F I S C A L I M P A C T R E P O R T

SPONSOR Ortiz y Pino **ORIGINAL DATE** 2/08/17 **LAST UPDATED** 3/13/17 **HB**

SHORT TITLE Medicaid Family Home Visiting Program **SB** 175/aSFC/aHHHC

ANALYST Chilton

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	Uncertain*	Uncertain*	Uncertain*	Uncertain*	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Language in the General Appropriation Act, 2017 House Bill 2, pages 87-88, which states "The medical assistance program of the human services department shall amend the state plan and leverage general fund appropriations in the early childhood services program of the children, youth and families department for a pilot medicaid-funded home-visiting program."

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)
Children, Youth and Families Department (CYFD)
Department of Health (DOH)
New Mexico Center on Law and Poverty (NMCLP)

SUMMARY

Synopsis of House Health and Human Services Committee Amendment

The HHHC amendment inserts another duty of the cooperation between HSD and CYFD, the determination each year of the target population of children and families to be served in a home visiting program, based on available state and federal funding (other aspects of this cooperation already in the bill are assuring that the home visiting program comport itself with CYFD standards and that duplication of services and payments would be avoided.)

Synopsis of Senate Finance Committee Amendment

The SFC amendment to Senate Bill 175 adds the words "or standards based" to"evidence-based" in two lines of the bill. Many New Mexico home visiting programs are standards based, but only two are evidence based. This amendment would open up the field of home visiting to Medicaid-served families to both types of program.

Synopsis of the Original Bill

Senate Bill 175 would require that the Human Services Department establish a child, toddler and family home visiting program and to use federal and state Medicaid funds to maximize coverage of the program. There is no appropriation in this bill, and the bill does not specify what proportion of young New Mexicans would be visited. HSD would be given the discretion to design the program and select the children/families to be served according to assessment of their need and the availability of funds through the departmental appropriation and any other available funds, including federal funds.

The bill states that, regardless of the extent of the home visiting program, it would

1. Use home visiting as a primary service delivery strategy;
2. Include regular, voluntary visits provided in the homes of infants and toddlers, from birth to three years of age, and their families;
3. Be evidence-based and grounded in best practices designed to produce and measure the following outcomes:
    (a) improvement of infant, toddler, and parental health outcomes;
    (b) positive parenting practices;
    (c) healthy parent and child relationships;
    (d) child well-being and prevention of adverse childhood experiences;
    (e) enhanced social-emotional development;
    (f) support of cognitive development in infants and toddlers;
    (g) increased school readiness; and
    (h) delivery of a variety of information, education, developmental, referral and other supports to an infant or toddler and the infant or toddler's family;
4. Have comprehensive home visiting standards that ensure high-quality service delivery and continuous quality improvement;
5. Have demonstrated significant, sustained positive outcomes;
6. Follow program standards that the Secretary has established by rule and that specify the purpose, outcomes, duration, and frequency of home visiting services;
7. Follow research-based protocols;
8. Employ well-trained and competent staff and provide continual professional supervision and development relevant to the specific program or model being delivered;
9. Demonstrate strong links to other community-based services;
10. Continually evaluate performance to ensure fidelity to the program standard;
11. Collect data on program activities and outcomes; and
12. Be culturally and linguistically appropriate.

The program would be required to develop a means of paying home visitors for their services, maximizing the amount of federal funding that could be harnessed.

The program would be required to consult with New Mexico Native American entities. It would be required to submit an outcomes measurement plan by December 1, 2017 and begin to report on outcomes beginning on July 1, 2018.

FISCAL IMPLICATIONS

Because Senate Bill 175 does not specify how many children are to be served, the cost of providing those services is impossible to calculate. The costs would fall into three categories –
1) planning costs before implementation,
2) ongoing contract negotiation, monitoring of performance of contractors and reporting on outcomes, and
3) amounts paid out to contractors for performing the home visits.

The last of these three categories of expense would be dependent on the number of children and families served, the first of them less so. The degree to which federal funds could be used to offset the costs is difficult to determine.

