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

SPONSOR: Jennings  DATE TYPED: 03/10/01  HB

SHORT TITLE: Expand Medicaid for Certain Custodial Parents  SB 733

ANALYST: Taylor

## APPROPRIATION

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

Relates to: HB 2, SB 418, HB 592.

### SOURCES OF INFORMATION

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

### SUMMARY

Senate Bill 733 would require the Human Services Department (HSD) to provide reimbursement for physicians participating in the Medicaid program to an amount equal to 125 percent of the Medicare reimbursement rate. The reimbursement rate is to be based on services provided or procedures performed as identified in the health care financing administration's common procedure coding system.

The bill also expands Medicaid coverage (subject to the availability of state and federal matching funds) to custodial parents of Medicaid eligible children whose net countable income is below one-hundred percent of the federal poverty level. Net countable income is determined by using income disregards of New Mexico's aid to families with dependent children that existed on July 16, 1996.

### FISCAL IMPLICATIONS

Senate Bill 733 does not include an appropriation. The Human Services Department's bill analysis did not provide an estimate as to the cost of increasing physician reimbursement rates to 125 percent of Medicare. However, they noted that last year the legislature increased physician reimbursement rates from approximately 65 percent of Medicare to 95 percent–a 30 percent increase. The department has reported that last year's increase cost $10 million general fund. Given that going from 95 percent to 125 percent of Medicare represents another 30 percent increase, the cost to the general fund is expected to increase by another $10 million.

The cost of providing Medicaid to parents of medicaid eligible children is difficult to estimate as it rests on several assumptions. Thus, the cost estimates provided here are illustrative; they provide a rough estimate of eventual likely costs.

Based upon data from the Taxation and Revenue Department, the number of parents whose income is less than 100% of the federal poverty level is estimated to be 97,000. HSD reports that 21,400 of these are already enrolled in the program, leaving about 75,600 potentially eligible new clients. Based on the experience of other states, final participation levels will likely be around 65 percent, implying that eventually, the state would likely enroll an additional 49 thousand persons in the program. The cost of providing Medicaid to this population through the managed care program is currently $3,120 per year. This implies that once the enrollment has peaked, the full cost of the program would be $153 million, with the federal government paying about $113.5 million (76%) and the state paying $39.5 million (26 percent).

It will likely take three to four years before this plateau is reached. Cost in the first year are likely to be minimal as HSD has reported that it would have to apply for a waiver to cover these parents. They say that they are unlikely to receive a waiver before six months into the fiscal year, and that it would take an additional three months to promulgate program rules. Thus, optimistically, the program might be in effect for one-quarter of FY02. This late in the year, the state would be hard pressed to enroll 40 percent of the added program eligibles, but if it did the
cost would be $6.1 million in state funds (75,600 potentials * $3,120 per person * 26% state share * .25 (one quarter of a year) * 40 percent participation). The second year costs would grow to $30.7 million, assuming 50 percent participation ($24.6 million over the assumed first year costs). The cost in the third year would grow to $39.5 million and remain flat thereafter, assuming participation plateaus at 65 percent.

**ADMINISTRATIVE IMPLICATIONS**

HSD 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**

Other bills providing coverage to parents require the department to apply for waivers to both the State Children's Health Insurance Program (SCHIP) and Medicaid. The SCHIP program provides a better cost sharing rate than Medicaid for the state: 19 percent compared to 26 percent.
Waiver request for the Medicaid expansion would presumably include a provision to allow the state to cap participation, given the bill's provision that subjects the expansion to the availability of state and federal funds. This would enable to budget the program's roll-out and costs.

BT/sb