

# The Impact of Medicaid and Pension Payouts on Budget & Ideas for Reform

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Rio Grande Foundation

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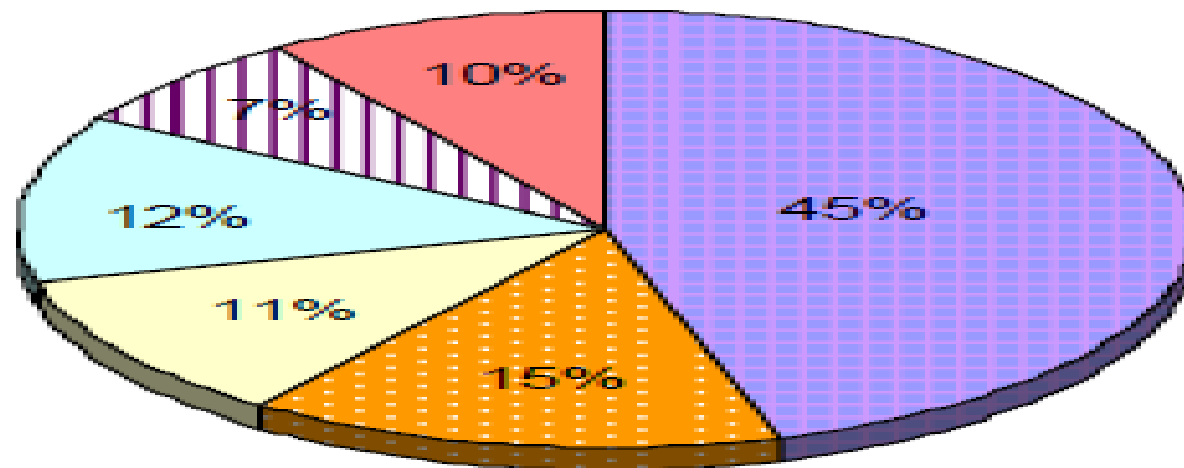
# What is the Rio Grande Foundation?

New Mexico's only Free Market think tank,  
(501c3), non-partisan, but we consistently  
promote ideas of individual liberty and  
freedom here in NM;



# How Pervasive is Medicaid?

**FY11 Recurring General  
Fund Appropriation:  
\$5.35 Billion**



- Public Education
- Higher Education
- Medicaid
- Other Health & Human Services
- Public Safety
- All Other Government

# Put Another Way

- New Mexico Medicaid spending totaled roughly \$2.77 billion for FY07 and constituted almost 22 percent of all spending by the state;
- Slightly less than 20 percent of this amount (\$690 million) was drawn from state funds. The remaining 80 percent, or nearly \$2 billion, was federal funding.

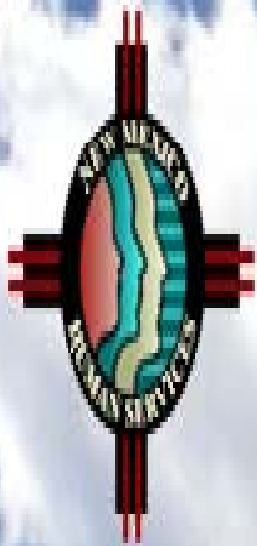


## New Mexico Medicaid Appropriations



○ Total Medicaid Expenditure (Including Federal)  
■ State General Fund Contribution





# NEW MEXICO HUMAN SERVICES DEPARTMENT

*Serving 1 in 3*



SITE MAP



SEARCH

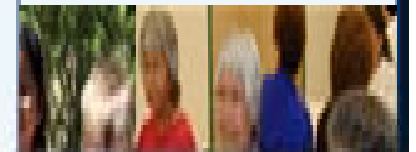
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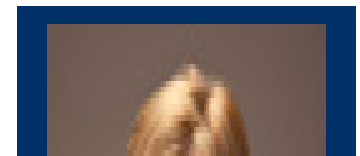
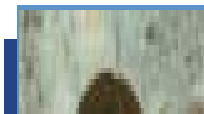
Contacts

