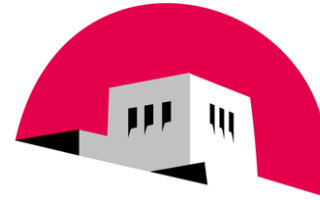


University of New Mexico
Bureau of Business and Economic Research



Economic Impacts of Medicaid Cost Containment

Revised Presentation to Legislative Health and Human Services Committee

September 16, 2009

Dr. Lee A. Reynis, Director

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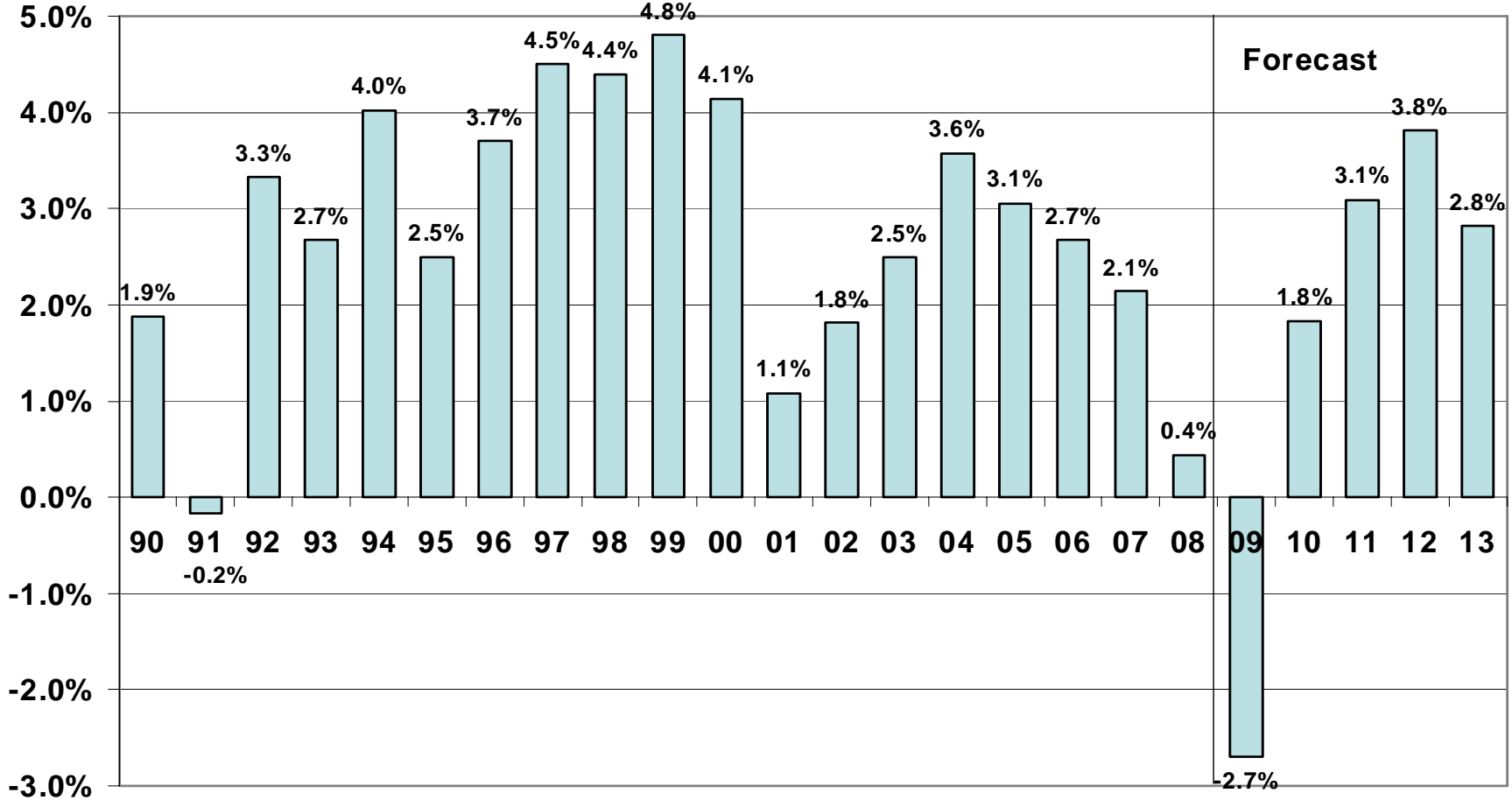
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The National Economy

The US economy has been officially in recession since December 2007. Bernanke says recession “very likely over”

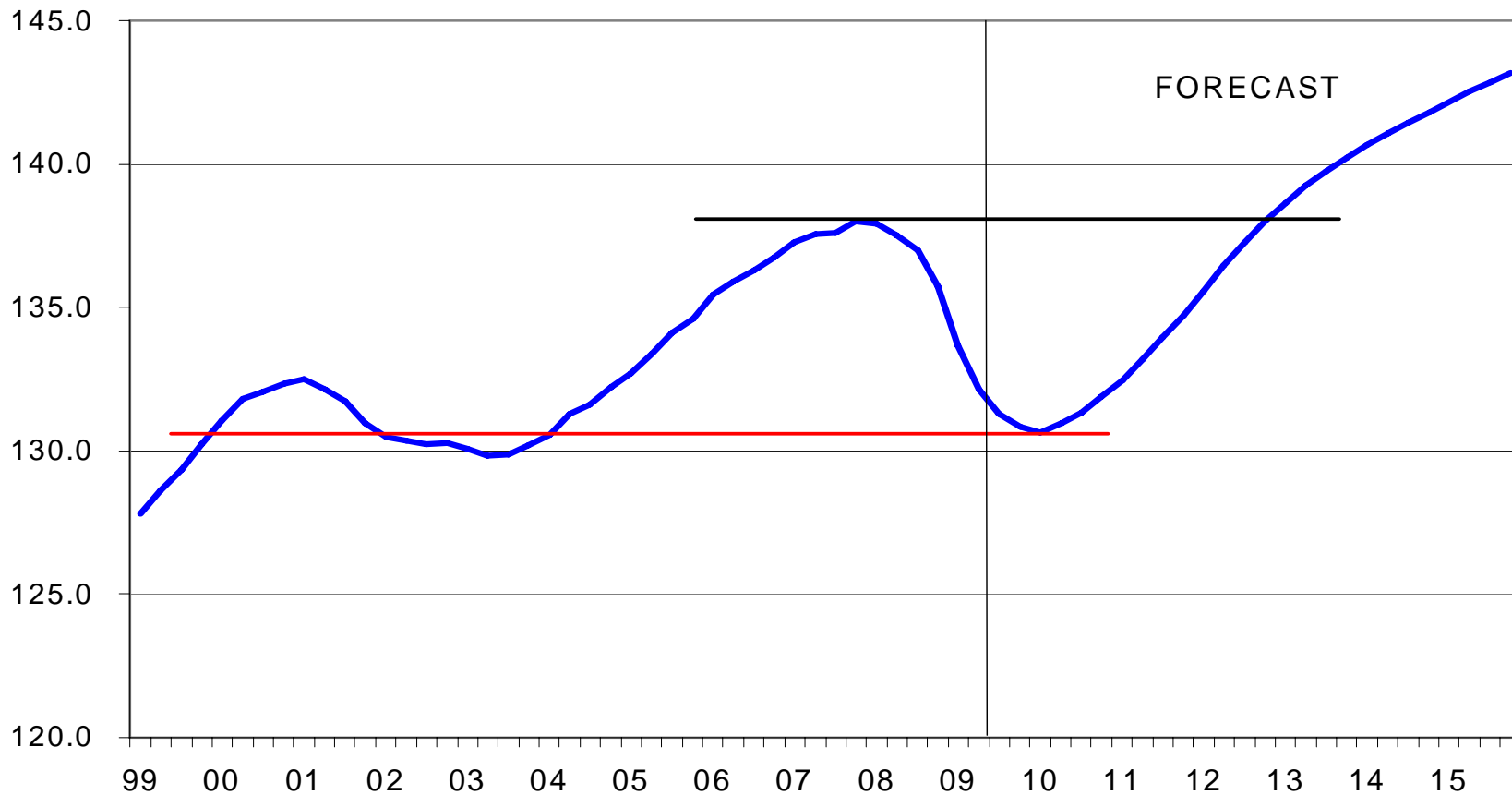
Annual Growth in US Real Gross Domestic Product Chained 2000 Dollars



Global Insight, August 2009

Policies beginning to get traction. Economy turning around, with positive growth in Real GDP expected as soon as the current quarter. However...

