

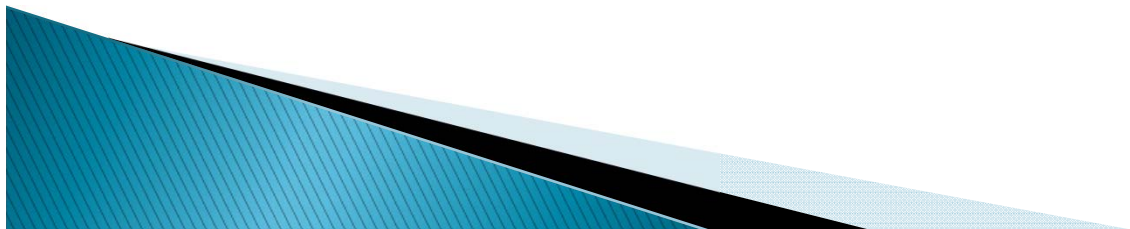


**Presentation to the Legislative Finance Committee  
Fiscal Year 2018 Budget Request  
Brent Earnest, Secretary, HSD  
December 7, 2016**

**New Mexico Human Services Department**

# Today's Presentation

- ▶ FY18 Appropriation Request Overview
  - Income Support Division
  - Child Support Enforcement
  - Medical Assistance Division
  - Program Support
  - Behavioral Health Services Division
- ▶ Information Technology Request



# HSD Overview

## HSD Mission

- ▶ To reduce the impact of poverty on people living in New Mexico by providing support services that help families break the cycle of dependency on public assistance

## FY18 HSD Goals

- ▶ Promote self-sufficiency of program recipients
- ▶ Slow the growth rate of health care costs and improve health outcomes
- ▶ Implement person-centric service models
- ▶ Improve administrative effectiveness and simplicity

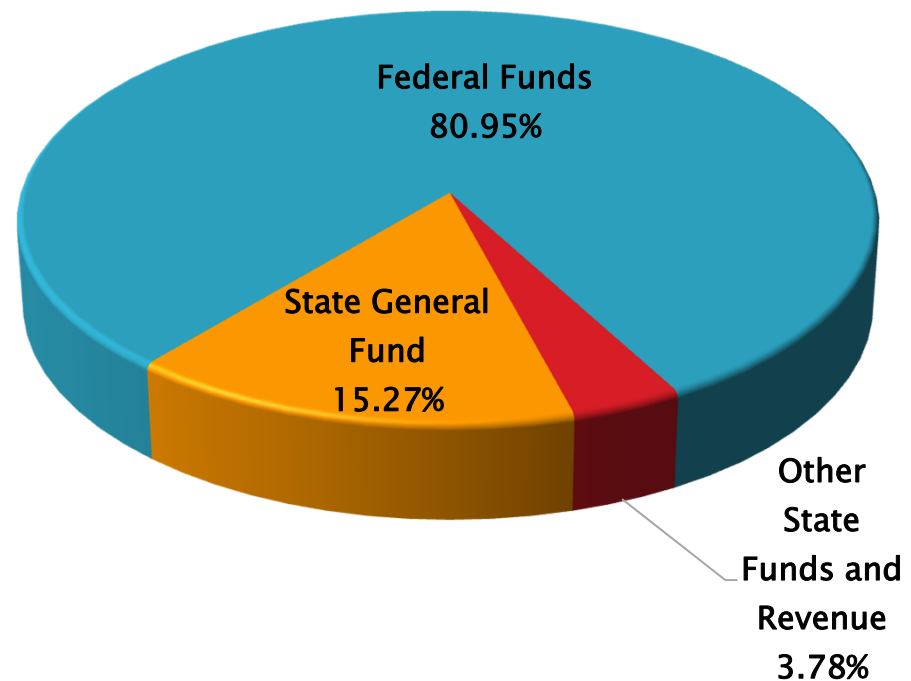
HSD administers services to more than 900,000 low-income New Mexicans through:

- ▶ Behavioral Health Services (mental health and substance abuse services)
- ▶ Child Support (establishment and enforcement)
- ▶ Income Support (cash, food, energy assistance, and supportive services)
- ▶ Medical Assistance (Long term, physical health and behavioral health services)

# HSD FY 18 Appropriation Request (Revised)

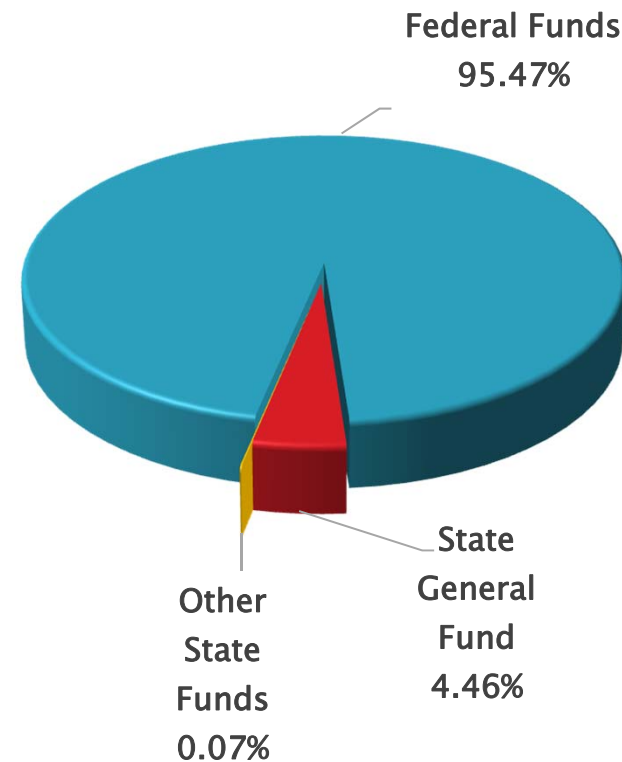
## FY 18 Budget Request of \$7.30 billion

- ▶ 5.37% increase overall
- ▶ \$1.115 billion from the general fund (increase of \$80.1 million or 7.7%)
- ▶ \$5.91 billion in federal funds (increase of \$291.4 million or 5.19%)
- ▶ \$275.6 million in other state funds and other revenue



# Income Support Division (ISD)

- ▶ Budget increase of \$25.5 million, all from federal funds.
- ▶ FY18 General Fund request is flat from the FY2017 operating budget, but several factors impact the request:
  - Reviewing office consolidation
  - Fixed cost increases such as rent, postage, DoIT telecommunications and utilities
- ▶ The increase in federal funds is primarily due to an increase in SNAP caseload and higher projected spending in the LIHEAP Program- 100% federal funding.

