

***New Mexico  
Human Services Department  
Medicaid Cost Containment Issues***

**Presentation to  
Legislative Finance Committee**

**Pamela S. Hyde, Secretary, HSD  
August 12, 2009**



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# Highlights for Today's Discussion

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1. **Medicaid Projected Expenditures**
  - ◆ FY10 Deficit & Likely FY 11 GF Need
2. **Cost Containment – Info & Options**
3. **Implications**
3. **Summary Take Home Points**



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# PROJECTED EXPENDITURES



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## ***Projections Assume (re Expenditures):***

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- ◆ **Current Provider Rates and Current Benefits/Programs**
- ◆ **Only Modest Cost Containment At This Point**
  - What program expenditures would look like *without* significant cost containment
- ◆ **Enrollment & Utilization Trends Reflect Increasing Trends Due To Economy and CoLTS Growth**
- ◆ **Modest SCI Enrollment Increases, Maximizing Available Federal Funds**



## ***Projections Assume (re Revenues):***

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- ◆ **ARRA Funding At Mid-Level (Tier 2) thru 12/31/10**
- ◆ **Revenues Include Continued Tobacco Settlement Funds, Stable County Supported Medicaid Funds and Other State Agencies Are Able to Provide All Necessary Match for Their Programs**
- ◆ **Some, But Not All Possible CHIPRA Bonus Funding for Increased Enrollment of Kids**
- ◆ **Modest But Not All Possible Federal Disallowances**



# **Projected Expenditures FY09 & FY10**

**(As of 8-4-09, Using June 2009 Data – *in thousands*)**

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- ◆ **FY09 – Surplus Will Be Moved to HB920 Fund for Other State GF Needs**
  - Projected Surplus – \$120,000.0 – \$130,000.0 GF
  - GF replaced by ARRA stimulus funds through 12/31/10
  
- ◆ **FY10 – Expected Shortfall Due to Increased Enrollment & Costs**
  - Projected Shortfall – \$35,000.0 to \$40,000.0 GF
  - Projected Expenditures – \$3,931,738.0 Total (\$628,969.0 GF)
  - Operating Budget – \$3,672,750.0 Total (\$591,666.0 GF);
  - \$195,760.0 less GF than FY09's original GF appropriation (about \$162,073.0 less than FY09's appropriation after 2009 session cuts)



# **Projected Expenditures FY11**

**(As of 8-4-09, Using June 2009 Data – *in thousands*)**

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- ◆ **FY11 – Expected Shortfall Will Grow Exponentially Without Massive Cost Containment**
  - Projected Shortfall – \$200,000.0 to \$300,000.0!!!
  - Annualization of FY10's extraordinary enrollment growth
  - Normal program growth if no cost containment = 8-12%
    - Approximately \$60,000.0 to \$90,000.0 GF for normal growth
    - Driven largely by enrollment increases, utilization growth, & CoLTS (more people served; more services provided)
  - Plus Lost Federal ARRA Funds for Second Half of FY11
    - Estimated \$110,000.0 to \$115,000.0 in lost federal dollars for FY11
    - (In FY12, another \$110,000.0 -- \$115,000.0 federal dollars would need to be replaced with GF)
  
- ◆ **First Actual FY11 Projection Will Be Submitted 09/01/09**
- ◆ **Another Projection Will Be Done in Late 2009 Before the Executive Budget Is Submitted in January 2010**



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# Therefore . . .

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- ◆ Unless We See A Positive Turnaround In Expenditures or Revenue for FY10, **Significant** Cost Containment Efforts Will Be Necessary Beginning This Fall
- ◆ Things That Might Affect FY10 Expenditures:
  - Changes in enrollment growth trend - up or down
  - Possible federal audit findings - unclear outcomes
  - Increased unemployment, allowing NM additional ARRA funds (move into Tier 3?)
  - More or Less CHIPRA Bonus
  - Federal Health Reform decisions
- ◆ Without Significant Increases in GF Appropriations for the Medicaid Program for FY11 - *Even With A Positive Turnaround in Projected Expenditures* - **Massive** Cost Containment Efforts Will Be Needed in FY11 Starting This Fall
- ◆ Things That Might Affect FY11 Expenditures
  - Same things as FY10, plus change in deficit for FY10 (therefore changing the “push forward” of expenditures into FY11)



