



**Presentation to the Legislative Finance Committee
Medicaid & TANF: Preview of FY18 Appropriation Request
Brent Earnest, Secretary, HSD
October 26, 2016**

New Mexico Human Services Department

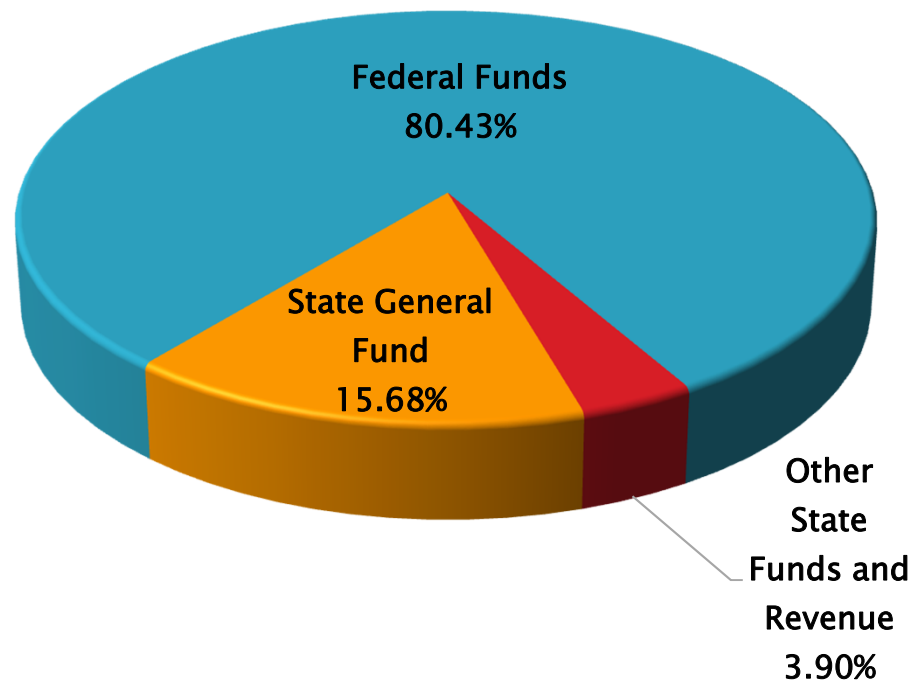
HSD Presentation Overview

- ▶ HSD FY18 Budget Request
- ▶ FY17 Budget Update
- ▶ Medicaid Enrollment and Cost Trends
- ▶ Cost Containment Update
- ▶ Centennial Care Update
- ▶ Behavioral Health Spending and Performance Report
- ▶ Temporary Assistance For Needy Families Budget Request

HSD FY 18 Appropriation Request

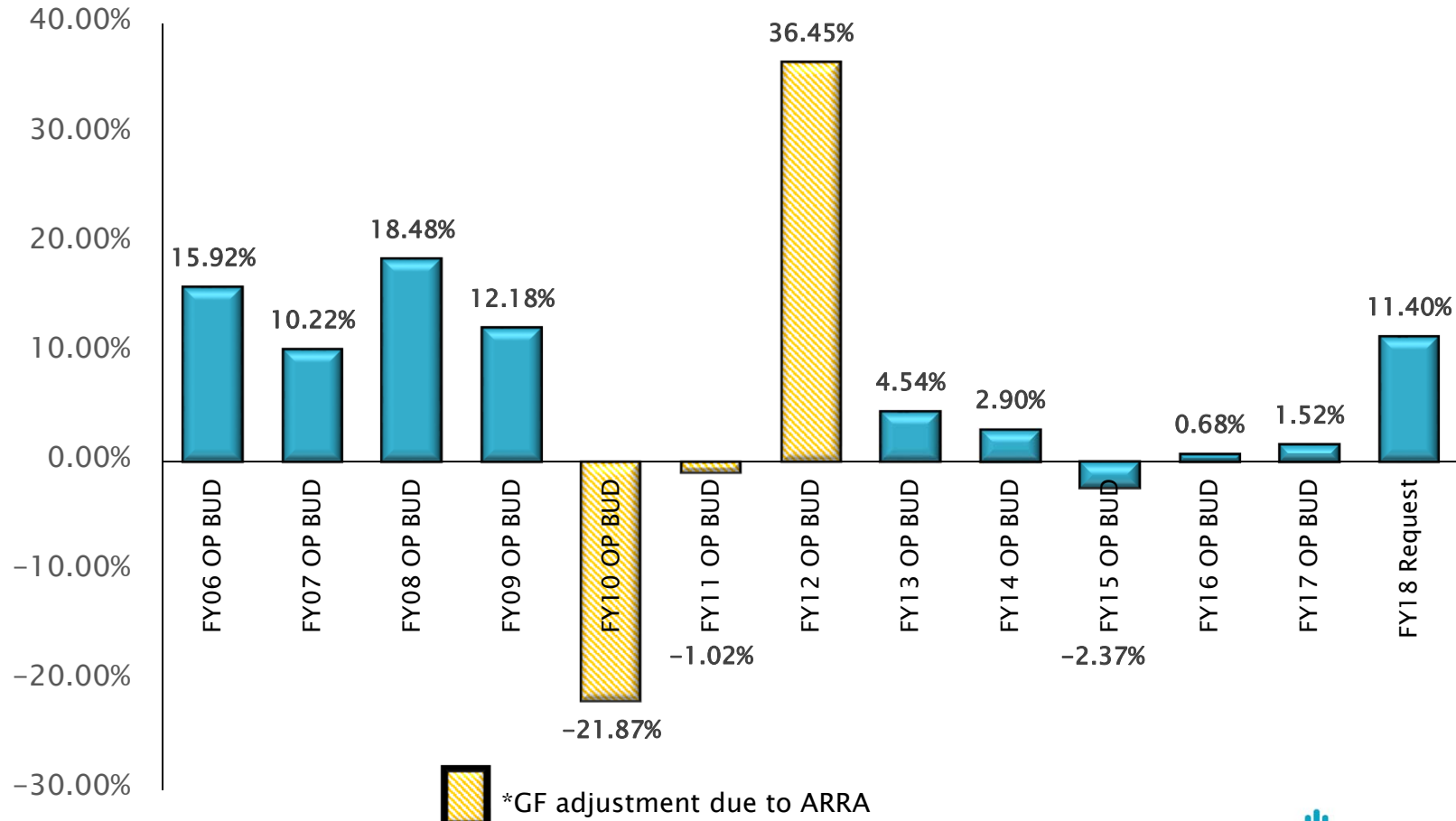
FY 18 Budget Request of \$7.35 billion

- ▶ 6.1% increase overall
- ▶ \$1.152 billion from the general fund (increase of \$117.9 million or 11.4%)
- ▶ \$5.912 billion in federal funds (increase of \$292.9 million or 5.21%)
- ▶ \$286.4 million in other state funds and other revenue



