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FISCAL IMPACT REPORT

ORIGINAL DATE 01/24/10

SPONSOR Picraux LAST UPDATED _____ HJM 2

SHORT TITLE Medical Home Model for Managed Care Programs SB _____

ANALYST Hanika-Ortiz

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)
Department of Health (DOH)

SUMMARY

Synopsis of Bill

House Joint Memorial 2 provides that private managed care plans operating in NM be requested to adopt the medical home model of care in order to promote better patient health and reap greater financial rewards.

FISCAL IMPLICATIONS

Managed Care Organizations (MCO's) are being requested, not required, to adopt the medical home model of care for their enrollees.

HSD has testified to the interim Legislative Health and Human Services Committee that contracts with MCO plans providing Medicaid physical health services have been modified to require the development and implementation of medical homes on a pilot basis.

Discussions on costs to implement the medical home model usually cover four key areas:

- the cost of technology and technical assistance which could require a GF appropriation;
- using existing reimbursement structures (fee-for-service) in the interim to get providers on-board quickly;

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- creating a new monthly or quarterly fee to be paid to providers to cover services not traditionally reimbursed; such as care coordination, prevention/wellness strategies, and management of chronic conditions; and
- providing incentive payments to reward providers for achieving targets related to health outcomes.

SIGNIFICANT ISSUES

The medical home model attempts to shift the reactive reimbursement approach (acute care visits) to one of prevention and care coordination. Primary care providers serve as advocates for patients and are typically paid to coordinate their care; to avert unnecessary tests and procedures, hospital admissions and avoidable complications. This concept is thought to yield cost savings, particularly for at-risk populations and persons with chronic conditions.

The medical home model has presented challenges for billing within many private MCO plans, in that providers cannot always bill for the work they do in coordinating care.

PERFORMANCE IMPLICATIONS

If passed, copies of the memorial are to be transmitted to the Governor; the Superintendent of Insurance; chair/vice-chair of the Legislative Finance Committee; and chief operating officers of MCO's operating in New Mexico.

ADMINISTRATIVE IMPLICATIONS

Impact on the state would be determined by the outcome of this request to MCO's.

RELATIONSHIP

Relates to HB 47; amending the Public Assistance Act to require that by October 1, 2010, HSD conduct an outcome study to determine how well the medical home program has met its goals.

Relates to HJM 4; requesting that HSD be supported in the inclusion of contract specifications in Medicaid contracts to fund the establishment of medical homes.

Relates to HB 26; amending the Public Assistance Act to allow osteopathic physicians and osteopathic physician-assistants to manage care in the medical-assistance home program.

OTHER SUBSTANTIVE ISSUES

It is important to note that in rural communities with physician shortages, at times the medical home may not be physician-directed.

ALTERNATIVES

HPC reports that an ad hoc committee of HSD staff, physicians, and representatives from MCO plans has been meeting to determine the best approach for implementation of medical homes in New Mexico.

AHO/mt