

Medicaid and TANF Preview of FY 12 Appropriation Request

**Presentation to
Legislative Finance Committee**

**Katie Falls, Secretary, HSD
September 29, 2010**



New Mexico Human Services Department

Overview of Today's Discussion

- ◆ Shortfall of TANF Carryforward
- ◆ Update on Federal Reporting and Negative Cash Balances
- ◆ Medicaid Budget Request
 - Status of Cost Containment Measures
- ◆ Comparison of Benefit Provisions to Other States



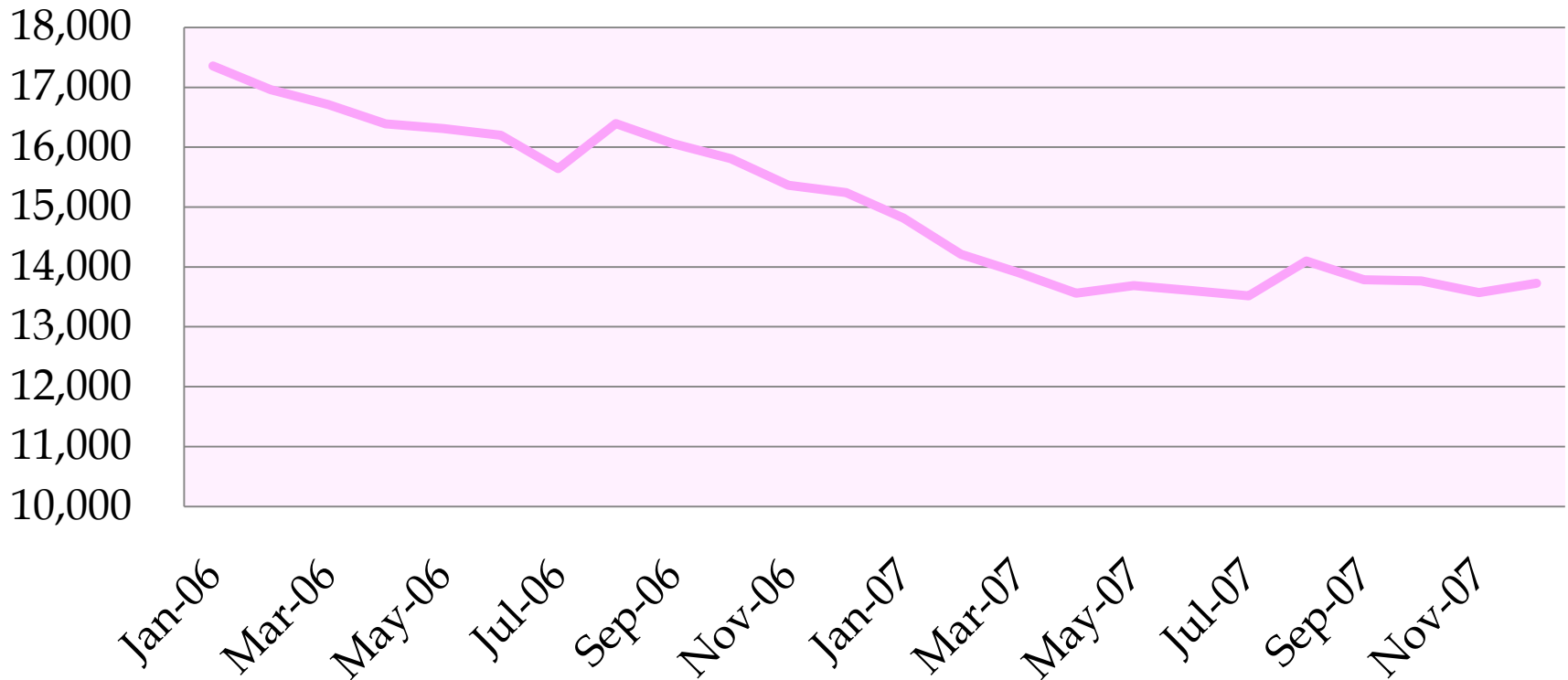
Temporary Assistance for Needy Families (TANF) – Carryforward Shortfall

- ◆ TANF is a \$110 million federal block grant with \$6.5 million in supplemental funds (through FFY 10) for a total of \$117 million in funding
- ◆ If the states does not spend all the annual block grant amount, then the unexpended amount rolls over as “carryforward”