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# About Cost Containment



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# Possible Types of Cost Containment

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- ◆ **Eligibility Changes**
  - Not Allowed by ARRA through December 31, 2010
- ◆ **Benefit Elimination & Reductions**
- ◆ **Rate Reductions**
- ◆ **Slowing Enrollment Growth**
- ◆ **Administrative Changes**
- ◆ **Fundamentally Restructuring Program for After ARRA Funds Go Away**



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# Cost Containment Already Underway

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## ◆ Administrative

- Reduction in administrative allowances for MCOs to 14% in FY10; 13% in FY11 (no more than 5% of which can be profit)
- Increased sanctions for non-performance of MCOs
- Decrease in MCO rates (\$35,000.0 GF reduction for FY10)
- Increased disease management
- Increased use of value-added services for prevention & wellness
- Beginning implementation of clinical homes in Behavioral Health and medical homes in *Salud!* Managed Care and CoLTS
- Increased focus on individuals with multiple diagnoses

## ◆ Slowed Enrollment, Utilization and Benefit Growth

- Reduced outreach efforts
- Changes in rates (e.g., hospital outpatient for radiology in process)
- Tightened utilization review criteria
- Tighter monitoring of polypharmacy
- Restructured behavioral health benefits toward more effective and cost-efficient



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# What Cost Containment Takes

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- ◆ **Federal Approvals**
  - State Plan Amendments
  - Waiver Changes
  
- ◆ **State (HSD) Rule Changes**
  
- ◆ **IT System Changes (MMIS & ISD2)**
  
- ◆ **These Mean:**
  - Staff efforts beyond current work load
  - Contract dollars
  - Time (which impacts cost savings)



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# Cost Containment Options

NOTE:

1. Amounts Are Estimated and Annualized Unless Otherwise Indicated
2. Takes More Reductions To Save GF Now, Due to Higher ARRA FMAP



## Benefit Elimination – Examples

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- ◆ Vision Benefit for Adults = \$203.5 GF
- ◆ Adult Dental Benefits, Except Emergency = \$1,729.8 GF
- ◆ Hospice Services = \$236.9 GF
- ◆ Podiatry Services for Adults = \$122.1 GF
- ◆ Hearing Aids & Hearing Evaluations for Adults = \$96.7 GF
- ◆ Physical, Occupational & Speech Therapy for Adults = \$366.3 GF
- ◆ Nursing Services in Schools = \$67.2 GF
- ◆ School Health Transportation Services = \$46.8 GF
- ◆ School-Based Services = \$630.9 GF
- ◆ NOTE: Many Behavioral Health Services Are Not Mandatory, So Could Be Eliminated Or Reduced



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# Benefit Reductions – Examples (1)

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- ◆ Limit Personal Care Option Number of Hours = \$4,985.8 GF
- ◆ Telephone Monitoring of PCO Services = \$508.8 GF
- ◆ Require Hospitals to Use In-State Facilities = \$699.8 GF
- ◆ Restrict Scale on Orthodontics = \$508.8
- ◆ Increase Co-pays for Emergency Room (\$3) & Brand Drugs (\$5) = \$468.1 GF
- ◆ Non-Emergency Transportation Only for 65 Miles Outside Community = \$178.1 GF
- ◆ Eliminate Meals and Lodging for Recipients = \$178.1 GF
- ◆ Eliminate Payments for Attendant Transportation = \$63.7 GF
- ◆ Cap Number of Prescriptions Per Month for Adults = \$170.9 GF
- ◆ Polypharmacy Protocols = \$132.3 GF