The Center for Law and Poverty notes that currently approximately 4000 infants and toddlers throughout New Mexico are being served by home visiting programs at an average cost of about $4,000 per family, or $16 million in total. NMCLP uses a variety of assumptions to apply the $4,000 per child served figure to various numbers of children served. The degree to which federal funds could be maximized, including with reference to the children already served through the CYFD home visiting program, which does not currently access Medicaid funding, would reduce the state's share of the cost.

The extensive HSD analysis of the bill and its fiscal implications makes the assumption that all of the children born in New Mexico would be served for their first three years. As there approximately 25,000-26,000 births in New Mexico per year, there would be, by HSD calculations, 79,000 children being served at one time. As 18 percent of children born in New Mexico are covered by private insurance and thus would not be eligible for the envisioned program, that leaves about 65,000 children eligible for the home visiting program if it were limited to all births covered by Medicaid, already reducing the estimates reduced below. Therefore, the reader should be aware that <u>the estimates of costs given below represent the cost of serving a large proportion of New Mexico infants and toddlers and their families, and that Senate Bill 175 does not specify how many or which families would be served.</u>

> The number of children, birth to age 3, currently enrolled in the Medicaid program is approximately 79,000. This represents the number of children potentially eligible for these services.
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> The cost to HSD for covering these services has been studied several times and with various levels of coverage, age groups, and benefit inclusions. The LFC, in a 2015 analysis (FIR to Senate Bill 39, 2015), was quoted as estimating home visiting services to cost $4,000 per year per child served. This is a very close estimate to HSD's calculation, which at the time was $3,500 per year per child, assuming that the program was primarily administered through CYFD.
>
> Given that the number of qualifying children is approximately 79,000 children, at a cost at $4,000 per child per year, theoretically, the cost could be as high as $316 million per year.

It may be more realistic to make the following assumptions:

SFY 2018: Assume that 35 percent of eligible children will receive home visiting
SFY 2019: Assume that 50 percent of eligible children will receive home visiting

In future years the number of children served would likely increase, but the first 2 years would likely not result in all eligible children served as the program is still being developed.

Under this calculation, the cost to HSD would be estimated to be $110.6 million for SFY 2018 and $158 million for SFY 2019, federal and state funds combined.

Existing programs, such as the home visiting program operated by CYFD, use contractors to provide home visiting services. If the services are provided through contractors, there would be significant staff requirements to award and monitor contracts. This would require a substantial amount of time from MAD staff to provide administrative oversight of the contracts, for which no funding is appropriated. Based on current CYFD staffing levels, HSD would need five additional FTEs for a total of $270,000 to administer the program.

Additionally, if the services are to be provided through the Managed Care Organizations (MCOs) to their Medicaid members, there would be significant expenses associated with hiring new staff and providing appropriate training and supervision.

The home visiting requirements in SB 175 may necessitate a shift in priorities for Medicaid and the MCOs, away from providing comprehensive care coordination services in Centennial Care, to absorb additional costs associated with hiring, supervising, and conducting ongoing training of such staff because of the lack of an appropriation.

SIGNIFICANT ISSUES

Home visiting services are standard in many European countries (e.g., the United Kingdom, Netherlands and Denmark) both for pregnant women and for new infants and young children. They have not been widely and routinely adopted in the United States, although a number of studies have shown benefits from home visiting. NMCLP notes some of those studies, including a RAND study in Santa Fe County, showing that infants visited in the county's program had a decrease in emergency room visits of 33 percent and a decrease in excessive visitation to primary care clinics of 41 percent. NMCLP enumerates other highly positive outcomes of home visiting, in Santa Fe and elsewhere. Many of these positive outcomes are virtually immediate, in contrast with some interventions that see their results many years later.

HSD notes that home visitors typically provide services not covered by Medicaid, such as parent education and coaching regarding employment possibilities. The degree to which Medicaid would refuse to pay for the part of home visiting devoted to such uncovered services is unknown and would affect the cost, as would the frequency of home visits, unspecified in the bill.

CYFD notes that only two models of home visiting in New Mexico currently meet the requirements of Senate Bill 175; HSD notes that expansion of these programs to serve the entire state may be difficult. Alternatively, other home visiting programs, such as the First Born Program in Grant and Santa Fe Counties, could be augmented to meet the requirements of the bill. The Senate Finance Committee amendment takes care of this concern.

