



New Mexico State Legislature

STATE CAPITOL
Santa Fe

November 18, 2010

VIA HAND DELIVERY AND ELECTRONIC MAIL

The Honorable Tim Eichenberg
New Mexico State Senator
Chair, Government Restructuring Task Force
c/o Legislative Council Service
490 Old Santa Fe Trail, Suite 411
Santa Fe, NM 87501

Dear Senator Eichenberg:

The Legislative Health and Human Services Committee met on November 8, 2010 to consider legislation for recommendation to the Government Restructuring Task Force. Among the legislation we considered was a bill drafted for the task force that would phase in the consolidation of the administrative and governance structures of the Albuquerque Public Schools health benefits program, the Public School Insurance Authority, the Retiree Health Care Authority and the General Services Department health benefits programs (commonly known as the IBAC agencies).

The committee suggests that the task force focus on maximizing efficiencies among the IBAC agencies without consolidating the administration or governance of the four entities. We respectfully suggest that your task force consider legislation similar to House Bill 662, introduced by Representative Picraux in 2009, and Senate Bill 155, introduced by Senator Clinton D. Harden, Jr. in 2010. Those bills would have required the IBAC to purchase jointly for certain services as well as encourage other economies of scale through the development of common plan designs and benefits, where possible, and encourage joint purchasing for certain administrative services, such as actuaries and benefit consultants, where cost efficient. While we would need to work with the IBAC entities to garner their support for such an approach, we believe it is a measured, yet meaningful, step that could result in cost savings and better efficiencies for the IBAC and the state without the more drastic step of full consolidation of the four entities into one "super entity".

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Many committee members expressed concerns about the administrative disruption to beneficiaries that could occur as the result of consolidating administration of the four IBAC agencies, as well as about the true level of cost savings to be realized by administrative consolidation. The committee heard testimony that there could, in fact, be extensive up-front additional costs from consolidation with little long-term savings. We also heard concerns about whether consolidation would result in overall better administration of the benefits and about the effect of consolidation of the governance structures of the four entities, an issue the legislature has grappled with in the past.

Thank you for your consideration of the committee's views.

Sincerely,



DANICE PICRAUX
State Representative, District 25
Chair, Legislative Health
and Human Services Committee



DEDE FELDMAN
State Senator, District 13
Vice Chair, Legislative Health
and Human Services Committee

cc: Members of the Government Restructuring Task Force