HSD General Fund Budget Change

Percent Change in HSD General Fund Budget

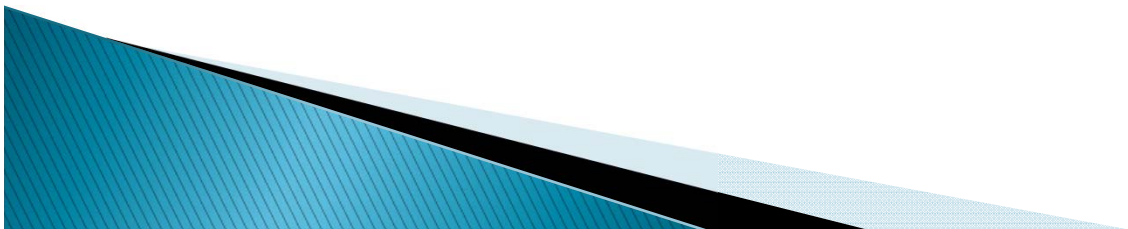


SFY17 General Fund Appropriation Reduction

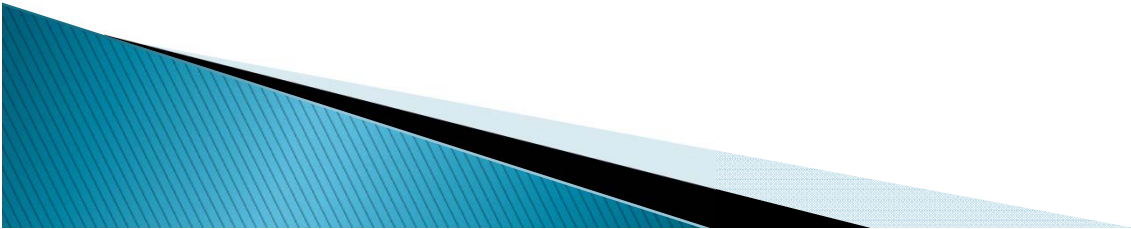
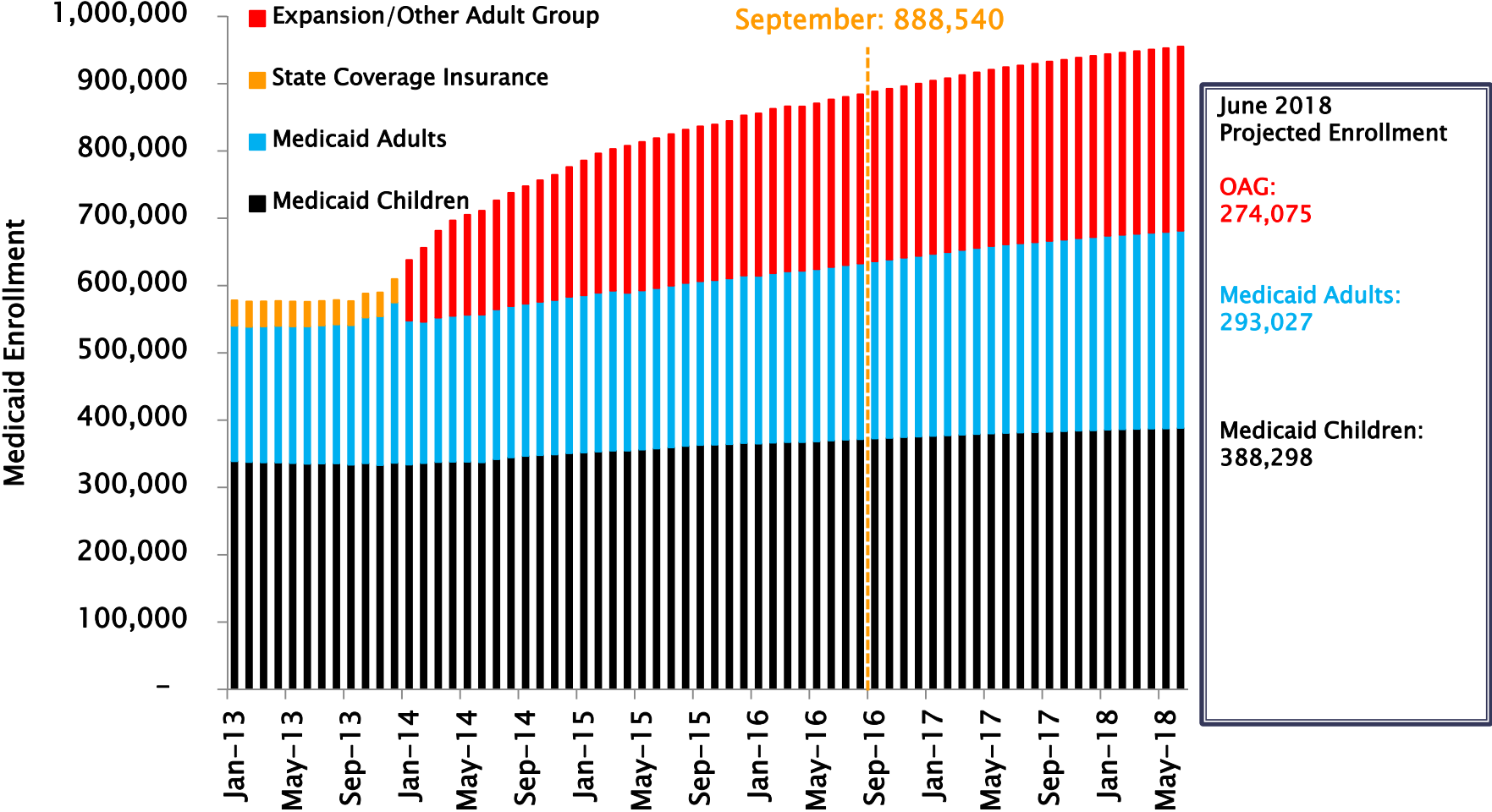
- ▶ Reducing spending in non-Medicaid and administrative functions by 2 to 5 percent:
 - Active oversight of hiring activities;
 - The Department has developed a hiring plan to closely monitor FTE levels and ensure only mission-critical positions are filled.
 - Contract expenditure management;
 - Delaying or deferring discretionary purchases under existing contracts such as PC refresh, Xerox and optional/non-critical activities.
 - Operation efficiency focus.
 - Reduce administrative costs in non-Medicaid program ASO contract.
 - Maximizing federal funding, where possible

FY18 Medicaid 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
- ▶ Overall, update to FY18 projection will reduce general fund appropriation request



