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FISCAL IMPACT REPORT

ORIGINAL DATE 2/11/19

SPONSOR Papen LAST UPDATED _____ HB _____

SHORT TITLE Rural Wraparound Services Act SB 250/ec

ANALYST Esquibel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$7,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	\$7,000.0		Recurring	Rural Wraparound Services Fund
	\$23,300.0	\$23,300.0	Recurring	Rural Wraparound Services Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HSD 1 staff		\$68.0	\$68.0	\$136.0	Recurring	General Fund
CYFD 3 staff		\$204.0	\$204.0	\$408.0	Recurring	General Fund
Medicaid program		\$23,300.0	\$23,300.0	\$46,600.0	Recurring	General Fund
Total		\$23,572.0	\$23,572.0	\$47,144.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 43, Behavioral Health Interventions.
Relates to Appropriation in the General Appropriation Act.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Children, Youth and Families Department (CYFD)

Human Services Department (HSD)

Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

Senate Bill 250 would create the Rural Wraparound Services Act (Act). The target population of the Act is adults with serious mental illness (SMI) and youth between ages 16 and 22 with serious emotional disturbance (SED), and includes adults or youth who live in rural areas or who are homeless.

SB250 would require the Behavioral Health Services Division (BHSD) of the Human Services Department (HSD) to design and implement a comprehensive community-based mental health system in rural areas of the state that provides wraparound services to achieve one or more of the following:

- 1) To prevent or reduce the likelihood of relapse following discharge from inpatient care or recidivism following release from detention or incarceration;
- 2) To correct, reduce or ameliorate the physical, mental, cognitive or developmental effects of SMI or SED;
- 3) To reduce or ameliorate the pain or suffering caused by SMI or SED;
- 4) To assist the person to achieve or maintain maximum functional capacity in performing the activities of daily living; or
- 5) To assist the person with life skills needed to live independently in the community.

SB250 would create the Rural Wraparound Services Fund as a non-reverting fund in the state treasury. BHSD would administer the fund to contract for services, with the following conditions:

- 1) Money in the fund shall be expended only for the purposes specified in the Rural Wraparound Services Act.
- 2) Money in the fund shall be used to provide, arrange for or assist with targeted case management, transitional and long-term housing for the target population, and psychosocial rehabilitation and wraparound services for the target population.
- 3) Money in the fund shall not be used to pay for goods or services covered by Medicaid or to match federal funding for Medicaid.
- 4) Expenses of administering the fund shall be paid by the Human Services Department (HSD).

SB250 outlines contract requirements as follows:

- 1) Contracts for the Rural Wraparound Services Fund shall be awarded for a period of at least four years to contractors who demonstrate the ability to achieve outcomes specified by BHSD, with preference to proposals for communities with few or no behavioral health providers or services. Awards shall allow innovative, flexible and creative uses of local resources other than traditional providers of behavioral health services.
- 2) BHSD may require contractors to demonstrate in-kind or other support.

- 3) HSD shall enter into a contract for procurement after evaluating competitive proposals and shall not design requests for proposals to provide for only sole source contracts. HSD's procurement process must be in accordance with the Procurement Code.
- 4) Medicaid managed care organizations (MCOs) or contractors are not eligible for contracts awarded pursuant to the Act.

SB250 would require HSD to promulgate standards and performance measures for contracts awarded pursuant to the Act. Minimum standards are outlined in Section 6 of SB 250 and include:

- 1) identification and tracking of each person served;
- 2) acceptance of referrals from all sources for persons in the target population;
- 3) an assessment performed, and service plan develop within certain parameters;
- 4) assignment of a community support worker to be responsible for assisting in the assessment of the person and in the development of the service plan;
- 5) initiation of services within one calendar day of the assessment for persons with urgent needs and within five calendar days for persons with non-urgent needs;
- 6) immediate access to crisis stabilization services, with 24-hour telephone response and next calendar day appointment; and
- 7) continuing support for persons served.

Standards developed by HSD must not be so stringent that only traditional providers of behavioral health services can meet them, and contractors shall be required to report outcomes as determined by HSD.

The bill includes an emergency clause.

FISCAL IMPLICATIONS

The bill would appropriate \$7 million from the general fund to the Rural Wraparound Services Fund for expenditure in FY20 and subsequent fiscal years to contract for services as provided in the Rural Wraparound Services Act. Any unexpended or unencumbered balance remaining at the end of a fiscal year would not revert to the general fund.

The bill proposes creation of the "Rural Wraparound Services Fund" as a nonreverting fund in the state treasury. The fund would consist of revenue from appropriations, value-added services payments, gifts, grants, donations, income earned on investment of the fund, and any other money deposited into the fund. Revenue in the fund is appropriated for the Behavioral Health Services Division (BHSD) of the Human Services Department (HSD) to carry out the purposes of the Act, specifically including targeted case management, transitional and long-term housing for the target population, and psychosocial rehabilitation and wraparound services for the target population. Money in the fund would be disbursed by warrants signed by the secretary of the Department of Finance and Administration pursuant to vouchers signed by the BHSD director or the director's designee. Money in the fund would not be used to pay for goods or services covered by Medicaid or to match federal funding for Medicaid, and the cost of administering the fund shall be borne by HSD.