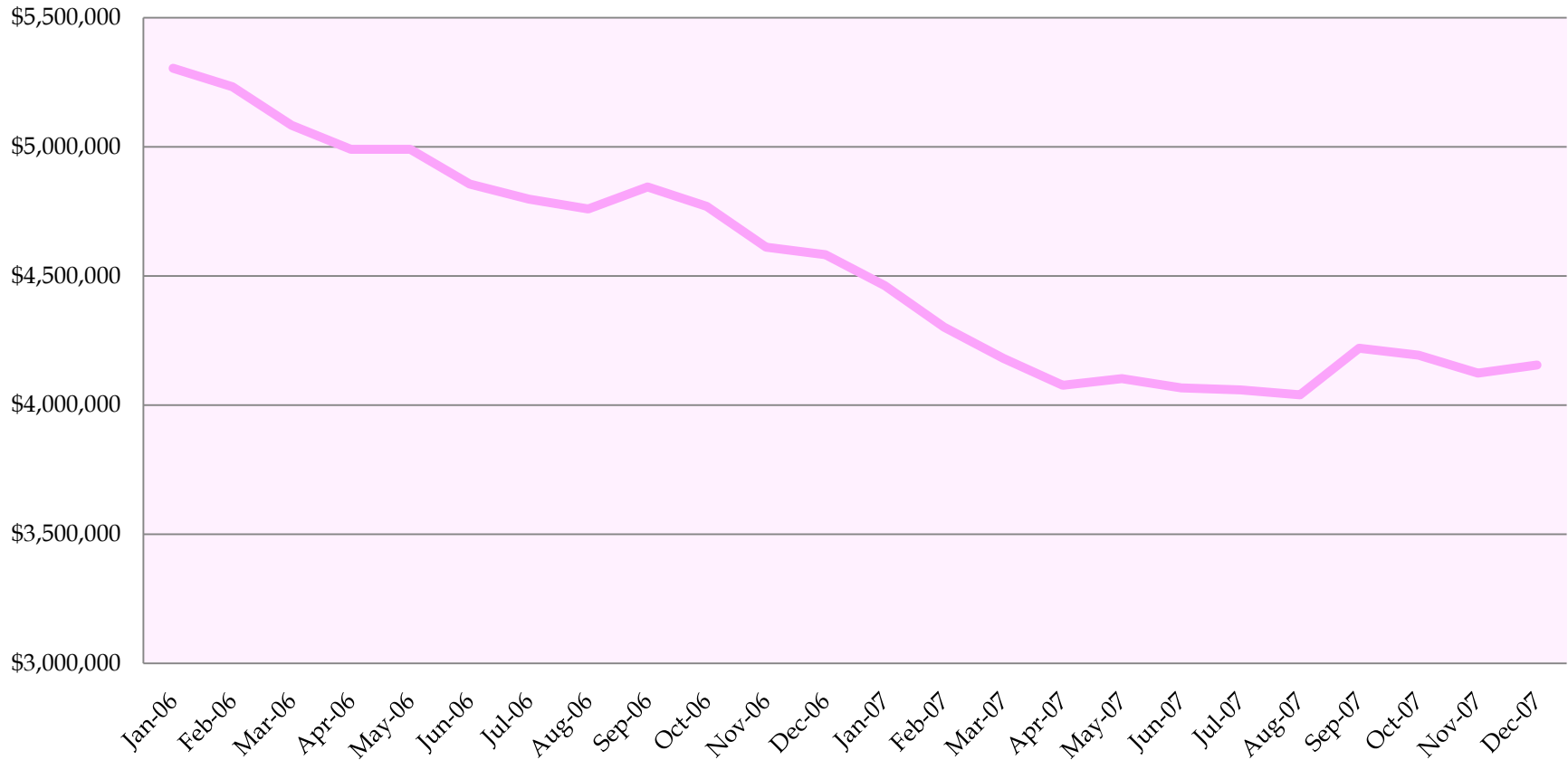
DATE	Caseload	Monthly Expenditure
Jan 2006	17,359	\$5,304,253
Dec 2006	15,244	\$4,582,015
July 2007	13,518	\$4,058,751



Total TANF Caseload Jan. 2006 - Dec. 2010



Total TANF Cash Assistance Expenditures Jan. 2006 - Dec. 2007



Cash Assistance totals do not include clothing allowance



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TANF Funds Four Key Areas

1. Cash Assistance

- Monthly Cash Assistance benefit – Maximum amount is \$447 for a family of three
- Twice a year clothing allowance of \$100 for school-aged kids
- \$200 a month for Transition Bonus Families

2. Child Care

- \$32 million transferred to CYFD for Child Care Block Grant
- Additional \$6.6 million for child care