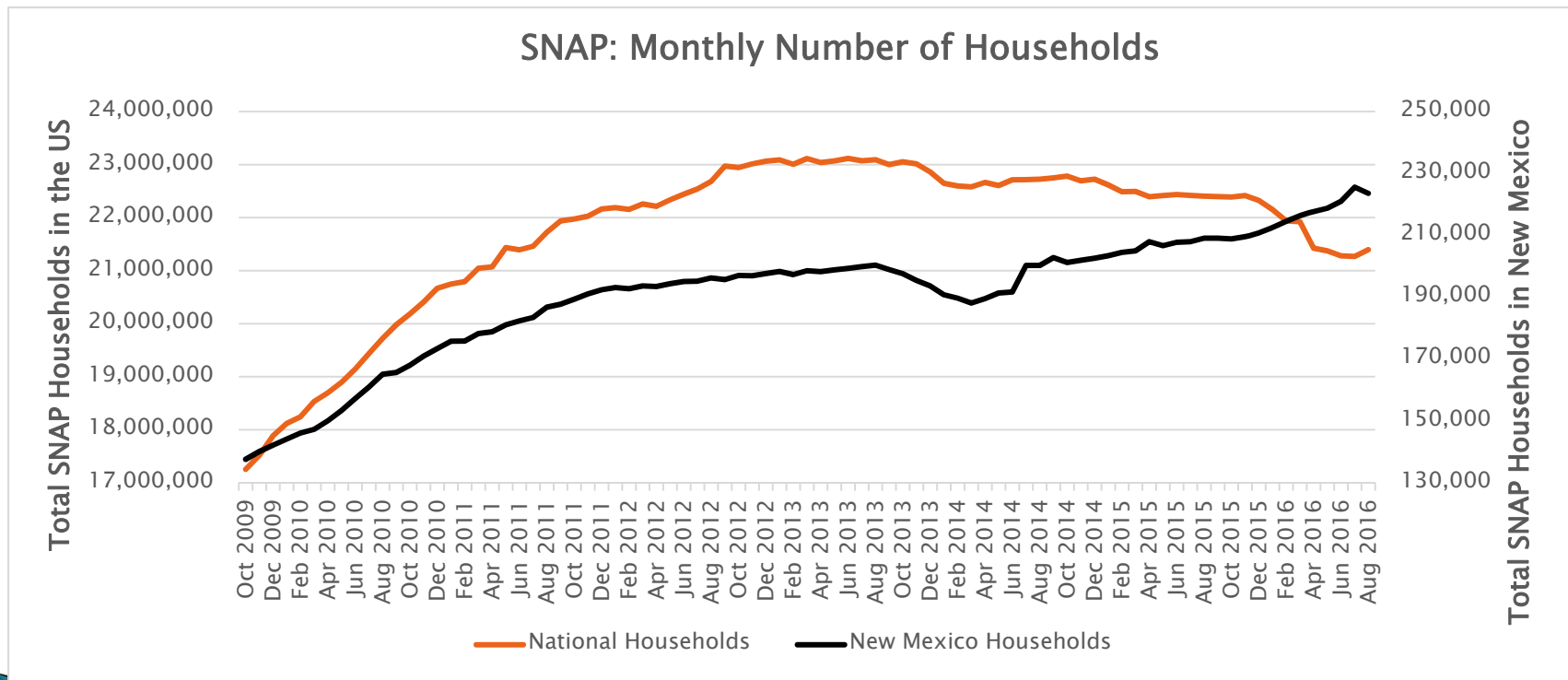


# Income Support Division (ISD)

- ▶ Application and eligibility services for all HSD public assistance programs
  - 968 FTE (funded); 36 offices
- ▶ FY18 request of \$987.9 million
  - \$44.1 million from the general fund
  - \$943.2 million in federal funds
- ▶ Major programs include:
  - SNAP = \$704 million (federal funds)
  - TANF = \$128.3 million (federal funds)
  - LIHEAP = \$19.8 million (federal funds)
  - General Assistance = \$10.3 million (\$7.2 million GF; \$3.1 million other state funds)

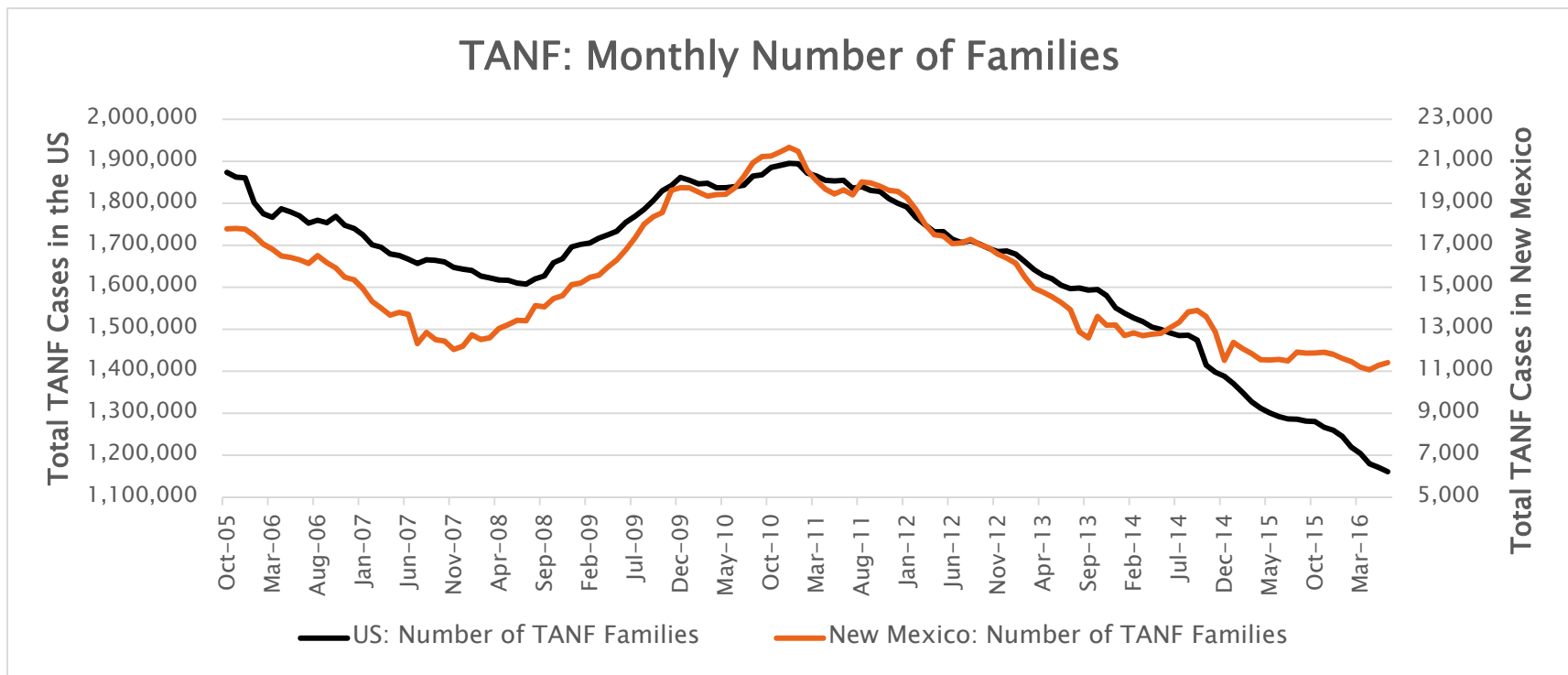
# ISD: Federally Funded Programs

- ▶ Supplemental Nutrition Assistance Program (SNAP)
  - FY18 projection of \$704 million
  - Average caseload of about 222,600 families receiving benefits
  - Average monthly benefit of \$263.56 (est.)



# ISD: Federally Funded Programs

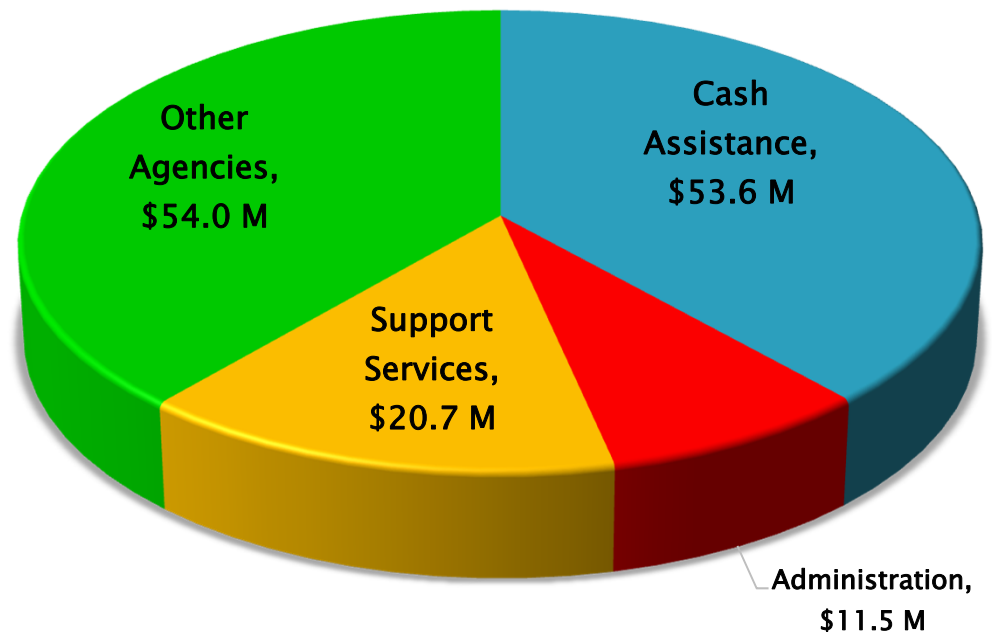
- ▶ Temporary Assistance for Needy Families (TANF)
  - FY18 projected expenditures of \$128.3 million
  - Average caseload of about 13,500 families
  - Average monthly benefit of \$310





# Temporary Assistance for Needy Families – (TANF)

- ▶ Request of \$139.6 million, including:
  - TANF block grant of \$110.6 million and \$29 million of current carry over balances.
  - About 33,400 individuals in TANF
  - ISD projects to spend \$53.6 million for cash assistance, about \$5.8 million more than the FY16 spend.



