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FISCAL IMPACT REPORT

SPONSOR Papen DATE TYPED 3/18/05 HB _____

SHORT TITLE PRC Review of Patient Protection Act Appeals SB 374/aSPAC/aHBIC

ANALYST Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See Narrative		

Duplicates SB 374

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)
 Public Regulation Commission (PRC)
 Public School Insurance Authority (PRC)
 Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment removes language stating that the superintendent of insurance shall fix the reasonable compensation of each appointee to the external review based upon, but not limited to, compensation amounts suggested by national or state legal or medical professional societies, organizations or associations. The amendment also removes the requirement that the superintendent shall prepare a detailed statement of compensation due each appointee and shall present the statement to the enrollee's health insurer.

Synopsis of SPAC

The Senate Public Affairs Committee amendment to SB 374 makes clarifying changes. "Superintendent" is changed to "commission" to conform to the intent of the bill and the wording allowing the commission to appoint a hearing officer is reiterated.

Synopsis of Original Bill

Senate Bill 374 eliminates the Insurance Superintendent's adjudication and rule-making role in reviewing external appeals or non-utilization complaints under the Patient Protection Act and the Insurance Division's (ID) Managed Health Care and Grievance Procedure Rules.

The bill establishes the Public Regulation Commissioners as the decision-makers for managed health care grievance appeals and non-utilization complaints.

This bill also grants the Public Regulation Commissioners the rule-making authority to implement the grievance and complaint processes and impose administrative penalties.

Significant Issues

The PRC provided the following:

This bill may complicate the Superintendent's ability to set policy and regulate managed health care plans. The Superintendent and ID staff has developed a historical and institutional knowledge and expertise in interpreting insurance coverage and administering the Patient Protection Act. The fact that these responsibilities have been housed within the ID has assisted the Superintendent and staff in closely monitoring trends, interacting with the industry and consumers through task forces, and appropriately responding through rule, investigation, examination or other action to remedy business practices in a manner that maximizes the competitiveness and solvency in the delicate commercial managed health care market and consumer protection.

This bill also poses a cost-benefit policy question as to whether the existing or proposed alternative dispute resolution system best serves managed health care plans and consumers who are the parties to grievance appeals. Is a single appointed decision-maker in the form of a Superintendent, who is supervised by the Public Regulation Commissioners a more cost-effective, qualitative and timely framework to better serve managed health care plans and consumers?

Due to the unique rights of managed health care enrollees under the Managed Health Care Rule and Patient Protection Act, the managed health care bureau was established in the ID in 1999. Under the original 1999 program design, the ID developed a "Managed Health Care Assistance and Advocacy Program" with three primary goals:

- regulation & enforcement;
- consumer assistance & advocacy; and
- education & outreach.

Under this design, the key function of the managed health care bureau was to assist the Superintendent in administering requests for external review appeals for enrollees who had been denied a requested health care service by a managed health care plan. Staff also monitored the internal review process, reviewed compliance plans, assisted other ID units such as the life and health form and rate filing units and the examinations units in reviewing managed health care contracts, worked closely with the life and health actuary in administrative enforcement actions and answering consumer inquiries.

Over time, the education and outreach functions of the unit were developed to provide standard Power-Point presentations around the State to advise enrollees of commercial health care plans of their rights under the Patient Protection Act and the Superintendent's grievance procedures.

Being an alternative dispute resolution process, the managed health care unit has never engaged in the role of consumer advocate, but assists the Superintendent in administering and enforcing the Patient Protection Act and Managed Health Care Rule. For instance, the patient and the managed health care plan are the parties to a grievance with the Superintendent exercising the role of administrative decision maker. The managed health care unit staff assists the parties and the Superintendent in administering this process.

FISCAL IMPLICATIONS

The PRC may need increased staff and fiscal support in terms of hearing officers, general counsel attorneys, legal division staff attorneys, court reporters and other costs associated with administering, hearing and enforcing these grievance appeals and rules. Such resources could come from the managed health care unit in the ID.

ADMINISTRATIVE IMPLICATIONS

The PRC will need to reassign existing staff to fulfill the requirements of this bill.

DUPLICATION

HB 624 duplicates SB 374.

DW/njw:sb:lg:yr