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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/09

SPONSOR Lujan, B. LAST UPDATED \_\_\_\_\_ HB 511

SHORT TITLE Hospital Clinical Lab Testing Use Project SB \_\_\_\_\_

ANALYST Chabot

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$200.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Health (DOH)

New Mexico Health Policy Commission (HPC)

### SUMMARY

#### Synopsis of Bill

House Bill 511, Hospital Clinical Lab Testing Project, appropriates \$200 thousand from the general fund to DOH for the purpose of funding a demonstration project intended to reduce laboratory testing within hospital settings in New Mexico. Use of contracts and obtaining matching federal funds and private funds are authorized in the bill.

### FISCAL IMPLICATIONS

The appropriation of \$200 thousand contained in this bill is a one-time nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2011 shall revert to the general fund.

The LFC submitted a balanced general fund appropriation recommendation for fiscal year 2010. Any additional general fund expenditures appropriated by the Legislature must be off-set by an equal amount from the appropriation recommendation.

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

## **SIGNIFICANT ISSUES**

DOH states “Unnecessary laboratory testing is common in many parts of the healthcare system. There exists great variation in the type and number of laboratory tests ordered by different providers for patients with similar conditions. Unnecessary laboratory tests increase the cost of health care, may cause discomfort for the patient, and are not seen as improving health care. This issue has been studied in several hospital settings, and several strategies found to decrease unnecessary testing include: not allowing standing orders for patients admitted with some medical conditions; monitoring patterns of lab testing and providing feedback to providers; and using technology such as electronic ordering of tests and medical records that can help guide clinical decision-making and that allow providers to see what tests have already been completed.” Oversight of hospitals with clinical laboratories is by the federal Centers for Medicare and Medicaid Services. The Clinical Laboratory Improvement Amendments are used for federal oversight to ensure accuracy and reliability of test results. DOH assists clinical laboratories in hospitals to set minimum standards of testing.

HPC states spending on laboratory services accounts for only 2.3 percent of health care expenditures and 2 percent of Medicare expenditures. The Center for Disease Control and Prevention commissioned a research group to do a study concerning laboratory testing.

## **ADMINISTRATIVE IMPLICATIONS**

DOH would serve as the lead agency and would have to develop standards for the project and monitor contracts with the clinical laboratories.

## **POSSIBLE QUESTIONS**

1. Why is this appropriation necessary?
2. What additional oversight of clinical laboratories is required?
3. Can the efforts of the CDC or similar efforts in other states be used to minimize the scope and cost of the project in New Mexico?

GAC/svb