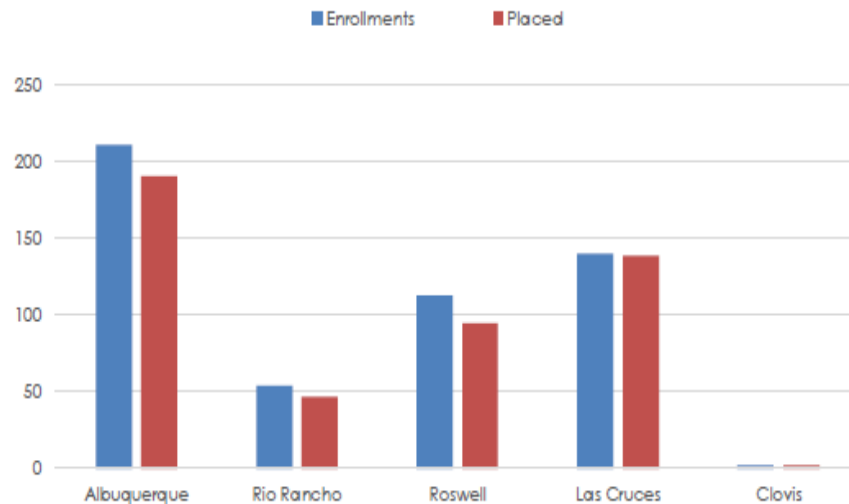
# Temporary Assistance for Needy Families – (TANF)

## Job Readiness Activities

- ▶ ISD remains focused on helping TANF recipients prepare for and find employment
  - CareerLinks
    - Expanded to Clovis, Los Lunas and Grants in FY17
  - Wage Subsidy
  - High School Equivalency Credential Program
  - Vocational Training Program
- ▶ Partnering with the Department of Workforce Solutions

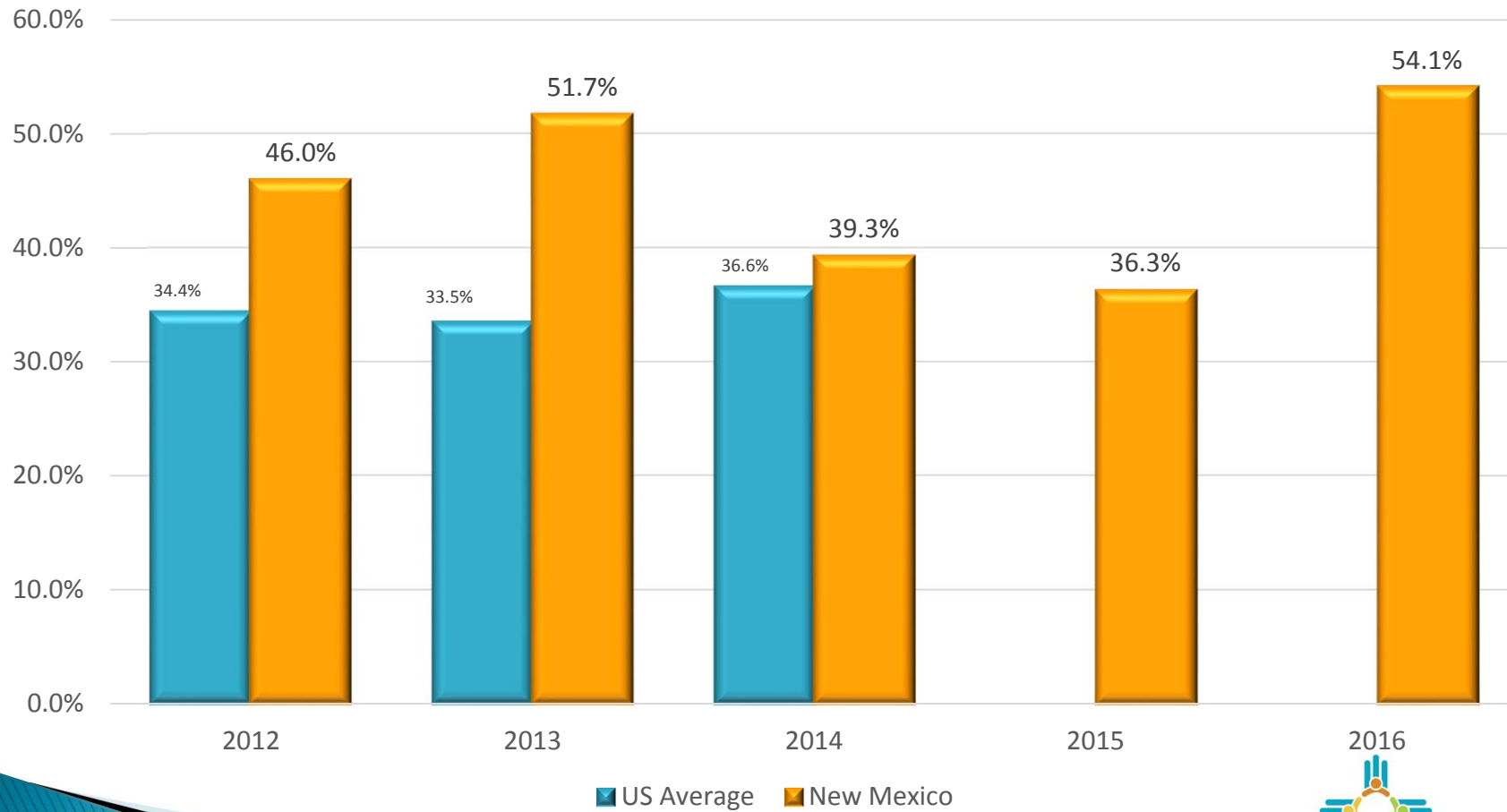
### FY16 Career Links:

