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FISCAL IMPACT REPORT

ORIGINAL DATE 01/31/08

SPONSOR Papen LAST UPDATED _____ HB _____

SHORT TITLE Nursing Facility Medicaid Reimbursement SB 423

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	\$1,750.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Appropriation in the General Appropriation Act
Relates to Appropriation in the General Appropriation Act

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
	\$4,141.4	\$4,000.0	Recurring	Federal Medicaid

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Bill 423 appropriates \$1.75 million from the general fund to The Human Services Department as part of re-basing the Medicaid reimbursement rates to licensed nursing facilities. In future years the \$1.75 million is part of a 3.5 percent annual inflation adjustment for licensed nursing facilities.

Each year provider rates year shall equal the previous year's rate plus the current market basket

index inflation adjustment as determined by the federal centers for Medicare and Medicaid services. In years when the reimbursement rate is re-based, the market basket index shall be used to index each provider's operating costs to a common point of December 31 for the base year and then indexed to a midpoint of the rate year to adjust for inflation."

FISCAL IMPLICATIONS

The appropriation of \$1.75 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY09 or subsequent fiscal years shall not revert.

HSD reports that for FY09, the Medicaid budget for nursing homes is currently at \$182.7 million dollars (\$35.5 million for public providers and \$147.2 million for private providers). A 3 1/2% increase would increase the budget by \$6.4 million total dollars (\$1.9 state funds and \$4.5 federal funds). The appropriation made in this bill for \$1,750.0 million dollars is for FY09 and subsequent years. The state share amount needed in FY09 to implement the increase exceeds the appropriation by \$104,212. Also, the bill would require an annual rate increase equal to the current year's rate plus the MBI, the \$1.75 million appropriated by the bill would not be adequate for funding subsequent years. For example, using an estimate of a 3% MBI in FY10, the rate increase would cost an additional \$5.7 million dollars (\$1.6 state and \$4.0 federal) that is not covered by the appropriation. In re-basing years, the increased funding requirements would be even greater. In essence, this bill guarantees a continuing increase in spending on nursing home rates.

SIGNIFICANT ISSUES

HSD notes that the current Medical Assistance Division Regulations provide for an increase up to the MBI in non-rebasing years if the budget allows for it. Nursing Homes have received increases in FY07 and FY08. In order for the Medical Assistance Division to actively manage its budget and programs, we recommend that annual rate increases for nursing homes not be mandated.

DOH adds the bill would increase the revenue for three state nursing homes at the New Mexico Behavior Health Institute, New Mexico State Veterans Home, and Fort Bayard Medical Center. The rate increase would bring the reimbursement rate closer to the actual cost of operations for the three facilities. Since this funding would be recurring, the state facilities would potentially expand services. The federal match would also be increased, as there is 3:1 match from the federal program. Any increase of overall revenue to the state nursing facilities helps to lessen the financial impact of indigent cases. Indigent cases, coupled with the increase in medical expenses and operational expenses, currently tax the state facilities' budgets. The increased funding would help alleviate this situation.