

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Feldman DATE TYPED 2/17/04 HB _____

SHORT TITLE Impact of Facility-Based Care on Medicaid SB SJM 72

ANALYST Dunbar

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
	See Narrative				

Duplicates HJM92

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
 Health Policy Commission (HPC)
 Developmental Disabilities Planning Council (DDPC)
 Aging and Long Term Services Department (ALTSD)

SUMMARY

Synopsis of Bill

Senate Joint Memorial 72 requests the Agency on Aging (now the Aging and Long Term Services Department [ALTSD]) in coordination with the Human Services Department and appropriate statewide organizations representing aging and long-term care services to:

- study the financial impact of facility-based care on the Medicaid budget;
- identify appropriate incentives to encourage self care and the use of insurance, exploring potential ways to limit asset identification and transfers, promoting maximum Medicaid estate recovery;
- support a statewide organization representing needs of people with Alzheimer's disease in holding a conference exploring alternative models of financing long term care services;
- identify alternative models of financing such care; and
- develop recommendations on implementation of these alternative models of financing.

The bill requests a report of the study be presented to the interim Health and Human Services Committee at its October 2004 meeting.

ALTSD reports New Mexico's age 65 and over population will almost double by 2020, further straining resources that finance and support long-term care. Medicaid spends approximately \$220 million per year in combined state and federal funds providing long-term care services in nursing homes and community-based services for the elderly and disabled. As the population ages, the costs to provide long-term care will grow and it is important to identify and utilize as many funding sources for long-term care as possible.

Significant Issues

Medicaid is the single largest payer of health care for New Mexicans, covering 23.1% of the total state population. Medicaid is one of the largest and fastest growing expenditures of the state budget, with estimates of \$2.6 billion for FY 05 (2004 Quick Facts, Health Policy Commission) and continued growth beyond that. It is incumbent upon New Mexico to identify alternative sources of care and funding to be fiscally responsible.

FISCAL IMPLICATIONS

ALTSD indicates that the legislation requires additional funding for contractual services and associated costs with meetings, research, travel, printing etc.

ADMINISTRATIVE IMPLICATIONS

The ALTSD estimates it will take at least two FTE working full-time on this project.

OTHER SUBSTANTIVE ISSUES

SJM 72 requests that the study look specifically at alternative models for financing long-term care including the use of private, out-of-pocket, insurance financing, long-term care insurance and home equity conversion sources to pay for this care. The budget impact on Medicaid for these services is \$221 million.

The DDPC is currently collaborating with HSD to examine the policies and procedures that are related to the placement of persons with disabilities into nursing facilities and to explore options for movement into community-based care. The DDPC supports the recommended study and would be willing to collaborate on this research.

The HPC reports in its recently published report, Quick Facts 2004:

- ❑ The average costs of nursing facility care are approximately \$41,000 per year.
- ❑ Nursing facility costs are paid by:

	United States	New Mexico
Medicaid	68%	72%
Private Pay	22%	21%
Medicare	11%	7%

- ❑ Management of all certified nursing facilities costs are by the following:

	United States	New Mexico
Profit	65%	66%
Non-profit	28%	28%
Government		
Managed	6%	6%

The Centers for Medicaid and Medicare has been developing a Long-Term Care Initiative with State SHIP Programs (the ALTSD-HIBAC program is our state's SHIP program), on educating individuals on long-term care financing options.

ALTERNATIVES

ALTSD agrees that this is one of the most pressing issues facing New Mexico and there is great need to identify all funding resource opportunities for long-term care. ALTSD suggests that the agency will look at ways to meet the demand for long-term care and offer suggestions to LHHS in October as to the funding requirements and administrative requirements that ALTSD would need to lead such a project. ALTSD will continue to have discussions with the Alzheimer's group about long-term care financing options.

BD/lg:dm