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FISCAL IMPACT REPORT

ORIGINAL DATE 02/01/08

SPONSOR Jennings LAST UPDATED _____ HB _____

SHORT TITLE Annual Medicaid Reimbursement Rate Increase SB 478

ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY08	FY09	FY10	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total			\$12,000.0	\$12,000.0	Recurring	General Fund
			\$29,300.0	\$29,300.0	Recurring	Federal Funds Matching

(Parenthesis () Indicate Expenditure Decreases)

Relates to an Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

Senate Bill 478 amends 27-2-12.3 NMSA 1978 and provides that HSD establish a rate for physicians, dentists, optometrists, podiatrists, and psychologists for services provided to Medicaid fee-for-service or managed care patients that provides equal reimbursement for the same or similar services provided without respect to the date a provider entered into practice in New Mexico, the date when the provider entered into the agreement or contract to provide such services, or the location in which such services are to be provided in the state. The bill also states that each year on July 1st, HSD will increase the rates and in determining the annual percentage increase, the Department shall take into consideration factors that affect the cost of providing services, including increases in medical liability premium and office overhead; and, that the reimbursements for these services shall include the gross receipts taxes paid.

FISCAL IMPLICATIONS

HSD reports that the bill contains no appropriation but requires provider rate increases. The estimates above reflect the cost for FY10 since the bill requires the implementation date to be July 1, 2009.

HSD further reports that the bill is not clear on the exact increase amount nor does it provide an appropriation for the increase. Therefore a 4.08% increase was used to estimate an increase. This percentage was derived by using the Consumer Price Index -Urban. This increase to these providers would cost approximately \$41.3 million of which \$12 million would be state share of the increase. An estimated 4.08% increase the following year would be an increase of \$12.5 million in general fund for FY11.

SIGNIFICANT ISSUES

Current statute [27-2-12.3 NMSA 1978] states that HSD shall establish a rate for the reimbursement of physicians, dentists, optometrists, podiatrists and psychologists for services rendered to Medicaid patients that provides equal reimbursement for the same or similar services rendered. However, this requirement does not apply when HSD contracts with managed care organizations to negotiate a rate for the reimbursement for services rendered to Medicaid patients in the Medicaid managed care system. SB278 eliminates this requirement.

HPC reports that as a result of the requirement, providers are paid different amounts for the same service depending upon the payer contract (Medicaid managed care versus Medicaid fee for service). As a result of the differential payment, providers have an incentive to see one patient versus another even though the State of New Mexico is the entity financing the care in both instances. SB278 may help eliminate that financing disparity.

PERFORMANCE IMPLICATIONS

HPC further reports that according the American Academy of Pediatrics, the issue of low payment in Medicaid is one that has plagued the program for years. On average, Medicaid reimburses pediatricians at only 69 percent of the rate that would be paid under Medicare, and only 56 percent of commercial rates for an office visit. In some states, Medicaid payment is even lower. Such low reimbursement impedes access to quality health care. Low Medicaid payments do not cover costs and increasingly force pediatricians to make difficult business decisions of continuing to treat patients at a financial loss or limiting participation in the Medicaid program altogether. The lack of access for patients that is created then drives utilization to expensive sites such as emergency rooms. Moreover, low Medicaid reimbursement endangers the economic viability of “safety net” providers, fragmenting the care children in Medicaid receive.

ADMINISTRATIVE IMPLICATIONS

HSD notes that there would be a minimal IT impact to the Medicaid Management Information System. Any rate increase would be handled by a file change and not require any systems changes. The file change would be handled within the current MMIS maintenance and operations contract.

OTHER SUBSTANTIVE ISSUES

HPC reports that according to the Kaiser Commission on Medicaid and the Uninsured, Medicaid's transition from fee-for-service to managed care has implications for safety net providers - those hospitals and clinics that deliver basic health care to large numbers of the uninsured. Medicaid has been a major revenue source for many of these providers, because it has

reimbursed for the care and services they deliver to low-income patients who, without Medicaid coverage, generally would have no other source of payment. The revenues from these Medicaid patients often allow these hospitals and clinics to maintain the staffing, equipment, and other capacity to serve the uninsured. Loss of some or all of these Medicaid revenues due to lower payment rates for beneficiaries or to their diversion elsewhere could lead to the contraction of service capacity or, in extreme cases, closure of safety net facilities. As a result, the uninsured in these communities will have much greater difficulty in accessing needed care.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Current New Mexico Statute will remain in effect.

AHO/bb