would implement a Health Insurance Premium Payment (HIPP) program only for those individuals described in paragraph C, i.e., parents of benefit groups with income less than 100% of federal poverty guidelines. This is impermissible under federal regulation. If the state implements HIPP, it would have to be for the entire Medicaid population, if cost effectiveness is established.
- Proposed language in 27-2B-15 B is inaccurate. The federal statutory language in section 1931 of the PRWORA creates an entirely new and separate category of Medicaid eligibility that is de-linked from cash assistance. The new category in New Mexico was named "JUL Medicaid." While the statutory basis used a framework of the state's AFDC criteria as it existed on July 16, 1996, the federal statutory language gave states enormous flexibility to craft Medicaid regulations to meet the needs of the individual state. New Mexico had used this flexibility to implement a JUL Medicaid category that now varies significantly from AFDC policy as it existed in July of 1996. Thus, Medicaid category references should refer to JUL Medicaid.
- Implementation of Medicaid expansions to include sanctioned individuals and JUL Medicaid families up to 100% of poverty would require the department to complete all of the tasks ordinarily associated with program changes, including computer programming, policy promulgation, staff training, and outreach.
- The language in paragraph C would also mandate that the department obtain the most favorable federal match available. The most favorable federal match rate is under SCHIP. However, to cover parents up to 100% of federal poverty limits would require an SCHIP (Title XXI) waiver. The process of planning, drafting, and approval process for a waiver is estimated to take a minimum of 12 months.
- Funding for one FTE to plan and oversee the waiver as well as other administrative costs would need to be included in the appropriation.
- As a result of the massive increase in caseloads the bill would engender, SB 644 could seriously affect the Debra Hatten-Gonzales settlement agreement, to which HSD is party. The settlement of the federal lawsuit imposed 100% compliance with federal application processing time standards and prompt eligibility decisions in the Medicaid program, among other things. If caseloads increase without a corresponding increase in staff, caseworkers will be unable to meet required time lines, and HSD could face sanctions for noncompliance with its terms. Likewise, if caseloads increase as expected, without an increase in caseworkers, HSD would be faced both with an increase in fair hearings on the issue of failure to meet time lines and other attendant casework errors, along with a corresponding increase in appeals.