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FISCAL IMPACT REPORT

SPONSOR Picraux, Feldman **ORIGINAL DATE** 01/26/10
LAST UPDATED 01/28/10 **HJM** 4
SHORT TITLE Medical Home Establishment & Model Expansion **SB** _____
ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY10	FY11	FY12	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$50.0			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

Health Policy Commission (HPC)

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Joint Memorial 4 (HJM 4) requests HSD be supported in the inclusion of contract specifications in Medicaid contracts to fund the establishment and expansion of medical homes to include behavioral health, telehealth, home health care, nurse practitioners and physician-assistant models.

FISCAL IMPLICATIONS

HSD would need increased funding to establish and expand the medical home model as described in the joint memorial.

HSD reports that a 0.5 FTE would be needed to administer, oversee and audit changes required to the contracting process.

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.

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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;
- 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.

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.

SIGNIFICANT ISSUES

HSD reports that in the absence of a funding source, investment will need to come from reductions to existing fees to existing providers. To date the department has not been able to find any providers who are willing to take a reduction in fees in order to fund the investment in the medical home model.

The Behavioral Health contract would need to be modified to include a requirement for medical homes and a funding source.

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.

PERFORMANCE IMPLICATIONS

HSD would be required to track the cost-effectiveness of pilot medical homes as implemented and report its findings to the interim Legislative Health and Human Services Committee by November 2010. HSD reports that it may be too soon to produce the report as the implementation of the Medical Home project for physical health MCO's is in its initial phase.

HSD reports that many of the components expressed in the joint memorial are built into various managed and coordinated care programs that the Department administers – the Salud!, State Coverage Insurance, and Coordination of Long Term Services (CoLTS) programs.

ADMINISTRATIVE IMPLICATIONS

The joint memorial encourages private and group providers that have pursued certification as a medical home; be encouraged to participate in the pilot medical home project.

RELATIONSHIP

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

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Relates to HJM 2; requesting that private managed care plans be requested to adopt the medical home model.

Relates to HB 26; allowing 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.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

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:mew