ADMINISTRATIVE IMPLICATIONS

Senate Bill 175, noting the existence of home visiting through CYFD and through DOH's Family, Infant, Toddler Program (FIT), requires that the agencies be certain to both avoid duplication of services and seek ways of maximizing federal fund use across all three programs.

A state Medicaid plan amendment would be needed through the Center for Medicare and Medicaid Services.

TECHNICAL ISSUES

The long title of the bill indicates that the purpose of the bill is to "provide home visiting services to Medicaid-eligible infants, toddlers, and *their families,"* while in Section 1 of the bill, it states "the secretary [of HSD] shall establish an infant, toddler and family home visiting program." The difference should be clarified, as the potential numbers to be served would be markedly different if it were only limited to just families with infants and toddlers.

HSD states that "While this [bill] would seem to allow flexibility on when HSD may be able to cover home visiting program services, it is sometimes a difficult provision for HSD to use. In order to cover home visiting services, HSD would have to seek the approval of the Centers for Medicare and Medicaid Services (CMS) through the form of a state plan amendment. Once approved, HSD would be required to cover the services. Coverage or the extent of coverage could not be changed from year to year based on state funding levels."

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

No new home visiting program would be adopted. The FIT program and the home visiting program established by CYFD would persist, and would continue to serve approximately five percent of the children (and their families) less than three years of age. Savings from reduced emergency room visits, primary care overutilization and other medical care avoided would not be realized.

LAC/al/sb/jle

NM center on law and poverty

MEMORANDUM

From: Abuko D. Estrada, Attorney, and Sireesha Manne, Attorney
To: Christine Boerner – Legislative Finance Committee
Re: Fiscal Impact Report – Senate Bill 175 – 2017 Session
Date: February 7, 2017

SUMMARY

Senate Bill 175 requires the Human Services Department (HSD) to establish a home visiting program for Medicaid eligible infants and toddlers and their families.

HSD must execute provider participation agreements with eligible home visiting providers and adhere to evidence-based and quality standards for the program. HSD must cooperate with the Children, Youth, and Families Department (CYFD) to avoid duplication of services and establish a reimbursement mechanism that maximizes federal funding. Finally, HSD, in consultation with the New Mexico's Native American tribes, home visiting providers and at least one home visiting expert, must develop a plan to track the outcomes achieved for families in the home visiting program.

FISCAL IMPLICATIONS

Senate Bill 175 expands home visiting programs for young children (ages 0-3) and their families by leveraging federal funds through Medicaid. New Mexico currently provides home visiting through the CYFD serving roughly 4,000 families and using $7.3 million in state funding and $9.2 million in federal funding in FY16.[1] By financing home visiting services with Medicaid, New Mexico could leverage federal matching funds to pay the costs for many of the same services that are currently provided using state-only funds, while expanding services to more families.

The costs for covering home visiting services through Medicaid will depend on the number of families served and the savings that are achieved through the program.

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[1] New Mexico Center for Education and Policy Research (CEPR) and NM Children Youth and Families Department (CYFD), *New Mexico Home Visiting Annual Outcomes Report Fiscal Year 2016* (Jan. 1, 2017), at 4, stating 4,020 families served by 2,738 "openings" for home visiting programs.

A. Costs Will Be Determined by the Target Number of Families Served

Senate Bill 175 gives flexibility to HSD to determine a target population for home visiting services and to structure the program in alignment with CYFD to maximize coverage and leveraging of federal dollars. Federal medical assistance percentage (FMAP) rates vary for Medicaid but the current match rate for most children's services in New Mexico is 70% federal funding to 30% state funding.

If Medicaid covers home visiting for every enrolled child up to age 3, HSD estimates that 79,000 children would be eligible for services. The Legislative Finance Committee (LFC) has estimated that home visiting programs cost approximately $4,000 for each child, and would ideally reach 50% of low-income families.[2] Home visiting programs, however, are voluntary and it is unlikely that every family would join the program in the first year or maintain enrollment throughout the entire year (reports show that 58% of home visiting clients received less than half the recommended 24 visits per year in FY14).[3] Thus, a safe estimate is that less than 35% of the 79,000 potential openings for children would actually be used. The cost for this group would require $110.6 million in total federal and state funding, with the state's share amounting to $33.2 million. This represents 3.5% of the overall Medicaid budget.

