

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 be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Jennings DATE TYPED 2/25/05 HB _____

SHORT TITLE Medicaid Reimbursement at Medicare Rate SB 840

ANALYST Weber

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY06	FY07		
		\$5,600.0	\$1,300.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 339
Conflicts with SB 339

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	\$14,400.0	\$3,400.0	Recurring	Federal Medicaid

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Human Services Department (HSD)
Department of Health (DOH)

SUMMARY

Synopsis of Bill

Senate Bill 840 (SB 840) would amend Section 27-2-12.3 NMSA 1978, to require the Human Services Department (HSD) to establish a rate not less than the rate for Medicare part B services for the reimbursement of physicians, dentists, optometrists, podiatrists and psychologists for services rendered to Medicaid patients. This change would become effective July 1, 2005.

The reimbursement would be equal for same or similar services provided by these health professionals without regard to the date on which the health professional entered into an agreement or contract to provide such services or the location at which the services are provided. An exception to this requirement would apply when HSD contracts with entities for services rendered through the Medicaid managed care system.

HSD would be required to increase (or decrease) the rates on July 1, 2006 and on July 1 of each subsequent year, taking into consideration factors that affect the cost of providing services, including increases in medical liability premiums and office overhead. Reimbursement for fee-for-service and managed care services includes gross receipts taxes.

Significant Issues

SB 840 does not include managed care contract medical professionals in the group for increase, leaving only the fee-for-service portion of Medicaid. There are approximately \$100 million of services that will qualify for the increase. Human services reports the difference in Medicaid rates to the Medicare Part B schedule requires an estimated 20 percent increase, or \$20 million. At the FY06 state to federal match this will require \$5.6 million general fund and generate \$14.4 million federal funds to total the \$20 million.

Human Services finds the average medical price had increased 3.93% a year from July 1994 to July 2004 according to the medical care component of the consumer price index for all urban consumers (Medical care of CPI-U). Using this as the inflator for FY07 the additional general fund requirement is \$1.3 million which will generate \$3.4 million federal funds.

Human Services contributes the following.

The Medicaid programs have implemented numerous cost containment initiatives during the past two years to stay within budget. The fees increase will add costs to the programs without increase in services. This may lead to drastic program cuts in other areas to remain within budget in future years. Also, the methodology use and fees being increased annually require state plan amendment and federal approval. The state regulations will also need modification

SB 840 also requires that reimbursement of Medicaid fees to physician, dentist, optometrist, podiatrist, and psychologist providers under fee-for-service and managed care service programs include the gross receipt tax. HSD currently reimburses the fee-for-service providers listed in SB 339 for gross receipts tax.

FISCAL IMPLICATIONS

The reimbursement increase to the Medicare Part B schedule would result in significant increases in the annual cost of the Medicaid program. Extending such increases to the managed care professionals would result in almost 7.5 times higher.

MW/yr