## Benefit Reductions – Examples (2)

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- ◆ Reduce Respite LTC Benefit By 1/2 = \$264.6 GF
- ◆ Reduce Nursing Respite for Long Term Care = \$27.2 GF
- ◆ Eliminate Installation Fee for Emergency Response Systems = \$11.5 GF
- ◆ Limit Community LTS Payments to Cost of Nursing Home Care = \$101.8 GF
- ◆ Annual Cap on Psychosocial Rehab Group Sessions = \$146.5 GF
- ◆ Annual Cap on Behavioral Management Services = \$106.8 GF
- ◆ Restrict Comprehensive Community Support Services (CCSS) to Allow Only Core Service Agencies (CSAs) to Bill = \$254.4 GF
- ◆ Reduce Home Environmental Modification Benefit = \$96.5 GF
- ◆ Eliminate Nursing Home Bed Hold Days = \$854.7 GF
- ◆ Limit Behavioral Health Therapies to 20 Per Year = \$326.6 GF



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# Rate Reductions – Examples (1)

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- ◆ **1% Decrease in Provider Rates**
  - All Providers = \$6,300.0 GF
  - Nursing Facility = \$353.7 GF
  - ICF MRs = \$46.5 GF
  - Hospitals = \$530.2 GF
  - Practitioner Payments on Surgical Codes = \$339.8 GF
  - Practitioner Payments on Radiology Codes = \$169.9 GF
  - All Practitioners = \$3,398.5 GF
- ◆ **Outpatient Radiology Rates to Equal Medicare = \$3,072.9 GF**
- ◆ **Out-of-Network Payments to 95% of FFS = \$244.2 GF**
- ◆ **Eliminate PCO & Waiver Background Check Payments = \$36.6 GF**



## Rate Reductions – Examples (2)

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- ◆ Pharmacy Dispensing Fee Reduction to \$2.50 When Generics Not Substituted = \$25.3 GF
- ◆ Psych Hospital Inpatient At Negotiated Rates Rather Than Percentage of Billed Charges; Outpatient At Medicare Rates = \$122.6 GF
- ◆ Reduce ARTC & RTC By 10% = \$771.3 GF
- ◆ Require National Drug Code (NDC) on Medical Claims to Collect Drug Rebates = \$350.0 GF (Additional Revenue)
- ◆ Cost Settle Border Hospitals = \$47.8 GF
- ◆ Reduce Transportation Rates for Schools By 50% = \$23.4 GF



# Administrative Changes – Examples

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- ◆ Move Native Americans Into Managed Care w/ Value-Added Benefits = \$610.5 GF
- ◆ Move School-Based Services to Managed Care = \$64.7 GF
- ◆ Paper Assessments for Annual PCO Re-Determinations = \$16.8 GF
- ◆ Assessment on Managed Care Interest on Reserves = TBD (Additional Revenue)
- ◆ Move Financial Payments for Mi Via to MMIS Contractor = \$50.9 GF
- ◆ Move All Long Term Services into CoLTS (PACE, All Waivers, Etc.) = \$3,694 GF
- ◆ Consolidate Waiver Waiting Lists = TBD
- ◆ NOTE: Cost Reductions for MCOs Already Accomplished in FY09 & FY10 = \$35,000.0 GF (Savings Already Included in Projections)



# Slowing Enrollment Growth – Examples

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- ◆ **Implement Waiting List in SCI = \$16,156.4 GF**
- ◆ **Slow SCI Enrollment**
  - 1,000 SCI Adults Not Enrolled = \$1,615.6 GF
- ◆ **Reinstate Premium Cost-Sharing In SCI Below 100% FPL = \$3,398.5 GF**
- ◆ **Limit Outreach/Aggressive Recertification = \$774.1 GF**
  - 1,000 Kids Not Enrolled = \$700.8 GF
- ◆ **Implement Waiting List for PAK & PAM = \$2,100.0 (GF)**
- ◆ **Introduce Sliding Fee for PAM = \$2,300.0 GF**
- ◆ **Automatically Enroll Presumptively Eligible Children into Managed Care = \$279.2 GF**



# Fundamental Restructuring – Two Options

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## 1. Eliminate Whole Programs That Have High Costs

