F I S C A L I M P A C T R E P O R T

SPONSOR Wirth **ORIGINAL DATE** 02/08/11 **LAST UPDATED** **HB**

SHORT TITLE Benchmark Usual & Customary Rates **SB** 227

ANALYST Archuleta

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	*Minimal/See Fiscal Impact	*Minimal/See Fiscal Impact	*Minimal/See Fiscal Impact			

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Public School Insurance Authority (PSIA)
Retiree Health Care Authority (RHCA)
General Services Department (GSD
Public Regulation Commission (PRC)
Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

Senate Bill 227 amends the Health Care Purchasing Act requiring a statistically valid approach toward establishing usual and customary charges a member of the health plan receives services from a provider who is not part of the health plan's established network. The reimbursement must be based on the prevailing market cost of the medical service in the geographic area where the service was delivered.

FISCAL IMPLICATIONS

PSIA offers self-insured PPO plans with in-network and out of network coverage. The coinsurance differential between in and out of network is 10 percent. Out of network reimbursement is based on usual and customary charges, which are fees that a professional provider usually charges for a given services which fall within the range of usual charges for a given service filed by most professional providers in the same locality who have similar training and experience.

RHCA notes that over 95 percent of their members covered by a PPO plan use services from contracted providers. Given the limited scope and reasonable requirements associated with SB227, RHCA does not anticipate a material financial impact.

GSD only has one PPO plan with an overall enrollment of 23,112. The medical utilization of this plan for out of network providers has been less than 10 percent. Currently the PPO vendor utilizes a national database for calculating usual and customary reimbursement. GSD does not anticipate a fiscal impact.

SIGNIFICANT ISSUES

PSIA also indicates that non-network utilization in their plans is less than 5 percent. However, if this bill requires them to allow more reimbursement for out of network providers, it will increase claims costs, which directly correlates to premium increases. In addition, Presbyterian uses an independent database to establish usual and customary charges. The percentile of the reasonable and customary is not defined in the bill. If we were to use the 100^{th} percentile, our costs will go up. However, for the members, increased out of network reimbursement will reduce the amount of balance billing (the provider may bill the member for 100% of the excess between allowed and billed.)

PERFORMANCE IMPLICATIONS

Any mandate to increase provider reimbursements will impact PSIA's, RHCA's, GSD's and APS's ability meet their performance measures related to keeping premium increases within a certain limit.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HPC suggests that SB227 may relate to SB208 (Health Insurance Rate Increase Review), which would amend and enact sections of the New Mexico Insurance Code to provide greater transparency and new standards in review of application for health insurance premium rate increases.

TECHNICAL ISSUES

It appears the word "insurer" in line 12 on page 5 should be changed to the word "provider", as an insurer does not deliver health care service.

OTHER SUBSTANTIVE ISSUES

According to HPC the bill provides that if a group coverage plan provides differences in benefit levels payable to preferred providers compared to other providers, those differences shall not unfairly deny payment for covered services and shall be no greater than necessary to provide a reasonable incentive for eligible participants to use the preferred provider. However, the bill does not define "reasonable incentive".

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Health Care Purchasing Act would not be amended to require a statistically valid approach toward establishing usual and customary charges a member of the health plan receives services from a provider who is not part of the health plan's established network.

DA/bym