- 474 Placed in employment
- 214 continued in unsubsidized employment



# TANF: NM's Work Participation Rate

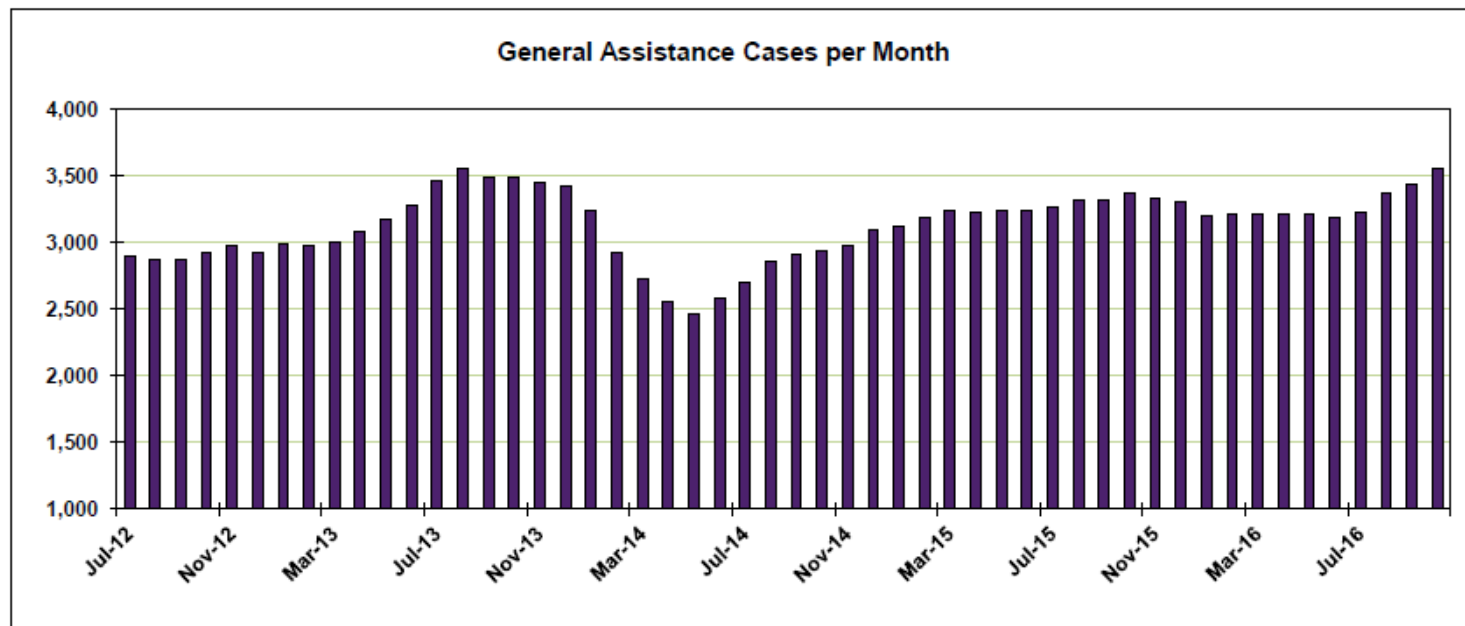
FFY Work Participation Rates



# ISD: State Funded Programs

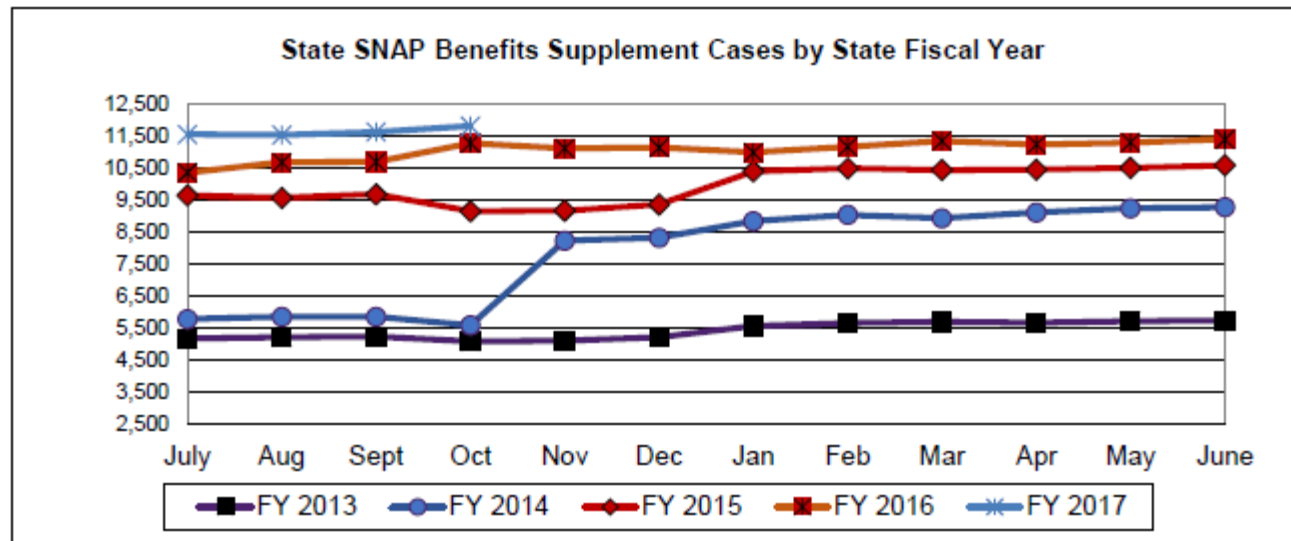
## ▶ General Assistance

- FY18 request of \$10.3 million (\$7.2 from the general fund and \$3.1 million in federal recoupments).
- Average caseload of about 3,600
- Average monthly benefit of \$239.28



# ISD: State Funded Programs

- ▶ Senior SNAP supplement
  - FY18 request of \$1.2 million from the general fund
  - Average caseload of about 11,900
  - Average monthly benefit of \$8.53
  - State supplement brings the monthly SNAP benefit to \$25



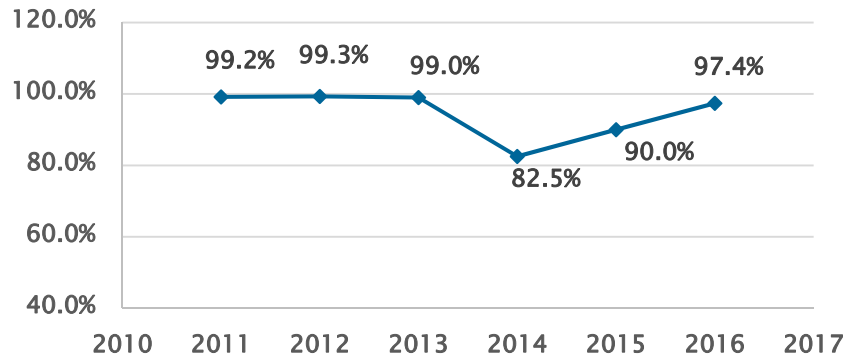
# ISD Administration

- ▶ \$81.6 million, essentially flat from FY17 OpBud
  - \$30.97 million (general fund)
  - \$49.9 million (federal funds)
  - \$0.7 million (other revenue)
- ▶ 968 FTE (funded) in 36 offices statewide
- ▶ Priority is to improve eligibility services for New Mexicans in need of assistance, including a current notice improvement project
- ▶ DHG consent decree and federal court action impacting the division
- ▶ Recent appointment of a special master will bring an objective reviewer to the litigation, but does carry additional costs.
- ▶ Requested a special appropriation (but total is subject to change):

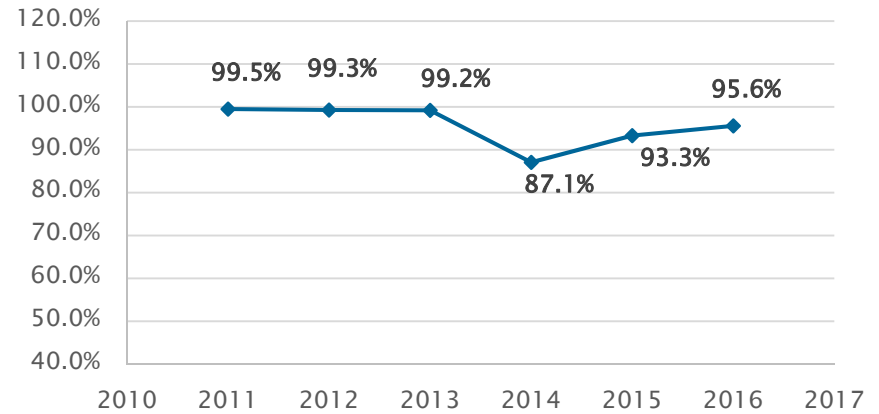
DHG Special	Total	GF %	FF%	GF	FF
Legal Fees	575,000	100%		575,000	
Special Master	375,000	100%		375,000	
Consultant Services	1,000,000	38.2%	61.8%	382,400	617,650
<b>Total</b>	<b>1,950,000</b>			<b>1,332,400</b>	<b>617,650</b>

# ISD Administration: Performance Data

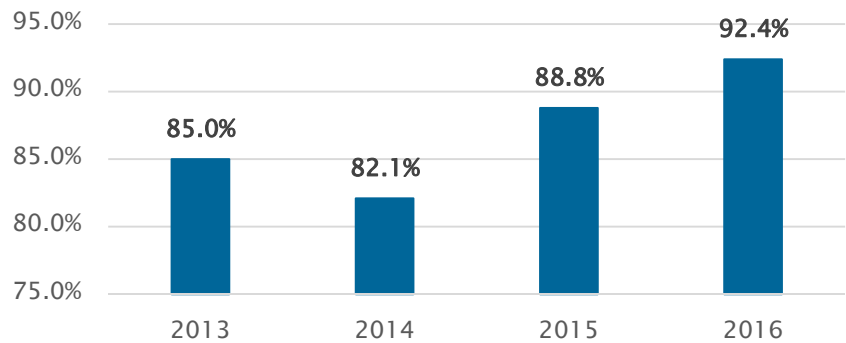
SNAP Application Timeliness: Expedited



SNAP Application Timeliness: Regular



Percent of Children Eligible for SNAP and Participating

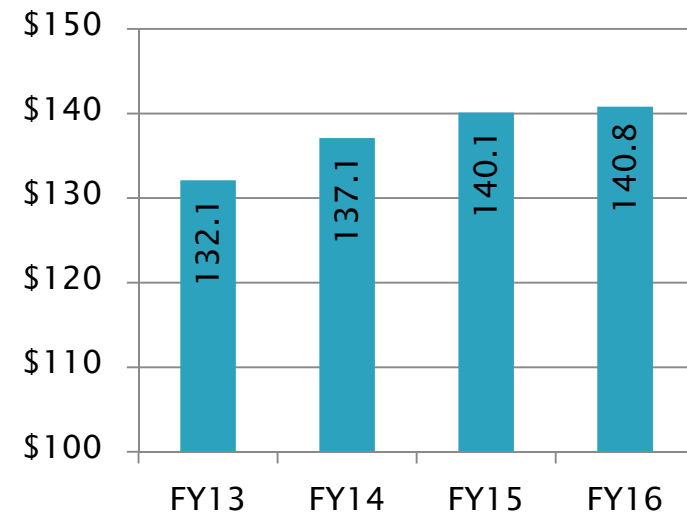


- In FY17, SNAP application timeliness metric will likely decline as HSD processes long-pended cases due to court action.
- HSD continues to improve reach to SNAP-eligible children

