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Journal
Albuquerque,
NM
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369190



Medicaid Faces Huge Shortfall In New Mexico

More People, Less Federal Cash Means \$360M Deficit

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Journal Capitol Bureau

SANTA FE — Another 21,000 people are expected to sign up for Medicaid programs in New Mexico by next summer — at the same time the state faces the loss of federal aid and health care costs continue to escalate.

That triple whammy means the next Legislature and governor would have to come up with another \$361 million just to maintain current levels of services under the federal-state health care program.

The state's Human Services Department projects that 573,449 New Mexicans will be enrolled for Medicaid services by June.

That's a 3.9 percent increase from the May 2010 enrollment figure of 552,113 — more than a quarter of the state's population. In July 2008, about 483,000 New Mexicans were enrolled in Medicaid.

The projected \$361 million Medicaid deficit is in addition to an estimated \$230 million revenue shortfall already projected for New Mexico's \$5.4 billion budget in the coming fiscal year.

Medicaid is a federal-state partnership created in 1965. It helps pay for health care for the needy, elderly, blind and disabled, and for low-income families with children. The fed-

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eral government pays nearly 70 percent of the cost of the program in New Mexico.

The enrollment growth, coupled with the rising cost of health care, equals a projected total Medicaid cost increase of 10.4 percent in New Mexico for the coming year, according to the department.

Some benefits have already been slashed in an attempt to contain Medicaid's growing price tag.

However, the state's benefits package is better than some, and the program has been expanded to include higher income levels than required by federal law.

The New Mexico growth, as well as the shortfall in funding, mirrors national trends.

Members of the Legislative Finance Committee expressed concern about the situation earlier this week, citing the increasing costs and the anti-tax hike positions taken by the state's two gubernatorial candidates, Democrat Diane Denish and Republican Susana Martinez.

"We can't have it all, folks," Rep. Edward Sandoval, D-Albuquerque, said Wednesday.

Nationwide, more people signed up for Medicaid last year than at any other time since the program's inception, as the recession wiped out jobs and workplace health coverage. Overall, states are projecting a 6 percent increase

in the rolls next year.

A report released Thursday by the nonprofit Kaiser Family Foundation found that enrollment in the safety-net medical insurance program jumped to more than 48 million people.

Nearly 6 million have signed up for Medicaid nationally since the start of the recession in December 2007, according to Kaiser.

Starting in fall 2008, the federal government provided more than \$100 billion in additional Medicaid funding to help states cover growing numbers of people.

The last of that money will run out in June, and states will face a jump of 25 percent or more in their share of costs, although they are still likely to be financially strapped as they struggle with a weak economy.

"There seems to be no end in sight to the fiscal pressure on the Medicaid program," said Vernon Smith, who co-authored the Kaiser report.

New Mexico's Medicaid spending has decreased during the past two years, as the state has used the additional federal aid as a way to free up state dollars for other expenses.

New Mexico is spending about \$602 million in state money on Medicaid programs in the fiscal year that began July 1, along with about \$3.1 billion in federal funds. However, the federal matching rate is scheduled to be scaled back gradu-

ally starting in January.

Cost cutting

At the legislative committee hearing in Santa Fe on Wednesday, some New Mexico lawmakers suggested savings could be found by decreasing the profit margin of large-scale contracts.

"What worries me is the small providers are going to get hurt," said Sen. Sue Wilson Beffort, R-Sandia Park.

Representatives of several advocacy groups for low-income New Mexicans also spoke to legislators about the importance of Medicaid spending.

A report from New Mexico Voices for Children urged lawmakers not to put federal matching dollars in jeopardy by enacting additional cuts to Medicaid programs.

"For relatively small state budget savings, we could cause great harm to our health care infrastructure and to the lives of all those who depend on Medicaid for their health care," the report said.

Medicaid has also been assigned a major role under the new national health care overhaul, which expands the program to cover an estimated 18 million additional low-income adults starting in 2014.

The Associated Press contributed to this report.

