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

SPONSOR: SFC DATE TYPED: 02/23/01 HB

SHORT TITLE: Expand Medicaid for Certain Custodial Parents SB 418/SFCS/aSFC

ANALYST: Taylor

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	**FY02**	**FY01**	**FY02**		
	NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates HB 592; relates to HAFC committee Substitute for HB 2.

SOURCES OF INFORMATION

Human Services Department (HSD)
Health Policy Commission (HPC)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Senate Finance Committee Substitute for SB 418, as amended by SFC

The substitute bill alters SB 418. It provides a definition for custodial parents; it deletes the earned and unearned income definitions; the low income definition is changed so that it is consistent with the New Mexico Works Act. It removes the provision that allowed the department to establish different income disregard standards if the cost of providing expanded coverage creates budgetary pressure. The SFC amendment strikes the appropriation.

FISCAL IMPLICATIONS OF SFCS/aSFC

The amended committee substitute strikes the appropriation. Funding is undetermined, but expected funding need is not changed. Current versions of the general appropriations act include $5.3 million from tobacco settlement funds, and $22.7 million in federal funds.

Synopsis of Original Bill

Senate Bill 418 appropriates $5,322.6 from the Tobacco Settlement Program Fund for the purpose of matching state children's health insurance program funds to expand Medicaid coverage to custodial parents whose income is below one-hundred percent of the federal poverty level.

The bill would make the low-income parents eligibility subject to the availability of state and federal matching funds. HSD is provided the authority, after consulting with the Legislature (or the Legislative Finance Committee and the Legislative Health and Human Services Committee when the Legislature is not in session), to establish different income requirements (by changing the income disregards) if the cost of the expanded program creates budgetary limitations.

FISCAL IMPLICATIONS

The appropriation of $5,322.6 contained in this bill is a recurring expense to the Tobacco Settlement Program Fund. Any unexpended or unencumbered balance remaining at the end of FY 2002 shall revert to the Tobacco Settlement Program Fund. The $5,322.6 million in state funds would leverage $22,691 in federal funds (the federal government match for the SCHIP program is 81 percent).

The appropriation contained in SB 418 should be sufficient to pay for the first year of the program, but the cost will grow in future years. The Human Services Department (HSD) estimates that about 75,572 persons will be eligible for the program. However, in a meeting with legislative staff, HSD staff indicated that it is unlikely that they could start the program before the last quarter of FY 2002. This is because this legislation will require a waiver from the federal Health Care Financing Administration (HCFA). While HCFA has sent a letter to Medicaid directors across the country indicating a willingness to support this kind of a waiver request, the department, based on prior experiences with HCFA, expects that getting the waiver approved will take at least six months. They say that it will take the department an additional three months to promulgate rules for the program.

The following reflects newly provided information from the department as of February 23, 2001. HSD estimates that the full cost to the state–if 75 percent of the eligible population for the program enrolled--would be about $33.6 million. (This implies an average per member per year cost of $3,120; state share $593). Thus, the full cost for one quarter would be $8.4 million, again assuming everyone eligible for the program enrolled at the start of the quarter. Realistically, 75 percent enrollment is too high; a more likely participation rate, based upon other state experiences, is 65 percent. National Economic Research Associates, a consulting firm hired by the Health Policy Commission to develop a strategic plan to address problems of the uninsured, reported that based on the experiences of other states, the state might optimistically expect 65 percent of program eligibles to actually enroll. They also suggested that this would not happen overnight, as it would take the department time to inform the eligible population and enroll them. The SB 418 appropriation of $5.3 million would be sufficient to enroll nearly 50 percent of eligibles in the last quarter of the fiscal year. Realizing 50 percent enrollment in a three-month period would be quite an achievement for the department. 50 percent full time enrollment actually implies a considerably higher enrollment at the end of the year, given that enrollment will happen gradually over the three-month period. (Note: the department has some influence over the timing. In its efforts to enroll more children in the SCHIP program, it rolled out its outreach efforts over a number of months to not overwhelm its income support workers.)

The likely full costs of the program, once it is completely implemented is approximately $29 million. This represents 65 percent of the cost for all eligibles, and will likely be realized over a three-year period.

ADMINISTRATIVE IMPLICATIONS

The department reports that it will need additional ISD staffing to handle the increased workload. However, given the department's estimate that the program will be slow in getting off the ground in

FY02 and that they should be able to roll out the program in stages, the administrative impact in the first year should be small. Based on LFC staff discussions with ISD, it appears that the division will be looking at staffing issues during the interim to get a better handle on how different kinds of cases (food stamps, TANF and medicaid) impact their need for workers.

OTHER SUBSTANTIVE ISSUES

- SB 418 provides expanded health insurance coverage to parents of children. However, unlike the regular Medicaid program, it anticipates that this program will not be an entitlement. Rather it will be subject to annual budget limitations with HSD given the flexibility of changing income guidelines if necessary because of budgetary pressures.

- The state's SCHIP allocation, including balances, should be sufficient to cover the cost of the program for two to three years. Once cash balances are used up, the state would have to shift some of the eligibles to the Medicaid program, which has a lower federal participation rate (73 percent compared to the SCHIP rate of 81 percent).

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