Working At HSD



HSD Contacts for support and assistance

NEW MEXICO

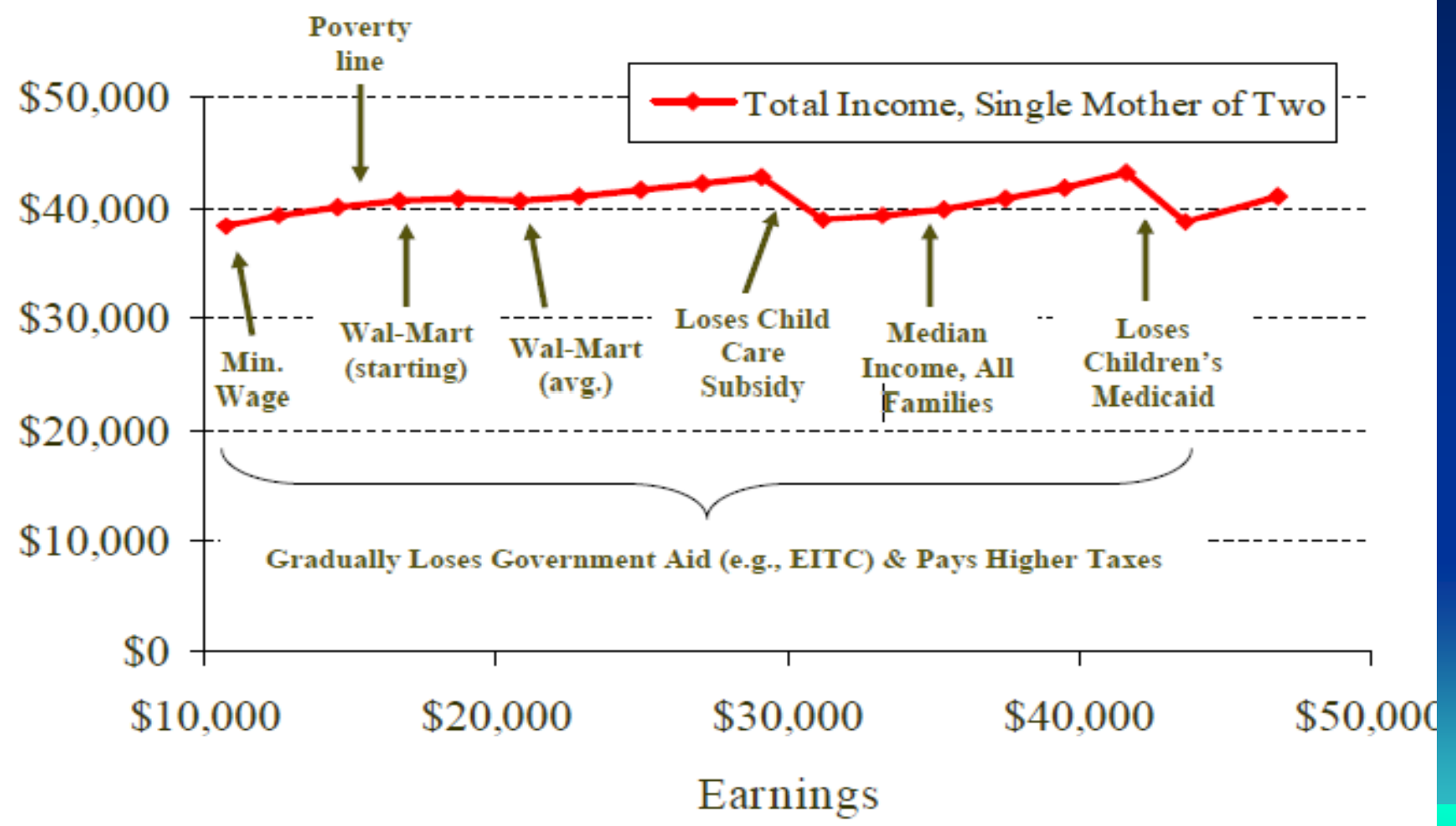


# Medicaid as Economic Development?

- According to NM Voices for Children:  
“Federal Medicaid funds have a ‘multiplier effect.’ and the program is ‘an integral part of New Mexico’s economy.’”
- The program is not an economic development program despite statements to the contrary. New Mexicans pay federal taxes and face the same federal debt-related issues as citizens of other states;
- If government programs have a “multiplier effect,” what is the multiplier associated with leaving money in peoples’ pockets? After all, no one knows better how to spending money than an individual.