However, the general fund impact would likely be lower because a portion is currently spent through CYFD for the same services. The LFC estimates about 48% of CYFD home visiting clients are enrolled in Medicaid.[4] This implies that over $3 million in state funding for CYFD could potentially be saved by paying for services through Medicaid. HSD will also likely achieve savings from significantly lowering healthcare costs and hospitalizations in Medicaid (described in further detail below). Finally, HSD will likely need 3 to 6 months to implement the program -- to meet with stakeholders, develop standards and alignment with CYFD, determine reimbursement mechanisms, execute provider agreements, and issue new regulations. The general fund impact for a half-year of implementation would thus be well under $15 million for FY18.

Another scenario is for HSD to target a specific population of Medicaid eligible children, by seeking a state plan amendment or Section 1115 waiver from the federal government that could allow the State to pilot the program with a narrower group. For example, the LFC has recommended targeting about 11,500 "at risk" families for home visiting programs that cover children up to age three.[5] This would cost $46 million in total funding – or $13.8 million for the state's share. A half year of implementation would cost $6.9 million and likely less due to the cost savings that could be achieved.

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[2] LFC, *Early Childhood Services Accountability Report Card, Gap Analysis, and Spending Plan* (Jan. 19, 2015), at 18 and 21. *See also* NM CEPR and NM CYFD, *New Mexico Home Visiting Annual Outcomes Report Fiscal Year 2016* (Jan. 1, 2017), at 9. State contracts cost $3,500 per opening, with some programs receiving an additional $500 for special circumstances.

[3] *Id*. at 27.

[4] *Id*. at 17.

[5] LFC, *Early Childhood Services Accountability Report Card, Gap Analysis, and Spending Plan* (Jan. 19, 2015), at 6.

HSD could also choose to limit a home visiting program to serve only TANF eligible children, thereby ensuring that the lowest income families are prioritized for services. Roughly 7,000 children ages 0-3 are estimated to be enrolled in TANF.[6] A 35% uptake rate would serve 2,450 children at a total cost of $9.8 million, amounting to a state share of $2.9 million for an entire year of services, or $1.45 million for a half year of implementation -- again, not accounting for additional savings due to lower healthcare costs, which could make costs negligible.

B. Significant Savings Can Be Achieved to Offset Costs

The investment of state funding for home visiting services and leveraging of federal funds should realize significant savings for the state. Home visiting programs are associated with improved health outcomes, lower rates of hospitalizations, and improved school readiness. If the program is provided through Medicaid managed care organizations, HSD could negotiate monthly rates to account for anticipated savings.

Numerous studies of home visiting programs have found reduced healthcare costs for participating families. A recent study of Santa Fe County's First Born, conducted by the RAND Corporation, found that infants in the program were one-third less likely to visit a hospital emergency room than those not in the program.[7] The same infants were also 41% less likely to make nine or more visits to a primary care clinic.[8] Additionally, while statistically less significant than other findings, the study also found positive signs that the children were less likely to sustain injuries requiring medical attention or to be hospitalized in their first year.[9]

Other positive health outcomes have been produced by home visiting programs nationwide. Mothers who received home visits were half as likely to deliver low birth weight babies than mothers who were not enrolled in a home visiting program.[10] Mothers who participated in Pennsylvania's Nurse-Family Partnership program were 26% more likely to quit smoking while

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[6] *See* Health and Human Services, *Characteristics and Financial Circumstances of TANF Recipients Fiscal Year (FY) 2015*, Table 30, showing 22,694 children were enrolled in New Mexico's TANF program for FY15, of whom 13.9% were under 1 year old and 25.7% were between ages 2-5. This would mean 3,154 infants under age 1 were enrolled in TANF, and potentially up to 3,850 children ages 2-3 (using a high estimate of two-thirds of 2-5 years old).