Medicaid Enrollment

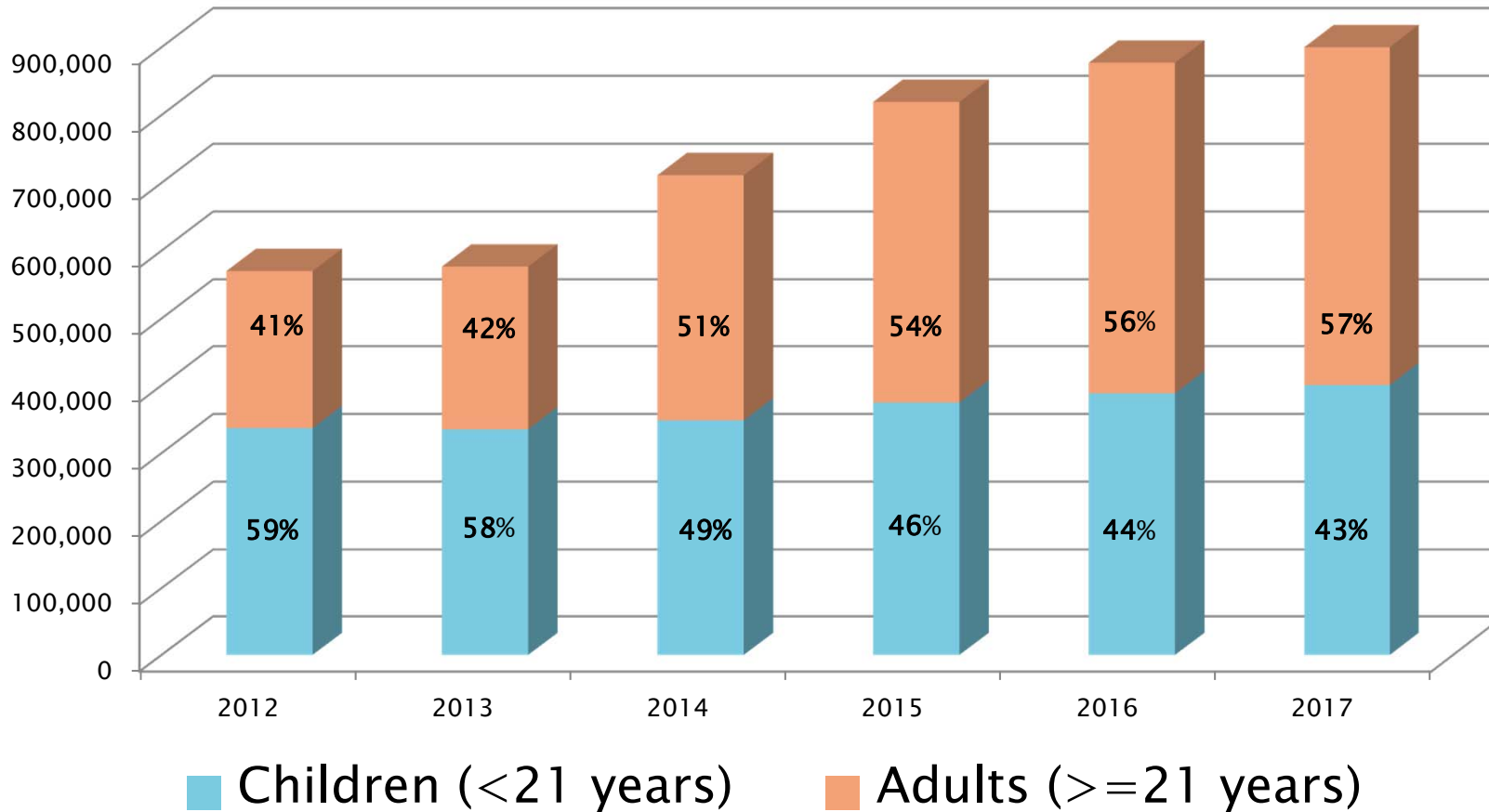


Medicaid Enrollment Transformation

- ▶ January 2014 also launched adult expansion of Medicaid—Alternative Benefit Package
- ▶ Significant enrollment growth in 3 years:

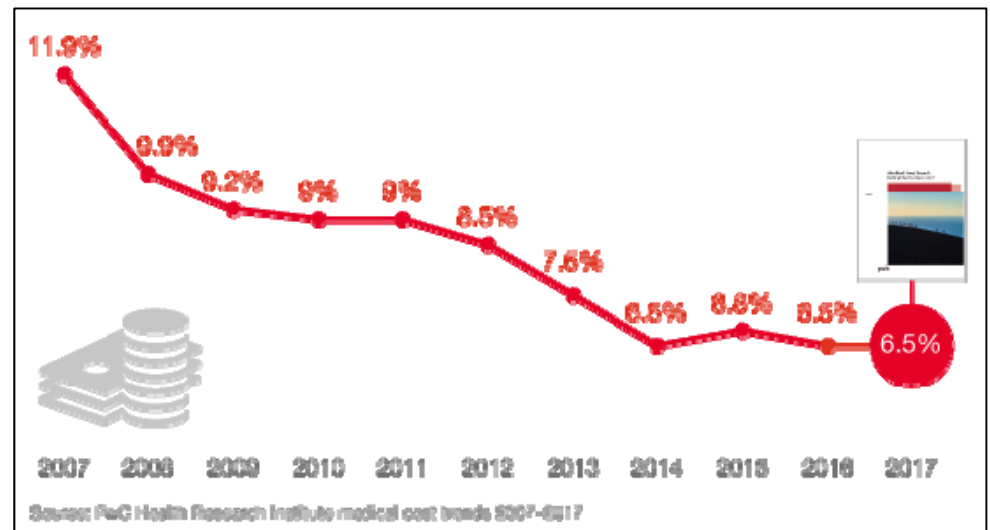
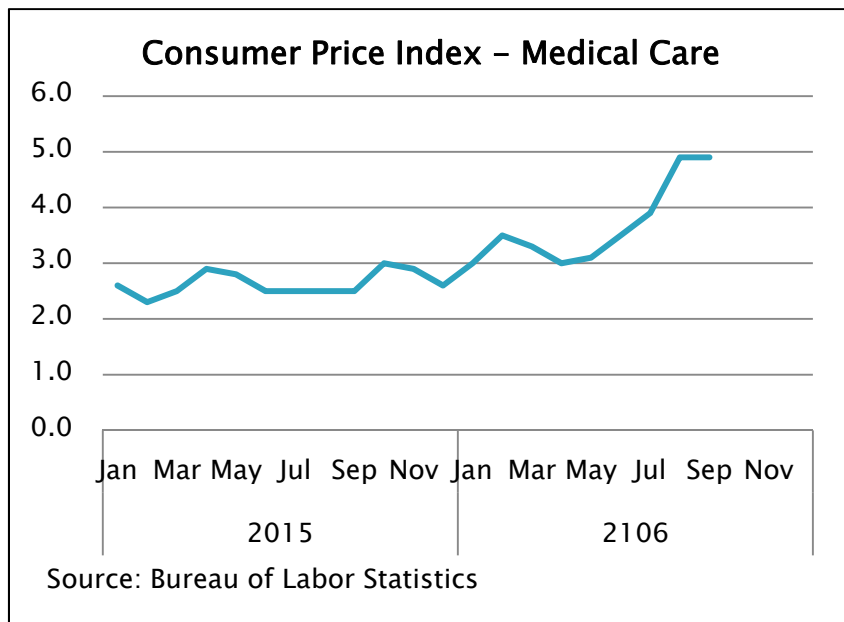
Medicaid Category	Enrollment June 2013	Enrollment June 2016	Percentage Increase
Parents/Caretaker Adults (0–47% FPL)	40,776	76,187	87%
Other Adults (48% – 138% FPL)	36,812 (SCI)	250,571 (Adult Expansion)	581%
All Medicaid	575,908	874,985	52%

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: 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%
Total Member Months	7,141,476	7,863,012	10%

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%
Total Medical Costs	\$ 3,103,006,282	\$ 3,405,616,501	10%

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%
Total	\$ 434.50	\$ 433.12	0%

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%
Total Non-Medical Costs	\$ 527,960,616	\$ 562,744,946	7%

	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%
Total	\$ 73.93	\$ 71.57	-3%

