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FISCAL IMPACT REPORT

ORIGINAL DATE 01/31/13
 SPONSOR SPAC LAST UPDATED 02/21/13 HB _____
 SHORT TITLE Pre-Release Medicaid For Incarcerated Persons SB CS/65/aSFI#1
 ANALYST Trowbridge/Geisler

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrec	Fund Affected
Total	\$0.0	See fiscal impact	\$0.1	See fiscal impact	Recurring and Non-Recurring	SGF and Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

Relationship: HB 148

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)
 New Mexico Corrections Department (NMCD)
 Children, Youth and Families Department (CYFD)

SUMMARY

Synopsis of SFI Amendment #1

This amendment expands slightly the affected parties to include administrators of all facilities confining incarcerated individuals; strikes the exclusion stating that the assessment process cannot take place less than ten days before release; and requires the Human Services Department to suspend but not terminate a Medicaid-enrolled individual within the first year of the individual's entry into incarceration. The Amendment also delays the bill's effective date to January 1, 2014.

Synopsis of Original Bill

The Senate Public Affairs Committee (SPAC) substitute for Senate Bill 65 adds the following requirements to the Human Services Department:

- that an assessment of an incarcerated individual's post-release Medicaid eligibility be initiated when the release date becomes known or upon incarceration if the period of

incarceration is 60 days or less. The assessment can take place no less than ten days prior to release.

- that the Human Services Department (HSD) to determine whether the incarcerated person is enrolled in Medicaid and, if so, to assist that individual with notifying HSD to ensure the individual continues to receive correspondence from HSD during his or her incarceration.
- that assistance is provided throughout the Medicaid application process to incarcerated individuals who were enrolled in Medicaid to complete any periodic verification of their eligibility for their programs. It further requires the assistance to include distributing applications, securing medical and other information to support the incarcerated individual's application, and completing and submitting the applications.
- that the incarcerated person to have access to their Medicaid benefits immediately upon release.
- that the suspension of an incarcerated persons' Medicaid eligibility upon incarceration if they expected to be incarcerated for less than one year. Medicaid eligibility may only be terminated if it has been suspended for more than one year from the date of incarceration.

FISCAL IMPLICATIONS

Requiring HSD, along with correctional facilities, to ensure that incarcerated individuals who are eligible for Medicaid are able to access their Medicaid benefits immediately upon release would have a positive impact on the physical and behavioral health outcomes of these individuals. Also, there could be savings to the state in behavioral health dollars currently appropriated to provide probationers and parolees with services. In FY12 the NMCD allocated \$5.3 million to the state single entity to provide behavioral health services from the community offender management program and the community corrections grant fund. Most of this allocation comes from the general fund. The single state entity has the ability to use Medicaid funds for many of these behavioral health services, but only if the client has been successfully enrolled in Medicaid.

Although the bill does not require agencies to establish an automated system for tracking the status of these inmates, and the volume of these cases would likely lend itself to a manual tracking process, HSD has provided the following information on the potential costs:

HSD notes that the Senate floor amendment delaying enactment to January 2014 will allow for cost savings from upgrading or modifying the aging ISD2 eligibility software so that new rules could be added to the impending roll out of the new "ASPEN" eligibility software, however, changes will need to be made to ASPEN and the Medicaid Management Information System (MMIS) to allow for "suspension" rather than "termination" of benefits. This requirement would apply to all incarcerated individuals regardless of the length of sentence.

HSD currently maintains data sharing agreements and interfaces with the New Mexico Corrections Department (NMCD) and the Children, Youth, and Families Department (CYFD). These current interfaces would require expansion to include the identification of the incarcerated individuals and their periods of incarceration.

HSD would be required to implement new data sharing agreements for incarceration information with privately operated, county and municipal jails and correction facilities as well. Attempts to obtain the new data sharing agreements with these entities would be difficult for HSD to attain because each entity maintains its own database, many of which utilize software that has proprietary rights prohibiting the sharing of the data. Such an arrangement may also require interface costs for local correction facilities, either county or privatized.

Programming changes in HSD computer systems would be required to enable the systems to suspend a case while the individual is incarcerated. The systems requiring changes would be the Income Support Division (ISD) eligibility system, ASPEN. Further, the MMIS would require modifications to include a new field to carry periods of incarceration information.

The current version of the General Appropriation Act for FY14 includes staffing increases of 20 for the Medical Assistance division and 75 for the Income Support division. These increases were provided upon request of the department to assist in the additional workload due to the expansion of Medicaid in 2014 to low-income adults. These additional staff should be sufficient to absorb the small additional workload associated with implementation of this bill.

Regardless, the department estimated the following staff impact from the bill:

To comply with the bill, ISD would need one Social and Community Services Coordinator and two Management Analyst-Advance positions to work with the corrections entities to ensure collaboration, cooperation and compliance. Related costs are as follows:

- 1 – Social and Community Services Coordinator, Pay Band 70 (1 @ \$65,774.80 = \$65,775)
- 2 – Management Analyst – Advance, Pay Band 65 (2 @ \$58,980 = \$117,960)
- 3 – First-year one time set up costs (3 @ \$2,500 = \$7,500)

Total First-year cost for 3 FTE is \$191,236. The recurring cost is \$183,736. Approximately 45% of this amount would come from the General Fund. To comply with SB65 cs/fa, the Medical Assistance Division (MAD) estimates it would require one FTE at \$107,926 per year, inclusive of benefits and other operating costs, to coordinate updates to the MMIS. 50% of this amount would come from the General Fund.

The HSD Information Technology Division costs involved in implementing the changes required by this SB 65 cs/fa include changes to ASPEN and to the MMIS systems.

