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FISCAL IMPACT REPORT

SPONSOR Feldman ORIGINAL DATE 01/22/10
LAST UPDATED _____ HB _____
SHORT TITLE Consolidate Health Care Coverage Functions SJM 9
ANALYST Escudero

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY10	FY11	FY12	3 Year Total Cost	Recurring or Non- Rec	Fund Affected
Total	\$13.0	\$39.0	\$0.0	\$52.0	Nonrecurring	General Funds

(Parenthesis () Indicate Expenditure Decreases)

Relates to SJM1, Health Care Reform Working Group

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public School Insurance Authority (PSIA)

Retiree Health Care Authority (RHCA)

Public Regulation Commission (PRC)

Human Services Department (HSD)

Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

Public School Insurance Authority indicates as follows:

SJM9 identifies public and quasi-public health care coverage entities that collaborated as part of SJM 1 passed during the 2009 legislative session. These entities include the General Service Department, the NM Retiree Health Care Authority, the NM Public School Insurance Authority, Albuquerque Public Schools, NM Health Insurance Alliance, the Human Services Department, and the NM Medical Insurance Pool. SJM 1 resulted in a series of recommendations including applying common standards and definitions to administrative and plan design functions as well as some common purchasing.

Based on these recommendations, SJM 9 calls for the continued meeting of these entities and to develop a common plan to:

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- implement an all-payer claims database;
- use one third-party administrator or administrative-services-only contract for all of these entities combined;
- implement an electronic common enrollment process to enhance speed and efficiency and use joint referral processes and procedures;
- determine among the entities a common data reporting year and a common plan year;
- link their web sites to facilitate information-sharing;
- conduct joint outreach and marketing efforts;
- enter into a common contract for actuarial services to perform a cost-benefit analysis of further consolidation of these entities' health care procurement, purchasing and administration; and
- enter into a common contract for actuarial services for their plans; and

SJM 9 also includes specific instructions regarding broker certification and education for applicable entities and that all public and quasi-public entities move toward a common benefit plan design.

Additionally, SJM 9 requires that these public and quasi-public health care coverage entities report the details of and implementation strategy for the common plan that they have developed pursuant to the requests made in this memorial before the legislative health and human services committee and the legislative finance committee by December 1, 2010.

FISCAL IMPLICATIONS

Public School Insurance Authority indicated as follows:

The development of the implementation strategy to comply with the memorial will require considerable staff time and an undetermined amount of actuarial consulting fees.

Retiree Health Care Authority indicated as follows:

Entering into a common contract for actuarial services to perform a cost-benefit analysis of further consolidation of public and quasi-public health care coverage entities health care procurement, purchasing and administration will require funding of an unknown amount during FY2011.

Public Regulation Commission indicated as follows:

The underlying assumption of the bill is that implementation of these measures will lead to cost savings for the state of New Mexico. With many moving parts, in particular the actual cost of health care services, consolidation of administrative functions will only have a very partial effect on the cost of health care coverage for public and quasi-public entities.

Human Services Department indicated as follows:

SJM9 contains no appropriation; however implementation of SJM9 would require significant work by staff from all eight agencies mentioned in the memorial and would thus have an impact on the operating budgets of the agencies requested to do the work associated with SJM9. An estimate of this impact would be minimally an average FTE salary at four days a month for eight months for each agency, or approximately \$52.0 in general fund.

No HSD IT impact.

SIGNIFICANT ISSUES

Public School Insurance Authority indicated as follows:

The four agencies covered by the Health Care Purchasing Act (PSIA, NMRHCA, GSD, APS) have collectively issued Requests for Proposals since 1999. Due to the combined purchasing power, better administrative services fees and stabilized premiums for employees have resulted. It seems that in the area of common contracts and plan, a multi-organization approach as contemplated in the memorial would further enhance benefits for all New Mexicans

Health Policy Commission indicated as follows:

SJM9 attempts to reduce the administrative costs incurred by public and quasi-public health care coverage entities. The Memorial recognizes that in response to requests in the 2009 Senate Joint Memorial 1 (SJM1), representatives from public and quasi-public health care coverage entities met to identify areas of common interest and opportunities for consolidation. The representatives presented a series of recommendations, including that the entities:

- Create an all-payer claims database;
- Use one third-party administrator or an administrative-services-only contract;
- Implement an electronic common enrollment process, which would enhance speed and efficiency and use joint referral processes and procedures;
- Determine a common data reporting year and a common plan year;
- Link their web sites to facilitate information-sharing;
- Conduct joint outreach and marketing efforts;
- Enter into a common contract for actuarial services to perform a cost-benefit analysis of further consolidation of these entities' health care procurement, purchasing and administration;
- Enter into a common contract for actuarial services for their plans;
- Implement joint broker certification for NMHIA, SCI and NMMIP programs, with the Insurance Division of the PRC awarding continuing education units to brokers; and
- Move toward common benefit plan design.