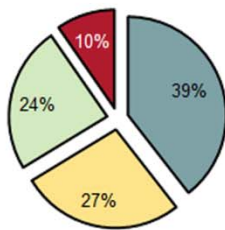
Estimated Total Centennial Care Costs

Estimated Total Centennial Care Costs	\$ 3,630,966,898	\$ 3,968,361,447	9%
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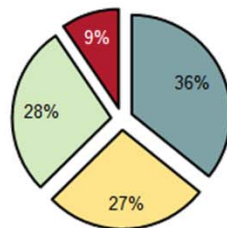
508.43 **\$ 504.69** **-1%**

Centennial Care Medical Expenditures

Previous (April 2014 - March 2015)

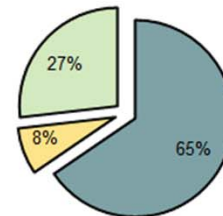


Current (April 2015 - March 2016)

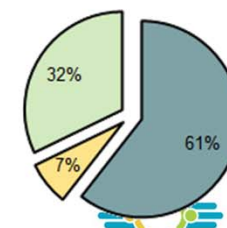


Centennial Care Member Months

Previous (April 2014 - March 2015)



Current (April 2015 - March 2016)



*See above for legend.

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Centennial Care: Managing Cost Growth

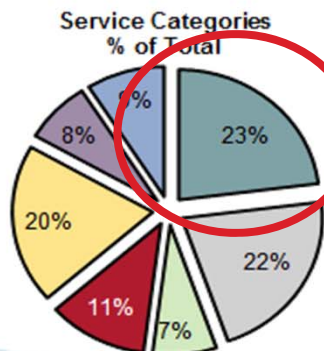
3. Total Program Medical/Pharmacy Dollars

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%	
Total	\$ 3,103,006,282	\$ 3,405,616,501	10%	\$ 434.50	\$ 433.12	-0.3%	

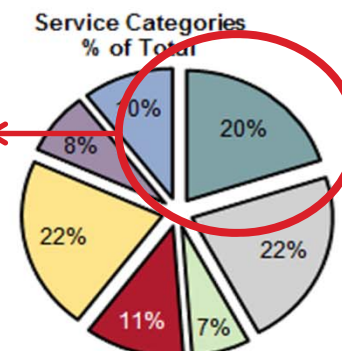
Aggregate Costs by Service Categories				Per Capita Medical Costs by Program (PMPM)			
Service Categories	Previous (12 mon)	Current (12 mon)	% Change	Previous (12 mon)	Current (12 mon)	% Change	
Acute Inpatient	\$ 714,005,570	\$ 680,427,311	-5%	\$ 99.98	\$ 86.54	-13.4%	
Acute Outp/Phy	\$ 671,593,855	\$ 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%	
Total Costs	\$ 3,103,006,282	\$ 3,405,616,501	10%	\$ 434.50	\$ 433.12	-0.3%	

* 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



HUMAN SERVICES
DEPARTMENT

Medicaid: FY 18 Appropriation Request (as of Sept. 1)

- ▶ Total Medicaid Program spending in FY 18 is projected to be \$6.143 billion.
 - \$1.034 billion from the general fund, a \$120.02 million increase. Major changes from FY17 include:

(\$ in thousands)

FY17 base – additional general fund above FY17 appropriation	\$13,621
Expansion FMAP (drops to 95% in 2017 and 94% in 2018)	\$43,332
Enrollment	\$42,203
Utilization and Price increases (1.5% growth)	\$8,835
Medicare Part B and D impact	\$8,197
Other revenue changes	(\$4,682)
Cost Containment	(\$16,000)
Health Insurance Provider Fee	\$20,771
Other changes	\$3,738
Total	\$120,015

Medicaid: FY 18 Projection Updates (Pressure on the General Fund)



Recently updated FMAP rates reduce the overall need from the general fund by \$31.5 million.



Pursuing additional cost containment, as required by 2016 H.B. 2



Additional federal funding for services for Native Americans, through IHS referrals



Enrollment trends holding steady, but may slow over the next year





Additional revenue from inter-governmental transfers with UNMH



Medicaid: FY 18 Projection Updates (Pressure on the General Fund)

 General fund need for FY18 likely to drop by \$40 to \$45 million in the upcoming projection, but...

 Federal rule changes for behavioral health services (Mental Health Parity and changes to the IMD exclusion)

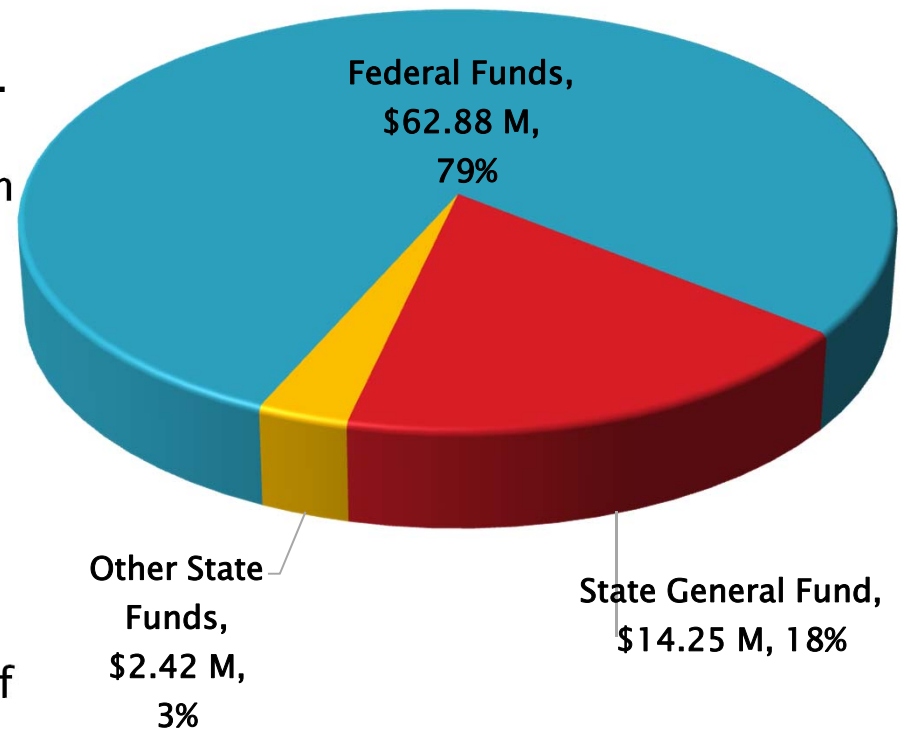
 Federal rule changes for managed care may require rate increases

 NM Medical Insurance Pool assessments on the rise again

 Health care inflation trending up

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

Update: Cost Containment Long-term Leveraging Medicaid Subcommittee

- ▶ Submitted its final recommendations to the Department on September 29th
- ▶ Eight recommendations, including:
 - Work with the New Mexico Medical Insurance Pool to establish a firm deadline to transition remaining members;
 - Work with Association of Counties to leverage federal dollars;
 - Leverage provider assessments to obtain federal matching funds and explore ways to restructure the gross receipts tax for health care providers; and
 - Continue to advance value-based purchasing arrangements.

- ▶ Recommendations on HSD website:

<http://www.hsd.state.nm.us/uploads/files/LTS%20Recommendations.pdf>

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.