# Child Support Enforcement Division

- ▶ \$30.5 million total budget request
  - \$7.09 million from the general fund
  - \$19.98 million from federal funding
  - \$3.4 million from other revenue
- ▶ 68,119 child support cases involving 98,542 children in FY16
- ▶ Increasing child support collections, reaching \$140.8 million in FY16
- ▶ Key priorities
  - Business process redesign to ensure more efficient and effective service
  - Implementation of e-filing with New Mexico Courts
  - Replacement of the old Child Support Enforcement IT system

Child Support Collections  
(in millions)

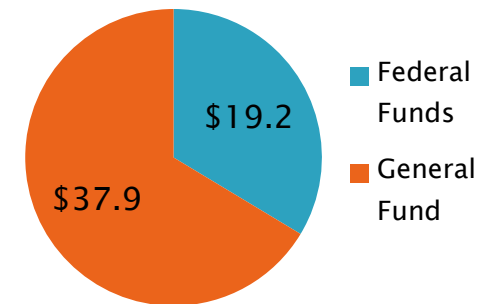




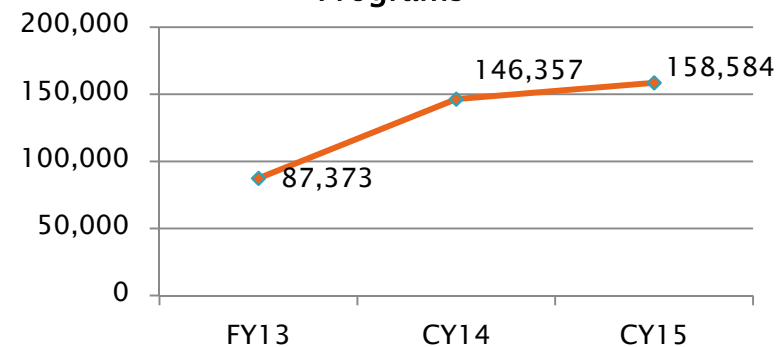
# Behavioral Health Services Division

- ▶ State substance abuse and mental health authority
- ▶ Supporting recovery, resiliency and healthy living through the provision of comprehensive and integrated behavioral health services in New Mexico communities.
- ▶ Administers federal and state funding for (non-Medicaid) behavioral health services
- ▶ General fund spending in BHSD budget down 10% from FY13
- ▶ Total budget request is about 1% less than FY17

\$57.17 Million Request

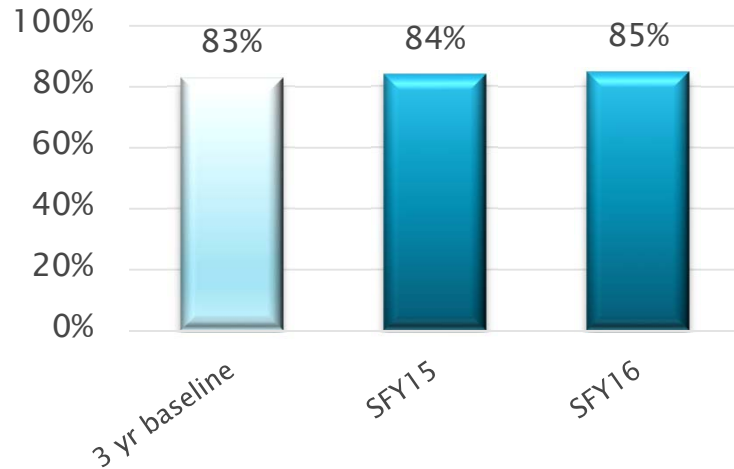


Individuals Served by BH Collaborative Programs

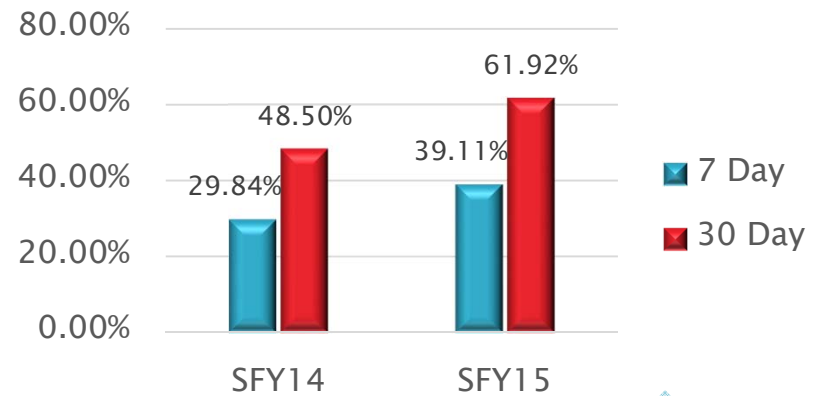


# Behavioral Health Performance

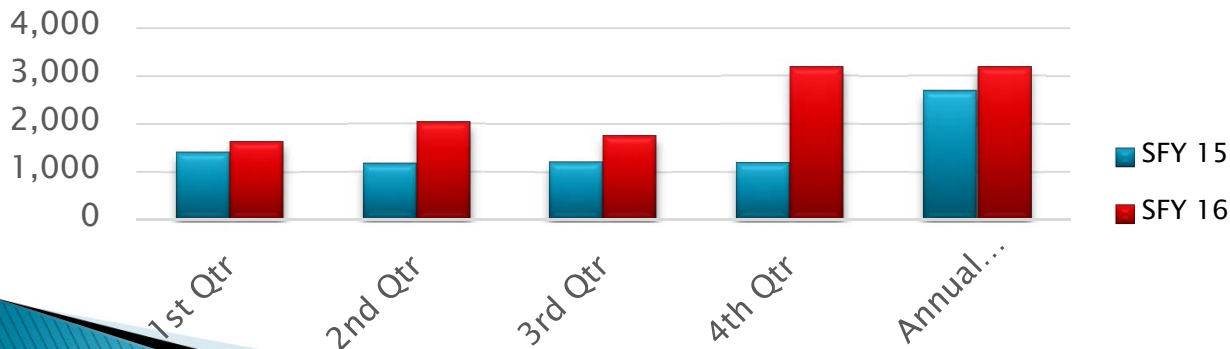
Increased satisfaction with BH services



Improving follow-up services after discharge



Number of persons served through Telehealth in rural and frontier counties



NM jumped 14 spots, from 36 to 22, among states by Mental Health America



# Behavioral Health Priorities

- ▶ Implementing a two-year strategic plan
  - regulatory updates, finance (payment reform), and workforce development
- ▶ Key Priorities
  - Delivery System reforms and network development
    - Development of health homes, focus on care coordination, and improvements in licensing and certification
    - Increased access to BH services and overall increase in services delivered
    - “Demystifying Detox:” Promoting and educating providers about the availability of medical detox benefit
    - Development of the “treat first model”
    - Establishing Certified Community Behavioral Health Clinics
    - Expanding NM Crisis Access Line
    - Targeting high needs areas through “investment zones”
  - Prevention
    - Development of the evidence-based prevention service PAX Good Behavior game
    - Implemented in Farmington, Bloomfield, Espanola and Santa Fe
  - Quality and Program Integrity
    - Development of integrated quality service review, in conjunction with providers
  - Preventing Opioid Overdose
    - NM is one of only four states to adopt 5 of 6 recommendations by the National Safety Council