The bill would require Medicaid Managed Care Organizations (MCOs) or Medicaid Fee-for-Service (FFS) contractors to pay quarterly to the Rural Wraparound Services Fund an amount equal to 5 percent of the amount spent by the organization or contractor for behavioral health

services in the previous quarter, to be deemed a Value-Added Service. Medicaid funds cannot be used to make the quarterly payments.

HSD estimates a 5 percent spending fee on behavioral health services for MCOs and FFS providers would generate \$23.3 million to the Rural Wraparound Services Fund based on projected FY20 expenditures for behavioral health services. This estimate is kept flat for future years. However, the Medicaid Managed Care Rules promulgated by the Centers for Medicare and Medicaid Services (CMS) require that all reasonable costs to the Medicaid MCOs be included in the capitation rate development process. Because of this, a 5 percent spending fee on behavioral health services would be included in the Medicaid MCO capitation rates. However, because the spending fee would not be a broad-based provider or insurer tax it would be ineligible for federal Medicaid matching funds. Thus, there would be a \$23.3 million negative annual impact to the general fund to fund this additional fee required of the MCOs and to maintain the current budget for HSD Medicaid program.

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the Legislature to establish spending priorities.

The Legislative Finance Committee's (LFC) FY20 budget recommendation includes a special appropriation for \$2.5 million from the general fund to reduce reincarceration and homelessness rates and to improve prison and county jail reentry services and healthcare diagnosis for incarcerated non-violent offenders. HSD's Behavioral Health Services Program, in consultation with the Behavioral Health Purchasing Collaborative and the Mortgage Finance Authority, would establish a process by which counties and agencies may apply for grants to increase access to evidence-based behavioral health services and improve local indigent housing options. To prioritize funding, the Behavioral Health Services Program and the Behavioral Health Purchasing Collaborative shall consider epidemiological data and other source data including incarceration and reincarceration rates, behavioral health housing needs, alcohol use mortality rates, drug overdose deaths and suicide rates. Counties and agencies that leverage other revenue sources, including federal funds, shall also receive prioritization. The Behavioral Health Services Program shall report outcomes, types and numbers of individuals served to the Governor, Legislative Finance Committee, and Legislative Health and Human Services Committee by November 1, 2019.

HSD notes administering the Act would require an additional FTE at an annual recurring cost of \$68.0 to manage contracting, technical assistance, program fidelity oversight, data tracking, and outcome reporting.

CYFD reports that support for expanded wraparound services would require additional new funding for 3 FTE at minimum to complete certification and manage procurement. These 3 FTE would cost an estimated \$180.0 from the general fund. Also, CYFD notes it is currently implementing services provided for under the bill in collaboration with HSD's Medicaid program which receives matching federal funding.

SIGNIFICANT ISSUES

HSD indicates based on the minimum standards, the wraparound concept, and required reporting

outcomes established in the bill, BHSD would implement the evidence-based program of Assertive Community Treatment for adults and Youth Wraparound for youth. Assertive Community Treatment is an evidence-based practice that offers treatment, rehabilitation, and support services, using a person-centered, recovery-based approach, to individuals that have been diagnosed with serious mental illness. For youth between ages 16 and 22 with serious emotional disturbance, BHSD would collaborate with CYFD to use the equivalent evidence-based program of High Fidelity Youth Wraparound services.

Finding providers with the capacity to implement these evidence-based practices may be challenging in many rural areas, especially those with few or no behavioral health providers or services, which SB250 specifies to give preference for wraparound services.

HSD notes the exclusion of MCO contractors would prohibit BHSD from contracting with nearly all behavioral health service providers in New Mexico because they are also contractors with the MCOs to provide services. Developing new providers who have the financial ability to deliver services without reimbursement from the Medicaid program or its MCOs is likely to be extremely difficult.

HSD notes the bill does not clarify the types of services/activities that would be considered components of the wraparound. Medicaid-covered services that are provided to Medicaid beneficiaries could be paid for as direct Medicaid services. Medicaid does not cover services that are educational or vocational in nature, or shelter services such as transitional housing.

CYFD indicates it has extensive experience in partnering with HSD, as CYFD BHS has actively partnered with HSD BHSD and Medicaid Assistance Division (MAD) to implement high-fidelity Wraparound statewide, including rural communities. In order to sustain High-Fidelity Wraparound and Family Peer Support, CYFD BHS worked with HSD for these initiatives to be included in Centennial Care 2.0, the Medicaid 1115 Waiver renewal effective January 1, 2019 through December 30, 2023. BHS partnered with two MCOs, Presbyterian Healthcare Services and Molina Healthcare of NM, and All Faiths in Bernalillo County to implement High-Fidelity Wraparound. The provider is paid a per-member, per-month (PM/PM) payment to cover the costs of intensive care coordination and related activities. Wraparound was incorporated in the HSD BHSD's Carelink NM Health Home initiative as an Intensive Care Coordination model. As of spring 2018, two Health Homes, Guidance Center of Lea County in Hobbs and Mental Health Resources in Clovis, are implementing Wraparound.