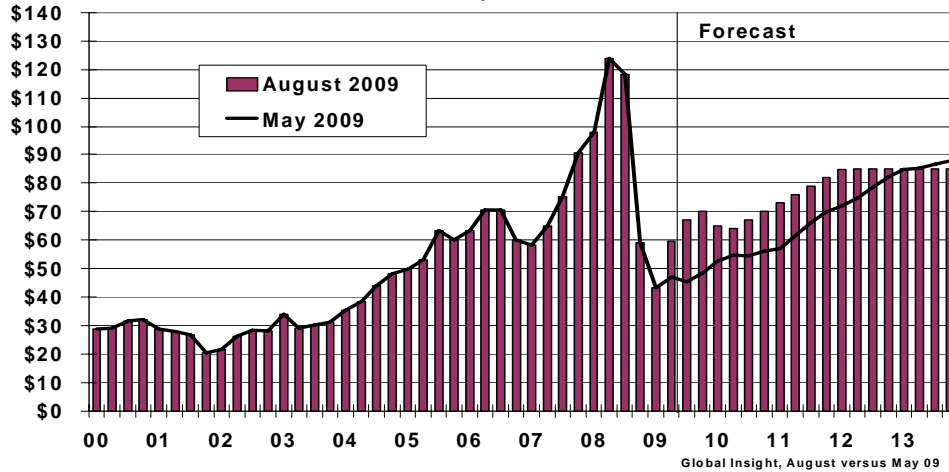
US TOTAL NONFARM EMPLOYMENT
(In Millions)



Source: Global Insight, Aug 09

Energy sector critical in terms of New Mexico revenues and economies of certain regions in the state.

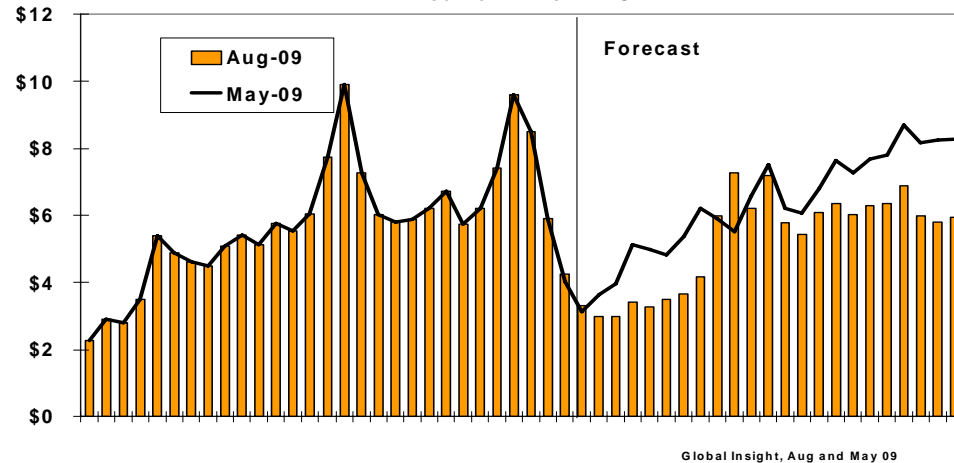
Comparison of the Forecasts
Oil Price -- West Texas Intermediate
Price per Barrel



Price of oil has been moving up, while...

Price of natural gas has been moving in the opposite direction.

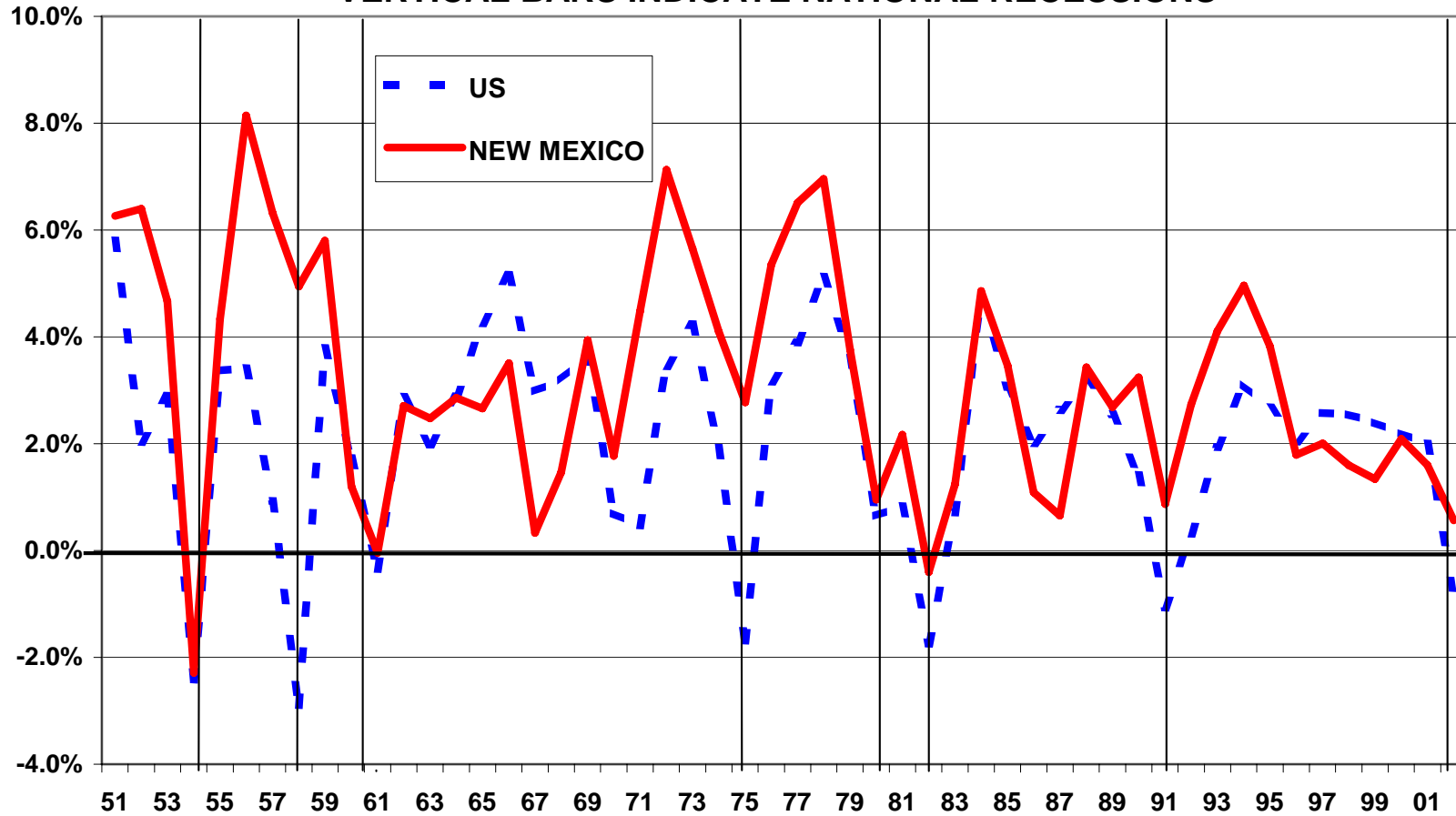
Comparison of the Forecasts
Natural Gas Average Wellhead Price
Price Per Million BTU



The New Mexico Economy

New Mexico is Not Recession Proof

ANNUAL GROWTH IN NON AGRICULTURAL EMPLOYMENT NEW MEXICO AND THE UNITED STATES VERTICAL BARS INDICATE NATIONAL RECESSIONS



SOURCE: US AND NM DEPARTMENTS OF LABOR
US BUREAU OF ECONOMIC ANALYSIS

UNM Bureau of Business and Economic Research

Economic Outlook for New Mexico

The New Mexico job growth has been declining since the first quarter of 2006, when employment growth year over year (yoy) was 3.2%, and is now negative. Reflecting the same currents that have sent the US and global economy into a deep recession of undetermined length, the NM economy is expected to be experience at least 6 quarters of employment declines before recovering in 2010. Growth has slowed and all the MSAs are now experiencing yoy employment declines. The Albuquerque economy experienced flat or negative growth in employment in 2008, and is expected to sustain a 2.4% loss in wage and salary employment this year. The contraction is expected to be more extreme outside the metros.