Centennial Care Update

- ▶ Completing its third year, Centennial Care has established a statewide care coordination infrastructure and launched numerous delivery system reforms to achieve the goals of its four guiding principles:
 - Create a single, comprehensive system of care that integrates physical, behavioral and long-term services;
 - Encourage members to take a more active and conscious role in their own health;
 - Implement payment reforms that reward providers for performance on quality and outcomes that improve members' health; and
 - Create a coordinated delivery system that increases accountability for a more limited number of MCOs and reduces administrative burden for both providers and members.

Centennial Care Program Successes



- Care coordination
 - 950 care coordinators
 - 60,000 in care coordination L2 and L3
 - Focus on high cost/high need members
- Health risk assessment
 - Standardized HRA across MCOs
 - 610,000 HRAs
- Increased use of community health workers
 - +100 employed by MCOs
- Increase in members served by PCMH
 - 200k to 250k between 2014 and 2015
- Telemedicine – 45% increase over 2014
- Health Home – Implemented Clovis and San Juan (SMI/SED)
- Expanding HCBS – 85.5% in community and increasing community benefit services
- Electronic visit verification
- Reduction in the use of ED for non-emergent conditions

Program Successes

Principle 2

Encouraging Personal Responsibility

Offer a member rewards program to incentivize members to engage in healthy behaviors

- Centennial Rewards
 - health risk assessments
 - dental visits
 - bone density screenings
 - refilling asthma inhalers
 - diabetic screenings
 - refilling medications for bipolar disorder and schizophrenia

- 70% participation in rewards program
- Majority participate via mobile devices
- Estimated cost savings in 2015: \$23 million
 - Reduced IP admissions
 - 43% higher asthma controller refill adherence
 - 40% higher HbA1c test compliance
 - 76% higher medication adherence for individuals with schizophrenia
- 70k members participating in step-up challenge

Program Successes

Principle 3

Increasing Emphasis
on Payment Reforms

Create an incentive
payment program
that rewards
providers for
performance on
quality and outcome
measures that
improve members
health

- July 2015, 10 pilot projects approved
 - ACO-like models
 - Bundled payments
 - Shared savings

- Developed quarterly reporting templates and agreed-upon set of metrics that included process measures and efficiency metrics

- Sub capitated Payment for Defined Population
- Three-tiered Reimbursement for PCMHs
- Bundled Payments for Episodes of Care
- PCMH Shared Savings
- Obstetrics Gain Sharing

- Implemented minimum payment reform thresholds for provider payments in CY2017 in MCO contracts

Program Successes

Principle 4

Simplify Administration

Create a coordinated delivery system that focuses on integrated care and improved health outcomes; increases accountability for more limited number of MCOs and reduces administrative burden for both providers and members

- Consolidation of 11 different federal waivers that siloed care by category of eligibility; reduce number of MCOs and require each MCO to deliver the full array of benefits; streamline application and enrollment processes for members; and develop strategies with MCOs to reduce provider administrative burden
- One application for Medicaid and subsidized coverage through the Marketplace
- Streamlined enrollment and re-certifications
- MCO provider billing training around the State for all BH providers and Nursing Facilities
- Standardized the BH Prior Authorization Form for Managed Care and FFS
- Standardized the BH Level of Care Guidelines
- Standardized the Facility/Organization Credentialing Application
- Standardized the Single Ownership and Controlling Interest Disclosure Form for credentialing.
- Created FAQs for Credentialing and BH Provider Billing

2014 Evaluation Results

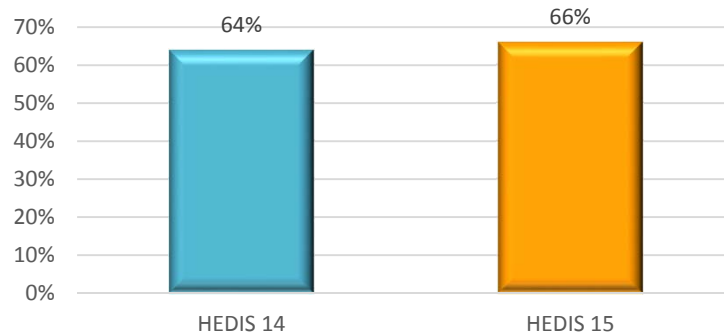
- ▶ Independent evaluator required for 1115 waiver. Reported following outcomes for CY 2014:
 - Increases in EPSDT screening ratios over 2013 levels;
 - Increases in monitoring rates of BMI and weight problems;
 - Declines in both short-term and long-term admission rates for diabetes complications, asthma, chronic pulmonary disease and hypertension;
 - Declines in inpatient admissions for psychiatric hospital stays and residential treatment facilities; and
 - CAHPs survey results indicate members were generally satisfied with their providers and health care.

Evaluation Results

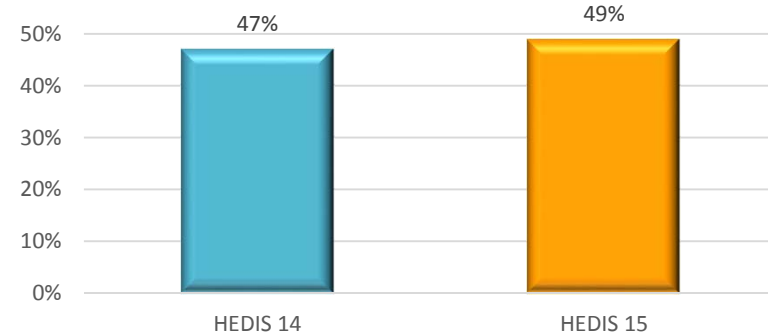
- ▶ Performance on HEDIS measures– MCOs met or exceeded 2015 national benchmarks:
 - Annual dental visits
 - Behavioral health members with a follow up visit after an inpatient stay
 - Child immunization status
 - Well-child visits: 0–5 visits in first 15 months of life
 - Alcohol and other drug dependency treatment

Medicaid: MCO HEDIS Performance Measures

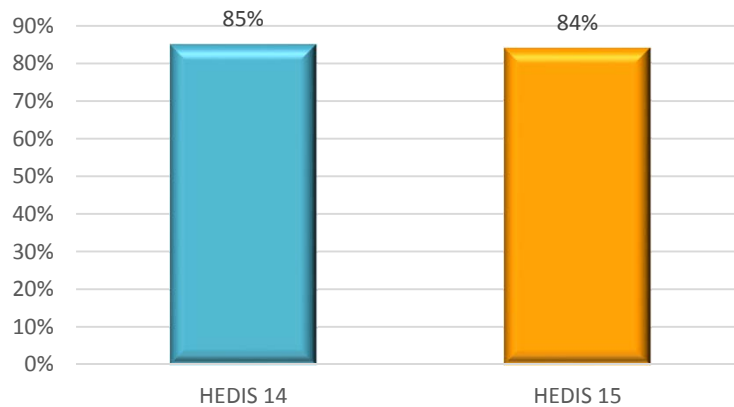
Dental Visits



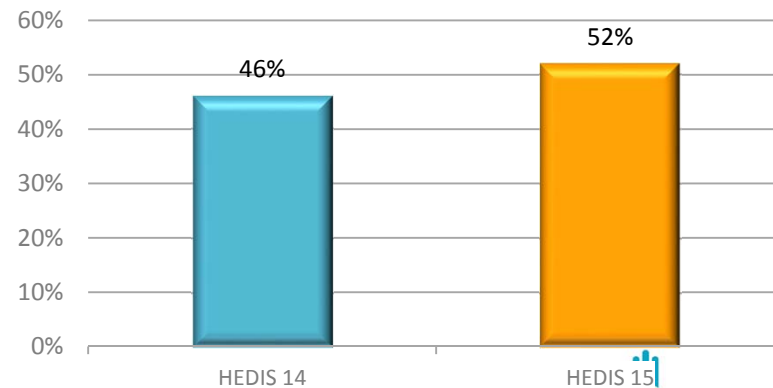
Well Child Visits within 1st 15 mos.



