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## FISCAL IMPACT REPORT

SPONSOR: HFL DATE TYPED: 03/16/01 HB 592/HFLS/aSFC  
 SHORT TITLE: Expand Medicaid for Certain Custodial Parents SB \_\_\_\_\_  
 ANALYST: Taylor

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		See Narrative			

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates SB418

### SOURCES OF INFORMATION

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

### SUMMARY

#### Synopsis of SFC Amendment

Senate Finance Committee amendment changes House Floor substitute of HB 592 by:

- Striking language pertaining to “making an appropriation”.
- Removing Section 3 which contained the appropriation of \$5,322.6 from tobacco settlement funds.

HB 2 contains the appropriation of \$5,300.0 to fund this program.

#### Synopsis of House Floor Substitute for HB 592

The House Floor Substitute for House Bill 592 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.

Substantive Issues

The substitute bill defines custodial parents to mean a natural parent, adoptive parent, stepparent or legal guardian with whom the child lives.

It also requires HSD to determine the parents net countable income by excluding income from exempted sources and disregards that are allowed in the New Mexico Works Act.

**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 HB592 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 57,000 persons will be eligible for the program. However, in a meeting with legislative staff, HSD staff indicated it is unlikely 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.

HSD estimates that the full cost to the state--if every person eligible for the program enrolled--would be about \$33.6 million. (This implies an average per member per month cost of \$189). 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, not all persons eligible for the program will enroll. 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 HB592 appropriation of \$5.3 million would be sufficient to enroll 63 percent of eligibles in the last quarter of the fiscal year. 63 percent enrollment in a three-month period would be quite an achievement for the department. 63 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 \$22 million. This represents 65 percent of the cost for all eligibles, and will likely be realized over a three-year period.

The General Appropriations Act, HB2/aSFC, includes \$2.5 million to provide Medicaid coverage for temporary assistance for needy families (TANF) clients that have not been eligible because of income

guidelines. Thus, total state resources available to cover the defined low-income population is \$7.8 million.

### **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**

- HB592 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.
- According to the Current Population Survey, approximately 463,000 New Mexicans lack health insurance (26 percent of the state's population). If 37,000 enrolled in the program (65% of eligibles) the uninsured rate would be reduced to about 23.7 percent. If the state were ever able to enroll this entire population, the uninsured rate would be reduced to 22.6 percent.
- The state's SCHIP allocation, including balances, should be sufficient to cover the cost of the program for about four 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).

BT/njw:ar