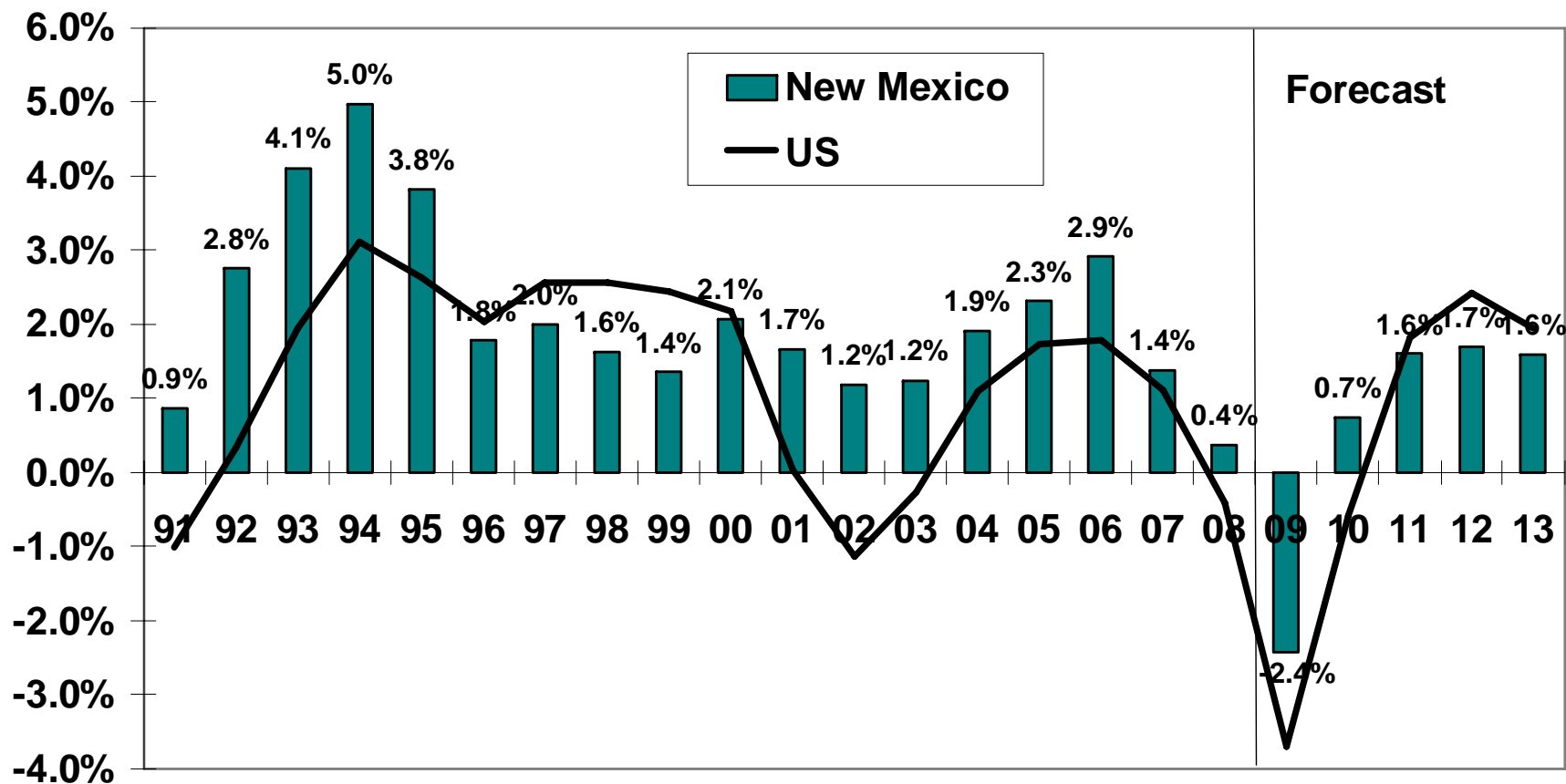
Contributing to the slowdown have been manufacturing, construction, particularly the housing sector although non-residential activity is also off, and mining, where job growth should be negative in 2009.

Health care currently leads in terms of job growth, with strong performance also by local government (tribal: casinos and associated). There have been clouds over both industries, however.

Major new employers include Fidelity Investments (HR services), Hewlett Packard (technical support), & Schott (solar equipment mfg), all building new facilities in the Albuquerque MSA.

State and local revenue outlook reflects weakness anticipated in major sectors.

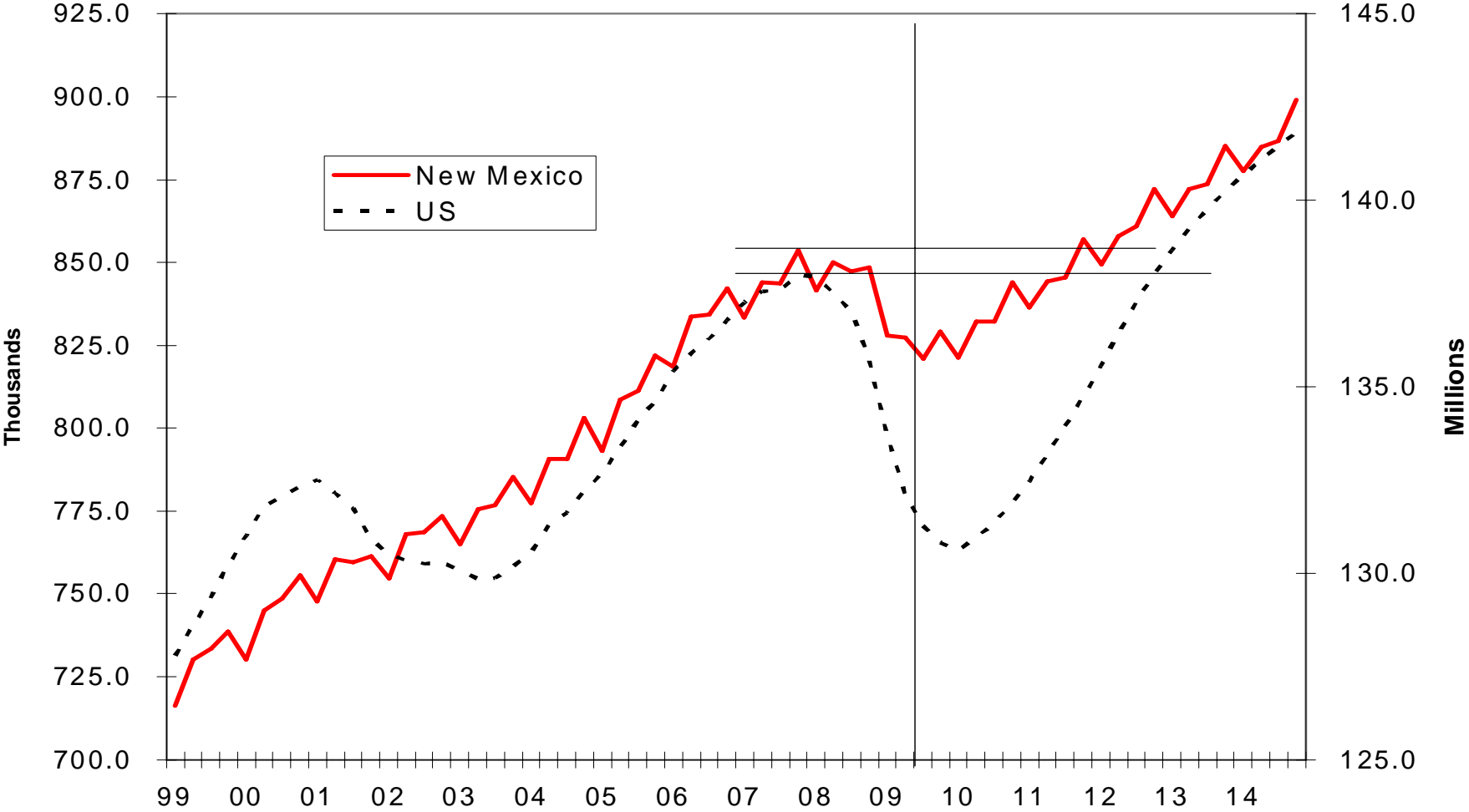
Annual Growth in Nonfam Employment New Mexico and US