Diabetes Testing 18-75yrs



Medication Management for Asthma for 5-64yrs, 50% Medication Compliance



Behavioral Health Spending

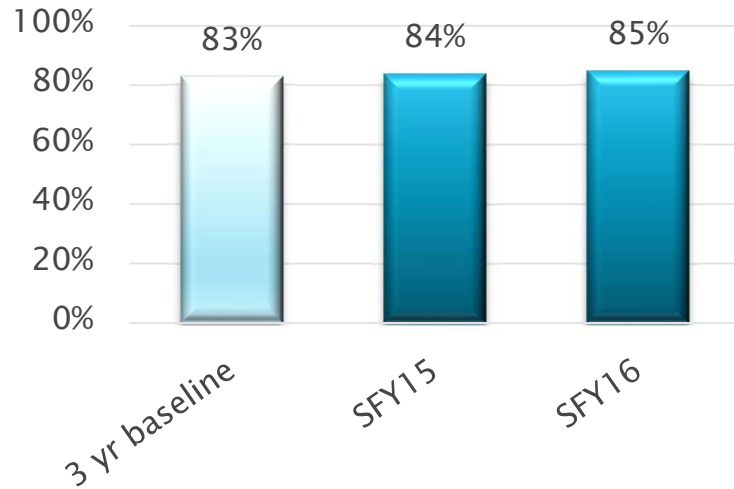
Total HSD Behavioral Health Spending (excl. administration)

(\$ in millions)	FY16 Actuals			FY17 Op Bud			FY18 Request		
	GF	FF	Total	GF	FF	Total	GF	FF	Total
Medicaid Behavioral Health	\$101.5	\$379.1	\$480.6	\$107.5	\$400.7	\$508.2	\$117.4	\$430.7	\$548.0
Behavioral Health Services Division	\$38.1	\$18.8	\$56.9	\$35.7	\$16.8	\$52.5	\$35.0	\$18.1	\$53.1
Total	\$139.6	\$397.9	\$537.5	\$143.2	\$417.5	\$560.7	\$152.4	\$448.8	\$601.2
Percent change from prior year				2.58%	4.93%	4.32%	6.42%	7.50%	7.21%

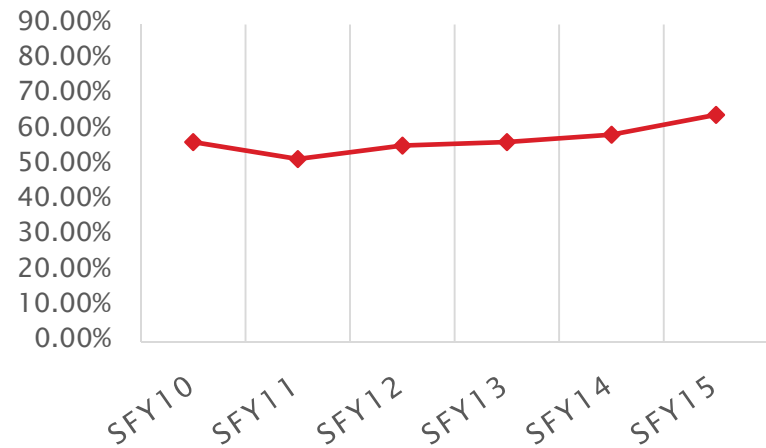
- ▶ 2018 Base Budget request for BHSD is \$53.1 million, \$35.0 million from the General Fund.

