

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

**Presentation to Interim
Legislative Finance Committee**

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Highlights for today's discussion

1. Medicaid Budget Projections

- Projected Expenditures
- Projected Revenues

2. Cost Containment

- Already Implemented
- Cost Containment for FY10
- Coverage Concept & Design for FY11

3. Summary Points



Projections assume the following expenditures

1. **Current provider rates and current benefits/programs**
2. **Modest cost containment at this point**
 - What program expenditures would look like *without* significant additional cost containment
3. **Significant enrollment & utilization increases for kids, disabled individuals and elders**
 - Economy
4. **Modest SCI enrollment increases, maximizing available federal funds (with wait list for individuals)**
5. **FY11 expenditures includes FY10's currently expected shortfall and loss of federal ARRA funds**



Projections assume the following revenues

1. **ARRA funding at mid-level (Tier 2) thru 9/30/09**
2. **ARRA funding at high-level (Tier 3) thru 12/31/10**
 - Includes projected additional \$12,000.0 for FY10 and \$9,000.0 for FY11
3. **Stable County Supported Medicaid funds & other state agencies are able to provide all necessary match for their programs**
4. **Some, but not all possible CHIPRA bonus funding for increased enrollment of kids**
 - \$1,700.0 included; possible additional \$2,300.0 not included for FY11
5. **FY11 revenues do not include FY10's non-recurring funding**
 - \$29,200.0 in tobacco settlement funds
 - \$1,500.0 in GF for behavioral health enhancements
6. **Modest but not all possible federal disallowances**



Projected Expenditures FY09 & FY10

(As of 10-7-09, Using August 2009 Data & HB17 – *in thousands*)

1. **FY09 – \$123,000 Surplus** GF has been moved to 10820 for other state GF needs
 - GF replaced by ARRA stimulus funds through 12/31/10

2. **FY10 – Expected shortfall** due to increased enrollment & costs
 - **Projected Shortfall – (\$37,000.0 to \$47,000.0) GF**
 - \$37,000.0 to \$41,000.0 GF – projection compared to “operating budget”
 - Additional \$5,900.0 GF as 1% reduction – Executive Order
 - Projected Expenditures – \$3.7 billion Total (\$650,000.0 GF)



Projected Expenditures FY11

(As of 10-7-09, Using August 2009 Data – *in thousands*)

1. **FY11 – Expected **Shortfall** Will Grow Exponentially Without Significant Cost Containment Efforts**

- **Projected Shortfall – \$325,000.0 to \$335,000.0 GF**
- Annualization of FY10's extraordinary enrollment growth
- Normal program growth if no cost containment
- Lost Tobacco Settlement
- Lost Federal ARRA Funds for 2nd Half of FY11
 - \$147,000.0 in lost federal dollars projected for FY11

2. **In FY12, another \$140,000.0 – \$160,000.0 GF Needed to Replace ARRA Funds + Additional GF Needed for Normal Growth**

3. **Next Projections – Jan 2010**



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Therefore, HSD is assuming . . .

1. **Significant Cost Containment efforts will be necessary for current FY10**
 - Public input meetings held – public comments can be viewed at www.hsd.state.nm.us/mad/RPublicInformation.html
 - ✓ Sept 23 (Albuquerque)
 - ✓ Sept 24 (Tribal Issues – Santa Fe)
 - ✓ Sept 28 (Las Cruces)
 - ✓ Sept 30 (Santa Fe)
 - Medicaid Advisory Committee – August 17 & October 19
2. **Cost Containment *and* Coverage Redesign of the Medicaid Program will likely be needed for FY11 and FY12**
 - Public input meetings being planned
 - ✓ Dec 8 (Las Vegas)
 - ✓ Dec 9 (Española)
 - ✓ Dec 11 (Albuquerque)
 - ✓ Dec 14 (Roswell)
 - ✓ Dec 15 (Las Cruces)
 - ✓ Dec 18 (Tribal Consultation - Gallup)
 - Medicaid Advisory Committee – December 21 and January 2010



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Areas of cost containment

NOW:

- Additional administrative changes
- Slowing enrollment growth
- Benefit elimination & reductions
- Provider rate reductions
- Co-pays

LATER, But Planning Now:

- Fundamentally restructuring program for after ARRA funds go away (FY11 & FY12)
- Introducing coverage concept
- Possible eligibility changes
 - Not allowed by ARRA through December 31, 2010



Cost containment already implemented

1. Administrative

- Reduction in administrative allowances for MCOs to 14% in FY10; 13% in FY11
- 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

2. Slowed Enrollment, Utilization and Benefit Growth

- Reduced outreach efforts
- Some changes in rates (e.g., hospital outpatient for radiology in process)
- Tighter utilization review criteria
- Tighter monitoring of polypharmacy
- Implemented SCI waiting list



What cost containment requires

1. **Federal Approvals**
 - State Plan Amendments
 - Waiver changes

2. **Adjustment for Federal Changes**
 - ARRA
 - Health Reform and SCI - (see handout)

3. **State (HSD) Regulation Changes**

4. **IT System Changes (MMIS & ISD2)**

5. **These Mean:**
 - Staff efforts beyond current work load
 - Contract dollars
 - Time (which impacts cost savings)

See Handout



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For FY11, HSD is looking at new coverage concept

- ◆ **Eliminate all but mandatory services for mandatory populations, then allow add-ons**
 - Maximize revenue from patient cost-sharing
 - Allow purchase of additional benefits at varying cost
 - Restructure certain current programs into single waiver with tighter benefit offerings



Possible opportunities that might increase coverage

1. **Medicaid Services Plan (MSP)**
 - Mandated services for mandated populations in Medicaid
2. **State Coverage Plan (SCP)**
 - SCI-like services for Medicaid-eligible optional populations
 - Various premiums and co-pays, depending on income
3. **Optional benefits**
 - Examples: vision, dental, transportation assistance, additional behavioral health or OT/PT/ST, lower co-pays
 - Allow Medicaid-eligible populations to buy into these benefits
4. **Buy-in for non-eligible populations and/or groups (e.g., small businesses)**
 - Any available product purchasable at state's cost; or subsidized by income, at Legislature's discretion
 - Offered through Exchange or as a coverage option in HSD



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Summary take home points . . .

1. **HSD Has Already Done Significant Cost Containment**
 - Without changing enrollment, benefits, provider rates or programs

2. **Options Are More Limited Now – Because:**
 - ARRA limits eligibility reduction options until 01/01/11; 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
 - Challenges in managing SCI

3. **HSD Has Started Now to Have Any Impact on FY10 & FY11**

