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FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/09

SPONSOR HLHRC LAST UPDATED _____ HB 270/HLHRCS

SHORT TITLE Community Based Wavier Program Cost of Living SB _____

ANALYST Chabot

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	\$5,800.0	\$5,800.0	\$5,800.0	\$17,400.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 310, Medicaid Waiver Cost-of-Living Increases
 HB 372, Adjust Direct Service Provider Cost-of-Living
 HB 424, Family, Infant and Toddler Program Services
 SB 448, Direct Service Provider Cost-of-Living
 SB 449, Medicaid Wavier Program Cost-of-Living

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
 Developmental Disabilities Planning Council (DDPC)
 Human Services Department (HSD)
 New Mexico Health Policy Commission (HPC)

SUMMARY

Synopsis of HLHRC substitute

House Labor and Human Resources Committee Substitute for House Bill 270, Community-Based Waiver Program Cost of Living, requires DOH to make annual cost of living adjustments in its reimbursement to service providers pursuant to the Development Disabilities Act. The cost of living adjustment would be indexed to the current year's intermediate care facilities for the mentally retarded market basket, published by the federal Department of Health and Human Services (DHHS) Centers for Medicare and Medicaid Services (CMS). The increase would be for all persons who have entered into provider contracts or provider agreements with DOH to provide direct care services through the family, infant, toddler program; the developmental disabilities Medicaid waiver program; and the general fund program administered by Developmental Disabilities Supports Division (DDSD) of DOH.

FISCAL IMPLICATIONS

The bill contains no appropriation but DOH estimates, based on the current CMS home health market basket rate of 2.9 percent, estimates the fiscal impact to \$5.8 million; future year increases would be based on the rate in effect for that year. For estimating the three-year costs, the estimated rate was used for each year of the three-year period.

SIGNIFICANT ISSUES

The following are the major differences between the original bill and the committee substitute:

- Changes the name of the DHHS “market basket” to the “intermediate care facilities for the mentally retarded market basket.”
- Adds “The increase shall be for all persons who have entered into provider contracts or provider agreements with the department of health to provide direct care services through the family, infant, toddler program; the developmental disabilities medicaid waiver program; and the state general fund program administered by the developmental disabilities supports division of the department of health. The cost-of-living adjustment shall be used to improve staff recruitment and retention and to meet increased programmatic and operational costs of quality services.

Provider rates are determined by HSD, not DOH. HSD reports it has historically taken a thoughtful approach to increasing provider rates for all Home and Community Based Services Waivers, using the following criteria in the decision making process:

- Historical increases;
- Promoting preventive care;
- Establishing parity among rates paid for similar services;
- Provider costs;
- Providers’ dependence on Medicaid as a funding stream;
- Rates as compared to Medicare.

HSD also assesses providers for waiver populations not covered by the Developmental Disabilities Act are not included in the cost-of-living increase considerations. DDPC concurs in this assessment.

DOH states that if additional funds are not appropriated to cover the increase rates for providers, it will have to reduce the number of clients serviced. If this bill is enacted without an additional appropriation approximately 200 clients would have to be removed from the program and placed back on the waiting list.

HPC assesses that there is a shortage of health professions and the bill is attempting to improve staff recruitment and retention by providing for annual increases in provider agreements.

ADMINISTRATIVE IMPLICATIONS

HSD estimates approximately 500 additional staff hours would be required annually to adjust the rate tables. In addition, CMS needs to approve the rate increases and may delay implementation.

POSSIBLE QUESTIONS

1. If the CMS market basket is negative, will rates to providers be reduced?
2. While should automatic increases for developmental disability supports program contractors be put into law when others are not receiving increases and may actually be cut to implement the solvency plan for FY09?
3. Will it be permissible to remove clients from the program to increase provider rates?

GAC/mt