# New Mexico's Low-Wage Trap



# Medicaid Reduces Private Options

- Medicaid “crowds out” private insurance;
- Employers are less likely to offer/contribute;
- Employees less likely to enroll—Insurers less able to pool risk;
- Increases prices for private purchasers—cost-shifting.



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# Mandatory in New Mexico

## Covered Services

Alcoholism  
Birthing Centers/Midwives  
Bone Mass Measurement  
Breast Reconstruction  
Cervical Cancer/HPV Screening  
Clinical Trials  
Contraceptives  
Diabetic Supplies  
Drug Abuse Treatment  
Emergency Services  
Home Health Care  
In Vitro Fertilization  
Mammogram

Mastectomy  
Mastectomy (Hospital) Stay  
Maternity  
Maternity (Hospital) Stay  
Mental Health Parity  
Newborn Hearing Screening  
Off-label Drug Use  
Other Infertility Services  
PKU/Formula  
Prostate Screening  
TMJ Disorders  
Well-Child Care

## Covered Providers

Acupuncturists  
Chiropractors  
Dentists  
Lay Midwives  
Nurse Anesthetists  
Nurse Midwives  
Nurse Practitioners  
Optometrists  
Osteopaths  
Physical Therapists  
Podiatrists  
Psychologists

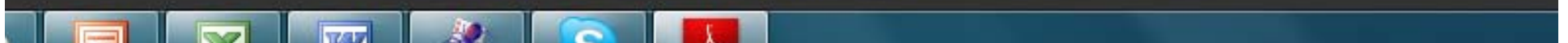
## Covered Persons

Adopted Children  
Continuation/Dependents  
Continuation/Employees  
Conversion to Non-Group  
Dependent Students  
Handicapped Dependents  
Newborns  
Non-Custodial Children

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# Health Insurance Regulations

- Mandated Benefits
  - New Mexico: 45
  - National average: 37
- Price controls
  - NM: modified “community rating”
  - Reduces coverage



# Broad-based Reform Ideas

- Create a health insurance free-trade zone;
- 39 states have fewer mandates than NM;
- States w/fewer mandates and no price controls include Arizona, Colorado, Kansas;



# Use Health Savings Accounts to Restore Personal Responsibility

- In return for a significant amount of flexibility, Rhode Island has offered to let the federal government cap its Medicaid contribution to the state for the next several years. As part of the deal, Rhode Island would not have to spend more than 23% of its state budget on Medicaid/
- Basically, this is a “block grant,” which is what made welfare reform successful.



# Long Term Care

- Long term care accounts for 35 percent of Medicaid expenditures on average. An entire industry of Medicaid planners uses both simple and sophisticated techniques to protect additional hundreds of thousands of dollars for affluent clients and their heirs;
- Most of these people are not the poor. In fact, Medicaid discourages at least two-thirds of seniors from buying their own insurance. So, rather than planning for long-term care, these people, due to perverse government incentives, are now costing New Mexico (and federal) taxpayers millions of dollars annually.



# What Can Be Done?

- New Mexico legislators can prevent this waste of money from occurring, but they have to resolve to stop middle- and upper middle-class seniors who are gaming a system designed for the truly indigent (claw-backs).
- Previously, RGF has hosted Stephen Moses from the Center for Long Term Care Reform.



Thoughts/Questions?





# RIO GRANDE FOUNDATION

LIBERTY • OPPORTUNITY • PROSPERITY

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