

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Marquardt DATE TYPED 3-4-05 HB 876
 SHORT TITLE Health Policy Commission Membership SB _____
 ANALYST Collard

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	\$500.0			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 374, SB 358

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)

Health Policy Commission (HPC)

Department of Finance and Administration-State Budget Division (DFA)

Public Education Department (PED)

SUMMARY

Synopsis of Bill

House Bill 876 appropriates \$500 thousand from the general fund to HPC for expenditure in FY06 and FY07 for the purpose of collecting and analyzing data for a biennial health care financing report on the cost, expenditures, trends and economic factors related to the public and private health care industry created in this bill. House Bill 876 also proposes to increase the membership of HPC from eight members to nine members, and requires that a majority of the members have no pecuniary or fiduciary interest in the health care industry while serving or for three years preceding their appointment. The number of members serving for a one-year term will be increased from two to three members.

Significant Issues

HPC indicates the purpose of increasing the number of commissioners is to build the capacity of the commission to consider complex and varied health policy matters. This requires a strong working knowledge of issues.

Additionally, the commission will have one additional member and will maintain a majority comprised of healthcare consumers. A minority of the commission may be professionals who understand the practical realities of policy alternatives, the implications of data trends, and the effect that new policy will have on both the public and private sectors.

The biennial healthcare financing report to be produced by HPC is consistent with statutory duties of HPC and certainly addresses issues of state health policy. At their February 11 meeting, HPC supported the issue of conducting a state health expenditure account biennially under the leadership of HPC.

DOH indicates the current statutory language (Section 9-7-11.2 NMSA) requires that no member have pecuniary or fiduciary interest in the health services industry for the three-year period preceding appointment to HPC. The proposed changes will require that only a majority of the membership, not the entire HPC, have no pecuniary or fiduciary interest in the health services industry while serving or for the three year period preceding appointment to HPC.

HPC currently does not issue a health care financing report, which can be used in health care policy planning.

FISCAL IMPLICATIONS

The appropriation of \$500 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY07 shall revert to the general fund.

DFA indicates the bill creates an additional commission member who is entitled to receive per diem and mileage expenses as provided in the Per Diem and Mileage Act, but does not appropriate additional funding. HPC would require travel and per diem for one additional commissioner at an average of \$1.2 thousand for one year.

HPC notes the appropriation in the bill will provide appropriate resources to conduct a comprehensive study of the economics of health care system and its impact on the state's economy.

DFA indicates a biennial health care financing report including an economic impact and trend analysis would be costly. HPC has some capacity to implement the mandate proposed by House Bill 876. However, additional positions and resources would be necessary if HPC were to produce a biennial health care financing report as outlined in the proposed legislation. An estimated recurring cost analysis is as follows:

Expense	Annual Cost
Statistician	\$46,082.20
Statistician	\$46,082.20
Statistical Assistant	\$41,239.04
Economist	\$62,064.06
Financial Analyst	\$62,064.06
Database Administrator	\$78,479.15
Publication	\$5,000.00
Sum	\$341,010.71

DFA indicates this analysis assumes all positions are mid-level or advanced and includes 33 percent for benefits and uses FY06 as a basis for projected salary costs.

ADMINISTRATIVE IMPLICATIONS

HPC cites minimal impact to the operation of HPC by the addition of another commissioner.

RELATIONSHIP

House Bill 876 relates to House Bill 374 and its duplicate, Senate Bill 358, which increases the membership of HPC from eight members to nine members, and require that a majority of the members have no financial interest in the health care industry while serving or for three years preceding their appointment but would not require a health care financing report.

TECHNICAL ISSUES

HPC suggests on page 5, line 4 adding the phrase “health care sector’s impact on the” after “as well as the.”

DFA indicates the bill violates current statute pertaining to health care data confidentiality. Under current New Mexico statute health care data may not be released which identifies a health care provider.

DFA also suggests on page 5, lines 4-5 delete "as well as the state's economy in general."

OTHER SUBSTANTIVE ISSUES

HPC gives some background on HPC membership:

HPC provides services to a variety of customers including individual citizens, legislators, educators, students, private businesses, non-profit organizations and other state agencies.

As an agency independent of the larger state departments, HPC plays a key role in facilitating and coordinating collaborations among multiple partners. Successful projects in FY05 year included: health infrastructure recommendations, Interagency Council for School Health, Telehealth Commission development, Behavioral Health Workforce Licensing improvements, reducing the number of uninsured and helping employers and individuals obtain insurance through the Insure New Mexico! Council.

HPC collects and analyzes data. However, its strategic significance is the exchange among data users – public and private – in order to anticipate upcoming health policy issues. HPC ensures that meaningful information is available to policy makers, consumers, businesses and providers. The commission responds to a complex range of health policy and data issues.

