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State's Medicaid Program Plans New Direction, "Working Smarter"

Santa Fe, New Mexico – January 27, 2003 – Governor Bill Richardson supports funding the state's Medicaid program so there will be no rollbacks in access or services in Fiscal Year (FY) 2004. Medicaid provides healthcare to 391,417 low-income children and poor and disabled adults. In FY 2003, which ends June 30, Medicaid will spend about \$384 million in General Fund dollars. When matched with federal dollars, \$1.9 billion goes to Medicaid funded services. For FY 2004, an additional \$80 million in General Fund dollars is needed to keep Medicaid operating at its current rate. This takes into consideration increasing health care costs and rising enrollment (expected to be almost ten percent in FY 2004) for the entitlement program.

"The governor is giving the department a year to look closely at Medicaid and determine where changes can be made that make sense," said Pamela S. Hyde, Human Services Department Secretary-Designate. "As part of this directive, I've asked the Medical Assistance Division to look at options for maximizing the federal funding formulas for Medicaid, which go as high as a one-to-four-dollar federal match for children's health insurance. I also want to work with the State Legislature to find ways to save precious Medicaid dollars." Hyde's requests support the Governor's agenda of bringing more money into the State of New Mexico.

Below are just some of the initiatives that emphasize the "Working Smarter" direction Medicaid will take over the next year:

- Improve the \$80 million Pharmacy program that provides prescription drugs to about one-third of the Medicaid clients who are not under *Salud!* managed care. This includes creating a preferred prescription drug list for fee-for-service clients and

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working with the State Agency on Aging to develop a prescription drug program more responsive to seniors.

- Increase the amount of Medicaid dollars recovered through fraud, waste and abuse. For years, it has been accepted, nationally, that about 10 percent of Medicaid dollars are lost through intended or unintended misuse of the often-complicated program. The Department will focus on minimizing waste in the State's Medicaid program.
- Better utilize federal matching funds to increase the overall money available within the State's health care industry. Supporting school-based health services and making access to services easier will increase the amount of federal Medicaid money coming into the State utilizing existing General Fund dollars already appropriated.
- Form an interdepartmental Medicaid Work Group, consisting of representatives from State agencies that are involved in providing Medicaid services, to identify operational and policy areas that can be streamlined and improved. This Work Group will include the Departments of Health; Children, Youth and Families; Education; and the State Agency on Aging.
- Work with Lieutenant Governor Diane Denish's office and the Children's Cabinet to identify areas where Medicaid services can be redesigned to better meet the needs of New Mexico's children.
- Explore use of disease management approaches to provide better care and save unnecessary expenditures for persons with asthma, diabetes, depression, and other on-going conditions or disorders.
- Work with the three Medicaid managed care companies (MCOs) to hold the line on increasing costs of care and secure better results by implementing improved performance and outcome requirements in MCO contracts.

In addition to initial Working Smarter initiatives, HSD will soon begin discussions with stakeholders and Legislators about how the Medicaid program should be designed in the future, including how care should be managed, how services should be defined, and how specialty services such as behavioral health should be structured and provided in the future. These discussions will include ideas about how to achieve Governor Richardson's future goal of assuring that no New Mexicans are uninsured.