Source: FOR-UNM, August 2009
Global Insight, August 2009

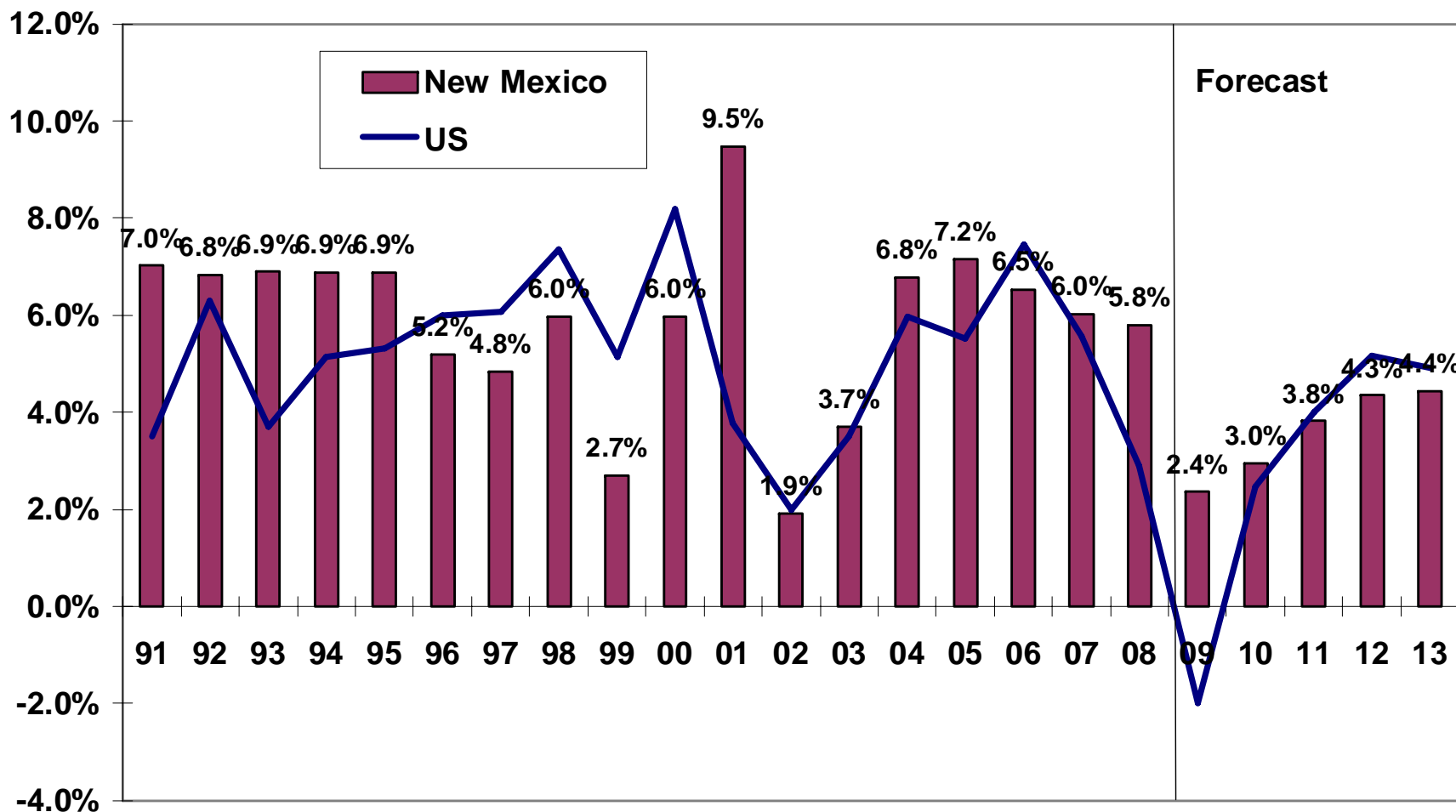
Job recovery in New Mexico forecast to be quicker – in 2012, 4 years after the peak, versus 2013 nationally, which is 5 years after the peak.

