FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Thomas	**ORIGINAL DATE**	1/20/23
SHORT TITLE	Developmental Disabilities Support Funding	**BILL NUMBER**	House Bill 41
		ANALYST	Klundt

APPROPRIATION*
(dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	$7,646.15	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 2

Sources of Information

LFC Files

Responses Received From
Department of Health (DOH)

SUMMARY

Synopsis of House Bill 41

House Bill 41 (HB41) appropriates over $7.6 million from the general fund to Department of Health for expenditure in fiscal year 2024 to match federal funds for the Developmental Disabilities Supports Division to increase provider reimbursement rates.

FISCAL IMPLICATIONS

The appropriation of $7,646,149 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2024 shall revert to the general fund.

Both the executive and LFC general fund budget recommendations include $10.2 million to increase rates for developmental disabilities (DD) waiver providers. LFC assumes the funding contained in this bill would be in addition to funding already recommended in House Bill 2.

Funding for DD waiver rates is transferred to the Human Services Department to be matched with federal Medicaid funding.

SIGNIFICANT ISSUES

DOH provided the following:

- No data has been provided to support the need for and to specify or determine the amount of $7,646,149
- The bill does not clarify the intended purpose of the request, such as "support HCBS providers ameliorate the costs of inflation/pandemic related expenses, etc..."
- Even without specificity of intent at this stage, these dollars could be used to support agencies as the number of clients on the waiver dramatically increases by the end of this year because of the super allocation plan.
- The waiver would go from 5,400 individuals in service to 7,300 individuals in service by year-end SFY23, rising to 9,500 by year-end SFY24.
  These dollars would:
  - Stimulate growth of the provider network to ensure service providers have the needed capacity to meet the demand.
  - Provide the ability to have providers raise wages for direct support professionals.
  - Provide the ability to have providers retain/recruit specialized positions such as nursing.
- DDSD implemented temporary rate increases for all services and across all 1915 c Home and Community Based Services Waivers. This is funded 100 percent with Federal Funds due to Covid-related enhanced Federal Medical Assistance Percentages (FMAP) through the American Rescue Plan (ARP) Act of 2021.
  - 15 percent in year one: May 1, 2021-- June 30, 2022
  - 10 percent in year two: July 1, 2022--June 30, 2023
  - 5 percent in year three: July 1, 2024--June 30, 2024
- DDSD is currently engaged with the Public Consulting Group for a new rate re-basing study to be completed by June 30, 2023.

OTHER SUBSTANTIVE ISSUES

In FY23, the department began implementing a plan to eliminate the waiting list for services provided under the DD waivers, a process known as super allocation. As of November 2022, DDSD sent 3,450 letters of allocation to individuals on the waiting list. Additionally, as of November 2022, 4,211 individuals were receiving services under the DD waiver, 303 individuals from medically fragile waiver, 2,731 from the Mi Via waiver for self-directed care, and 189 on the community supports waiver. A nonrecurring federal matching rate has allowed the state to implement super allocation in FY23 and FY24 without a significant impact to the state general fund; however, in FY25 large general fund appropriations will be necessary to continue the program.

The standard federal Medicaid matching rate (FMAP) for New Mexico in FY23 is 76.1 percent for the DD waivers, resulting in over $448 million in federal revenues. However, in spring 2020, the federal Families First Coronavirus Response Act (FFCRA) changed Medicaid benefits and temporarily increased FMAP by 6.2 percentage points, also known as the enhanced FMAP rate. The DD waiver program is receiving increased federal revenue from the enhanced FMAP, an estimated $7 million per quarter, reducing general fund need. The enhanced FMAP is slated to end in mid-2023. In addition to the enhanced FMAP, the federal American Rescue Plan Act

(ARPA) contained a number of provisions designed to increase coverage, expand benefits, and adjust federal financing for state Medicaid programs. In FY23, DOH began using these three nonrecurring funding sources and existing fund balances to remove everyone from the waiting list and gradually phase in estimated state costs over the next three to four years. Volume III includes LFC analysis of a finance plan through FY27 to eliminate the waiting list using the increased HCBS funds.

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