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FISCAL IMPACT REPORT

SPONSOR Morales **ORIGINAL DATE** 2-11-15
LAST UPDATED _____ **HB** _____

SHORT TITLE Family Infant Toddler Provider Rate Increases **SB** 460

ANALYST Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$8,200.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)

SUMMARY

Synopsis of Bill

Senate Bill 460 appropriates eight million two hundred thousand dollars from the general fund to the Department of Health (DOH) for expenditure in fiscal year 2016 as follows:

- \$1.5 million to fund provider rate increases recommended in a 203 cost study on family infant toddler services; and
- \$6.7 million to fund additional rate increases to cover the increased cost of providing family infant toddler services as a result of regulatory requirements implemented since the 2003 cost study.

FISCAL IMPLICATIONS

The appropriation of \$8.2 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2016 shall revert to the general fund.

DOH notes the appropriation of \$8.2 million contained in this bill was not part of the department's executive budget recommendation.

The Legislative Finance Committee budget recommendation for DOH for FY16 operations included a \$300 thousand increase from the general fund to provider Family Infant Toddler Program (FIT) Program provider rate increases.

SIGNIFICANT ISSUES

DOH reports:

The FIT Program at the Department of Health (DOH), Developmental Disabilities Supports Division (DDSD) administers a statewide system of early intervention services, in accordance with the federal Individuals with Disabilities Education Act (IDEA) Part C and state statute 29-18-1 NMSA 1978.

In FY 2014, early intervention services were provided to 12,811 infants and toddlers (birth to age 3) who have or are at risk for developmental delays or disabilities and their families. The FIT Program contracts with 34 provider agencies statewide to provide a variety of early intervention services, including: occupational therapy; physical therapy; speech therapy; developmental instruction; social work; and family therapy. FIT services are funded on a fee-for-service basis.

Funding for early intervention through the FIT Program includes state general funds, federal Medicaid funds, IDEA grant funds, and private insurance. Total expenditures in FY14 for FIT Program services was \$37.6 million across all funding sources. The state match portion (30.9 percent) for Medicaid is paid from general fund appropriated to the DOH FIT Program.

In 2003, the DOH contracted with Solutions Inc. to conduct a cost study and provider rate development report, which resulted in recommended provider rates for the FIT Program. The study included the participation of stakeholders and analyzed the costs of providing early intervention from 18 FIT provider agencies from across the state. The DOH currently reimburses three of the six rates at the 2003 rate study levels.

This bill proposes to add \$8.2 million in state general funds; this would generate approximately \$18 million in revenue for FIT providers after leveraging Federal Medicaid matching funds.

Of the proposed \$8.2 million increase, the bill proposes that \$1.5 million fund the other three rates (“Home & Community – Individual”, “Center – Group” and “Center – Individual”) at the 2004 rate study recommended levels. The Department projects that \$1.5 million would be sufficient to fund these rates at the 2004 rate study recommended levels. This would generate approximately \$3.1 million in revenue for FIT provider agencies as a result of leveraging Federal Medicaid funds.

This bill would appropriate \$6.7 million to cover the increased costs of providing FIT services as a result of regulatory requirements implemented since the 2003 rate study. Since the 2003 rate study there have been changes to Federal regulations and corresponding changes to state FIT Program rules and standards. Most of the regulatory changes have been made to procedures, timelines and forms. These activities are conducted by FIT early intervention personnel whose time is billable under the fee-for-service reimbursement process. Some of the regulatory changes have been made to administrative functions,

including monitoring, data entry, supervision, and reporting requirements. Such administrative functions are not reimbursable.

RELATIONSHIP

Relates to Appropriation in the General Appropriation Act

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Family Infant Toddler (FIT) Program service rates for providers would remain unchanged from the current level.

DL/bb