Total Nonfarm Employment, New Mexico and US



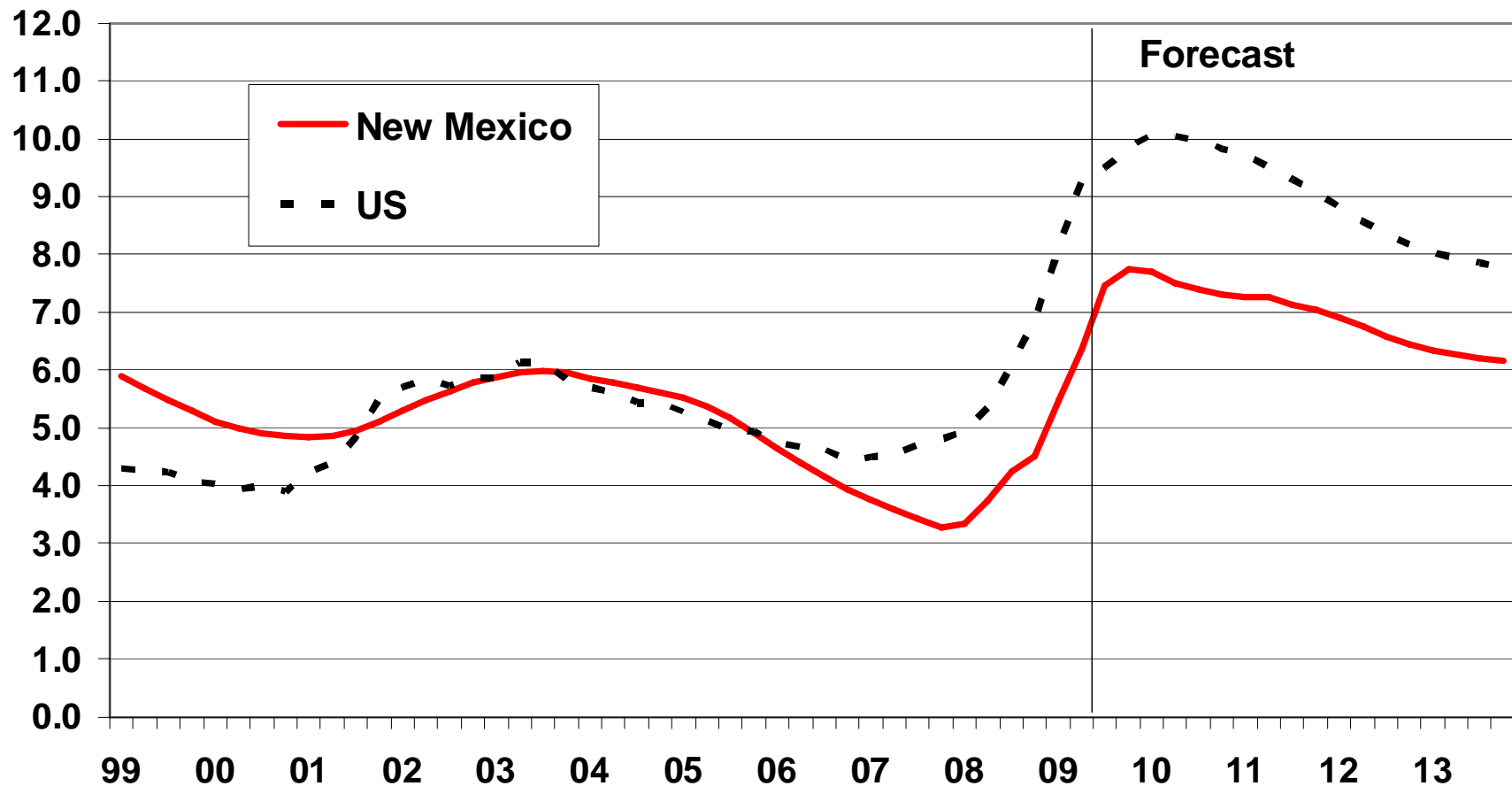
Source: Global Insight, FORUNM, Aug. 09

Annual Growth in Personal Income New Mexico and US



Source: FOR-UNM, Aug 09
Global Insight, Aug 09

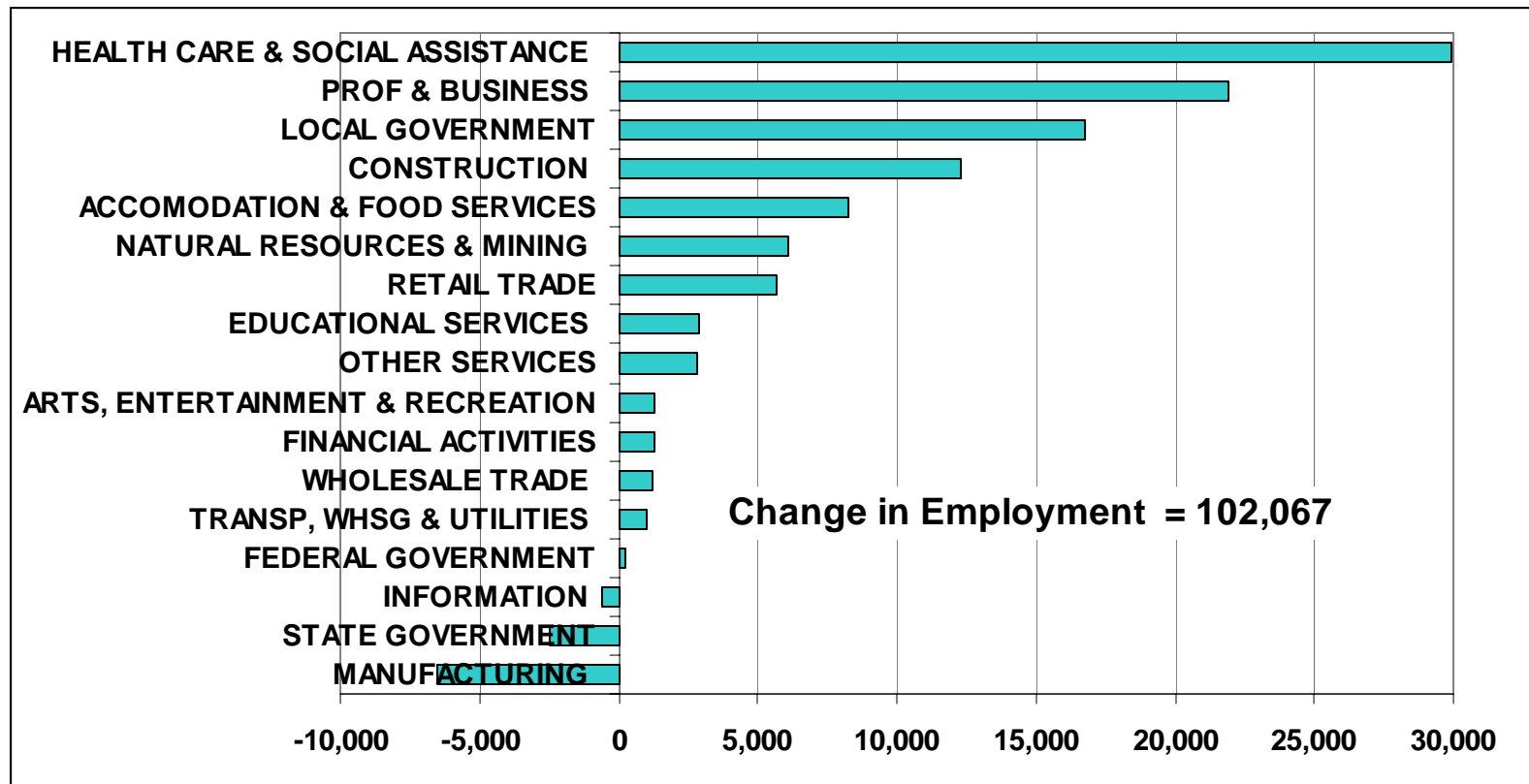
Quarterly Unemployment Rate US and New Mexico, SAAR



Source: Global Insight, Aug 09; BBER FOR-UNM, Aug 09

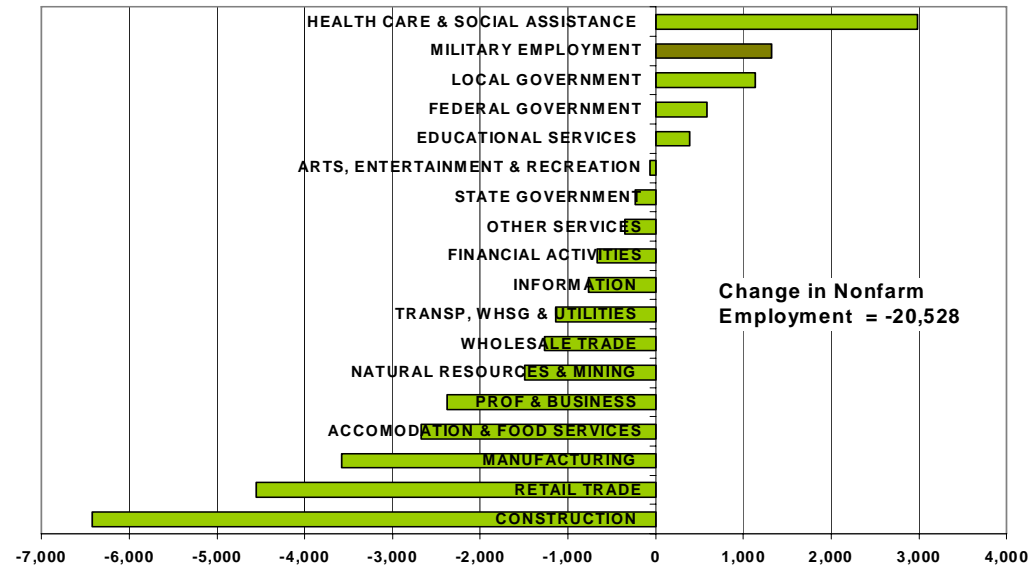
The Health Care and Social Assistance Sector has been critical to New Mexico employment growth over this decade.

Growth in NM Nonfarm Employment This Decade, 2000-08



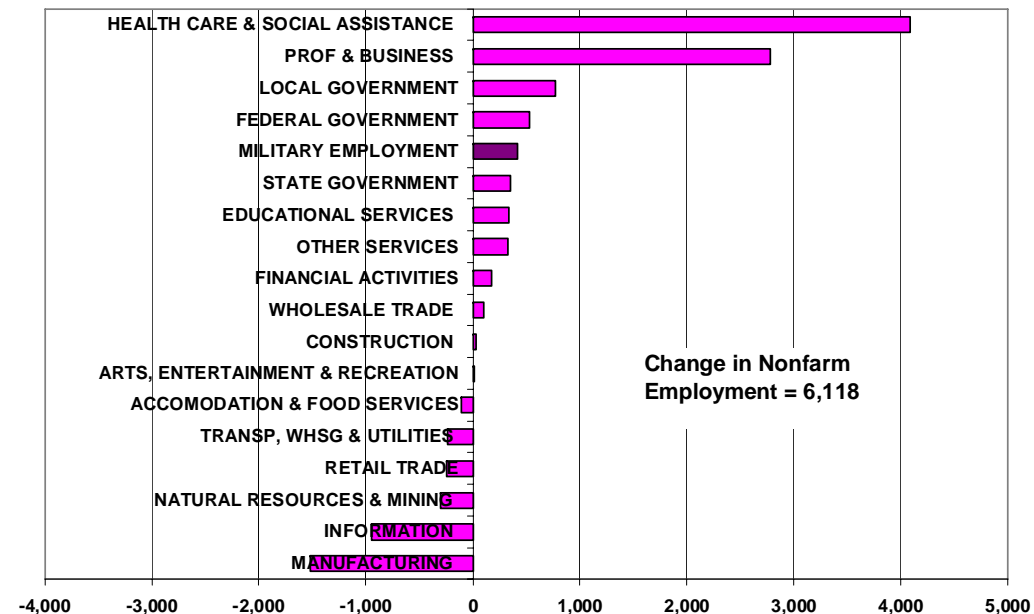
Health Care and Social Assistance is currently one of the only sectors that has employment growth.

**Change in New Mexico Employment
2008 to 2009**



And is forecast to be the leading sector in terms of job creation as move out of this recession

**Change in New Mexico Employment
2009 to 2010**



And stimulus package monies have been critical to maintaining employment in this sector.

The Stimulus Package: Health

*

Aid to States Help states with Medicaid costs

\$87.1 billion

Increase the federal government's contribution for Medicaid costs to help states close their budget gaps. The Senate favored a formula to distribute the money that is more beneficial to less-populous states, whereas the House voted for extra help for those that have experienced large increases in unemployment. The compromise bill splits the difference on formula changes between the House and Senate.

Unemployment Health coverage under Cobra

\$25.1 billion

Subsidize 65 percent of the cost of premiums for jobless workers to keep group health coverage for nine months. Such workers would otherwise have to pay 102 percent of premiums, including the employer's share. To be eligible, workers need to have been forced out of their jobs between Sept. 1, 2008, and Dec. 31, 2009. A provision in the House bill would have made Cobra health benefits available to workers on the job for more than 10 years and those over age 55 until they are eligible for Medicare, but it was not included in the final draft.

Incentives to Medicaid and Medicare providers to adopt health information technology

\$17.2 billion

Science and Research Provide additional financing to the National Institutes of Health for research and infrastructure

\$10.0 billion

Includes \$8.5 billion for research grants, in areas such as cancer, Alzheimer's, heart disease and stem cells, and \$1.5 billion to renovate research facilities.

