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FISCAL IMPACT REPORT

SPONSOR: HGUAC DATE TYPED: 3/12/03 HB 955/HGUACS/aHAFC

SHORT TITLE: Comprehensive NM Health Care Study SB _____

ANALYST: Dunbar

APPROPRIATION

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

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Responses Received From

Department of Health (DOH)
 Health Policy Commission (HPC)
 Human Services Department (HSD)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriation and Finance Committee amends the bill by deleting the appropriation. The Legislative Health and Human Services Committee will need to absorb the costs of funding the study. The comprehensive study described in the bill may require major funding.

Synopsis of Original Bill

The House Government and Urban Affairs Committee Substitute for HB955 appropriates \$250,000 from the General Fund to the Legislative Health and Human Services Committee, in consultation with the Health Policy Commission, for FY04 and FY05 for a comprehensive study of health care expenditures in New Mexico. The study will address such issues as the expectations and outcomes of previous health care reform efforts, and the public and private costs of providing health care to all New Mexicans.

Significant Issues

The Legislative Health and Human Services Committee is to provide a written report to the Governor and the Legislative Council by November 2004.

The health care system of New Mexico is an important component of the State's economy. Health care expenditures typically comprise 10-15% of all gross receipts in New Mexico counties. Health care-related employment can comprise a similar percentage of all local jobs. Studies have shown that there are gross receipts and employment multipliers of approximately 2 for the New Mexico health sector. This would mean that there is an additional indirect impact from health care of 10-15%. An understanding of the size of this economic sector, and how public health policy decisions can affect it, is an essential baseline for future public decision-making.

DOH provides the following suggestions:

- One limitation of HB 955 is that the study would focus exclusively on the economic impact of health care expenditures. There is no mandate in the bill to assess the health status impact of these expenditures. It may be advisable to include this factor in the requirements for the study, since the impacts on people's health are the purpose of health care expenditures.
- Although the proposed study would be extremely valuable, the way that it is described seems to leave some ambiguity about its ultimate goal, and its scope. The study of "impact of health expenditures" may be a study of past impacts, an estimate of impacts that can be expected of alternative (future) systems, or both. The reason for studying the "impact of health care expenditures on the health care industry" is left unclear, since it seems to address a different concern than that of "the cost of providing health care to all New Mexicans." The wording could perhaps be modified to provide clearer guidance on these matters. This might help ensure that the study is appropriately focused.

FISCAL IMPLICATIONS

The appropriation of \$250.0 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY 05 shall revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

The Legislative Health and Human Services Committee will be responsible for conducting the study.

RELATIONSHIP

Relates to:

HB498/SB505, Health Care Security Act, which create a comprehensive statewide system of health care insurance to be administered by a Health Care Commission, which will have the responsibility to conduct health care planning, to establish procedures to contain health care costs, to create health care delivery regions with regional councils, and to direct and authorize the de-

velopment of a State health plan.

TECHNICAL ISSUES

The study is funded for FY04 and FY05, but the bill indicates a report is due November 1, 2004. This is possibly meant to be a preliminary or status report, with a final report to follow, but the bill is not clear on this point.

OTHER SUBSTANTIVE ISSUES

The House Government and Urban Affairs Committee asks for a study that will review and determine the impact of health care expenditures on the health care industry and the state's economy, including compensated and uncompensated costs. Moreover, the bill asks for a study that will review the expectations and outcomes of state and national health care reform efforts over the last 10 to 15 years.

There are several HPC studies and reports that could be used to lay the foundation for the study requested by HB955. Broad studies include *New Mexico Health Care: A Blueprint for Change* (1996) and *Restructuring of Health Care Financing* (2000), and the HPC also has numerous annual and biennial surveys including studies of health care professionals, employer-based insurance coverage, household insurance coverage, prescription drugs and hospital inpatient discharge data.

HPC indicated that New Mexicans have said repeatedly that they support the goal of making certain that every citizen of the state has access to health care.

- Initial results from the 2002 Health Policy Commission Household Coverage Survey show that a majority of the survey's respondents think it is "extremely important to assure that affordable programs be provided to cover unmet needs for basic health care in New Mexico."
- A 1997 HPC focus group regarding Medicaid coverage, contribution and benefits found that New Mexicans are highly supportive of ensuring that all New Mexicans have access to necessary medical care. Additionally, a commonly held belief, even among low-income individuals, was that all New Mexicans should contribute something to the cost of their care.

AMENDMENTS

Include a date for a final report to the Legislature at the end of FY05.

It may be helpful to re-word parts of the bill to provide clearer guidance on the ultimate goals, and the scope, of the required study.

BD/njw:pr