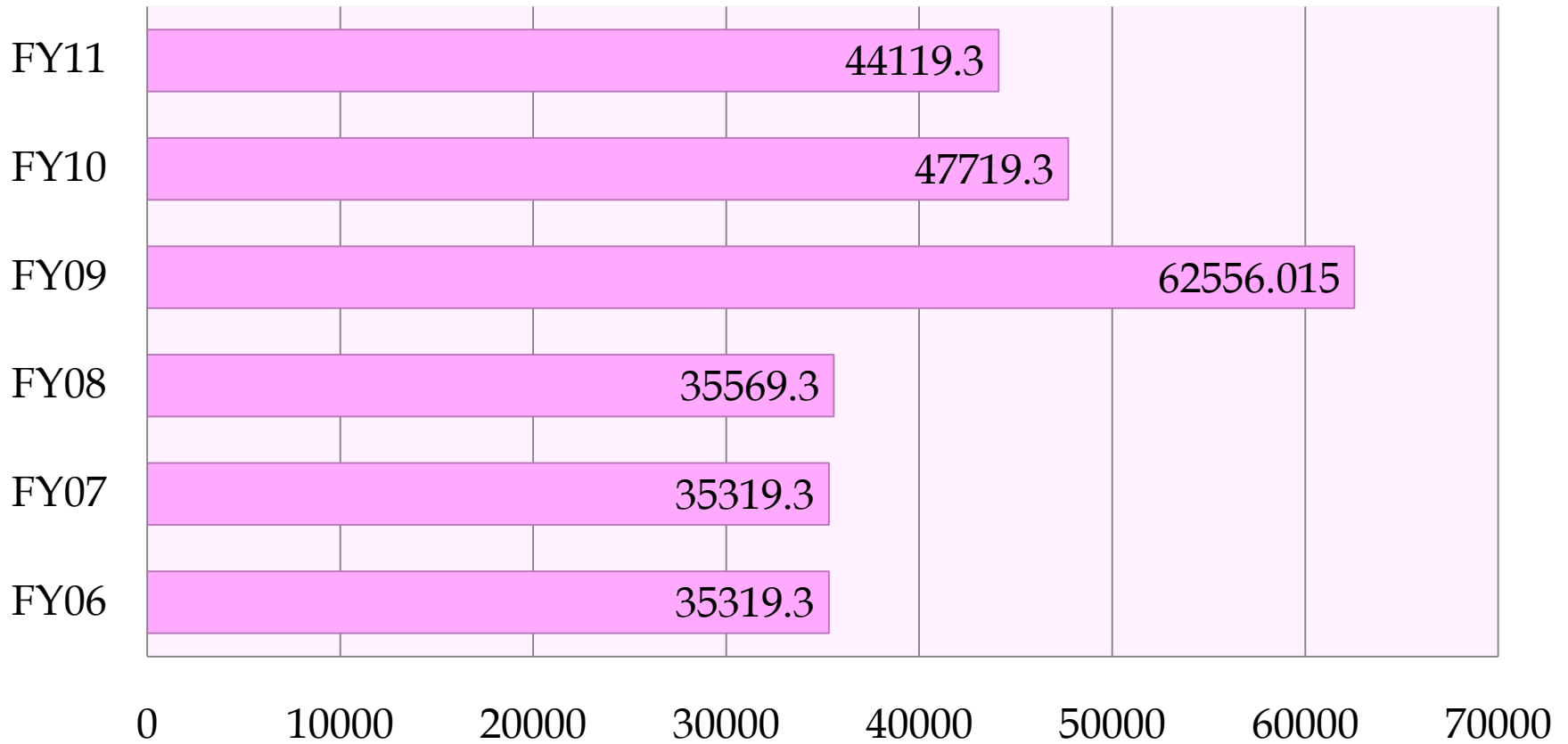
3. Supportive Services

- Employment and Training services
- Other Supportive Services – TANF and non-TANF specific

4. Administrative Costs



TANF Support Services Appropriations FY 06 - FY 11



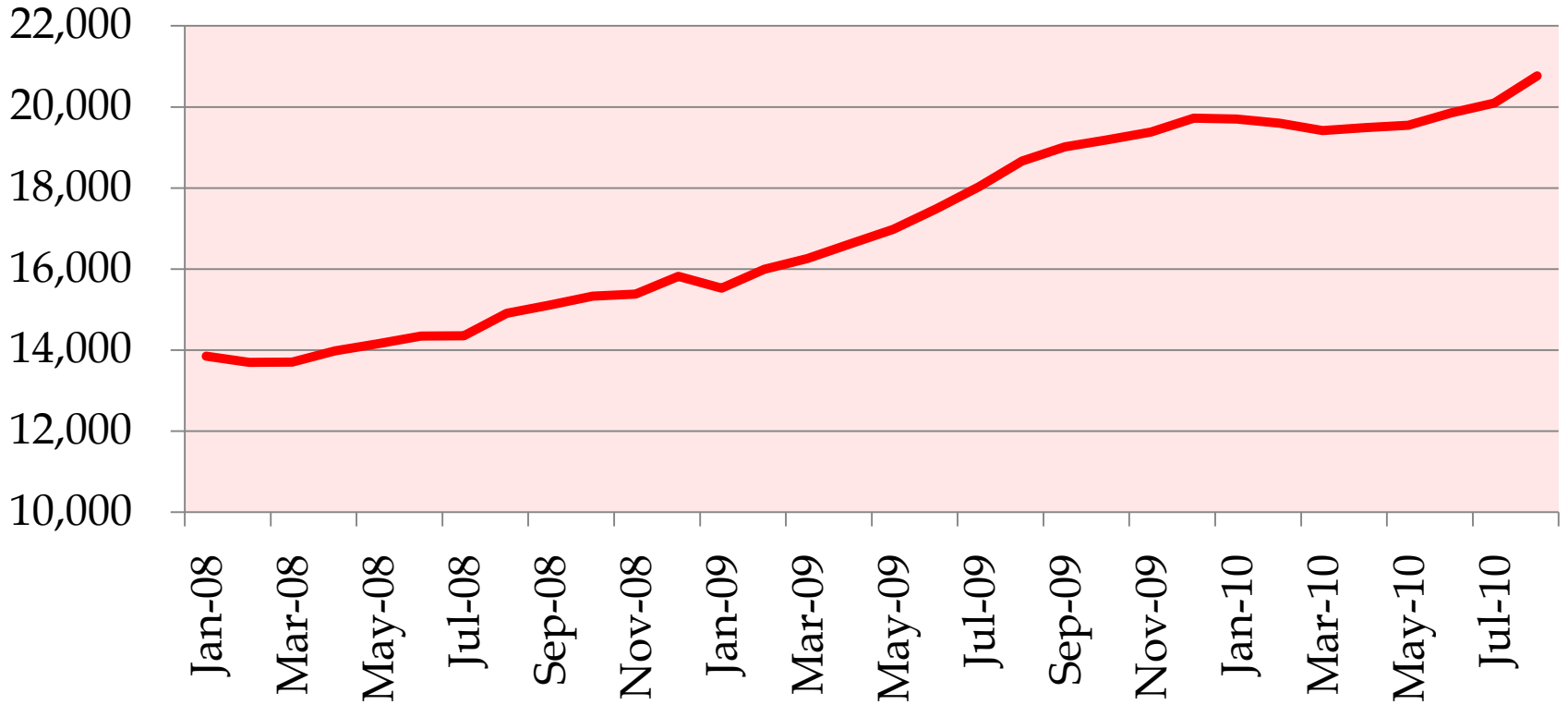
TANF Support Services:

