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FISCAL IMPACT REPORT

ORIGINAL DATE 01/22/11

SPONSOR Ortiz y Pino LAST UPDATED _____ HB _____

SHORT TITLE Behavioral Health Purchasing Contracts SB 21

ANALYST Hanika-Ortiz

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	(\$6,350.0)	(\$6,350.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$7.6 - \$18,050.0	\$7.6 - \$18,050.0	\$15,200.0- \$36,100.0	Recurring	General Fund/Federal Match

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Children, Youth & Families Department (CYFD)

Human Services Department (HSD)

Health Policy Commission (HPC)

Developmental Disabilities Planning Council (DDPC)

SUMMARY

Synopsis of Bill

Senate Bill 21 amends Section 9-7-6.4 NMSA 1978, Interagency Behavioral Health Purchasing Collaborative (Collaborative), to eliminate the statewide Single Entity (SE) as the manager of statewide behavioral health funding and service delivery and requires the Collaborative to contract directly with behavioral health providers or operate behavioral health services.

FISCAL IMPLICATIONS

HSD and CYFD maintain that the bill proposes fundamental changes to the operations of the Collaborative that have substantial performance and cost implications. Both direct service and administrative funds in the current contract would be transferred back to the State, existing GF appropriations at least maintained, and FTE created to support the state administration required by the bill.

HSD claims that for the Collaborative to implement the bill it would require administrative costs of approximately \$18.1 million each year plus IT costs which have yet to be determined. This reflects current non-service costs for the Medicaid program plus additional costs due to the loss of economies of scale that a contractor can achieve but the State cannot. It also includes non-service costs of the other agencies. It is likely that the appropriations in the current contract could cover this amount if current appropriations were maintained; however, the administrative costs for the State could exceed the indirect costs paid to the SE.

HSD further claims that the bill could inadvertently create a loss of revenue to the GF of approximately \$6.35 million, currently paid by the SE in premium taxes, generated by Medicaid capitation payments to the SE. The total premium tax is \$12.7 million but the SE receives approximately 50% in tax credits that offset the premium tax.

SIGNIFICANT ISSUES

The Collaborative was created during the 2004 Legislature to allow state agencies involved in behavioral health treatment to work as one in an effort to improve mental health and substance abuse services in New Mexico. The collaborative functions as a virtual agency, pooling funding from five agencies to buy a managed-care product from a so-called statewide entity – currently, OptumHealth NM, a subsidiary of United Healthcare – to manage mental health care and substance abuse treatment services. Soon after the transition from ValueOptions NM, the first statewide entity, to OptumHealth NM on July 1, 2009, problems with the OptumHealth claims system became evident. Providers were not paid for services rendered, claims were lost or improperly denied, and new requirements for providers caused confusion and mistakes. OptumHealth has been sanctioned under its contract and an appointed state monitor is reviewing its system to ensure compliance with contract terms, including timely payment.

The Collaborative is also charged with directing a statewide system of behavioral healthcare services. Since inception, the Collaborative has been moving toward a system of care that emphasizes comprehensive community support services, as part of its effort to promote community over residential treatment. These services are a key component for designation as a core service agency, which will be the primary care coordinators and care providers for the neediest clients. This concentration of services in about 36 provider agencies has raised some concerns about service limitation in parts of the state. Monitoring this transformation process has been difficult because the Collaborative provides a limited performance report to gauge the success of its programs.

PERFORMANCE IMPLICATIONS

SB 21 requires a return to the behavioral health delivery system that was in operation prior to fiscal year 2006, or the creation of a new, publicly run network.

ADMINISTRATIVE IMPLICATIONS

DDPC reports that it has seen improvement in managed care services for persons with disabilities.

OTHER SUBSTANTIVE ISSUES

HSD notes that New Mexico has moved from a provider-based system to a service-based system with the continuing goal of establishing an outcome-based system. Service providers want to be assured they are being paid quickly, that the result of doing business is worth the cost, and the outcomes are meeting the demands of funders and service users.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Behavioral health services will continue to be contracted as directed by the Collaborative in partnership with a SE.

AHO/bym