Infrastructure Improve Defense Department facilities related to the quality of life

\$2.3 billion

Construct or repair child development centers, health clinics, barracks and dormitories.

Infrastructure Finance renovations and technology upgrade at community health centers

\$2.0 billion

Provide additional financing for the Office of the National Coordinator for Health Information Technology

\$2.0 billion

The Stimulus Package: Health, p. 2

Health Extend Transitional Medical Assistance program	\$1.3 billion
Extend the program, set to expire in June, through 2010. The program provides temporary health care coverage to families who have become ineligible for Medicaid because of increased earnings.	
Infrastructure Construct and repair veterans' hospitals and cemeteries	\$1.2 billion
Prevent cuts to health care providers	\$1.0 billion
Block Medicare payment cuts to teaching hospitals, hospices and long-term care hospitals. Apply prompt payment requirements to nursing facilities and hospitals participating in Medicaid.	
Science and Research Make grants to help prevent disease	\$1.0 billion
Includes hospital infection prevention programs, immunization programs and preventive health grants.	
Extend Qualified Individual Program	\$550 million
Extends the program to assist low-income individuals with Medicare Part B premiums through 2010. Medicare Part B helps cover medical services like doctors' services and outpatient care.	
Train primary health care providers, including doctors and nurses	\$500 million
Also help pay medical school expenses for students who agree to practice in underserved communities.	
Improve health services to American Indians and Alaska natives	\$500 million
Aid to Individuals Other Medicaid expansions	\$239 million
Includes a provision to eliminate cost-sharing for American Indians and Alaska Natives in Medicaid.	

By FARHANA HOSSAIN, AMANDA COX, JOHN McGRATH and STEPHAN WEITBERG, New York Times

http://projects.nytimes.com/44th_president/stimulus/health#

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Medicaid

According to the Governor's website, of the \$2.1 billion in State Administered Stimulus Package funding awarded and allocated to New Mexico, \$737.6 million has been for Medicaid. This flow of federal dollars is slated to end December 31, 2010.

Unfortunately, the federal stimulus package assistance for Medicaid will end before New Mexico fully comes out of this recession. Jobs will still be below the 08Q1 level.

Importance of Medicaid to the New Mexico economy

In 2008, the average employment in New Mexico's health care and social assistance industry was 101,500 and this industry accounted for 12.0% of total New Mexico nonfarm employment.

-- Data: New Mexico Department of Workforce Solutions

In 2004, New Mexico Medicaid Personal Health Expenditures accounted for over one quarter (25.45%) of the state's Personal Health Expenditures.

-- Data: US Dept Health & Human Services, Center for Medicare and Medicaid Services

Reliance on Medicaid Across New Mexico Counties

County	FFY 2008 Medicaid Eligibles			FFY 2008 Federal Medicaid			2007 Bureau of Economic Analysis		
	FFY Average Number	% of County Population	Rank	Federal Payments for		Rank	Federal & State Payments for		Rank
				Individuals	Per Capita		Individuals	Per Capita	
Bernalillo	116,968	18.0	24	556,026,739	853.3	26	749,807,000	1,164.3	27
Catron	481	12.2	31	4,040,158	1,025.7	24	2,475,000	631.0	32
Chaves	18,245	28.5	4	99,994,015	1,560.3	12	123,919,000	1,952.1	9
Cibola	7,304	25.3	9	-	-	33	46,599,000	1,616.0	19
Colfax	2,568	17.5	26	19,190,864	1,309.7	17	21,514,000	1,471.7	21
Curry	11,678	24.3	12	64,642,521	1,346.6	15	79,834,000	1,689.2	16
De Baca	444	19.4	21	4,040,158	1,768.9	10	4,451,000	1,952.8	8
Dona Ana	57,198	27.3	6	169,181,771	808.6	29	301,353,000	1,468.2	22
Eddy	12,240	23.1	14	71,207,835	1,346.0	16	88,089,000	1,672.3	18
Grant	6,678	20.8	19	45,956,734	1,431.1	14	62,751,000	1,965.6	6
Guadalupe	1,192	24.6	11	25,755,946	5,322.6	1	12,741,000	2,636.5	2
Harding	76	9.4	32	1,010,155	1,248.6	19	560,000	685.5	31
Hidalgo	1,147	19.2	22	7,575,237	1,267.2	18	10,523,000	1,758.3	15
Lea	13,608	22.8	16	65,652,676	1,099.5	21	104,627,000	1,788.9	12
Lincoln	3,972	17.1	27	13,130,628	565.1	31	27,536,000	1,208.6	25
Los Alamos	406	2.0	33	2,525,156	126.0	32	4,710,000	235.4	33
Luna	7,831	27.7	5	30,806,259	1,087.8	22	40,198,000	1,426.0	23
McKinley	28,322	35.2	1	197,967,951	2,462.7	4	140,950,000	1,764.0	14
Mora	1,061	19.1	23	27,271,179	4,920.8	2	12,661,000	2,293.6	3
Otero	10,183	15.1	29	45,451,888	673.6	30	64,486,000	963.8	28
Quay	2,549	24.8	10	19,695,710	1,913.9	8	20,177,000	1,964.1	7
Rio Arriba	12,627	28.6	3	132,820,353	3,007.3	3	90,087,000	2,051.2	5
Roosevelt	4,455	23.2	13	29,291,258	1,522.2	13	34,617,000	1,813.0	10
San Juan	20,868	22.0	17	135,850,355	978.3	25	99,932,000	1,190.9	26
San Miguel	28,683	26.2	7	127,265,194	2,379.1	6	153,491,000	2,855.4	1
Sandoval	8,191	16.3	28	74,238,069	1,061.9	23	88,611,000	807.9	30
Santa Fe	19,310	13.1	30	119,689,725	809.4	28	126,745,000	866.4	29
Sierra	2,844	20.4	20	22,725,944	1,631.1	11	29,079,000	2,109.4	4
Socorro	4,814	25.5	8	33,836,261	1,793.8	9	33,835,000	1,800.9	11
Taos	7,076	21.8	18	79,793,227	2,455.6	5	57,484,000	1,778.0	13
Torrance	5,591	31.2	2	21,210,943	1,183.4	20	29,994,000	1,680.3	17
Union	792	17.8	25	9,090,470	2,043.7	7	6,100,000	1,363.5	24
Valencia	17,846	23.0	15	63,127,520	814.1	27	121,061,000	1,597.0	20
New Mexico	437,722	21.0		2,320,062,899	1,115.4		2,790,997,000	1,358.9	

Sources: NM Human Services Dept, Monthly Statistical Reports, US Census Bureau, Consolidated Federal Funds Report, FY 2008, US Bureau of Economic Analysis, Local Area Personal Income and Employment, Personal Current Transfers

Economic Impact of Medicaid Spending on the New Mexico Economy

Estimated Impact of \$100 Million in Federal Medicaid Spending on the New Mexico Economy, 2009 \$

	Direct	Indirect	Induced	Total	Multiplier
Output	100,000,000	27,602,519	42,179,977	168,533,139	1.69
Employment	1,396	238	392	2,026	1.45
Labor Income	75,814,316	17,813,917	23,692,052	117,320,285	1.55

BBER estimates using IMPLAN, Sept. 2009

The Federal government has been paying roughly 71% as a match to the State's contribution. The total impact of the State spending \$100 million more (or reducing expenditure by this amount) is the impact of the total additional federal spending induced or withdrawn.

As the following table indicates, at a 71% match, the Medicaid employment Multiplier for State spending is about 3.5, meaning State expenditure of \$100 m will result in federal spending that supports almost 5,000 jobs.

Estimated Impact of \$100 Million in State Medicaid Spending on the New Mexico Economy, 2009 Dollars, Assuming Feds pick up 71%

	Direct	Medicaid Multiplier	Total Activity Supported
Output	\$100,000,000	4.10	\$410,220,772
Employment	1,396	3.53	4,932
Labor Income	\$75,814,316	3.77	\$285,565,308

BBER estimates using IMPLAN, Sept. 2009

Why only count the impact of federal portion? Basically, because New Mexico's increase (decrease) in State spending on Medicaid will mean reduced (increased) spending elsewhere. To finance a permanent expansion in Medicaid at a rate that exceeds the growth in recurring revenues, the State will have to either hold down spending in other areas or it will need to raise additional revenues, for example by increasing taxes or fees. Spending less on other programs means less direct, indirect and induced jobs supported by these programs. Raising fees and taxes means less discretionary income available to be spent on goods and services and the reduction in local demand will ripple through the economy. Cutting back on Medicaid will release monies for other uses – by the State or by individual households and businesses – and these other uses may be expected to have a positive, albeit much smaller, impact than the negative impact due to the reduction in federal spending on Medicaid.