- For example – SCI, Personal Care, Medications

## 2. Eliminate All But Mandatory Services for Mandatory Populations

- While Maximizing Revenue from Patient Cost-Sharing &
- Allowing Purchase of Additional Benefits By Anyone at Varying Amounts
- Restructure Current Waivers into Single Waiver w/ Much Smaller Benefit Offerings



*Go to Flip Charts*

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# IMPLICATIONS



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# Implications – 1

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- ◆ **HSD Must Begin Cost Containment by September 2009 Unless Additional Revenue Is Identified**
  
- ◆ **Other State & Local Agencies Will Be Impacted (Total Dollars, Federal and State Combined)**
  - Most local public schools; many county & city facilities/clinics
  - UNM
  - DOH Facilities & Programs
    - 1% Reduction for Nursing Facility Rates = \$220.0
    - 1% Reduction for ICF-MR Rates = \$8.7
    - 1% Reduction for all Practitioner Codes = \$30.0
    - Eliminating Adult Dental Services = \$10.0
  - CYFD Facilities & Programs
    - 10% Reduction for ARTC, RTC, and Group Homes = \$580.0
  - ALTSD Programs
  - IHS & Tribal Facilities & Programs
  
- ◆ **Waiver Waiting Lists Will Grow Even More Rapidly And/Or Persons w/ Disabilities Will See Significantly Less Services in the Community**



# Implications – 2

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- ◆ **All Hospitals Will Be Affected**
  
- ◆ **Almost All Community-Based Providers Will Be Affected**
  - Medical
  - Behavioral Health
  - Long Term Services
  - Home Health
  
- ◆ **Every \$1.00 of GF Not Spent Means Approximately \$5.00 in Lost Economic Activity for the State, Therefore:**
  - Lost jobs
  - Lost personal income taxes
  - Lost state and local Gross Receipts Taxes (GRT)
  - Lost GF revenue statewide
  - Lost premium tax (paid in large part by federal dollars)



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# Implications – 3

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- ◆ **Not Covering Some Kids and Adults Will Result In:**
  - Lost federal bonus funds (ARRA)
  - Lost federal funds in future years (CHIPRA Allocation) and/or
  - Increased health care costs as adults
  
- ◆ **Uninsured Numbers Will Increase, Therefore:**
  - Health care and health insurance costs for those covered by commercial and employer-based insurance will increase (including state & school employees, retirees, etc.)
  - All hospitals, IHS facilities and free clinics such as FQHCs will see increased pressure and less revenue



# Implications – 4

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- ◆ **HSD May Not Be Able To Reduce Costs Fast Enough or Substantially Enough To Prevent Moving FY10 Expenditures into FY11**
  - Can only expect perhaps \$10,000.0 -- \$15,000.0 for FY10
  - Makes FY11 GF need higher
- ◆ **THEREFORE, LITTLE CHOICE BUT TO BEGIN NOW & PLAN COMPLETE RESTRUCTURING OF MEDICIAD PROGRAM, UNLESS SIGNIFICANT ADDITIONAL APPROPRIATIONS ARE LIKELY FOR FY11**
- ◆ **Federal Health Reform Proposals May Require Maintenance Of Effort, Thereby Restricting Changes States Can Make In Eligibility**



# Summary Take Home Points . . .

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- ◆ **HSD Has Already Done Significant Cost Containment**
  - Without changing enrollment, benefits or programs
- ◆ **Options Are Limited Now – Because:**
  - ARRA limits eligibility reduction options until 1/1/11; federal health reform may further restrict options
  - Economy is causing enrollment growth even without outreach
  - Changes have been made that make enrollment growth more likely and retention of enrollees easier – these cannot be undone
- ◆ **Any Cost Containment Will Have Profound Impacts on *All New Mexicans***
  - All current enrollees; all eligible persons; and all persons covered by commercial insurance
  - All state & local providers; all schools; all communities
  - Significant loss of federal dollars into New Mexico; therefore significant impact on NM economy & jobs; state & local tax revenues; and NM uninsured rates & commercial insurance rates
  - Significant reduction in access to health care services and providers

## **HSD Has to Start Now to Have Any Impact on FY11**



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