# Changing BH Administrative Services Organization (ASO)

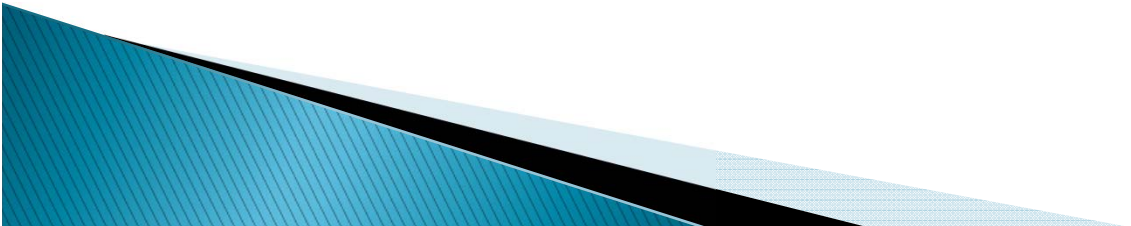
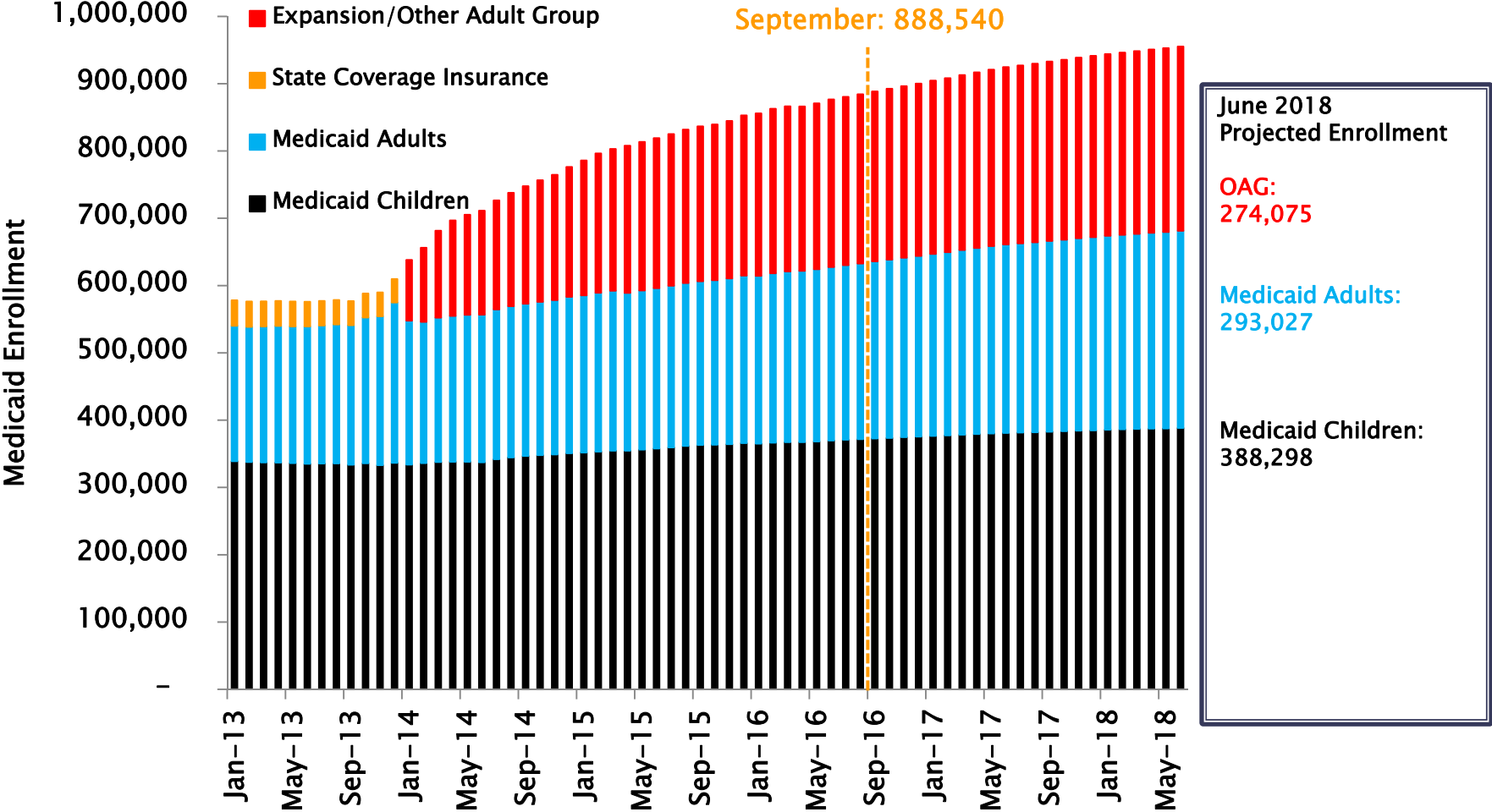
- ▶ Transition from external ASO (OptumHealth) to a hybrid model
- ▶ Contracted ASO functions:
  - BHSD Star Operations, End-User Trainings, System Modifications and Enhancements
  - Provider registration, credentialing, contracting & help desk operations
  - Client Registration
  - Report development and delivery
  - Claim & invoice processing, verifications and payments
- ▶ In-house functions
  - Client issue resolution
  - Provider Scope of Work development and approvals
  - Program integrity and quality improvement
  - Provider corrective actions
  - Client Data Report Reviews
- ▶ Additional clinical support via expanded contract with UNM
- ▶ Shift of contractual service spending to other contracts and personnel

# Medicaid: FY18 Budget Request Highlights

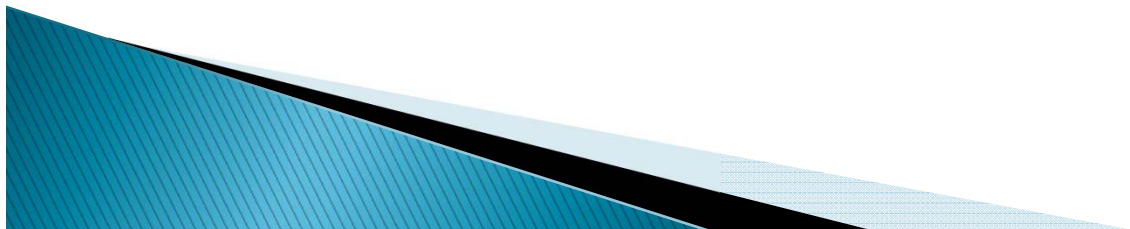
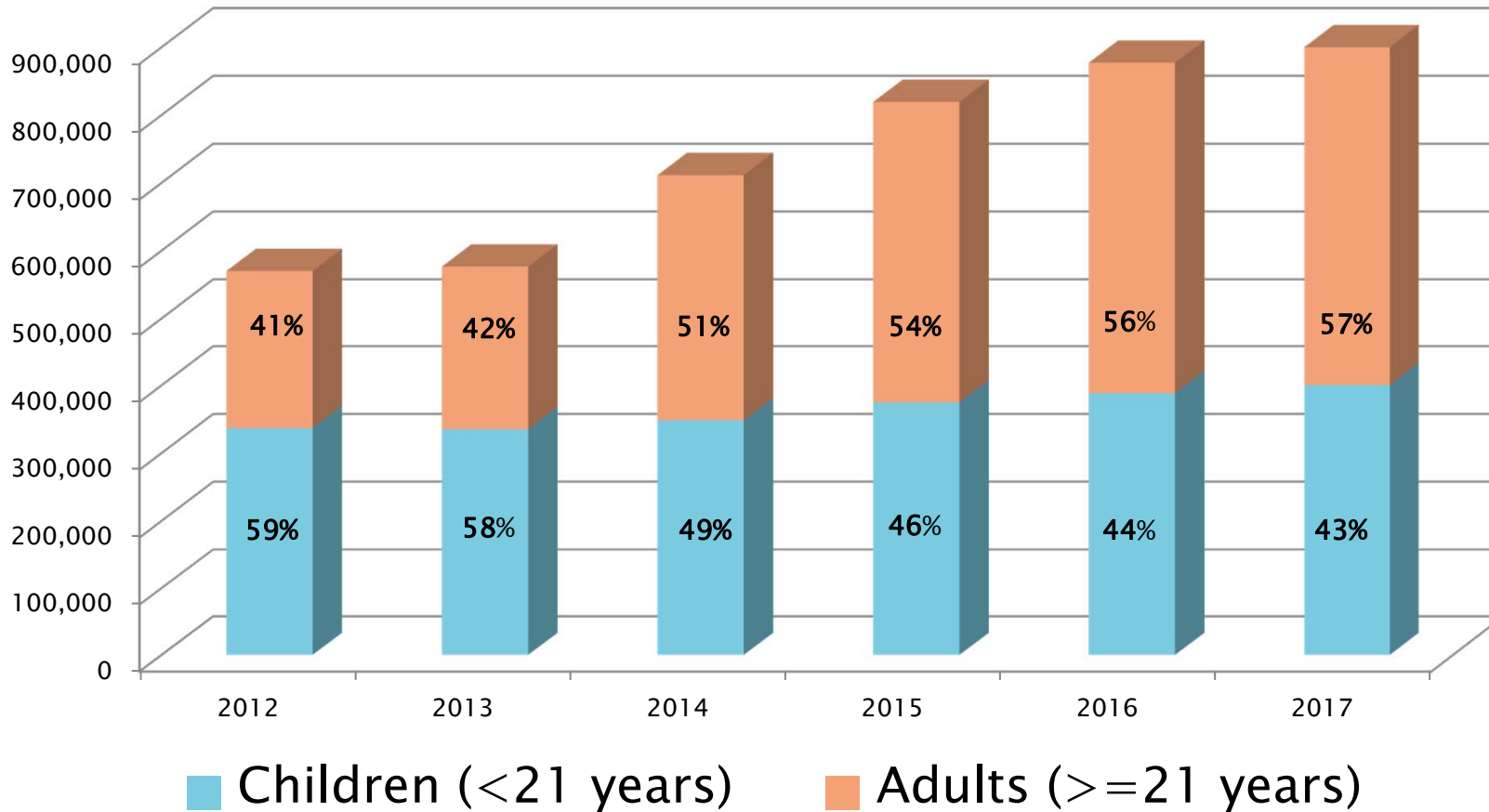
- ▶ Enrollment continues to grow but at a slower pace
- ▶ Cost trends in Centennial Care are significantly lower than regional and national health care inflation
- ▶ Upcoming federal rule changes may impact the budget need
- ▶ FY18 projection is now lower than the request on September 1.