Childcare, Pre-K, Domestic Violence, Grads, Home Visiting, TRD, Gold Mentors

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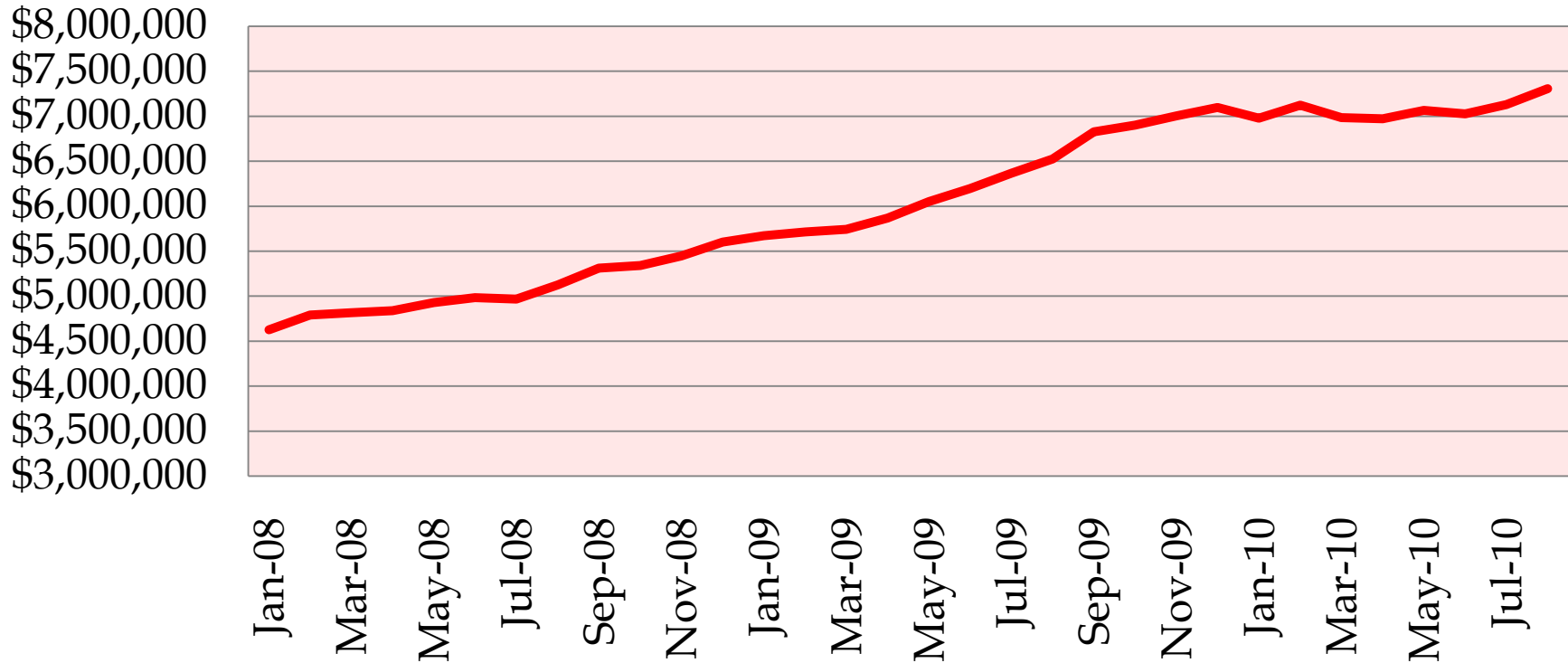