Behavioral Health Performance

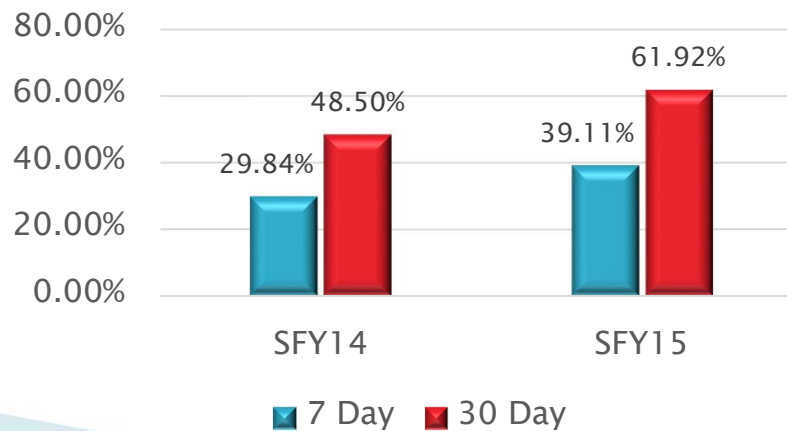
Increased satisfaction with BH services



Serving more youth on probation

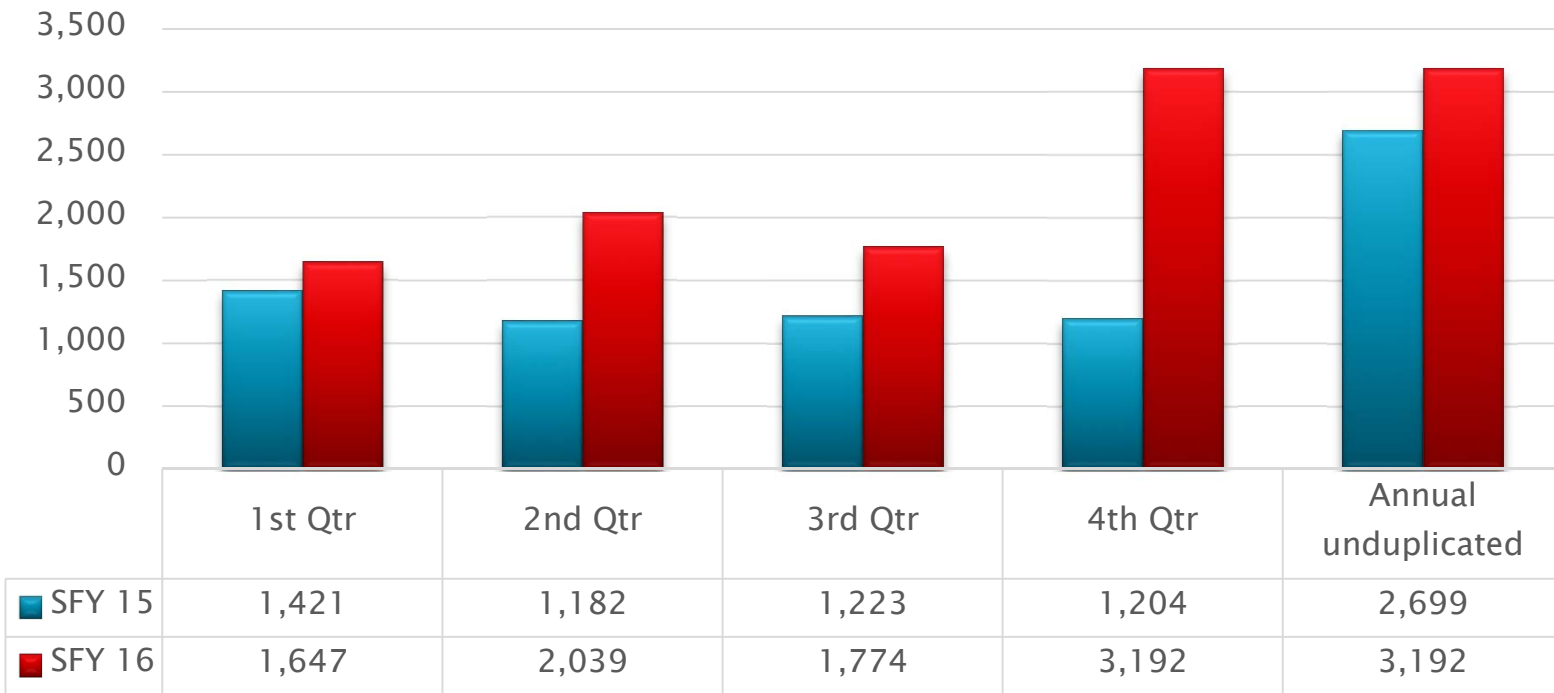


Improving follow-up services after discharge



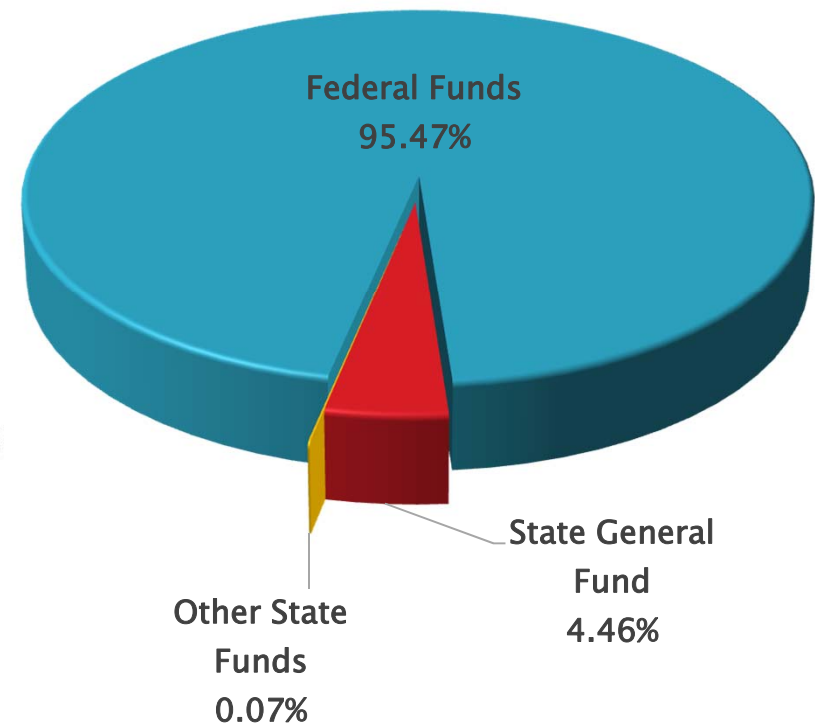
Behavioral Health Performance

Number of persons served through Telehealth
in rural and frontier counties



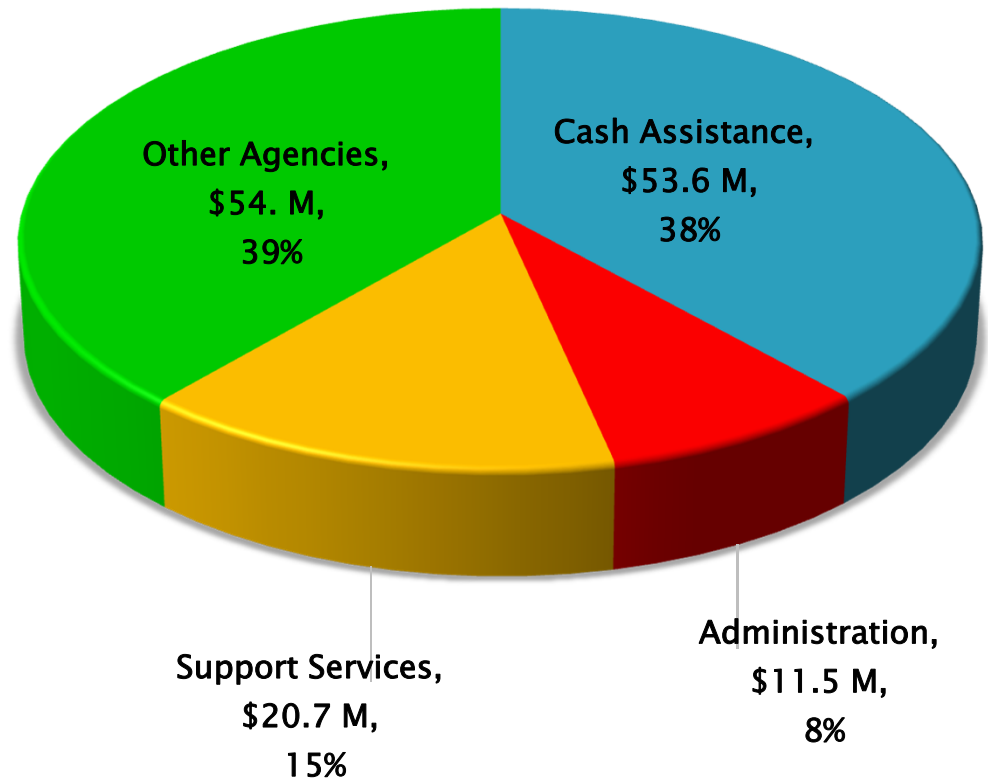
Income Support Division

- ▶ Budget increase of \$25.5 million from Federal funds.
- ▶ FY18 General Fund request is flat from the FY2017 operating budget. Although the request is flat, there are several factors impacting the request including:
 - Reviewing office consolidation
 - Fixed cost increases such as rent, postage, DoIT telecommunications and utilities
 - Other misc. costs and Federal Funds replacement in the FANS Bureau
- ▶ 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.



