

NM center on law and poverty

FOR IMMEDIATE RELEASE

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Medicaid Advisory Subcommittee Lacks Transparency in Time of Crisis for Our Health Care System

New Mexico's health care system is facing a crisis. House Bill 2, passed by the legislature and signed by the Governor, drastically underfunds Medicaid, resulting in a \$400 million shortfall of combined federal and state funds for the program. In addition, House Bill 2 mandates certain cuts be made to the Medicaid program. These cuts include reducing provider payments, like those for hospitals, physicians, and primary care providers.

Cuts to our healthcare system, especially at this time when healthcare is one of the only growing job sectors in New Mexico, are not fiscally responsible. They are short-sighted in New Mexico where we face severe shortages in our healthcare workforce, and our healthcare providers and people heavily rely on Medicaid. Cuts this drastic will:

- **Jeopardize jobs and our economy** – 4,800 healthcare jobs were created in 2014 due to federal funds from Medicaid expansion, making healthcare one of the only growing job sectors in New Mexico's struggling economy.
- **Hurt the healthcare workforce**, which is already struggling with shortages. Hospitals will also see reduced payment rates that will hinder them from hiring more staff and expanding services.

The Medicaid Advisory Committee to the NM Human Services Department (HSD) has setup a subcommittee to discuss recommendations regarding provider payment cuts. Unfortunately, during this time of crisis, the most meaningful discussions are being held behind closed doors and with a group of stakeholders that falls short of representing the broad interests that should have a place at the table.

This lack of transparency is disconcerting given the enormous impact the subcommittee's recommendations will have on the healthcare system statewide. Cutting nearly half a billion dollars from New Mexico's economy and healthcare sector is not a minor task. The cuts will likely result in job loss, service reductions and stagnation in building needed facilities and infrastructure. Although HSD has set up a comment area on its website for public input, it is not enough. There must be a far greater, meaningful level of stakeholder input and public

scrutiny that a comment box, alone, cannot provide. Decisions so critical to our health care system and state economy should not be made without open and meaningful discussion among a broader group of stakeholders, lawmakers and the public.

Notes:

- Attached, please find charts detailing the positive impact Medicaid, especially its expansion, has on our state economy. Data and charts are from University of New Mexico's Bureau of Business and Economic research report, *Economic and Fiscal Impacts of Medicaid Expansion in New Mexico* (Feb. 2016), available at [BBER Medicaid Expansion Report 2016](#).
- Separately attached is a quick factsheet prepared by the NM Center on Law and Poverty regarding the Medicaid budget shortfall.
- Other contacts to discuss impact of Medicaid shortfall:
 - Bill Jordan, NM Voices for Children – bjordan@nmvoices.org; 505-244-9505
 - Barbara Webber, Health Action New Mexico – barbara@healthactionnm.org; 505-867-1095
 - Jeff Mitchell, UNM Bureau of Business and Economic Research – jeffm@unm.edu; 505-277-2216
 - Erik Lujan, on impact to tribes – elujan78@gmail.com; 505-280-2811
 - Lorie Maclver, Dist. 1199 National Union of Hospital and Health Care Employees – lorie@district1199nm.org; 505-884-7713
 - Sylvia Grass, Committee of Interns and Residents SEIU Healthcare – sgrass@cirseiu.org; 505-508-3306