Total TANF Caseload Jan. 2008 - Aug. 2010



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Total TANF Cash Assistance Expenditures Jan. 2008 - Aug. 2010



Cash Assistance totals do not include clothing allowance



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TANF - ARRA

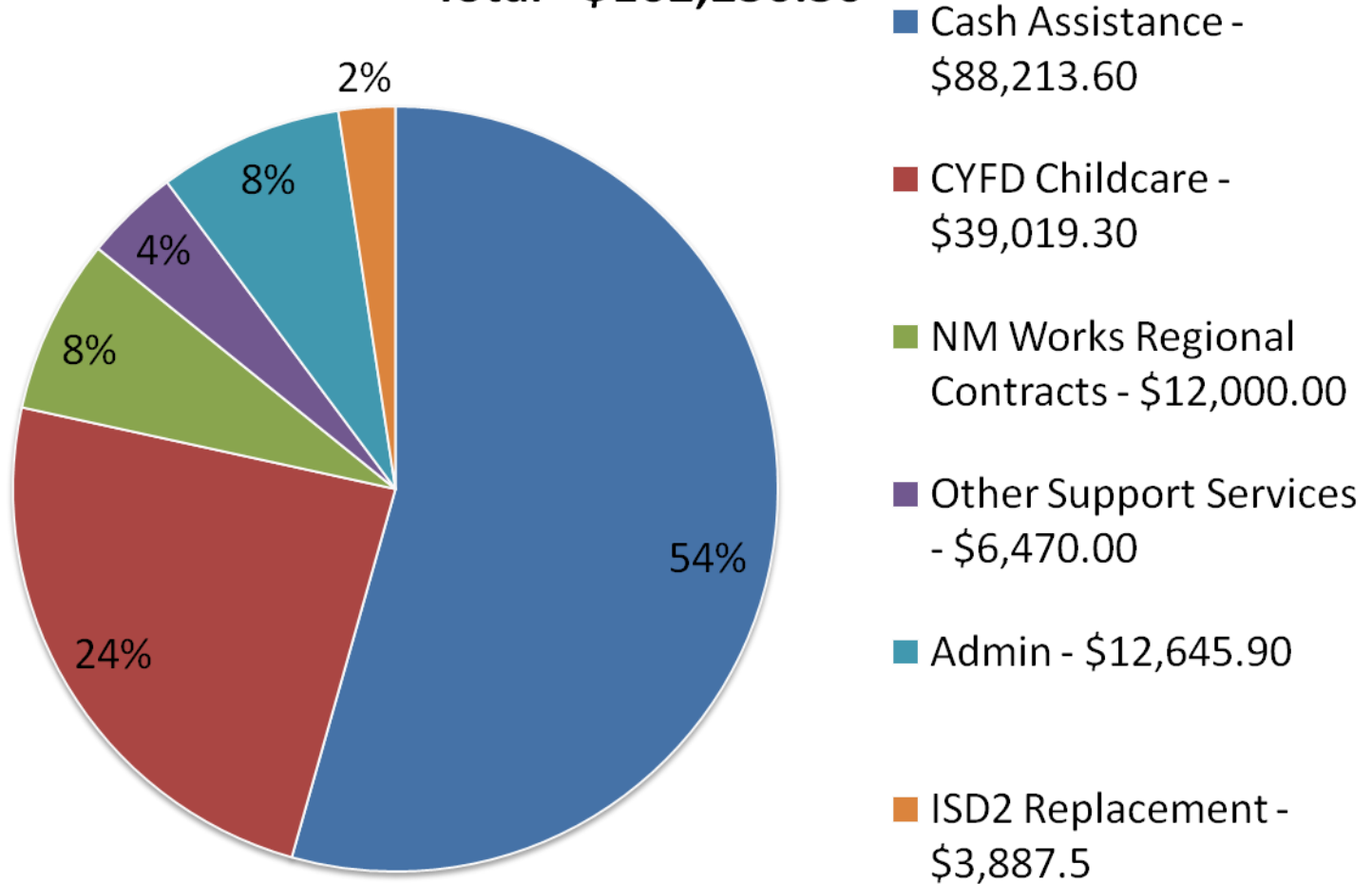
- ◆ The American Recovery and Reinvestment Act (ARRA) included additional federal funding for TANF programs as all states saw a dramatic increase in enrollment.
- ◆ Bill to extend TANF Emergency Contingency Fund (ECF) has passed the House and will be heard sometime in mid-October by the Senate. Slight possibility of passage.