# Medicaid Enrollment

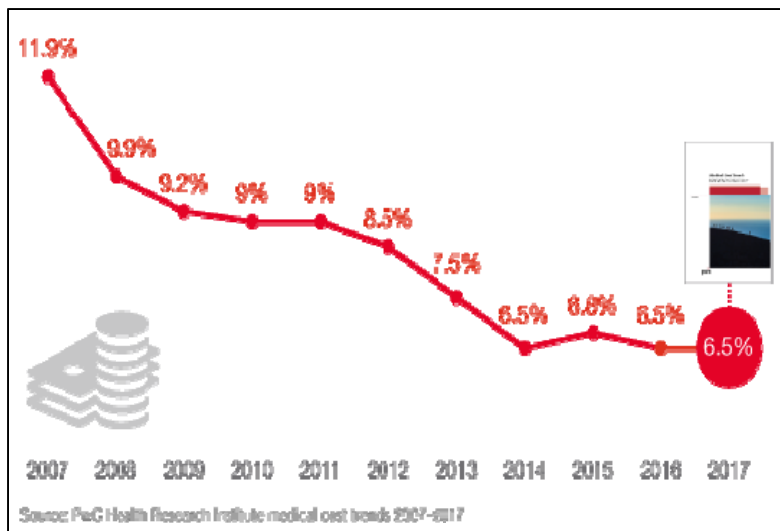


# Medicaid Enrollment Transformation



# Managing Cost Growth

- ▶ Consumer Price Index (CPI-U) for medical care grew an average of 2.7% in 2015 and growth is averaging 3.2% in 2016
- ▶ Other national studies estimate medical cost inflation (price and utilization) at 6.5%



## Centennial Care Stats

- ▶ Per capita costs in Centennial Care down 1%
- ▶ Projecting only 1.5% price and utilization increase in 2017
- ▶ Increased preventive services and decreased inpatient hospital costs



# Centennial Care: Managing Cost Growth

## 2. Total Centennial Care Dollars and Member Months by Program

### Population

- Physical Health
- Long Term Services and Supports
- Other Adult Group
- Total Member Months**

Aggregate Member Months by Program			
	Previous (12 mon)	Current (12 mon)	% Change
Physical Health	4,676,813	4,763,276	2%
Long Term Services and Supports	549,081	568,627	4%
Other Adult Group	1,945,362	2,531,109	30%
<b>Total Member Months</b>	<b>7,141,476</b>	<b>7,863,012</b>	<b>10%</b>

Enrollment up 10%;  
Per capita costs down 1%

### Programs

- Physical Health
- Long Term Services and Supports
- Other Adult Group Physical Health
- Behavioral Health - All Members
- Total Medical Costs**

Aggregate Medical Costs by Program			
	Previous (12 mon)	Current (12 mon)	% Change
Physical Health	\$ 1,223,760,964	\$ 1,218,428,592	0%
Long Term Services and Supports	\$ 834,372,993	\$ 915,548,053	10%
Other Adult Group Physical Health	\$ 745,107,755	\$ 948,902,919	27%
Behavioral Health - All Members	\$ 299,764,570	\$ 322,736,937	8%
<b>Total Medical Costs</b>	<b>\$ 3,103,006,282</b>	<b>\$ 3,405,616,501</b>	<b>10%</b>

### Per Capita Medical Costs by Program (PMPM)

	Previous (12 mon)	Current (12 mon)	% Change
Physical Health	\$ 261.67	\$ 255.80	-2%
Long Term Services and Supports	\$ 1,519.58	\$ 1,610.10	6%
Other Adult Group Physical Health	\$ 388.97	\$ 374.90	-4%
Behavioral Health - All Members	\$ 41.98	\$ 41.04	-2%
<b>Total</b>	<b>\$ 434.50</b>	<b>\$ 433.12</b>	<b>0%</b>

### Aggregate Non-Medical Costs

- Admin, care coordination, Centennial Rewards
- NMMIP Assessment
- Premium Tax - Net of NIMMP Offset
- Total Non-Medical Costs**

	Previous (12 mon)	Current (12 mon)	% Change
Admin, care coordination, Centennial Rewards	\$ 343,688,418	\$ 375,825,561	9%
NMMIP Assessment	\$ 63,674,492	\$ 52,783,952	-17%
Premium Tax - Net of NIMMP Offset	\$ 120,597,706	\$ 134,135,433	11%
<b>Total Non-Medical Costs</b>	<b>\$ 527,960,616</b>	<b>\$ 562,744,946</b>	<b>7%</b>

	Previous (12 mon)	Current (12 mon)	% Change
Admin, care coordination, Centennial Rewards	\$ 48.13	\$ 47.80	-1%
NMMIP Assessment	\$ 8.92	\$ 6.71	-25%
Premium Tax - Net of NIMMP Offset	\$ 16.89	\$ 17.06	1%
<b>Total</b>	<b>\$ 73.93</b>	<b>\$ 71.57</b>	<b>-3%</b>

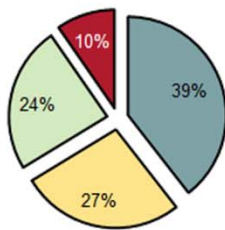
Estimated Total Centennial Care Costs

	\$ 3,630,966,898	\$ 3,968,361,447	9%
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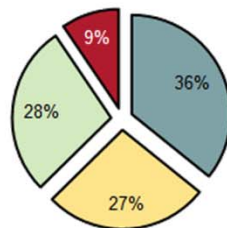
	\$ 508.43	\$ 504.69	-1%
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### Centennial Care Medical Expenditures

Previous (April 2014 - March 2015)



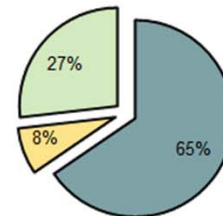
Current (April 2015 - March 2016)



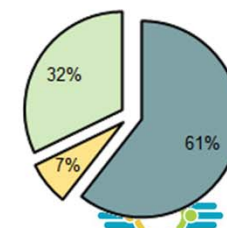
\*See above for legend.

### Centennial Care Member Months

Previous (April 2014 - March 2015)



Current (April 2015 - March 2016)



\*See above for legend.

