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FISCAL IMPACT REPORT



SPONSOR: Picraux DATE TYPED: 02/07/02 HB HJM 80

SHORT TITLE: Interagency Benefits Advisory Committee SB _____

ANALYST: Carrillo

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
		\$300.0	Indeterminate See Narrative	Non Recurring	Other State Funds

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Relates to Appropriation in The General Appropriation Act Public School Insurance Authority, Retiree Health Care Authority, General Services Department, Public School Support

Duplicates/Conflicts with/Companion to/Relates to SJM42, SJM21, SJM5, HJM8, SB219, HB175, HB200, HB262, HB420, HJM49, SB91, and SB236

SOURCES OF INFORMATION

Public School Insurance Authority (PSIA)
 Retiree Health Care Authority (RHCA)
 General Services Department (GSD)
 Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

House Joint Memorial 80, Interagency Benefits Advisory Committee (Public School Insurance Authority, Retiree Health Care Authority, General Services Department/Risk Management Division, and Albuquerque Public Schools) requests the Interagency Benefits Advisory Committee to:

- (a) consolidate its administrative functions
- (b) standardize data management and exchange
- (c) contract with an external, independent benefits consultant or consolidation expert to develop an implementation plan
- (d) contract for one base benefit plan that provides each agency with cafeteria plan-type options

- (e) contract for a common pharmacy plan with a formulary
- (f) contract for a state-run plan that includes a consolidated internally operated administration
- (g) present a status report on consolidation and standardization to an appropriate interim committee by September 1, 2002
- (h) ensure implementation of the consolidation and standardization plan by July 1, 2003
- (i) work with the Human Services Department and the Health Policy Commission on a comparison of benefits available under (1) the entire state Medicaid program and (2) the IBAC group health benefits programs. Findings will be presented to the Legislative Council or the Legislative Finance Committee on September 1, 2003.

Significant Issues

According to the Retiree Health Care Authority (RHCA), the memorial seeks to create efficiency in publicly funded health care programs through consolidations and standardization of common administrative functions currently performed separately by the agencies. Each agency retains its responsibility to determine policy directions of the benefit plans, plan development, training, and coordination with respect to participants and its benefits staff, as well as establishing and enforcing its respective eligibility rules.

Public School Insurance Authority (PSIA) staff comments:

The memorial concludes that the need for consolidated administration and standardized data has been well documented by previous studies. PSIA disagrees that prior studies have proved conclusively that more effective and less costly administration would result from consolidation of these functions. We would expect the new study to provide both a comprehensive review of previous material and recommendations on the effectiveness and efficiency of combined administration. Only upon that recommendation being reached would the implementation plan for consolidated administration be developed.

PSIA agrees with the value of a consolidated data warehouse for claims utilization analysis and eligibility transfer. PSIA utilizes RHCA for the standardization of transmission of eligibility data to the carriers. PSIA claim data is being transferred to the RHCA claim repository. The collective intelligence resulting from full participation in this approach by all IBAC entities will increase our leverage in negotiations.

The requirement for the agencies to contract with an independent benefit consultant to develop an implementation plan for consolidation presents a problem for PSIA. The RFP process and resulting contract award to a consultant is a time consuming and costly process. The RFP responses by consultant for the consolidation study required by Laws 2001, Chapter 351 ranged from \$78.4 to over \$250.0. That scope of work was not as complex as the study/implementation plan proposed under HJM 80. PSIA 's budget does not include any amount to pay for its share of this new study.

Through the Health Care Purchasing Act, the IBAC entities have already adopted nearly uniform benefit plan designs through the offering of three medical plans in each region of the state through five separate managed care organizations. If the intent of this language is

to change from a multi-plan offering to one state wide plan, competition is reduced and costs may increase, as noted in the Lewin study (January 29, 1997).

All agencies currently utilize the same pharmacy benefit manager (PBM) for the carve-out prescription program with the same formulary. There are differences in co-pays between the active employees' plans and the retirees' plan.

An RFP (in compliance with the Procurement Code) could be issued in advance of the effective date of this memorial. Selection of the consultant, issuing of the contract, clarification of the scope of work and analysis would need to be done on a highly accelerated timeline in order to have any meaningful status report by September 1, 2002.

The memorial requires implementation of consolidation of administration, data warehouse, and plan standardization by July 1, 2003 a very short time frame. A shortcoming in the Talbot, Inc., study was the short time frame.

An implementation timetable could be developed by the consultant which would allow for testing, parallel administration, issuance of any RFPs, new contractual arrangements, governing board approvals, and statute changes (modifications to the enabling legislation for PSIA and RHCA).

