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FISCAL IMPACT REPORT

ORIGINAL DATE 01/31/14
LAST UPDATED 02/07/14 **HB** 354
SPONSOR Fajardo
SHORT TITLE Developmental Disability Provider Cost-of-Living **SB** _____
ANALYST Esquibel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	\$5,200.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

HB 354 relates to HB 75, Developmental Disability Reimbursement Raise; SB 55, Developmental Disabilities Program 5-Year Plan; HB 69/SB 109, Autism Spectrum Disorder Services; and HB218/SB188, Family, Infant, Toddler Program Rate Study.

HB 354 relates to the General Appropriation Act as the HAFC FY15 budget recommendation includes an additional \$3.3 million in general fund revenue for the Department of Health’s developmental disabilities Medicaid waiver program.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

House Bill 354 proposes to appropriate \$5.2 million from the general fund to the Department of Health (DOH) in FY15 to fund cost-of-living increases for core support, direct-care providers under the developmental disabilities (DD) Medicaid waiver program.

FISCAL IMPLICATIONS

HB 354 contains a recurring FY15 general fund appropriation of \$5.2 million to the Department of Health for cost-of-living increases for providers of core support, direct-care services to recipients of the DD Medicaid waiver program. Any unexpended or unencumbered balance remaining at the end of FY15 shall revert to the general fund.

HB 354 relates to the General Appropriation Act as the HAFB FY15 budget recommendation includes an additional \$3.3 million in general fund revenue for the Department of Health's developmental disabilities Medicaid waiver program.

The Human Services Department (HSD) indicates the appropriation of \$5.2 million contained in HB 354 would leverage \$11.9 in federal Medicaid matching funds totaling approximately \$17.1 million available to the DD Medicaid waiver program. HSD has not factored this \$11.9 million in federal funds into its FY15 budget projections. Although HB 354 stipulates only a general fund appropriation for FY15, DD waiver service providers will have an expectation the funding is a recurring baseline expenditure.

DOH indicates it is not clear from HB 354 what is meant by core services under the DD waiver. If the cost of living increase in HB 354 is intended strictly for residential and day services, the appropriation of \$5.2 million being proposed would result in an approximate 7 percent increase for those services from the rates published on November 1, 2012.

In FY13, the Department of Health's Developmental Disabilities Support Program reverted \$8.5 million to the general fund, most of which was not used to enroll people waiting for services under the DD Medicaid waiver program.

SIGNIFICANT ISSUES

DOH indicates as part of the reauthorization of DD Medicaid waiver by the federal Centers for Medicare and Medicaid Services (CMS), a rate study of DD waiver rates was conducted by Burns and Associates in 2012. The rate study led to the development of new rates for the majority of DD waiver services, including residential and day services, and the new rates were applied in November 2012 by HSD. It is estimated the new rates would increase provider revenues by approximately \$800 thousand. The last comprehensive review of DD waiver provider rates occurred in 2000.

The rate study process used an independent rate model approach that considered both provider-reported data and independent data sources (e.g. Bureau of Labor Statistics for wage data and the Internal Revenue Service for mileage data). Additionally, the rate model outlined assumed wages and benefits for direct care staff, productivity assumptions, group sizes, staffing patterns, mileage, and administration and program support expenses.

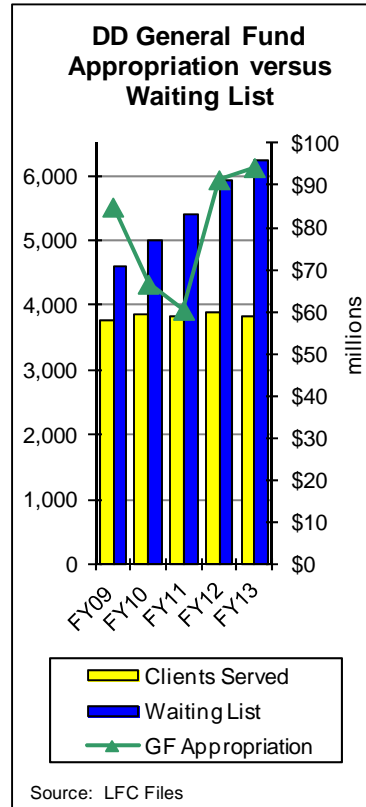
A rate study steering committee comprised of DD waiver providers was established to obtain data, review materials (including the rate model structures), instructions, survey results, and final rates.