[7] M.R. Kilburn & J.S. Cannon, Home Visiting and Use of Infant Health Care: A Randomized Clinical Trial, *Pediatrics*. 139(1):e20161274, p. 6 (2017).

[8] *Id.*

[9] *Id.*

[10] E. Lee, et al. Reducing Low Birth Weight through Home Visitation: A Randomized Controlled Trial. *American Journal of Preventive Medicine*, 36 (2), 154-160 (2009).

pregnant.[11] North Carolina's Durham Connects program was shown to pay for itself through reductions in use of public medical assistance.[12]

New Mexico could also see savings in education spending. Home visiting programs promote positive parenting practices that help parents better prepare their children for school. Studies have shown that participating children are less likely to need remedial education.[13] In a study of Healthy Families New York, it was found that in first grade, children from the program were twice as likely as other at-risk children to be able to follow directions, complete work on time, or work cooperatively with others.[14]

Overall, cost-benefits studies have shown that high quality, evidence-based home visiting offers a significant return on a state's investment ranging from $1.75 to $5.70 for every dollar spent due to reduced costs of child protection, K-12 special education and grade retention, and criminal justice expenses.[15]

C. States Have Not Experienced Unexpected Budget Impacts from Home Visiting

Medicaid financing of home visiting has been used by 10 to 15 states, and according to expert Kay Johnson, "no state…has experienced 'run-away costs or unexpectedly large budget impact."[16] The states have been able to use high quality and evidence-based practices, and effectively structure their programs to target at-risk families.[17]

In New Mexico, another factor that may specifically limit Medicaid spending on home visiting services during the initial years of implementation is the capacity of home visiting providers to offer services. While New Mexico has an evolving network of providers that offer quality home visiting services, it could take several years for providers to ramp up their service levels to meet the full demand in New Mexico.

OTHER SIGNIFICANT ISSUES

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[11] Meredith Matone, et al., Home Visitation Program Effectiveness and the Influence of Community Behavioral Norms: A Propensity Score Matched Analysis of Prenatal Smoking Cessation, BMC Public Health 12 (2012), *available at* http://www.biomedcentral.com/1471-2458/12/1016.

[12] Pew Charitable Trusts, Home Visiting Family Support Programs: Benefits of the Maternal, Infant, and Early Childhood Home Visiting Program (Jan. 2015), *available at: www.pewtrusts.org/~/media/assets/2015/01/home_visiting_miechv_fact_sheet_jan15.pdf.*

[13] *Id.*

[14] Kristen Kirkland and Susan Mitchell-Herzfield, Evaluating the Effectiveness of Home Visiting Services in Promoting Children's Adjustment in School: Final Report to the Pew Center on the States (2012), *available at* http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/School_Readiness_executive_summary.pdf.

[15] National Conference of State Legislatures, Home Visiting: Improving Outcomes for Children, http://www.ncsl.org/research/human-services/home-visiting-improving-outcomes-for-children635399078.aspx, *last visited Jan. 22, 2017*.

[16] Kay Johnson, Johnson Consulting, Inc., *Testimony to New Mexico's Legislative Finance Committee*, May 11, 2016, at 5.

[17] *Id*.

A. Medicaid Financing of Home Visitation is Feasible to Administer

The federal Centers for Medicaid and Medicare Services (CMS) recently affirmed that Medicaid can finance the core components of a home visiting program, including case management services, licensed practitioner services, preventive services, any Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefits for children, rehabilitative services, therapy services, among other services.[18]

Each state may determine whether to provide direct Medicaid fee-for-service payments to eligible providers, or bundle payments into a "global payment rate" for each episode of care, or cover home visiting under the terms of existing managed care contracts.[19] The state can also use other state and federal funding streams to ensure adequate financing of any program components that are not eligible for reimbursement through Medicaid.