Maximum Award for FFY 2009 & FFY 2010	\$55,289,050
<i>Contingency Fund</i> FFY 2009 & 2010	\$26,247,678 \$9.7 for cash assistance \$16.5 Tax & Rev
<i>ECF</i> FFY 2009 & 2010	\$29,041,372



FY 2011 HB 2 TANF Appropriations

Total - \$162,236.30



TANF Budget Needs for FY 11

Revenue Available - \$137,796.8 (assumes \$4.9 in supplemental grant)

◆ Cash Assistance	92,276.3
◆ Regional Employment & Training:	\$12 mil
◆ Child Care 32,419.3 + \$6,600	\$39 mil
◆ Supportive Services	\$ 6.47 mil
➤ Domestic Violence - \$2 million	
➤ Pre-Kindergarten - \$2.5 million	
➤ GRADS - \$250,000	
➤ Gold Mentors - \$350,000	
➤ Transportation - \$670,000	
➤ Employment-Related Costs - \$700,000	
◆ ISD Program Support	<u>\$13,777.6</u>
	TOTAL = \$163,523.9



TANF Reductions

- ◆ Cash Assistance – regulations being proposed to reduce monthly cash assistance benefit, eliminate 2nd clothing allowance, eliminate Transition Bonus program
- ◆ Childcare – reduction of \$13.5 million
- ◆ Supportive Services – reductions across the board; funding for Domestic Violence, Pre-K, GRADs, and Gold Mentors ends October 31st.
- ◆ DV and Pre-K have other funding sources
 - DV has \$10,166.9 in other funding
 - Pre-K has \$14,360.4 in other funding
- ◆ GRADs and Gold Mentor have no other funding sources
- ◆ ISD Program Support – Funding of \$13,777.6 pays for ISD eligibility workers (amount expended based on random moment cost allocation) and to help replace the Department's IT eligibility system.



Update on Federal Reporting and Negative Cash Balances

◆ Background of Problem

- 2 separate systems: SHARE and CMS 64 Reporting System
- Noted State Cash Problem in FY 09
- ARRA funds highlighted the problem
- Very complex reporting requirements, millions of transactions each quarter, automated reports in SHARE
- Became clear that there were significant discrepancies between SHARE and the CMS 64 Report
- Department staff has been working to identify problems in the 2 systems