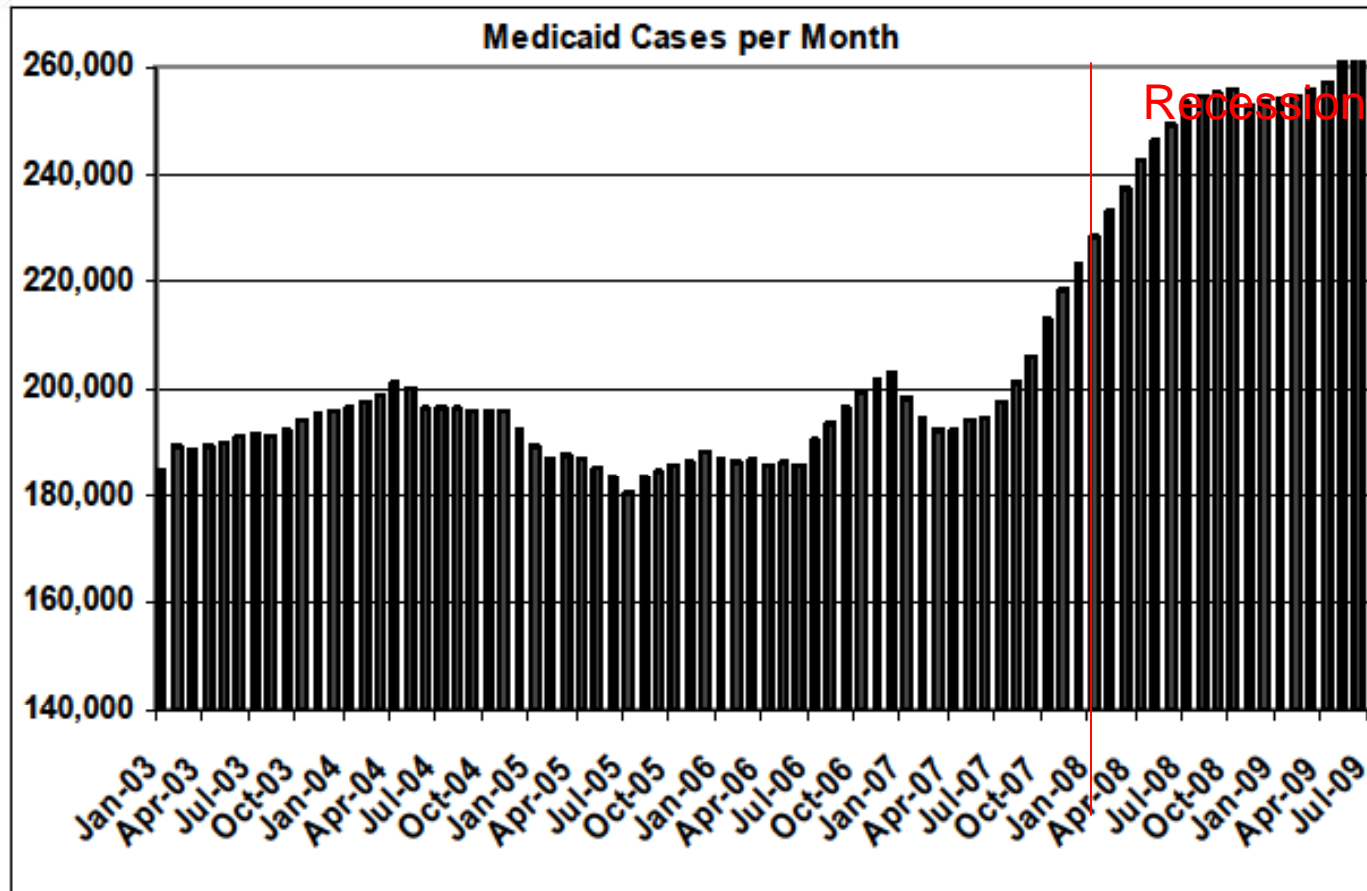
The impact of State spending on Medicaid is obviously greater if the federal government increases its match (or, as is the case with the stimulus package, assumes the burden of funding part of the state match). If the feds pay 79%, the Medicaid employment multiplier would increase to almost 5.5.

The federal stimulus dollars have enabled the State to maintain levels of General Fund expenditures in FY10 than would otherwise have been impossible while also meeting expanded needs for medical assistance.

According to the LFC Summary for the 2009 Session, “The federal stimulus package boosts the federal Medicaid assistance percentage (FMAP) approximately 8 percent retroactive to October, 2008. For FY09 this will trigger a general fund reversion of approximately \$150 million which contingent on enactment of HB920 will go to a special fund for future Medicaid appropriations. For FY10 the higher FMAP afforded a reduction in the general fund appropriation for Medicaid by \$166.5 million, mostly at HSD, but also for the Department of Health and the Children Youth & Families Department.”

Medicaid Program: Recent History

July 2009 Data



Note: Medicaid cases data include JUL Medicaid data starting in January 2001

Growth in Medicaid Caseload Jan 2006 to July 2009

Medicaid Category	Total Medicaid Cases by Category								Chg 1-06 to 7-09	
	Jan-06	Jul-06	Jan-07	Jul-07	Jan-08	Jul-08	Jan-09	Jul-09	Number	%
Medicaid Extension	505	501	484	489	483	491	482	542	37	7%
→ Children, and Low Income Families	136,821	138,876	146,156	140,128	161,229	170,731	167,742	171,864	35,043	26%
Post-JUL Medicaid	8,768	8,673	8,495	8,562	8,312	7,946	8,249	8,507	(261)	-3%
Special Medicaid Programs	25,560	26,195	26,571	27,291	28,350	29,593	30,730	31,383	5,823	23%
State Funded Special Medical Needs	2	2	2	2	2	2	2	2	-	0%
Institutional Care Medicaid	4,457	4,330	4,317	4,192	4,148	3,975	3,971	3,957	(500)	-11%
Home and Community-Based Waivers Medicaid	5,947	6,099	6,571	6,794	7,213	7,469	7,606	7,571	1,624	27%
→ Health Insurance Flexibility & Accountability (HIFA) Waiver (State Coverage Insurance)	4,631	5,624	5,418	10,168	18,835	33,249	35,036	46,926	42,295	913%
Total Medicaid Cases	186,691	190,300	198,014	197,626	228,572	253,456	253,818	270,752	84,061	45%

New Mexico Human Services Department, *Monthly Statistical Report*

Growth in Medicaid Caseload Jan 2006 to July 2009

Women, Children, and Low Income Families

Sub-Categories for Women, Children, and Low Income Families	Total Medicaid Cases by Category								Chg 1-06 to 7-09	
	Jan-06	Jul-06	Jan-07	Jul-07	Jan-08	Jul-08	Jan-09	Jul-09	Number	%
→ JUL Medicaid with Cash Assistance	11077	9957	8572	7729	7893	8519	9536	11207	130	1%
→ JUL Medicaid without Cash Assistance	18200	19852	21978	19888	22610	23680	23651	23407	5,207	29%
Full Coverage Medicaid for Pregnant Women	370	393	351	424	362	460	402	497	127	34%
Medicaid for Newborns	10034	9801	10799	11178	12497	13114	13792	13820	3,786	38%
→ Medicaid for Children (Up to 185% Federal Poverty)	58307	64420	71040	67676	79383	84919	85190	89413	31,106	53%
→ Medicaid for Children - SCHIP (Up to 235% Federal Poverty)	6097	4624	5382	5213	6414	6251	6501	5491	(606)	-10%
→ Medicaid for Family Planning (Up to 185% Federal Poverty)	27439	24152	22533	22153	26445	27695	22927	21958	(5,481)	-20%
Medicaid for Pregnancy (Up to 185% Federal Poverty)	5093	5442	5242	5571	5327	5795	5446	5768	675	13%
Medicaid for Breast Cancer and Cervical Cancer	204	235	259	296	298	298	297	303	99	49%
Total Medicaid Cases	136821	138876	146156	140128	161229	170731	167742	171864	35,043	26%

New Mexico Human Services Department, *Monthly Statistical Report*

HSD **Proposals** for Medicaid Cost Containment

Recognizing that federal stimulus Medicaid monies likely to end December 31, 2010,

- What is the amount of additional GF money needed to get us through State FY11? Sec. Hyde: \$200-300 million. How much needed will depend on:
 - The economic recovery and State revenue growth
 - Whether the feds decide to extend the deadline
 - Amount of monies the State has available to meet this contingency
 - Priority given to funding Medicaid vs. other needs.
- When should start implementing?