Medicaid Expansion: It Pays for Itself

Medicaid Expansion: Estimated Impacts on New Mexico General Fund (In \$ Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2014-21
New Revenues									
Premium Tax -- 4% a	\$1.3	\$19.8	\$31.1	\$34.8	\$37.8	\$39.7	\$41.3	\$42.6	\$248.4
NMMIP Reduction b	\$0.0	\$0.0	\$0.0	\$7.4	\$15.4	\$23.4	\$23.4	\$23.4	\$93.0
Gross Receipts Tax									
Direct Only c	\$4.6	\$13.5	\$15.4	\$16.7	\$17.1	\$17.6	\$17.7	\$17.8	\$120.4
Supported	?	?	?	?	?	?	?	?	?
Pers Income Tax d	\$2.8	\$7.6	\$8.6	\$9.4	\$9.6	\$10.0	\$10.1	\$10.1	\$68.2
Other Revenues									
County 1/12 cent GRT	\$24.0	\$25.5	\$26.2	\$27.0	\$27.8	\$28.6	\$29.4	\$30.2	\$218.8
UNM IGT	\$0.0	\$12.2	\$12.4	\$13.1	\$13.8	\$14.6	\$15.3	\$16.1	\$97.4
Program Revenues	\$32.7	\$78.6	\$93.7	\$108.3	\$121.6	\$133.8	\$137.2	\$140.2	\$846.1
Cost Savings									
State Savings SCI e	\$30.1	\$57.2	\$51.5	\$46.3	\$41.7	\$37.5	\$33.8	\$30.4	\$328.5
State Savings DSH f	\$0.0	\$0.0	\$0.0	\$0.1	\$1.9	\$4.1	\$6.2	\$8.6	\$20.9
New Costs									
Admin Costs g	(\$3.8)	(\$12.3)	(\$13.8)	(\$15.4)	(\$16.3)	(\$17.0)	(\$17.5)	(\$17.9)	(\$113.9)
State contribution SNC									
Pool h	(\$21.2)	(\$10.5)	(\$20.4)	(\$20.3)	(\$20.3)	(\$20.3)	(\$20.3)	(\$20.3)	(\$153.7)
State HQII h	\$0.0	\$0.0	(\$0.8)	(\$1.7)	(\$2.6)	(\$3.6)	(\$4.7)	(\$5.9)	(\$19.4)
State shared costs	\$0.0	\$0.0	\$0.0	(\$40.8)	(\$94.3)	(\$115.2)	(\$155.4)	(\$186.3)	(\$592.1)
Program Net Costs	\$5.1	\$34.5	\$16.5	(\$31.8)	(\$89.9)	(\$114.5)	(\$158.0)	(\$191.5)	(\$529.8)
State Gain (Loss)	\$37.7	\$113.1	\$110.2	\$76.5	\$31.7	\$19.4	(\$20.9)	(\$51.3)	\$316.3

Surplus

- a. On newly eligible only since premium tax was paid on all current SCI. Premium tax estimates take account of deduction contributions to NMMIP.
- b. Estimates based on a conversation with Jon Clark of the LFC
- c. Direct only. Subtracts out SCI. BBER takes 90% of the increase in total revenues as estimated using IMPLAN and applies a 5.125% rate less the state-share d 1.225% Municipal if applicable. Many providers are not subject to the GRT, e.g., Presbyterianthe VA, Federally Qualified Health Centers, UNM
- d. FY14 and FY15 estimates are based on BEA quarterly estimates of income and an effective tax rate of 3.2%. Tax revenues grow with IMPLAN direct labor
- e. Actual reduction projected byHSD for FY 14.
- f. BBER assume State continue to contribute to DSH program. Contribution in FY15 estimatec to be \$9.6 million based on HSD worksheet.
- g. Per HSD worksheets, figuredat 2% of total expenditures and then applied the 50% state participation rate mandated on administrative expenditures
- h. Per HSD worksheets thru 2017. Assumes FMAP of 70.5% beginning in FY 17.To help pay for this, the Legislat ure appropriate \$9 million supposedly one ti me.

Medicaid Expansion: Driving our Job Growth

**Estimated NM Direct Employment Associated with the Medicaid Expansion
by Fiscal Year for Health Care Services and Insurance (MCOs)**

Fiscal Year	2014a	2015	2016	2017	2018	2019	2020	2021
Total Ambulatory	1,025	2,948	3,264	3,457	3,469	3,498	3,457	3,406
Total Hospital	855	2,458	2,722	2,883	2,893	2,917	2,884	2,840
Total Home Health	35	100	110	117	117	118	117	115
Total Nursing Home	35	102	113	119	120	121	119	118
Total Health Care	1,950	5,607	6,209	6,576	6,599	6,654	6,577	6,478
Insurance (MCO's)	228	697	766	822	836	856	864	866

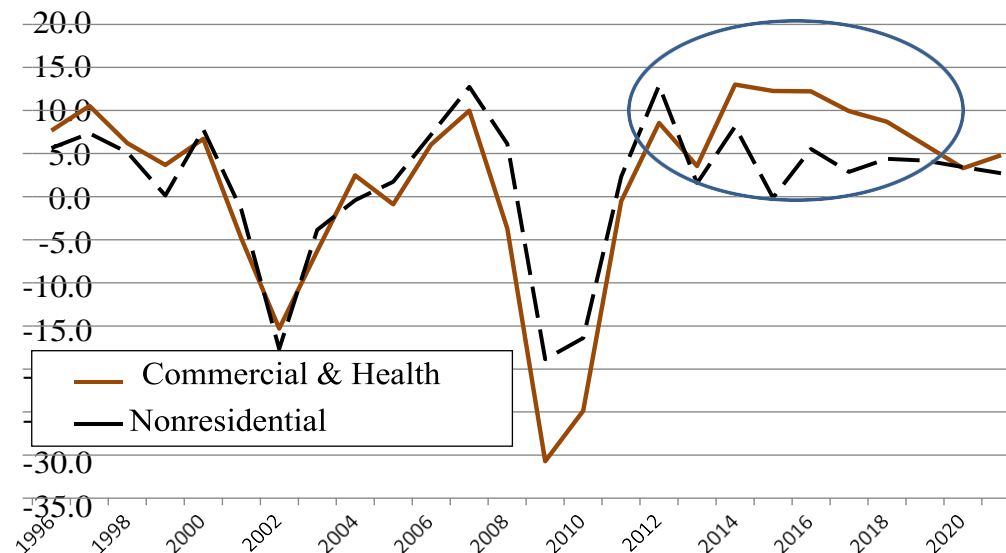
a. Program began in Jan. 2014, so FY 2014 includes only 6 months of activity.

