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FISCAL IMPACT REPORT

ORIGINAL DATE 02/1/11

SPONSOR Picraux LAST UPDATED _____ HB 35

SHORT TITLE Hidalgo County Health Demonstration Project SB _____

ANALYST Earnest

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	Indeterminate but small impact				Recurring	General Fund Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

Department of Health (DOH)

Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

House Bill 35, endorsed by the Legislative Health and Human Services Committee, directs the Secretary of the Human Services Department (HSD), by July 01, 2011, to establish an “accountable care organization (ACO) demonstration project task force.” The task force is to write a two-year strategic plan with recommendations regarding:

1. the feasibility of setting up an ACO demonstration project for Medicaid, Children’s Health Insurance Program (CHIP) and State Coverage Insurance Program (SCI) recipients in Hidalgo county
2. The parameters of risk in a regional or community-based ACO in Hidalgo county;
3. The role of managed care contractors in providing administrative and other services to successfully implement the demonstration project;
4. The utilization of specific care and case management models and strategies;
5. Promotion of the health commons model of integrated primary care, specialty, behavioral and dental health care services, including telehealth services;
6. Incentives for encouraging longer hours for primary care services, including weekend and evening hours; and
7. Recommendations for designing and implementing a comprehensive incentive and risk

system whereby providers of care in an ACO in Hidalgo county receive financial incentives for measurable improvements in the health of their patients, including recommendations for quality evaluation and measurement protocols and for increasing community support for improving health care outcomes while addressing the social determinants of health.

The task force will consist of representatives from HSD, the NM Health Policy Commission, UNM Health Sciences Center, managed care contractors, a nonprofit primary care organization, and others as deemed necessary by the Secretary of HSD.

The strategic plan shall be reported to the interim Legislative Health and Human Services Committee and the Legislative Finance Committee by August 1, 2012.

FISCAL IMPLICATIONS

For FY12, The bill requires HSD to specify in each of its contracts with Medicaid managed care organizations (MCOs) that the contractors allocate funds for the operation of the ACO task force.

HSD notes that this provision would require a contract negotiation process and may result in increased costs borne by HSD through its capitated arrangement with the MCOs. Currently, HSD is implementing cost containment measures in its Medicaid program and has not been considering the implementation of new projects. The task force would likely require actuarial support and consultant services, which are expensive. No appropriation is associated with House Bill 35.

SIGNIFICANT ISSUES

According to HSD, enrollment in Medicaid, CHIP and SCI in Hidalgo County is approximately 1,450 (September 2010). The fiscal and administrative implications of implementing a task force, developing a strategic plan and pursuing a federal waiver to serve a small number of Medicaid enrollees may prove too burdensome for HSD, particularly in a cost containment environment. Due to the nature of Hidalgo County it would be difficult to translate the experience there to other more populous areas of the state.

Nevertheless, these types of projects appear to be the direction of future health care payments systems that will align the incentives of patients, hospitals and insurers around quality care. As the Health Policy Commission reports:

The federal Patient Protection and Affordable Care Act (PPACA) directs the Secretary of Health and Human Services to establish the pediatric Accountable Care Organization Demonstration Project to authorize a participating state to allow pediatric medical providers to be recognized as an ACO for purposes of receiving incentive payments. The law requires the Medicaid pediatric ACO demonstration project to begin on January 1, 2012 and end on December 31, 2016.

A substantial body of research suggests that payment reforms, such as those employed in an ACO system, may improve quality of care and reduce costs. Both the Legislative Finance Committee and the Legislative Health and Human Services Committee heard testimony about

these payment reform systems. See, for example, the Dartmouth Atlas of Health Care and a discussion of these systems in the 2010 LFC Volume I “Policy and Performance Analysis.”

Although HSD did not estimate a specific cost for the taskforce, precedent for this type of funding structure exists. The current contracts require MCOs to set aside a portion of their capitated payments for pilot patient centered medical homes. Building off of that structure, or incorporating this taskforce, seems feasible, which could minimize any costs.

ADMINISTRATIVE IMPLICATIONS

Both HSD and HPC report that there would be some administrative costs for set up and participate in the task force. According to HSD, “the Secretary is tasked with convening the task force and including representatives from HSD. The time spent on the task force by HSD staff has administrative implications in that time spent there is time away from other work. Currently, the HSD vacancy rate is 20% and is almost 25% in HSD’s Medical Assistance Division (MAD), which would have significant representation on the task force. Additionally, HB 35 states that the task force will devise a strategic plan for implementing an ACO demonstration project pursuant to a “prospective federal waiver.” If the task force were to recommend proceeding with the project, the development and oversight of a federal waiver would have significant administrative implications for the Department.”

OTHER SUBSTANTIVE ISSUES

DOH reports that “Hidalgo County is designated as a health professional shortage area (HPSA) for primary care, dental, and mental health services. Hidalgo Medical Services (a federally qualified health center) is a provider of primary care services, with a vision of becoming the recognized leader in medical, dental, mental health and family support services for everyone in Hidalgo County and Southwestern New Mexico, as well as a national model for sustainable frontier health services and community development (<http://www.hms-nm.org/about-hms/hms-mission.html>).

HMS is currently serving over 70% of the population of Hidalgo County. Besides primary care services, HMS provides a fully integrated family support services that ensures patients are actively involved in their own health improvement facilitated by community health workers. However, the current payment system does not support this coordinated model of services. Developing a demonstration project, which looks at the feasibility of using an ACO model, could improve health and save per capita costs.”

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