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FISCAL IMPACT REPORT

SPONSOR: Picraux DATE TYPED: 03/13/03 HB 953

SHORT TITLE: Health Care Purchasing Act Consolidation SB _____

ANALYST: Geisler

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|----------------------|----------------------|---------------|
| FY03 | FY04 | FY03 | FY04 | | |
| | | .01 See Narrative | .01 See Narrative | | |
| | | | | | |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Responses Received From

New Mexico Public School Insurance Authority (PSIA)
 Retiree Healthcare Authority (RHCA)
 General Services Department (GSD)
 Albuquerque Public Schools (APS)

SUMMARY

Synopsis of Bill

This bill requires the four Interagency Benefit Advisory Committee (IBAC) agencies (PSIA, RHCA, the Risk Management Division of GSD, and Albuquerque Public Schools) that participate in the consolidated purchasing process to consolidate “all administrative functions necessary for the consolidated purchasing single process” by December 31, 2003.

Significant Issues

A 2002 study on this issue presented to the Legislative Finance Committee suggested that program efficiencies and effectiveness could be achieved through collaborative elimination of administration redundancies including:

1. enrollment of eligible participants
2. maintenance of eligibility data
3. transmission of eligibility data to health plan administrators
4. eligibility data security
5. collection and analysis of medical and prescription claims utilization
6. participant communications

In addition, 3 studies have been completed to evaluate the benefits of consolidation and identify possible administrative savings (including contractor services). These studies were conducted by the Lewin Group (through the Health Policy Commission) in January of 1997, the Department of Insurance in October of 1994, and by the Interagency Benefits Advisory Committee (IBAC) in September 2001. Each of these studies has confirmed that there could be savings from combining administrative functions.

There is no consolidated IBAC position on this bill. Each IBAC agency has a unique population they serve and their own concerns with management of their programs. All are interested in reducing cost growth, but each wants to protect their ability to provide quality services to state employees, teachers, and retirees. Individual IBAC agency views on the bill are below:

PSIA opposes this bill and reports that the issue of administrative savings has been studied in the past, and the savings would not be substantial. They believe too much could be sacrificed in terms of the ability of schools and employees to control their benefits program. PSIA does support a consolidated data warehouse for collection and analysis of medical and prescription claims utilization.

The RHCA believes that further consolidation of administrative functions will likely increase efficiency and effectiveness. For example, a consolidated medical/prescription claims data warehouse would provide a credible database to assist the agencies in their decision-making; a central eligibility system would also increase efficiency and effectiveness.

APS is opposed to the bill. They are moving towards an automated human resources process and do not want to combine administrative functions relating to eligibility with other IBAC members.

GSD believes they would be the best agency to handle consolidated functions. They provide that they are the only IBAC agency with an automated processing system. The retirees under the RHCA and employees of the APS send in paperwork for manual processing at RHCA and APS respectively. The PSIA pays a 3rd party administrator nearly \$1 million a year to process the hardcopy paper applications sent in by school districts other than APS.

GSD has an automated Benefits Management System (BMS) to handle processing for state agency and local public body enrollees. GSD is in the process of converting from data entry at agency human resources offices to an internet web-based process, which is scheduled for state-wide implementation on July 1, 2003. **According to GSD, if administrative consolidation were placed under GSD, other IBAC agencies could be handled like local public bodies are now, and they could realize substantial savings. (See proposed amendment).** If administrative functions were removed from GSD and consolidated under another entity, GSD would have to maintain its current automated system because it is the core of the group benefits program.

FISCAL IMPLICATIONS

The NMPSIA estimates that a consultant contract to assist in the project would cost approximately \$300.0. GSD provides that if consolidation were to take place under their automated system, the cost to the other IBAC agencies would be less than NMPSIA's current 3rd party contract for almost \$1 million a year and the cost of in-house processing at APS and RHCA. If consolidation were specified under GSD, a fee to cover the cost (including any additional staff needed) to administer those agencies' administrative processes would be developed.

ADMINISTRATIVE IMPLICATIONS

Consolidation would require significant staff time to implement by 12/31/03.

AMENDMENTS

GSD recommends:

On page 2, lines 7 and 8, delete the underscored language and insert "as a single process under the risk management division of the general services department".

GGG/yr