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FISCAL IMPACT REPORT

ORIGINAL DATE 01/25/11

SPONSOR Picraux and Feldman **LAST UPDATED** 02/01/11 **HB** 34/aHHGAC

SHORT TITLE Health Insurance Medical Home Requirements **SB** _____

ANALYST Hanika-Ortiz

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department/Medical Assistance Division (HSD/MAD)
Health Policy Commission (HPC)

SUMMARY

Synopsis of SGAC Amendment

The House Health and Government Affairs Committee Amendment removes the requirement that MCOs allocate funds to pay for incentive-based wellness and care coordination performed by a primary care provider functioning as a medical home. The Amendment also includes obstetricians and certified nurse midwives within the definition of “primary care provider”.

SIGNIFICANT ISSUES

Proponents of the medical home model believe that MCO payments to providers should reflect the value of work that falls outside of the face-to-face office visit. In theory, a provider functioning as a medical home receives a risk-adjusted per-patient-per-month care coordination payment, a fee-for-service component for face-to-face office visits, and performance-based incentive payments to recognize quality and efficiency goals. Medical home payments are typically targeted to primary care providers.

Synopsis of Original Bill

House Bill 34 amends the Public Assistance Act and directs HSD/MAD, subject to state funds and federal rules, to work with managed care organizations (MCOs) that administer Medicaid,

Children’s Health Insurance Program (CHIP) and State Coverage Initiative (SCI) programs to promote the “medical home” model.

HSD/MAD is further directed to specify in its managed care contracts that MCOs allocate funds to establish and maintain the medical home model.

FISCAL IMPLICATIONS

HSD reports that the bill has minimal fiscal implications for the Department. The investment of human and material capital required to implement a medical home model by contractors will be allocated from the capitated rates currently paid to the contractors.

HSD anticipates that the fiscal and/or operating budget impact of implementation of a medical home model will result in a reduction of costly and institutional services impacting overall utilization and expenditures realized by the Department and the state in the future.

SIGNIFICANT ISSUES

HPC notes that House Bill 710 passed and was signed into law in 2009. The bill amended the Public Assistance Act to require that HSD promote and when practicable, develop a medical home program.

The medical home model was advanced by the American Academy of Pediatrics (AAP). The AAP developed the medical home as a model of delivering primary care that is accessible, continuous, comprehensive, family-centered, coordinated, and culturally effective to every child and adolescent.

According to HPC, medical homes address preventative, acute, and chronic care from birth through transition to adulthood. A medical home facilitates an integrated health system with an interdisciplinary team of patients and families, primary care physicians, specialists and subspecialists, other health professionals, hospitals and healthcare facilities, public health and the community.

According to the National Conference of State Legislatures, payment reform, reimbursing primary care doctors for time spent managing and coordinating their patients’ care, is a vital component of a patient-centered medical home. Quality primary care can lead to overall good health outcomes and lower long-term chronic disease costs. Payment reforms may provide more support for services that tend to be inadequately reimbursed in current fee-for-service, like patient education to improve self-management of disease; care coordination; and interaction with patients outside the clinical setting by telephone or e-mail.

PERFORMANCE IMPLICATIONS

HSD maintains that implementing a medical home model could lead to better health outcomes.

ADMINISTRATIVE IMPLICATIONS

HSD notes that there would be minimal administrative implications.

OTHER SUBSTANTIVE ISSUES

According to HPC, at least 29 states have enacted legislation which involved the medical home model as a tool to improve health outcomes.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

HSD/MAD will not require that managed care contracts contain language that allocates funds to support medical home implementation.

AHO/svb:bym