About 10 to 15 other states have chosen to use Medicaid to finance home visiting services, proving that the program can be effectively administered. Home visiting experts have advised that billing complexity can be avoided if the state issues "clear and consistent guidance" to home visiting providers about how to bill the state for their services.[20]

B. Legislation Gives State Flexibility to Streamline Billing and Avoid Duplication

Senate Bill 175 gives the state maximum flexibility to decide the most appropriate method for setting up a Medicaid home visiting program and to develop a corresponding funding mechanism. There is no set method for how HSD must set up the program so long as it complies with federal law and is setup to meet and utilize evidence-based standards and practices. HSD is expected to work with CYFD, the state's tribes, and home visiting experts to ensure that services and reimbursements are not duplicated, are adequate, maximize federal funds, and are easy to administer and access.

C. New Mexico is Well-Positioned to Finance Home Visiting with Medicaid

In her testimony to the LFC in May 2016, home visiting expert and consultant Kay Johnson listed five reasons why New Mexico is well positioned to used Medicaid for home visitation:[21]

1. "The state is investing millions of dollars in general fund into its home visiting system. Much of this state general revenue could qualify for 70% Medicaid federal match.
2. No state using Medicaid financing for home visiting has experienced "run-away" costs or

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[18] *See* Centers for Medicaid and Medicare Services and Health Resources and Services Administration Joint Informational Bulletin on Maternal, Infant and Child Health Home Visiting, March 2, 2016, available at: https://www.medicaid.gov/federal-policy-guidance/downloads/CIB-03-02-16.pdf

[19] Kay Johnson, Johnson Consulting, Inc., *Testimony to New Mexico's Legislative Finance Committee*, May 11, 2016, at 3.

[20] Bruner, Johnson, Trefz, *Discussion paper: Young Child Primary Pediatric Practice Transformation – Medicaid Financing to Improve Child Health Trajectories* (Aug. 2016), at 5.

[21] *Id. at 5-6.*

unexpectedly large budget impact.

3. New Mexico's Medicaid managed care program, Centennial Care, offers opportunities to integrate home visiting into an existing structure and define provider networks.
4. New Mexico has a network of quality providers that offer different program approaches to serve families with varied needs.
5. The strong oversight role of the Children, Youth and Families Department (CYFD) for a home visiting system, which emphasizes accountability and quality, can complement and continue in the context of Medicaid financing."

D. Potential to Improve Family Economic Situations

Twenty-nine percent of New Mexico's children live in poverty,[22] which negatively affects their physical, social, and emotional development and impedes their ability to learn. Home visiting programs can help connect parents with educational and training programs to counteract the negative consequences of poverty. Studies have found that more parents participating in home visiting programs work are enrolled in education or job training. For example, a study of Healthy Families Arizona found that mothers in the program were five times more likely to be enrolled in education or job programs than other mothers.[23] These effects make home visiting an effective, dual-generation approach to breaking the cycle of the poverty for our families.

E. Potential to Improve Maternal Health

In the recent New Mexico Home Visiting Annual Outcomes Report for fiscal year 2016, CYFD reported that over 4,000 families were served.[24] Pregnant women of the families served consistently reported that they accessed prenatal care more often and earlier than their counterparts statewide.[25]

Additionally, according to CYFD's fiscal year 2016 Outcomes Report, over 1,200 eligible mothers were screened for postpartum depression. Of those screened, 288 were identified as having symptoms and over half of them got engaged with referral support services. Increasing the ability of mothers who show symptoms of postpartum depression to access referral supports can help them remain mentally healthy and positioned to build and sustain quality, health relationships with their children.

CONSEQUENCES OF NOT ENACTING THIS BILL

By not enacting this legislation, New Mexico will forego the opportunity to leverage federal

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[22] NM Voices for Children, Kids Count Data Book 2016, p. 8 (Jan. 2017).
[23] The Pew Charitable Trusts, Home Visiting Family Support Programs: Benefits of the Maternal, Infant, and Early Childhood Home Visiting Program, (Jan. 2015), *available at http://www.pewtrusts.org/~/media/assets/2015/01/home_visiting_miechv_fact_sheet_jan15.pdf.*
[24] Children, Youth, and Families Department, New Mexico Home Visiting Annual Outcomes Report Fiscal Year 2016, p. 16 (Jan. 2017).
[25] *Id.* at 17.

match dollars in Medicaid and use them to expand home visiting services to more children and families. It will be a lost opportunity to help improve child health and education outcomes, reaping savings in healthcare and education for the state.