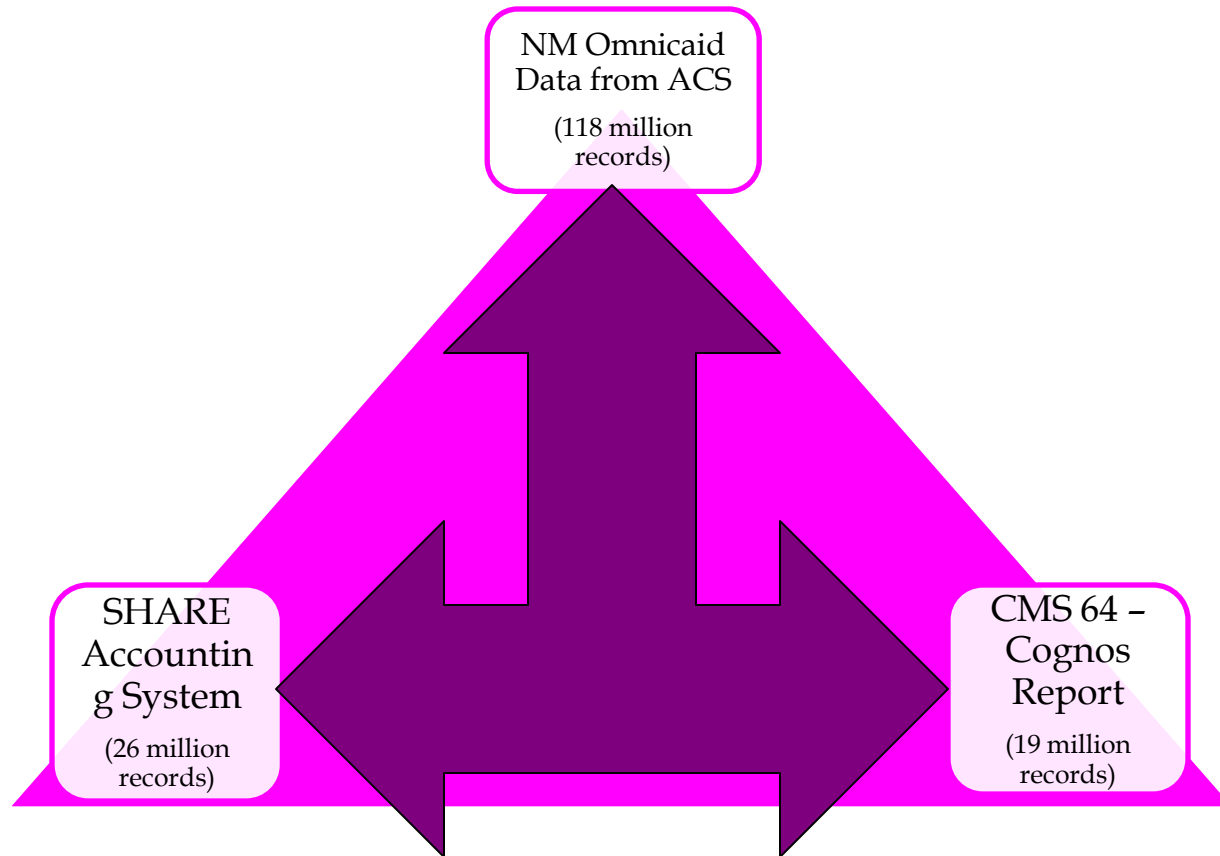


Actions to Identify and Remedy the Issues

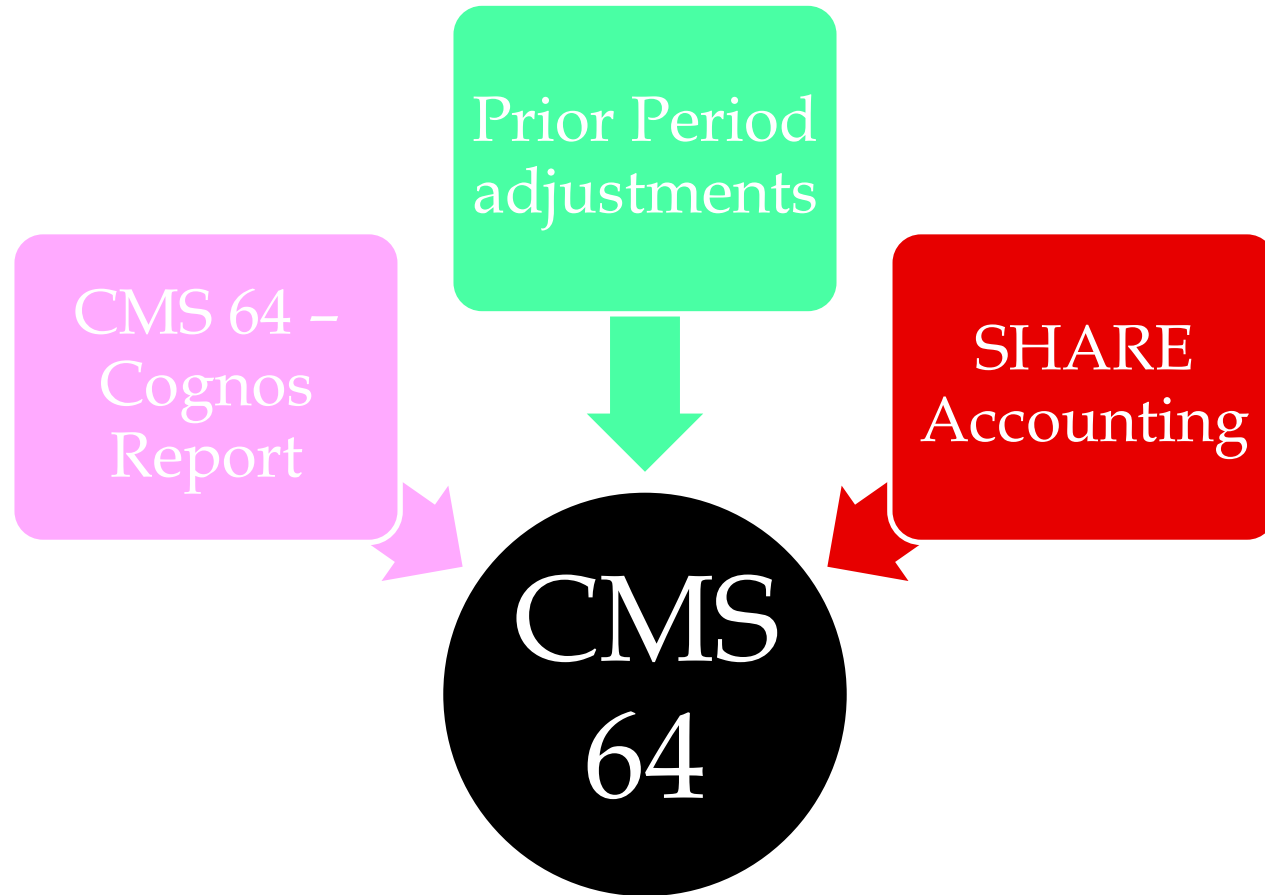
- ◆ April 2010 – Myers and Stauffer, LC performed a detailed evaluation of our data and processes; Determined need to evaluate each quarter back through FFY 09
- ◆ June 2010 – Project Manager engaged to lead the effort to resolve these issues; Notified CMS of issue
- ◆ July 2010 – Internal Task Force created to work on problem; meet daily with Project Manager; implemented QC Procedures for future reports
- ◆ August 2010 – “Desk Top” tool developed to facilitate comparison between federal reports and SHARE files; Initiated weekly reconciliations of the federal grant award draw
- ◆ September 2010 – Completed analysis of one quarter of FFY10; Began analysis of all other quarters; Project Management meetings begin with Deputy Secretary