- Changes to Medicaid eligibility rules engine to not deny/close enrollment upon incarceration to allow for suspension of a case for up to one year;
- Establish new interfaces with privately operated county and municipal jails (assuming all of the interfaces will utilize the same file format as currently defined for the interface with the New Mexico Department of Corrections (NMCD));
- Modifications to the MMIS interfaces to communicate periods of incarceration and suspension status;
- Modifications to the existing NMCD interface to include identifying information for each facility;
- Modify YES NM online application and the self-service components to capture the incarceration release date from incarcerated individuals submitting new applications prior

- to their releases or reporting the incarceration;
- Verification of the client reported release date through self-service with the data obtained from the interfaces.

The cost to implement all of the changes listed above is approximately \$2,064,510. The base cost for the changes, not including the interfaces (\$1,775,760) is: \$288,750. These changes would be required no matter the number of facilities we interface with. Each interface with a facility is \$31,710, assuming we utilize the same file format we will use in ASPEN for the New Mexico Corrections Department. Fifty percent of this amount would come from the General Fund.

SIGNIFICANT ISSUES

NMCD suggests that helping certain NMCD inmates obtain health coverage or care before their release is likely to reduce recidivism by enabling these inmates to afford health care without having to commit new crimes to pay for their health care or other basic needs. Having some health care in place before leaving prison may help give some inmates the emotional and financial security needed to help them become contributing members of society instead of resorting to criminal activity to survive.

HSD notes that Senate Floor Amendment 1 (page 3, new paragraph D) eliminates the concern that the bill would create a special application processing time frame for incarcerated individuals, clarifying that existing state and federal time limits would apply to Medicaid applications for incarcerated individuals.

Incarceration

HSD notes that SB65cs/fa would require the suspension of every incarcerated person's Medicaid eligibility upon incarceration, regardless of period of incarceration. Medicaid eligibility could only be terminated when it has been suspended for more than one year from the date of incarceration. New Mexico has no precedence for suspending Medicaid eligibility--eligibility is either approved or denied. Rather than suspend Medicaid eligibility, incarcerated individuals could be approved for Medicaid if eligible. HSD would be required to submit a waiver to CMS to allow for the suspension of enrollment during incarceration periods of less than one year

As another alternative to suspending eligibility, HSD could implement a manual process to identify incarcerated individuals and place them on review. This would cause their claims to suspend, enabling HSD to deny services rendered during the period of incarceration without closing their eligibility. Automating this process would require the development of new ASPEN and MMIS interfaces and the addition of data fields to store periods of incarceration.

PERFORMANCE IMPLICATIONS

The NMCD tracks the rate of recidivism within 24 and 36 months of release. If not having access to health care is the only reason for returning to prison, then this bill could have a positive impact on reducing recidivism rates. However, the reason inmates return to prison is multi-faceted so it is difficult to identify one single factor as the reason for recidivating.

ADMINISTRATIVE IMPLICATIONS

SB65cs/fa contains additional requirements for HSD to ensure the incarcerated individual is provided with the assessment for Medicaid eligibility immediately upon knowing the individual's release date. HSD currently has a Memorandum of Understanding with NMCD and CYFD to provide HSD with an interface file containing data regarding the individuals currently incarcerated within the New Mexico prison system. HSD does not have agreements with the other entities listed such as the privately operated, county and municipal jails and correction facilities. (See Fiscal Implications)

SB 65cs/fa does delay the effective date of the bill's provisions until January 1, 2014, when HSD will roll out the statewide implementation of the ASPEN system, the Health Care Exchange and YES-NM. YES-NM is a web portal that allows for online screening for the HSD-administered public assistance programs, including Medicaid. YES-NM also contains functionality for the submission of an online application into HSD's new ASPEN eligibility system. These systems will allow agents of NMCD, CYFD or the facilities to assist the individuals in eligibility screening and application submittal prior to their release. HSD will determine final eligibility for the incarcerated on the individual's release date, as they would not be considered eligible if done before due to their incarceration.

The Code of Federal Regulations at 42 CFR 435.1009 states Federal Financial Participation (FFP) is not available for expenditures for services provided to individuals who are inmates of public institutions as defined in 42 CFR 435.1010. An inmate of a public institution means a person who is living in a public institution. YES-NM's functionality not only includes online screening and submission of applications but also functionality for recipients to report changes and to renew their benefits online. Individuals enrolled in Medicaid will be able to report changes to their cases, such as household composition, income and change of address. YES-NM will also allow for individuals to view correspondence that has been mailed to them regarding their case.

Senate Floor Amendment 1 requiring an effective date of January 1, 2014 will slightly decrease HSD's staffing needs as originally indicated in SB 65cs, due to the availability YES NM and the ability to submit online applications. Once submitted into ASPEN, changes made to an individual's case will require review by HSD staff to determine final eligibility or request additional verification if needed. The impact of the number of applications, and subsequent eligibility for other public assistance applications that may be anticipated, is unknown. HSD estimates there are 10 correctional facilities, 13 juvenile detention centers and 33 county jails statewide. To ensure timely processing of the applications in accordance with the processing standards required by the Centers for Medicare and Medicaid Services (CMS) and SB65cs, HSD would require three additional FTE, as outlined in Fiscal Implications.

RELATIONSHIP

CS/SB 65 is related to HB 148, Correctional Healthcare Savings, which, among other measures, would require that, to the extent permissible by federal law, inpatient hospital and healthcare services to be billed to the state's Medicaid program.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

NMCD observes not enacting the bill may contribute to some former inmates recidivating and returning to prison at some point. However, those seeking Medicaid coverage will be able to access pre-screening tools and submission of applications through the HSD YES-NM web portal.

TT/blm