# Centennial Care: Managing Cost Growth

## 3. Total Program Medical/Pharmacy Dollars

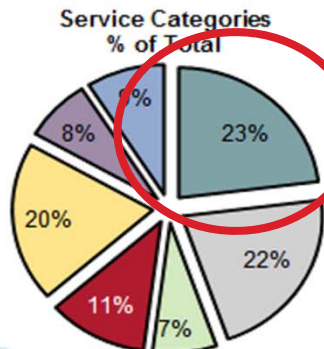
Aggregate Costs by Service Categories				Per Capita Medical Costs by Program (PMPM)			
	Previous (12 mon)	Current (12 mon)	% Change	Previous (12 mon)	Current (12 mon)	% Change	
Medical	\$ 2,823,523,324	\$ 3,049,901,663	8%	\$ 395.37	\$ 387.88	-1.9%	
Pharmacy	\$ 279,482,958	\$ 355,714,838	27%	\$ 39.14	\$ 45.24	15.6%	
<b>Total</b>	<b>\$ 3,103,006,282</b>	<b>\$ 3,405,616,501</b>	<b>10%</b>	<b>\$ 434.50</b>	<b>\$ 433.12</b>	<b>-0.3%</b>	

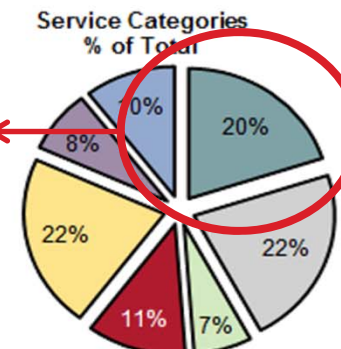
Aggregate Costs by Service Categories				Per Capita Medical Costs by Program (PMPM)			
Service Categories	Previous (12 mon)	Current (12 mon)	% Change	Previous (12 mon)	Current (12 mon)	% Change	
Acute Inpatient	\$ 714,005,570	\$ 680,427,311	-5%	\$ 99.98	\$ 86.54	-13.4%	
Acute Outp/Phy	\$ 671,593,855	\$ 755,467,535	12%	\$ 94.04	\$ 96.08	2.2%	
Nursing Facility	\$ 228,445,499	\$ 227,007,301	-1%	\$ 31.99	\$ 28.87	-9.7%	
Community Benefit/PCO	\$ 356,689,826	\$ 389,278,234	9%	\$ 49.95	\$ 49.51	-0.9%	
Other Services	\$ 614,299,624	\$ 733,754,085	19%	\$ 86.02	\$ 93.32	8.5%	
Behavioral Health	\$ 238,488,950	\$ 263,967,198	11%	\$ 33.39	\$ 33.57	0.5%	
Pharmacy (All)	\$ 279,482,958	\$ 355,714,838	27%	\$ 39.14	\$ 45.24	15.6%	
<b>Total Costs</b>	<b>\$ 3,103,006,282</b>	<b>\$ 3,405,616,501</b>	<b>10%</b>	<b>\$ 434.50</b>	<b>\$ 433.12</b>	<b>-0.3%</b>	

\* Per capita not normalized for case mix changes between periods.

Previous (12 mo.) service distribution



Current (12 mo) service distribution



- Inpatient spending down  
- BH and physician services up



# Medicaid: FY 18 Appropriation Request (revised Nov. 2)

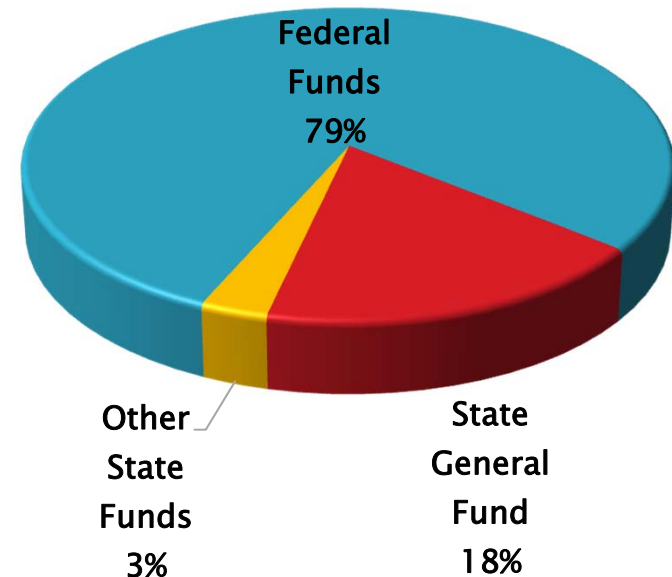
- ▶ Total Medicaid Program spending in FY 18 is projected to be \$6.093 billion.
  - \$995.8 million from the general fund, an \$82.2 million increase. Major changes from FY17 include:

(\$ in thousands)

FY17 base – additional general fund above FY17 appropriation	\$12,550
Expansion FMAP (drops to 95% in 2017 and 94% in 2018)	\$43,641
Enrollment	\$35,421
Utilization and Price increases (1.5% growth)	\$12,700
Medicare Part B and D impact	\$7,611
Health Insurance Provider Fee	\$20,401
Other changes	\$1,767
Cost Containment	(\$16,000)
FMAP increase	(\$35,884)
<b>Total</b>	<b>\$82,207</b>

# Medicaid: Administration

- ▶ The total FY 18 budget request for administration of the Medicaid program is \$79.54 million
  - \$1.019 million decrease from FY17.
  - \$749.8 thousand decrease in general fund need achieved through FTE and contract reductions.
- ▶ Medical Assistance Division administrative spending is only 1.29% of the total program budget.
- ▶ Priorities for MAD staff in 2018 include:
  - 1115 Waiver Renewal
  - Procurement and implementation of replacement MMIS



# Update: Cost Containment

## Medicaid Advisory Cost Containment Subcommittees

Provider Payment Subcommittee	Benefit and Cost Sharing Subcommittee	Long Term Leveraging Subcommittee
<ul style="list-style-type: none"> <li>• 4 Meetings</li> <li>• Recommended rate reductions, in line with HB2</li> <li>• Rate reductions phasing in July, August and Jan.</li> <li>• Est. up to \$122M total savings</li> <li>• Est. up to \$26M general fund savings</li> </ul>	<ul style="list-style-type: none"> <li>• 5 meetings</li> <li>• Reviewed benefit and cost sharing</li> <li>• Recommended no changes</li> <li>• HSD considering new copayments</li> <li>• Align current copays and add co-pays for Expansion adults</li> </ul>	<ul style="list-style-type: none"> <li>• 5 meetings</li> <li>• Considered a wide range of financing and payment reforms</li> <li>• 8 general recommendations for HSD/State consideration</li> </ul>

# Additional Cost Containment Activities

- ▶ HSD plans to submit a draft State Plan Amendment to CMS and for public input before end of calendar year to implement copayments;
  - Nominal copays for certain populations with higher income for outpatient visits and inpatient stays.
  - Copays for non-preferred drugs for all populations;
  - Certain exemptions will apply to Native Americans, pregnant women and children.
  - Copays for non-emergent use of the emergency room for all populations, unless exempt.
  
- ▶ Submitting plan to implement CMS guidance on services “received through” an IHS/Tribal 638 facility
  - Increased federal funding, which will reduce general fund need
  
- ▶ Reviewing benefit design for future cost containment requirements



# Program Support

- ▶ Program Support provides administrative support to the program divisions of HSD
- ▶ Includes the Office of the Secretary, the Office of General Counsel, the Office of Human Resources, the Office of Inspector General, Fair Hearings, Administrative Services Division and Information Technology Division.
- ▶ The FY18 budget request for Program Support is \$51.9 million, with \$15.3 million requested from the General Fund.
  - Unmodified opinion by independent external auditors
  - Zero procurement violations
  - Re-established access to Federal Treasury Offset Program to collect restitution claims due to HSD

# Information Technology – Project Update

- ▶ HSD continues work toward Health and Human Services 2020 (HHS 2020) vision
  - Flexible, scalable technology and services framework to efficiently support current and future programmatic needs of HSD and other NM HHS departments
  - Customer-focused approach
  - Enables transition to outcomes-based model by providing improved access to more extensive, quality data



# IT – Program Support *(cont'd)*

- ▶ Medicaid Management Information System Replacement (MMISR) Project
  - MMIS processes nearly \$6 billion annually
  - Handles more than 10 million transactions annually
  - Supports services for more than 880,000 New Mexicans
- ▶ HSD receives a 90% federal match for each dollar of state general fund for the project
  - FY18 GF request = \$7.37M; FF = \$67.7M; Total = \$75.1M
- ▶ Modular build with six separate procurements
- ▶ HSD must comply with new federal rules by the end of 2019
  - Failure to comply could result in a decreased federal match for MMIS operations and maintenance

# IT – Program Support *(cont'd)*

- ▶ ITD working with CSED on Child Support Enforcement System (CSES) replacement
  - Needed to enable improved CSE results and to replace older, inflexible legacy system
  - Evaluating options that maximize reuse of existing technology investments
- ▶ CSES replacement will enable improved CSE performance
  - Incorporate new tools using predictive modeling and similar techniques to focus efforts on most productive activities
  - Provide access to quality data and analytics to inform work
  - Streamline CSE processes

# Questions?