Reconciliation: Myers & Stauffer Approach



Reconciliation: Myers & Stauffer Approach



What We Know Today

- ◆ Discrepancies between the CMS 64 and SHARE (based on draws) show the following:
 - FFY 09 \$89.9 Million
 - FFY 10 \$4.2 Million (not final)
- ◆ Completed analysis of one quarter of FFY10 revealed both systemic problems and human error .
 - Systemic issues:
 1. Under reporting of expenditures
 - ✓ Federal funds to be adjusted on CMS-64 (\$63,194) – increase in federal reporting
 2. Incorrect FMAP recorded in SHARE
 - ✓ Amounts to be adjusted in SHARE (\$304,343) – increase in federal draw



Next Steps

- ◆ Mid-Late October 2010: Completion of analysis of all quarters of Federal FY 09 and State FY 10
- ◆ Adjustments to SHARE accounting system & Prior Period Adjustments to the CMS 64
- ◆ No longer draw year-end accrued Federal Receivable; draws supported by CMS 64
- ◆ Continue Project Management meetings under the Deputy Secretary and Quality Control Procedures



Preview of FY 2012 Medicaid Appropriation Request

Assumptions

- ◆ Does not include use of Tobacco Settlement Funds
 - Loss of \$23,192.0
- ◆ Includes Loss of full enhanced ARRA funding
 - Loss of \$333,839.0
- ◆ Reflects adjusted base FMAP
 - Increases general fund need of \$26,863.0
- ◆ Assumes increase of total costs by 10.4%
 - Increased need of \$25,894.0 due to recipient and utilization growth
- ◆ FY 2011 Expenditures Pushed Forward
 - \$33,132.0



Preview of FY 2012 Medicaid Appropriation Request

<i>FY 11 Cost Containment</i>	<i>FY 11 \$</i>	<i>FY 12 \$</i>
SCI – waiting list, rate reduction	7,810	11,206
Cost Settle Border/Out-of-state Hosp	5,674	73
Implementation of OPPS	22,470	30,005
Benefit Limitations	494	673
CoLTS changes	2,826	7,320
Close PAK & PAM to new enrollment	838	1,116
Pharmacy Management	3,305	5,812
FFS & NMRS Admin ASO Fee	1,088	1,756
Drug Rebate	1,262	1,280
School Payment of State Share	<u>3,000</u>	<u>3,000</u>
TOTAL	48,767	62,241



Appropriation Request

- ◆ Increase in General Fund needed to fund services at levels after cost containment is \$360.7 Million
- ◆ Updates since Budget Request Submission
 - Total Program Expenditures expected to be an increase of \$352,248 based on most recent projections (was \$376,630.5 previously based on budget projections from year before)
 - Latest information from state per capita income data indicate our base FMAP for FY 12 will be 69.36%, and EFMAP of 78.55%, slightly better than the original estimates. Will bring in an additional \$8 million in federal funds.
 - Pursuing additional funding from CMS due to updated Bureau of Labor Statistics that show NM should have drawn a higher percentage of enhanced ARRA FMAP sooner.



Examples of Cost Containment Already Implemented

- ◆ Reset MCO rates
- ◆ Created waiting list for SCI
- ◆ Require in-state facilities for appropriate services
- ◆ Reduce state share of subsidy for PAK
- ◆ Eliminated state's payment for background checks (still required)
- ◆ Implemented increased Fraud and Abuse Activities
- ◆ Eliminated Aggressive Outreach
- ◆ Pharmacy Fee/Reimbursement Changes
- ◆ Reduced Nursing Home Reserve Bed Days
- ◆ Reduced Eye glasses to 1 pair every 2 years; Reduce Frame Allowance for Glasses
- ◆ Reduced Transportation for Pharmacy
- ◆ Eliminated paying for Meals and Lodging for Attendants
- ◆ Eliminated Gastric Surgery (bypass) as a benefit
- ◆ Reduce home environmental modification benefit from \$7,500 over 5 years to \$5,000
- ◆ Reduced long-term care respite benefit from 336 hours per year to 168 hours per year
- ◆ Eliminated paying installation fee for emergency response systems for long-term care clients



Cost Containment In Progress or Being Evaluated

- ◆ Proposed Pharmacy Regulations
- ◆ Changes to Durable Medical Equipment & Supplies
- ◆ Eliminate coverage of over-the-counter drugs for adults; some for children
- ◆ Reduce inappropriate use of emergency rooms
- ◆ Tighten utilization of Personal Care Option (PCO) services
- ◆ Changes to the Mi Via program (ALTSD)
- ◆ Expand use of matching data system for the Public Assistance and Reporting Information System (PARIS)
- ◆ Implementation of Accountable Care Organizations (ACOs) and Medical home model
- ◆ Eliminating duplicative administrative processes
- ◆ Elimination of other benefits