Additionally, CYFD BHS is currently collaborating with HSD to expand Wraparound with additional Health Home providers. Wraparound has been implemented at seven unique sites through the demonstration phase of CYFD BHS' federal grant. Currently five sites—Desert View/Farmington, All Faiths/Albuquerque, New Day/Albuquerque, Guidance Center of Lea County/Hobbs, and Mental Health Resources/Clovis—are actively implementing Wraparound.

The Mortgage Finance Authority indicates the bill would provide funding for services in rural areas where few providers or wraparound services exist. Because the Act and fund exclude Medicaid and federal matching funds, they provide a pathway for rural areas to develop 100 percent state funded capacity to provide services and allow flexibility to meet the needs of New Mexico's rural areas.

PERFORMANCE IMPLICATIONS

CYFD has initiatives related to this bill, and performance measures related to the health and well-being of children. Wraparound is a strategic plank in CYFD BHS' Division's Strategic Plan, with the goal that "Multi-system involved children and youth with complex behavioral health and substance use disorders will be served in their communities, have less system involvement and more social supports." CYFD notes implementation of a high-fidelity Wraparound model is complex and requires significant training, coaching, technical assistance, and outcome tracking. CYFD has developed a Wraparound CARES training curriculum, coaching curriculum, implementation plan for new providers, and tracks Wraparound data with nationally-approved Wraparound data tracking tools. Expansion of Wraparound requires on-site support for two years with ongoing fidelity monitoring.

ADMINISTRATIVE IMPLICATIONS

SB250 would require HSD to promulgate standards and performance measures for contracts awarded pursuant to the Act. BHSD would require all participating programs to implement Assertive Community Treatment and Youth Wraparound at fidelity based on national evidence-based practice guidelines. Data collection and reporting of performance measures would require planning and implementation between BHSD and its contracted Administrative Services Organization, Falling Colors Inc.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB250 possibly duplicates HB43, Behavioral Health Interventions, which would require BHSD to create, implement and continually evaluate the effectiveness of a framework for interventions for individuals who are incarcerated, which includes connecting them to wraparound services to reduce the likelihood of recidivism.

TECHNICAL ISSUES

HSD suggests the following amendments: on page 5, line 23-24 strike "~~D. expenses of administering the fund shall be paid by the Department,~~" and on page 6, line 25 and page 7, line 1 strike "~~or contractors.~~"

HSD notes the exclusion of MCO contractors would prohibit BHSD from contracting with nearly all behavioral health service providers in New Mexico because they are also a contractor with the MCOs to provide services.

The bill would prohibit HSD from using money from the fund as the state match to generate additional federal matching funds for Medicaid beneficiaries. To the extent that any wraparound services would be covered Medicaid benefits, or that money from the fund would be used for the administration of Medicaid-related activities, such funding could be considered a matching source to leverage additional federal dollars. As written, the bill does not allow for this possibility.

CYFD notes that despite being the children's behavioral health authority, this bill does not

appropriate any funding to, or establish any role or responsibility for CYFD. CYFD suggests the department be included in the roles, responsibilities, and funding to ensure that children's behavioral health needs are adequately addressed, particularly since CYFD Wraparound programs are already in place. The inclusion of CYFD would also assist ensuring parents, guardians, and custodians of children involved with CYFD receive comparable services to support family stability.

CYFD notes in Section 6 the bill requires that an assessment occur within the 48 hours prior to a person's discharge from inpatient care or release from detention or incarceration. The intent of what this assessment should entail is not clear; and for those instances where a person is not in detention for longer than 48 hours, they may not receive an assessment.

CYFD notes the timeframes outlined in the bill may be difficult to accomplish until an infrastructure sufficient to accommodate those timelines is established. Rural communities with limited providers will have difficulties in starting next-day services. Most community nonprofits, especially in rural areas, do not have 24-hour crisis response, and they lack independent or semi-independent living programs. Developing a fast plan does not necessarily equate to establishing an appropriate and sustainable plan.

CYFD notes the bill does not allow contracts to be awarded to traditional providers of behavioral health services, to managed care organizations, or their contractors, although these may well be the same providers that rural areas, with their limited local resources, already rely onto deliver innovative, flexible and creative services.

CYFD notes the bill defines "youth" as being between ages 16 and 22, without indicating whether this is inclusive or exclusive. If this is an inclusive range, as CYFD's jurisdiction over a youth ends at age 21, CYFD will be unable to assist with individuals aged 22.

The bill could more specifically define "rural."

OTHER SUBSTANTIVE ISSUES

The Mortgage Finance Authority notes it administers programs that provide supportive housing for people with disabling conditions and behavioral health diagnoses. MFA indicates it is difficult to find a qualified service provider network in most rural areas of the state and this has limited MFA from expanding its programs, especially those that require behavioral health services.

RAE/al