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FISCAL IMPACT REPORT

ORIGINAL DATE 2/17/09

SPONSOR Papen LAST UPDATED _____ HB _____

SHORT TITLE Medicaid Reimbursement for Certain Facilities SB 409

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$2,100.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	\$5,200.0	\$5,200.0	Recurring	Federal Funds

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

Health Policy Commission (HPC)

Department of Health (DOH)

SUMMARY

Synopsis of Bill

Senate Bill 409 (SB409) enacts a new section of the Public Assistance Act to require the Human Services Department (HSD) to adjust by 3.5 percent the Medicaid rates paid to nursing facilities and intermediate care facilities for the mentally retarded (ICF-MR) as specified by Medicaid regulations.

FISCAL IMPLICATIONS

The appropriation of \$2.1 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2010 shall not revert to the general fund.

According to the February 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$575 million less than the FY09 appropriations before the 2009 solvency reductions. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

The \$2.1 million in general fund appropriation could be matched with about \$5.2 million of federal Medicaid funds.

SIGNIFICANT ISSUES

HSD has projected the total cost of NF and IFC/MR services for FY10 to be approximately \$101 million. Increasing reimbursement by 3.5% would lead to expenditures of approximately \$104.6 million, an increase of roughly \$3.6 million.

According to HSD, SB409 states that the rate increase would be “as specified by Medicaid regulations”. The Medicaid regulations at 8.312.2.12 for nursing facilities states that, “pursuant to budget availability and at the department’s discretion, an inflation factor may be used to recognize economic conditions and trends”. Further, the regulations allow for an inflation factor “up to the Centers for Medicare and Medicaid Services market basket index”. The Department does not yet know what the market basket index will be for FY10, but it has been less than 3.5% over the past several years. The language in the ICF/MR regulations regarding inflationary increases is identical.

HSD also reports that FY11 is scheduled to be a rebasing year for the ICF/MR program. Rebasing means that facility costs are audited and new rates set based on those costs. Rebasing often, but not always, leads to higher rates for facilities.

With the implementation a managed care program for long-term care services, funding for nursing facilities has been moved to the Coordination of Long-Term Services (CoLTS) program. Rate adjustments, as proposed in this bill, would have to flow to the two CoLTS contractors through the per-member per-month (PMPM) rates.

DOH reports they operate three long-term care facilities: New Mexico State Veterans Home (145 beds), Fort Bayard Medical Center (200 beds) and New Mexico Behavioral Health Institute. Los Lunas Community Program operates a four bed intermediate care facility for the mentally retarded. An increase in the Medicaid reimbursement could increase revenues to DOH.

ADMINISTRATIVE IMPLICATIONS

HSD estimates additional administrative burden associated with updating rates in the Medicaid Management Information System, working with the CoLTS contractors to arrive at accurate PMPM rates to cover the increases to nursing facilities, and separately tracking the non-reverting appropriation to continue spending it in FY11.