The DOH's Developmental Disabilities Support Division is working with a representative group of providers and the HSD Medical Assistance Division to explore possible minor adjustments to current rates for certain services (i.e., supported employment, supported living, family living) within existing DD waiver budget resources. Once decisions are reached regarding the need for and approach to such adjustments, a waiver amendment to New Mexico's developmental disabilities Medicaid waiver program will be submitted for approval to the federal CMS.

DOH indicates HB 354 would increase the cost to the DD waiver and would impact DOH's ability to add new people to services from the central registry as a result of increased average cost per participant in the program.

PERFORMANCE IMPLICATIONS

The graph below indicates general fund appropriations over time for the DD Medicaid waiver program, along with the growth in the waiting list compared to the number of people served under the DD Medicaid waiver program.



At the end of FY13, 6,248 people were on the waiting list for services under the DD Medicaid waiver, and 3,829 were receiving services. The length of time to get on the DD waiver has increased to an average of over 10 years.

ADMINISTRATIVE IMPLICATIONS

HSD and DOH indicate HB 354 would require DOH to make modifications to the existing DD waiver resource allocation models as well as changes to budget worksheets and system changes to the Medicaid Management Information System (MMIS) at HSD. Approval of DD waiver services is complex, with seven different service packages and multiple sub-packages. As a result, new budget caps will have to be calculated by HSD staff for more than 40 different sub-packages to account for the increase in rates, and then the individual authorizations modified for each of the almost 4,000 waiver recipients.

HSD reports HB 354 does not provide details needed regarding the intention and methodology in applying the new appropriation across DD Medicaid waiver program reimbursement. In addition, an increase/change to rates would require a DD waiver amendment and approval by the federal CMS which takes up to six months.

RELATIONSHIP

HB 354 relates to SB 55, which would appropriate for FY15 \$10 million to the DOH for supports and services for persons enrolled in the DD Medicaid waiver program and to allow enrollment of persons awaiting allocation to the DD Medicaid waiver program.

HB 354 also relates to HB 69 and SB 109 which are duplicate bills that would appropriate \$250 thousand from the general fund to the DOH for expenditure in FY15 for autism spectrum disorder programs at the University of New Mexico.

HB 354 relates to HB 75 which would appropriate \$2.65 million for cost-of-living increases for service providers under the 100 percent state funded developmental disabilities program.

HB 354 relates to duplicate bills HB 218/SB 188 which would appropriate \$4 million to fund a rate increase for providers of services under the Family, Infant, Toddler (FIT) program which is part of the Department of Health’s Developmental Disabilities Support Division.

TECHNICAL ISSUES

DOH suggests defining “core support services” on page 1, line 20 to 21, as these services would be entitled to a rate increase under the provisions of the bill, but are not clear what services these are under the current DD Medicaid waiver.

OTHER SUBSTANTIVE ISSUES

The 2013 Senate Memorial 20 task force on the developmental disabilities Medicaid waiver program completed its report in November 2013 which addressed several issues related to increasing services for people with developmental disabilities. The task force recommended the four following items:

1. Expand the developmental disabilities home- and community-based Medicaid waiver;
2. Increase attractiveness of Mi Via home- and community-based Medicaid waiver;
3. Improve intake, information and referral, and community navigation; and
4. Expand and redesign the state general fund program into a flexible supports model.

RAE/jl