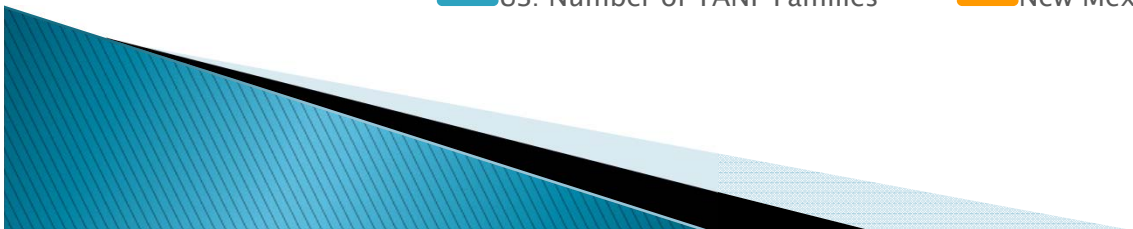
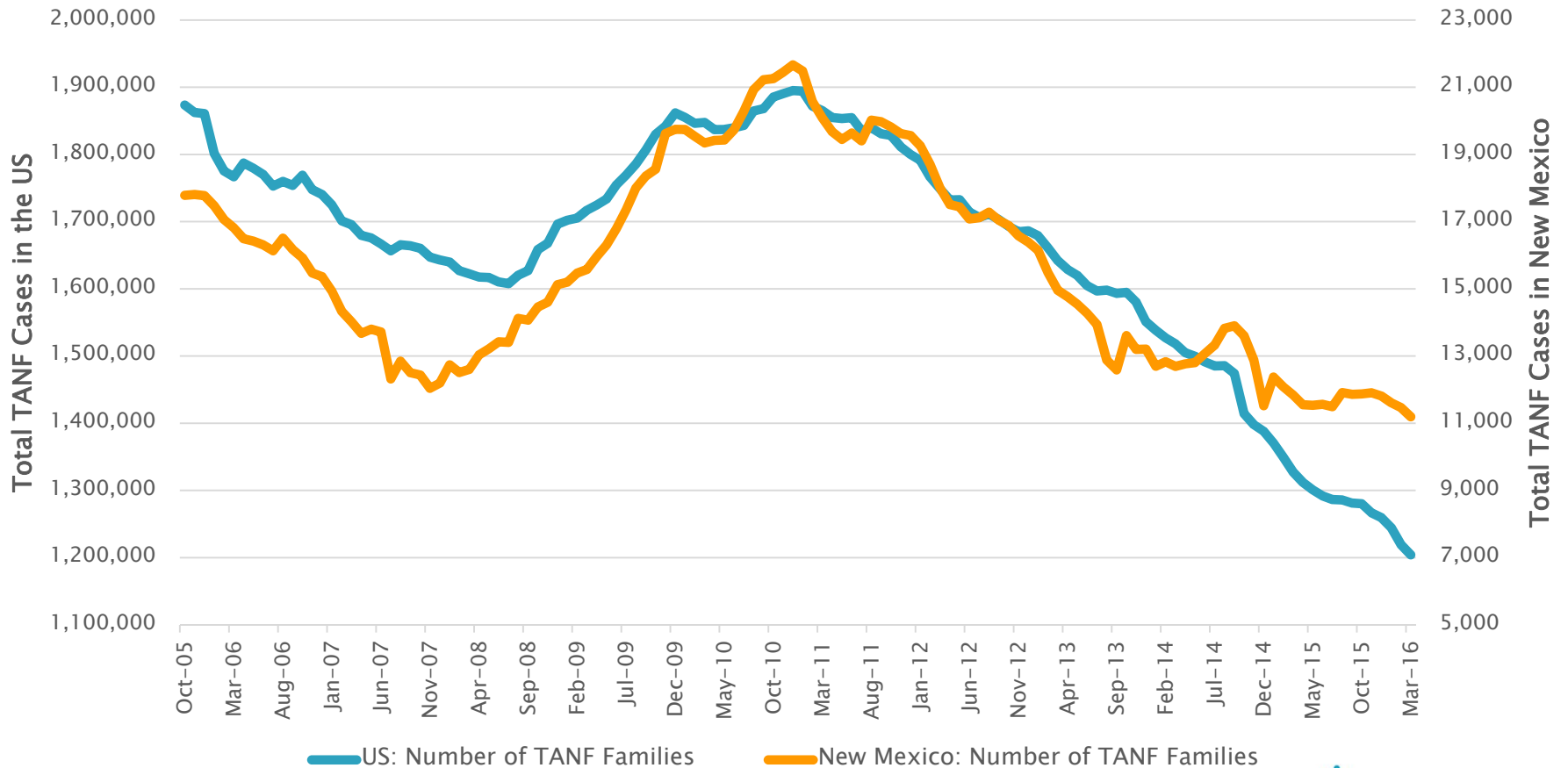
Temporary Assistance for Needy Families – (TANF)

- ▶ FY18 TANF appropriation request of \$139.6 million, including:
 - TANF block grant of \$110.6 million and \$29 million of current carry over balances.
 - About 12 thousand participating in TANF, which is a 10% decrease compared to the previous year.
 - ISD projects to spend \$53.6 million in FY18 for cash assistance, about \$5.8 million more than the FY16 spend and equivalent to the FY17 Operating Budget.
 - The FY18 overall TANF request is the same as the FY17 Operating Budget.



NM TANF Participation vs. U.S.

TANF: Monthly Number of Families



New Mexico's Work Participation Rate



- ▶ Caseload has decreased
 - In 2012 HSD had an average caseload of 18,201
 - In 2016 the average was 11,586
- ▶ Increase of child only cases
 - In 2012, the average child only cases was 37.1% of average caseload.
 - In 2016, the average child only cases was 44.3% of average caseload.
- ▶ 1 parent household has decreased
 - In 2012, the average number of one parent households was 56.2% of the caseload.
 - In 2016, the average number of one parent households had dropped to 47.8% of the caseload.

Temporary Assistance for Needy Families – (TANF)

Job Readiness Activities

- ▶ ISD remains focused on helping TANF recipients prepare for and find employment
 - CareerLinks
 - Wage Subsidy
 - High School Equivalency Credential Program
 - Vocational Training Program
- ▶ Partnership with the Department of Workforce Solutions

Temporary Assistance for Needy Families – (TANF)

PROGRAM (\$ in millions)	FY17 OP BUD			FY18 REQUEST		
	GF	FF	TOTAL	GF	FF	TOTAL
General Funds in HSD for TANF	0.09	-	0.09	0.09	-	0.09
Unspent balances from prior periods	-	64.3	64.3	-	35.1	46.7
TANF Block Grant	-	110.6	110.6	-	110.6	110.6
TANF Contingency	-	-	-	-	-	-
TOTAL REVENUE	0.09	174.9	174.9	0.09	145.7	157.3
ADMIN TOTAL	-	11.5	11.5	-	11.5	11.5
Cash Assistance	0.09	53.7	53.7	0.09	53.5	53.6
Support Services	-	20.5	20.5	-	20.7	20.7
Other Agencies	-	54.0	54.0	-	54.0	54.0
TOTAL	0.09	139.7	139.8	0.09	139.7	139.8
Calculated Carryover Balance		35.1		-	10.7	

- ▶ Admin Includes: Income Support Administration and Program Support Administration
- ▶ Cash Assistance Includes: Cash Assistance, Clothing Allowance, Diversion Payments, Wage Subsidy and State Funded Legal Aliens
- ▶ Support Services Include: NM Works Program, Transportation, Substance Abuse Services, Career Links, CSED Alternative Pilot Program and Employment Related Costs
- ▶ Other Agencies Include: CYFD Pre K, CYFD Child Care, CYFD Home Visiting, CYFD Supportive Housing and PED Pre K

Questions?