ADMINISTRATIVE IMPLICATIONS

Public Regulation Commission indicated as follows:

Reporting to the legislature will not add undue administrative burden to the entities, which are already in discussion regarding the issues highlighted in this bill. Developing the common plan has minimal administrative implications. The actual implementation of that plan would fundamentally affect administrative functions of the affected public and quasi-public entities.

There are only minimal administrative implications in the request for joint broker certification and awarding of CEU credits from the DOI. Creation of a common benefit plan design will require more substantial administrative changes, particularly in light of the many different federal and state legal constraints on design. Federal law governs much of the HSD programs, while various New Mexico state statutes govern the mission and structure of the other entities included in this bill.

Human Services Department indicated as follows:

Implementation of SJM9 would require significant staff time from GSD, RHCA, PSIA, APS, HIA, SCI, PAK, PAM and NMMIP (see fiscal impact section).

RELATIONSHIP

Human Services Department states that SJM9 relates to SJM1, Health Care Reform Working Group.

TECHNICAL ISSUES

According to the Public Regulation Commission, whether the CEU referenced in this bill should also include a reference to agents.

OTHER SUBSTANTIVE ISSUES

Health Policy Commission indicated as follows:

According to the 2009 SJM1 report, states that have acted to consolidate their public health coverage purchasing and administration under one authority include Oregon and Kansas, while Washington and Arkansas have also advanced consolidated purchasing strategies, with the exception that high risk pools were not included in the consolidations. Additionally, in a study conducted by UnitedHealthcare (UHC) that analyzed nine states¹ for which UHC is either the sole carrier or has the majority of the consolidated public agencies' membership, the study found:

¹ Note: States in the study included Tennessee, Iowa, Rhode Island, Florida, Louisiana, Ohio, Wisconsin, Arizona and Georgia.

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- States pay 14 percent more in medical costs than the United Healthcare national commercial accounts average;
- The benefit offering for state employees is seven percent richer than for commercial accounts;
- The average age of a state employee is 50; the aggregated age/gender factor for states is 1.17, 10 percent above the norm;
- State members are being admitted to the hospital 16 percent more at a cost of 38 percent above the norm;
- Emergency room (ER) utilization is 17 percent greater than the UHC norm, however the average cost per visit is below, indicating conditions being treated in the ER are likely not appropriate;
- Musculoskeletal and cancer diagnoses account for almost 25% of total medical spending;
- Back pain is the single highest cost diagnostic category representing 5.3 percent of all medical spending;
- There is a high prevalence of heart disease, breast cancer and diabetes;
- Sixty-six percent of employees are either considered older singles or persons with chronic condition in which they have a lifelong disease (diabetes, heart disease, asthma); and
- These two life stages represent 76 percent of total medical spending.

The report notes, however, that these data are not specific to New Mexico and may not reflect New Mexico reality. The data are also not a reflection of all such employees, but rather are specific to those whose care is managed by UHC. However, it is valuable to know that such trends exist. New Mexico specific data for state employees, school employees and other public employees, compared to national data or commercial data are not currently available.

The report further indicates that the UHC study found the following solutions to have provided the greatest cost savings for the analyzed states' consolidated public health coverage programs:

- Nurseline to reduce ER costs;
- Coronary artery disease management;
- Heart failure disease management;
- Increase coinsurance or deductible;
- Increase office visit co-pay;
- Pharmacy benefit with optimal benefit design;
- Premium program for OB/GYN;
- Cancer resource services accompanied by cancer support;
- Worksite wellness with exercise program to address modifiable health risks;
- Cancer screening and/or educational events;
- Kidney resource services;
- Healthy pregnancy program;
- Premium program for neurological, orthopedic and spine services;
- Smoking cessation education;
- Evaluate food selections at the workplace;
- Mobile mammography screening;
- Online health coach program for heart health (myuhc.com);
- Radiology notification program;
- Incentives to manage hypertension.

While the study may not be specific to New Mexico, it does suggest areas that could be explored further by the plans addressed in this memorial report. Most of the plans have all or some of the cost-saving ideas built into current plan designs. Specific actuarial and other data analyses across all the plans would be required to identify areas for potential cost savings across these public or quasi-public programs.

(Source: <http://www.hsd.state.nm.us/pdf/HSDPresentations/SJM1-FinalReport-11-1-09.pdf>)

ALTERNATIVES

Human Services Department states that the Governor could request that provisions contained in SJM9 be studied or implemented via Executive Order.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Public School Insurance Authority states, that a possible savings will not be explored.

Public Regulation Commission states that current discussions on how to consolidate functions and find administrative savings are likely to continue amongst the entities, though perhaps without the same direction that is provided by this bill.

As stated by Health Policy Commission, New Mexico's public and quasi-public health care coverage entities would not be required to consolidate certain administrative functions and achieve cost savings

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