

# NEW MEXICO BUSINESS WEEKLY

## Medicaid stimulus money gone, program runs deficit

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Starting in 2009, New Mexico received \$3.9 billion in federal stimulus money. Of that, \$835 million was allocated to the state's Medicaid program, a joint federal and state effort that provides health care to low-income children, disabled adults and the elderly.

### New Mexico's Medicaid program by the numbers

Total enrollment	559,221
Children, ages 0-21	461,209
Pregnancy-related	7,824
Other	90,188

Cost FY2012	\$3.74 billion
Federal gov't share	\$2.6 billion
State share	\$1.1 billion
NM general fund budget, FY12	\$5.46 billion

Source: New Mexico Human Services Department

Now that extra money is gone. But the 559,221 New Mexicans, a quarter of the state's population, who are on the state's Medicaid rolls haven't gone away. And their numbers are expected to grow by another 175,000 when the federal government's health care reform act kicks in in 2014.

Those new recipients are expected to add \$300 million to \$600 million in costs to New Mexico's \$1.1 billion share (from the state's general fund) of the \$3.74 billion annual program (about \$2.6 billion of which comes to N.M. from federal allocations). New Mexico's program, which has faced deficits for the past two years, is still facing a \$30 million shortfall in the fiscal year that ends June 30.

Like other states, New Mexico is struggling

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## MEDICAID: Adding low-income adults to Medicaid rolls in 2014 would increase federal allocation to NM

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gling to find a way to keep the program's costs under control while providing health care to those in need.

The New Mexico Human Services Department, which administers the Medicaid program, has launched an effort to "modernize" it. A key to that effort is asking the federal government for a "global waiver" to remove the state from its rules.

Under the federal health care reform law, states are forbidden from tightening Medicaid's eligibility requirements. Currently, children who come from households that earn up to 235 percent of the federal poverty level are eligible for Medicaid.

The state wants to impose sliding-scale copayments for recipients based on income. And it might look at reducing benefits, which have been criticized as being better than what people on private insurance plans have.

The task to modernize and change Medicaid is "daunting," said Human Services Department Secretary Sidonie Squier. "We have two main objectives. One is making sure this program is around for this generation and the next generation, and for people who truly need basic health care. And we are trying to preserve the quality of care.

"We are in the very beginning stages. We are looking for input to make it more

efficient and more sustainable, and to preserve it for years and years to come."

HSD has awarded a \$1.7 million contract to Alicia Smith & Associates LLC, of Washington, D.C., to develop a Medicaid plan. It has scheduled meetings in six New Mexico cities in July and August to obtain input. The global waiver would be key to the state's effort to change the program, Squier added.

"We want to get out from under the federal rules and regulations that are as convoluted and confusing as the IRS'. We want to submit a global waiver, which we think would give us a lot more flexibility," she said.

"Right now, the federal government is running the 50 state programs the exact same way. New Mexico is not the same as other states. We know how to run our program and we want the flexibility to do it. I think you can make the case that when you have people working and scraping by, and who have kids in school, that it is a fairness issue that there are people who are getting better benefits from the taxpayers."

Squier said the request for that global waiver probably won't be filed until September 2012 at the earliest.

Bill Jordan, policy director for New Mexico Voices for Children, a nonprofit advocacy group, said HSD's goals for Medicaid are vague.

"They begin their discussion for Medic-

### Spending growth in New Mexico's Medicaid program, in percentages

	N.M.	U.S.
1990-2001	15.7	10.9
2001-2004	14.8	9.4
2004-2007	5.9	3.6
2007-2009	11.8	7.1

No. of uninsured New Mexicans in 2009 was 449,000, or 23 percent of the population.

Source: Kaiser Family Foundation

aid redesign by saying they have to substantially change or redesign it because the program is unsustainable," Jordan said. "They have not clearly defined how they want to achieve savings, and that has a lot of us concerned because we think that it could mean that they want to change eligibility or reduce benefits.

"If they can do things more efficiently and achieve better health outcomes, we are for it. But if it means sacrificing health care, then we are concerned about it. I think it is significant that they have not defined what 'sustainable' is."

Jordan also said HSD's estimates of new recipients under the federal health care law are low. Starting in 2014, Medicaid will cover adults who earn up to 133 percent of the federal poverty level. Medicaid traditionally hasn't covered adults, ex-

cept for those who have severe disabilities or need long-term nursing home care. It started out primarily as a health care program for low-income children and has expanded to include those two groups of adults.

"At first, the feds are going to pay 100 percent of that cost [to add the low-income adults]. By 2019, they will pay 90 percent," he said, adding that there are between 150,000 and 200,000 adults in New Mexico who would qualify, and 40,000 to 60,000 eligible children who are not yet enrolled in Medicaid.

"Then you have all the middle-income families and small businesses that will be eligible for refundable tax credits. That will bring in \$10 billion to the state over 10 years, beginning in 2014, and that will generate a lot of economic activity."

The fact that a federal entitlement program is considered a form of economic development is troubling to Paul Gessing, president of the Rio Grande Foundation, a nonprofit conservative think tank.

"It is not economic development. There are studies that show how Medicaid traps low-income families into a cycle of poverty," Gessing said. "As they start to earn more, their benefits are taken away, and it disincentivizes them to go to school and get skills. That helps to keep them at the bottom of the economic pile."

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