IMPLAN (Version 2012) Estimates of Direct Employment Effects

The health care sector is driving job growth in New Mexico. While employment has been lagging in our state across most sectors, the health care sector is continues to see positive growth due to Medicaid expansion. According to the Legislative Council Service, **health care jobs accounted for 56% of the new jobs from 2014-2015**. According to the Department of Workforce Solutions, **health care and social assistance occupations are expected to lead New Mexico in job growth through 2022**. The chart above provides results for direct employment gains in health care services and in insurance from the Medicaid Expansion.

Medicaid Expansion: Increasing in Investment in Our Health Care Infrastructure

Percent Growth in US Commercial and Health Structures Investment Compared with All Nonresidential Structures

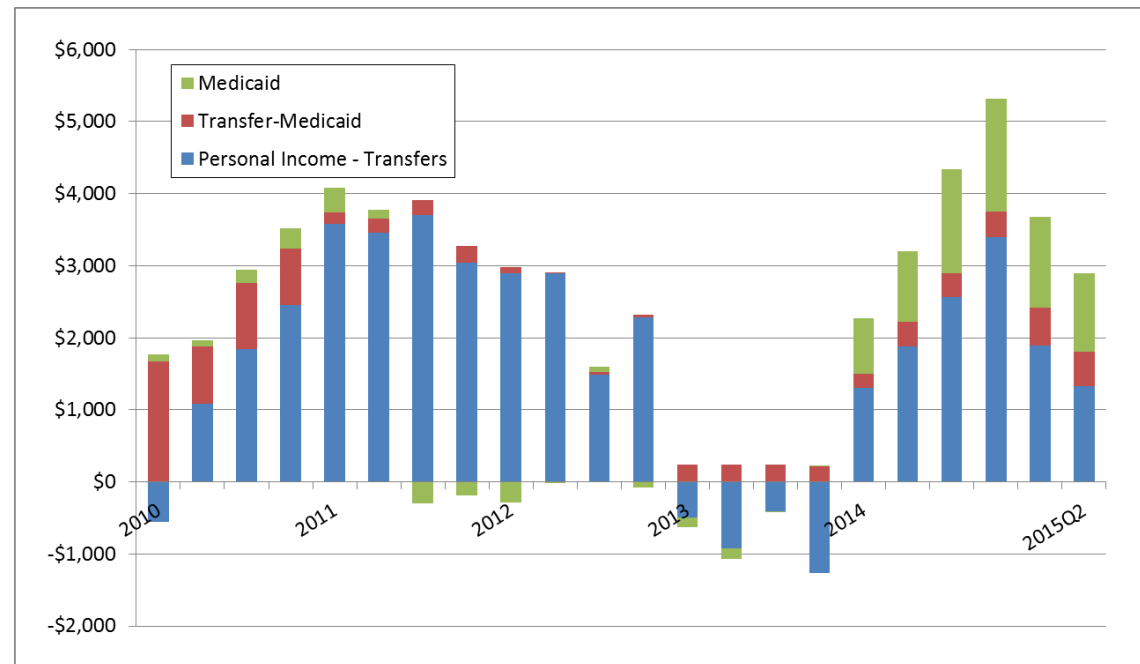


Source: HIS Global Insight, Baseline Forecast, September 2015

The ACA and the Medicaid Expansion have stimulated investment in new hospitals and health treatment facilities. The chart above presents history and forecasts for investment in commercial and health care structure versus all nonresidential structures. There is a striking increase in investment in commercial and health care structures in 2014 and beyond.

Medicaid Expansion: It Helps Raise New Mexicans' Income

New Mexico Personal Income Growth and Medicaid Transfers



Jeff Mitchell, UNM Bureau of Business and Economic Research, Nov. 2015

The chart above breaks down the growth in personal income into (1) income not attributable to transfer payments, e.g., wage and salaries, interest, dividends and rents; (2) transfer payments less Medicaid, and (3) Medicaid. **Beginning in 2014 with the ACA and the Medicaid Expansion, New Mexico saw sharp increases in total personal income and much of the increase is attributable to Medicaid and specifically the Medicaid Expansion.**