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FISCAL IMPACT REPORT

ORIGINAL DATE 2/4/16
 SPONSOR Rodella LAST UPDATED 2/12/16 HM 78/aHHC
 SHORT TITLE Study Air Ambulance Transports SB _____
 ANALYST Clark

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY16 | FY17 | FY18 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|-------------|-------------|------|-------------------|---------------------------|---------------|
| Total | Up to \$5.0 | Up to \$5.0 | | Up to \$10.0 | Nonrecurring | General Fund |

Parenthesis () indicate expenditure decreases

Relates to SM 62

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of Superintendent of Insurance (OSI)

Workers' Compensation Administration (WCA)

SUMMARY

Synopsis of HHC Amendment

The House Health Committee Amendment adds to the study group air ambulance and health insurance industry representatives.

Synopsis of Original Bill

House Memorial 78 requests the Office of Superintendent of Insurance (OSI) convene an air ambulance study group made up of representatives of the Department of Health (DOH), the Risk Management Division of the General Services Department (GSD), and the Workers' Compensation Administration (WCA) to study issues related to air ambulance transportation in New Mexico. The issues studied are to include the financial aspects, including types and costs of operations, charges for services provided, and billing practices and reimbursement by payors; New Mexico and federal laws applicable to the operation and reimbursement by payors; and mechanisms available to New Mexico to regulate financial aspects of air ambulance transport services to ensure cost-effective use of air ambulance transport services and to assure consumer protection. The group is requested to produce a report with findings and conclusions to present to LFC by October 1, 2016.

FISCAL IMPLICATIONS

There would be a very small fiscal impact for each of the agencies involved in the study to pay for mileage and other associated costs.

SIGNIFICANT ISSUES

WCA reports the cost of site-to-facility and facility-to-facility transport by air ambulances has skyrocketed, contributing to rising medical costs within the workers' compensation system. OSI reports the national average air ambulance trip is 52 miles and costs between \$12 thousand and \$25 thousand per flight, but according to WCA, such a trip can run between \$20 thousand and \$40 thousand in some instances. The greatest cost within the workers' compensation system is for medical care. The extremely high cost of air transport contributes to higher claims expenses and to rising premiums for all New Mexico employers. However, WCA reports the federal Airline Deregulation Act of 1978 may prohibit cost controls on the air transportation industry by state entities.

OSI reports air ambulances most commonly transport patients with traumatic injuries, pregnancies complications, heart attacks, strokes, and respiratory diseases. The Association of Air Medical Services estimates that more than 550 thousand patients in the U.S. use air ambulances each year. However, using an air ambulance is expensive and might not be covered by the patient's health insurance policy.

The Association of Air Medical Services asserts that the high price accounts for the initial aircraft cost, which can reach \$6 million, as well as medical equipment and maintenance. The federal Airline Deregulation Act prohibits states from setting rates related to air ambulances. If an individual undergoes a medical emergency abroad, the cost of medical evacuation back to the U.S. can reach six figures.

Many insurers will pay what they deem reasonable cost for an air ambulance; however, sometimes the air ambulance company and the insurer disagree on the cost. In most circumstances, the difference between what the insurer pays and the billed charges, which could run in the thousands of dollars, will most likely be the consumer's responsibility.

States that have tried to set payment rates for ambulances have been subject to lawsuits under the federal Airline Deregulation Act. North Dakota passed a law aimed at forcing air ambulance providers to become "participating providers" by joining major insurance company networks. Under this legislation, participating air ambulance providers agree not to charge more than allowed under their insurance contract, leaving the patient to pay only the deductible and copayments, subject to caps, owed according to their policies. The North Dakota legislation also creates a primary call list that includes only operators that qualify as participating providers with major insurance carriers. Air ambulance providers have sued the state for trying to illegally usurp federal regulation with the new air ambulance dispatch law; however, air ambulance providers have agreed to becoming participating providers to maintain business operations.

ADMINISTRATIVE IMPLICATIONS

There would be a minimal administrative impact for the agencies involved in the study.

DUPLICATION

This memorial duplicates SM 62.

JC/jo/jle