The General Services Department (GSD) staff notes five major technical concerns with the memorial:

- It is beyond the scope of a memorial
- It conflicts with the substance and time requirements of Section 13-7-7 NMSA 1978 (Consolidated Administrative Functions)
- It conflicts with statutory authority of the IBAC entities
- It directs IBAC to contract for specific services in violation of the separation of powers doctrine
- IBAC is not a legal entity with authority to enter contracts

GSD staff also states the major substantive concern is that the study performed by an independent consultant (Talbot, Inc.) pursuant to Laws 2001, Chapter 351 (expanding the Health Care Purchasing Act) concerning possibilities for consolidation of administrative functions confirms the conclusions of previous studies conducted by the Department of Insurance and the New Mexico Health Policy Commission: ***there would be no cost savings by consolidating administrative functions beyond a data warehouse for claims analysis.***

Health Policy Commission (HPC) staff notes the need for consolidated administration and standardized data has been well documented, as presented by numerous persons to various (legislative) interim committees. The federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) mandates the standardization of electronic health care information and communication. The memorial does not designate where consolidated administrative functions should be housed. Consideration should be given to an agency with experience with both the retiree and active employee populations.

The HPC further comments the purpose of the Health Care Purchasing Act is to ensure public employees, public school employees and retirees of public employment and the public schools access to more affordable and enhanced quality of health insurance through cost containment and savings effected by procedures for consolidating the purchasing of publicly financed health insurance. New Mexico taxpayers fund health care payers and providers that produce volumes of data, yet useful health care information for fiscal and policy planning remains limed or unavailable.

FISCAL IMPLICATIONS

RHCA staff notes there is no direct appropriation for any of the costs associated with the consultant. The cost for this contract is estimated to be approximately \$300.0.

PSIA staff explains past studies have not shown substantive savings for common administration. Participation in a data warehouse will have a small fiscal impact if RHCA is used; significantly more if a private data analysis firm is used. In kind support by PSIA staff to participate in another study and involvement in an implementation plan will require an estimated 30 percent time commitment by agency staff. The consultant contract is estimated at \$300.0. There is no appropriation for any of these increased costs.

GSD staff comments the IBAC entities already have incurred additional expense in the study by Talbot, Inc. HJM80 would require an expenditure of \$300.0, not included in the FY03 IBAC agencies appropriations.

GSD explains the use of the Benefit Management System (BMS) to track enrollment data. The BMS interfaces with the integrated human resources/payroll system (HRS) housed in the Department of Finance and Administration (DFA). The cost to conform that system could be significant, depending on the extent to which administrative functions would be consolidated.

ADMINISTRATIVE IMPLICATIONS

GSD staff notes the requirements of HJM 80 could be significant (based on the time requirements of the study required by the Laws 2001, Chapter 351) and would have a negative impact on management of the remaining risk management programs.

CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

GSD included the following conflicts in their analysis:

- (1) Section 13-7-7 NMSA 1978 (Consolidated administrative functions)
- (2) The individual IBAC entities statutory mandates
- (3) The separation of powers doctrine gives authority to establish broad policy to the legislative branch and leaves the details of policy implementation to the executive branch.
- (4) The contracting requirement on page 3, lines 13 through 25 conflict with that basic premise of a 3-branch government system. Also, IBAC is not a legal entity with authority to sign contracts as required in that language.

The memorial relates to:

- SJM 42, State Health Care Reorganization
- SJM 21, Cabinet Level Department for Medicaid

SJM 5, State Government Organizational Study
HJM 8, Stat Government Organizational Study
SB 219, Consolidate Purchasing of Health Care
HB 175, Tobacco Settlement to Retiree Health Care
HB 200, Senior Prescription Drug Program
HB 262, Dental & Eye Care Coverage Exemption
HB 420, Senior Prescription Drug Program
HJM 49, Study Multistate Purchasing Cooperatives
SB 91, Senior Prescription Drug Benefit
SB 236, Group Insurance Contribution

TECHNICAL ISSUES

PSIA suggests:

On page 2 delete lines 24 and 25

On page 3 delete line 1

On page 3 on line 7 insert the word “appropriate” after the word “of

On page 3 on line 8 insert the phrase, “as identified by an independent benefits consultant or consolidation expert” after the word “functions”

On page 4 line 7 after the word “by” strike the remainder of the line and insert in lieu thereof, “the date identified in the implementation plan but no later than July 1, 2004.

HPC staff suggests including a statement referencing HIPAA’s state compliance requirement to “administration simplification” provision.

OTHER SUBSTANTIVE ISSUES

GSD staff comments the Talbot, Inc., report (dated September 28, 2001) makes the following recommendations:

Eligibility and Enrollment. The study did not indicate any cost savings for these processes, and “recommended the current arrangement be continued.”

Member Communications. The member communications committee said “further consolidation of communications does not seem to be indicated.” The project manager recommendations was “continue to standardize the processes and benefits of all the agencies”.

Claims Analysis. The claims analysis committee recommended “that evaluation of the claims repository continue as a function of the IBAC with the possible future release of a request for proposal (RFP), or the development of any already existing capabilities.” The project manager recommendation was “that the agencies participate in the data warehousing plans already underway in the RHCA data warehousing system.”

GSD comments all four IBAC entities conducted an RFP for health benefits and each signed the one resulting contract. Each IBAC entity has an independent external benefits consultant. One IBAC entity contracts for enrollment and eligibility services while the remaining three IBAC entities perform enrollment and eligibility functions in-house.

PSIA staff notes a consolidated data warehouse will provide a credible database to assist the IBAC in analyzing utilization trends, outcomes, and regional variations in medical care and costs.

WJC/prr:njw:ar