Examples of recent areas of commission work include: cultural competency and disparities, workforce distribution, recruitment and retention, teen suicide and child health, incidence and distribution of traumatic brain injury, diabetes and stroke, small employer provision of health insurance.

Health care in New Mexico is a growing and very significant part of New Mexico's economy that impacts all New Mexicans. The House Bill 955 study shows that it was almost an \$8 billion industry in 2002. As such, interest in health care can be large and will generate conflicting and controversial solutions to issues. Often individuals such as physicians or clinic managers with direct experience and involvement in healthcare can be a valuable resource and knowledge base utilized by other commissioners and staff about policy matters.

The commission would benefit from having physician or other healthcare members who help the commission understand clinically related issues and the perspectives of practicing caregivers and their patients. From their practices, physicians and others bring a "real world" context to the commission's work and would help the commission make better-informed decisions.

A physician or other healthcare provider would have the same fiduciary responsibility to the commission as every other commissioner. Voting physician commissioners must make decisions based on the best interests of the citizens of New Mexico, not the interests of physicians.

A 2000 survey study of hospital boards of directors done by the Governance Institute indicates that the median hospital board had 12 members, including two medical staff members. Among the survey respondents 56 percent of hospital boards had 1-3 physician members and 26 percent had 4 or more physician members.

HPC also gives some background on the biennial health care financing report:

State health expenditure accounts (SHEA) are measures of personal spending for health care services and products. Levels of spending, growth in spending over time, and the mix of services purchased vary considerably among states and across time. The SHEA allow researchers and state policymakers to track broad historical trends in state health care systems, evaluate the effects of historical policy decisions on the delivery of health care services, and envision and model possible impacts of future policy recommendations. This bill proposes to have HPC produce a SHEA or SHEA-like report on a biennial basis detailing financing issues.

An example of information that might come from a SHEA report is the amount of per capita health care spending over time, and relative to other states' amounts and percentage of the state's gross state product. Another would be to update information that shows the 1998 per capita hospital expenditures in New Mexico to be above that of surrounding states. In 1998, New Mexico was at \$1,389 versus Arizona at \$1,085, Colorado at \$1,147, Utah at \$1,016, and Texas at \$1,274 while use rates (admissions per 1,000 population and outpatient utilization per capita) were comparable or below neighboring states.

The Legislative Council Service in conjunction with the legislative Health and Human Services Committee and HPC recently completed a study authorized under House Bill 955 from the 2003 legislative session. The purpose was to "conduct a comprehensive study to review or determine the impact of health care expenditures on the health care industry and the state's economy, including compensated and uncompensated costs; the expectations and outcomes of state and national health care reform efforts over the last ten to fifteen years; and the public and private costs of providing health care to all New Mexicans. The impetus for the study was the recognition that despite 10 to 15 years of state and national health care reform efforts, the cost of health care continued to rise, outpacing regular inflation; more than 40 million Americans were without health care; and more than 20 percent of New Mexicans were uninsured."

The problem for the state of New Mexico related to healthcare can be summarized with one paragraph from a recent national journal article, Health Affairs -

Although growth in total national “health spending decelerated in 2003, health spending was faster than growth in both the aggregate economy and employee compensation, which suggests an increasing burden on sponsors and employers. In the past, persistent gaps between health spending growth and economic growth—similar to the one experienced recently—have prompted policy changes by both governments and employers. Continued rapid increases in health insurance premiums require trade-offs from employers, possibly through slowing wage gains, reducing health benefits, or shifting more health care costs to workers. For those small employers that experience the largest premium rate increases, it may mean dropping coverage altogether. If the job market doesn’t improve, employers have even less incentive to continue to shoulder rising health care costs. Competition may force employers to shift a larger share of costs to workers, who then must weigh the benefits of health care against the value of other discretionary purchases. As fiscal problems continue in many states, budget constraints may continue to affect publicly funded health coverage.”

Slower economic growth and less discretionary income may mean more individuals and business not being in a position to procure health insurance or more expensive insurance, more uninsured needing Medicaid, fewer tax dollars to support Medicaid on a per beneficiary basis, and ultimately poorer health status for many New Mexicans. A SHEA study could confirm or not confirm that as a state, the health insurance and delivery systems are delivering more expensive care with poorer results.

A Boston University study released this week concluded that “spending on healthcare will grow to \$1.9 trillion this year, an increase of \$621 billion from 2000. That would account for a little over 24 percent of the expected increase in the nation's gross domestic product from 2000 to 2005. Increased defense spending, by comparison, would only account for 10 percent of the growth in GDP over the same period.” A study done through this bill could show where New Mexico is for this measure.

DOH notes the data collected, analyzed and reported by HPC may also be beneficial to the new Behavioral Health Purchasing Collaborative. DOH has worked effectively with HPC on past projects and utilized information it has collected and reported.

KBC/yr