HSD Proposals for Medicaid Cost Containment

Very useful to have delineated the array of options, with specific examples and estimates of cost savings.

Others can speak more eloquently to needs.

New Mexico is a poor state with limited resources. My concern, based on research over the years, is with maintaining access to needed care. Need to be mindful of costs and of how the costs to individuals and to society will escalate if care is denied or postponed or ends up in an emergency room visit. Pregnant women, for example, should have access to prenatal care as early as possible. Getting diabetes diagnosed and under control is another example, as is the need to deal with problems of obesity, of substance abuse...

Access in NM means a heavy reliance on Medicaid and it means having providers able and willing to take Medicaid patients and accept Medicaid reimbursement.

Issues in New Mexico

- Shortage of medical personnel, primary care, general surgery, certain specialties like neurology.
- Sparsely populated state with great distances between population centers. Medical resources particularly thin in rural areas.
- Existing providers are getting older.
- As is true elsewhere, population here is aging and will require more medical services.

Positives: Expansion of network of community health centers

Have a fragile system of care, particularly in rural areas.

Licensed Physicians Active in Patient Care, 2006 versus 2001

County	2006			2001		
	2006 Population	Total Active Patient Care FTE Physicians	Physician FTE 1000/Population	2001 Population	Total Active Patient Care FTE Physicians	Physician FTE 1000/Population
BERNALILLO	628,188	1,489.7	2.37	562,458	1,286.2	2.29
CATRON	3,824	0.6	0.16	3,512	2.6	0.74
CHAVES	63,166	97.3	1.54	60,301	75.1	1.25
CIBOLA	28,683	25.0	0.87	25,888	12.0	0.46
COLFAX	14,540	17.1	1.18	14,140	16.3	1.15
CURRY	46,666	49.8	1.07	44,229	39.1	0.88
DE BACA	2,271	1.4	0.62	2,138	1.0	0.47
DONA ANA	198,625	247.1	1.24	176,790	183.1	1.04
EDDY	52,449	60.3	1.15	51,067	44.9	0.88
GRANT	31,733	47.1	1.48	30,722	44.8	1.46
GUADALUPE	4,821	3.0	0.62	4,602	4.4	0.96
HARDING	814	0.0	0	772	0.0	0
HIDALGO	5,960	1.9	0.32	5,612	0.9	0.16
LEA	58,175	56.4	0.97	55,149	38.5	0.7
LINCOLN	22,523	27.9	1.24	19,730	24.0	1.22
LOS ALAMOS	19,906	48.0	2.41	17,798	43.5	2.44
LUNA	27,844	25.0	0.9	25,002	21.2	0.85
MCKINLEY	79,781	99.5	1.25	75,032	69.3	0.92
MORA	5,472	0.9	0.16	5,236	2.7	0.52
OTERO	66,027	57.9	0.88	60,747	42.1	0.69
QUAY	10,208	4.7	0.46	9,829	8.7	0.89
RIO ARRIBA	43,530	45.4	1.04	40,772	32.1	0.79
ROOSEVELT	18,858	18.7	0.99	18,120	8.8	0.49
SAN JUAN	127,618	141.4	1.11	93,883	56.5	0.6
SAN MIGUEL	30,817	47.8	1.55	115,380	99.8	0.86
SANDOVAL	111,493	64.3	0.58	30,156	39.3	1.3
SANTA FE	147,409	269.4	1.83	130,915	249.1	1.9
SIERRA	13,726	8.0	0.58	13,188	17.6	1.33
SOCORRO	18,656	11.9	0.64	17,856	9.3	0.52
TAOS	32,127	40.6	1.26	30,353	35.5	1.17
TORRANCE	18,302	9.5	0.52	16,792	3.9	0.23
UNION	4,470	3.0	0.67	4,022	3.0	0.75
VALENCIA	71,888	21.8	0.3	66,955	18.5	0.28
NEW MEXICO	2,010,570	3,100.3	1.54	1,829,146	2,533.5	1.39

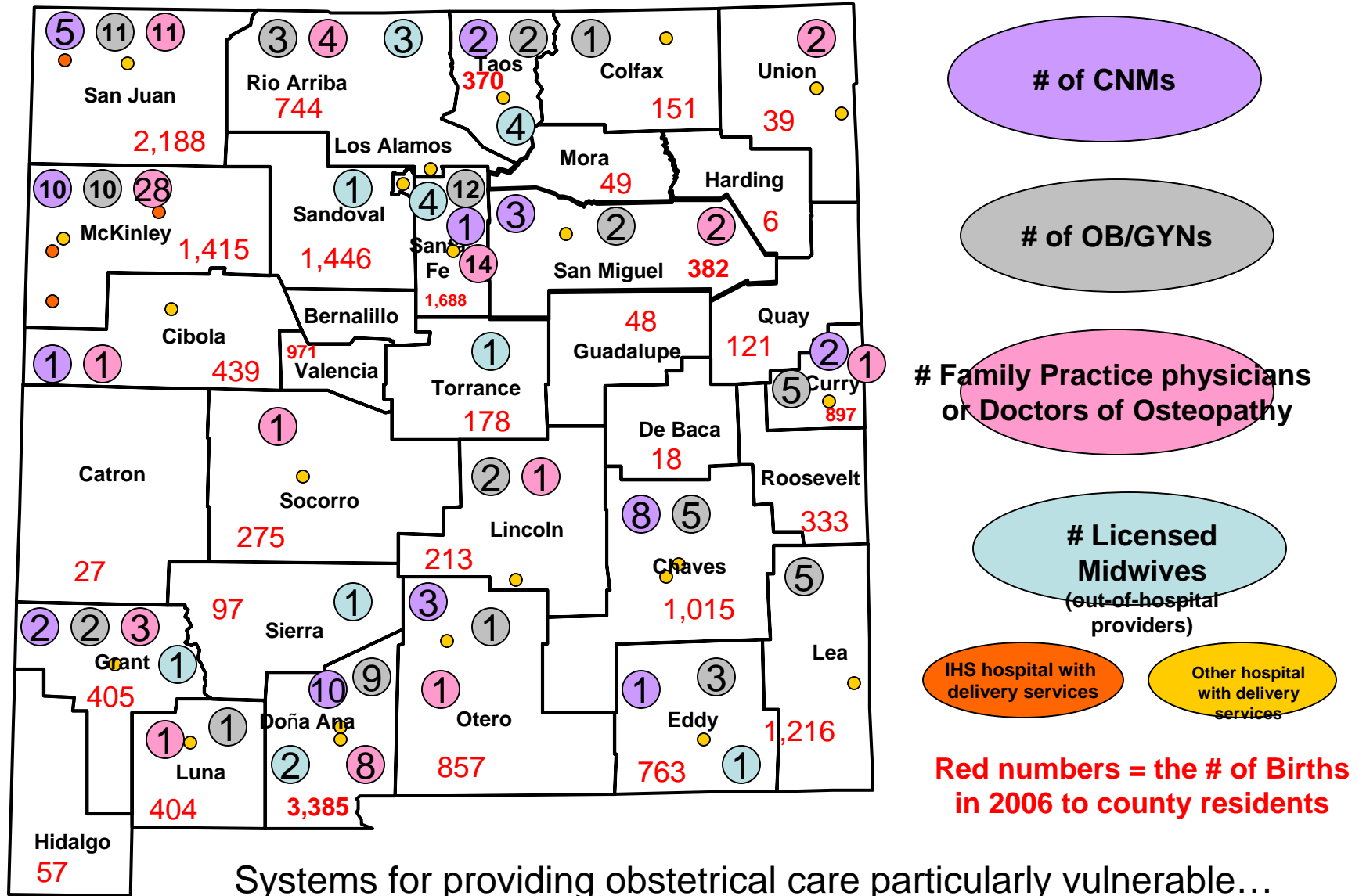
New Mexico Health Policy Commission, 2007

All counties are below the 2.42 physicians per 1000 national benchmark. Estimates that NM shortage of primary care physicians 400 plus.

Availability of Obstetric Services in 2008

Bernalillo Co. had **9,633 births to residents** in 2006, and in 2008 has 60 CNMs, 70 OB/Gyns, 79 Family Practice doctors or Doctors of Osteopathy, and 7 LMs attending births, and 3 hospitals that provide birthing services.

Los Alamos Co. had **178 births to residents** in 2006, and in 2008 has 1 hospital and 1 CNM and 1OB/GYN attending births.



Thank you.