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FISCAL IMPACT REPORT

SPONSOR Lopez **ORIGINAL DATE** 02/18/11
LAST UPDATED 03/08/11 **HB** _____

SHORT TITLE LFC to Conduct FIRs on Health Care Designs **SB** 386/aSPAC

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	\$100.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

Department of Health (DOH)

Public Regulation Commission (PRC)

SUMMARY

Synopsis of Senate Public Affairs Committee Amendment

The Senate Public Affairs Committee (SPAC) amendment to Senate Bill 386 expands the scope of the study to include the following in the analysis of the three reform plans:

- The impact on health care quality and timely access to care and
- The impact of the plan designs on health care providers, including the effect of these plans on the health care industry in New Mexico.

Synopsis of Original Bill

Senate Bill 386 appropriates \$100 thousand from the general fund to the Legislative Finance Committee to fund fiscal impact analysis and reporting that compares health care finance and administration plan designs. Working in collaboration with the office of the Governor, the Human Services Department, the Department of Health, the Insurance Division of the Public Regulation Commission, the Legislative Council Service and other experts, as necessary, the LFC is required to perform an analysis of the following health care reform plans:

1. A New Mexico health benefits exchange that negotiates with carriers and sells health plans for purchase to individuals and small businesses in the state – a so called ‘robust exchange,

2. A New Mexico health benefits exchange that acts as an insurance market clearinghouse for individuals and small businesses in the state but does not negotiate with carriers or sell health plans, and
3. A single, statewide, self-insured health plan that provides comprehensive coverage for most individuals, household, employee and their dependents and self employed individuals.

The analysis of each plan shall include:

- The cost of establishing and initially operating the plans;
- An identification of revenue sources to fund the operations; and
- During the initial five-year period,
 - the number of people estimated to be covered by any source of public or private coverage, including the number covered in each of the plan designs
 - the impact on the state's general fund
 - The impact on large and small businesses; individuals, including self-employed individuals; households; and employees and their dependents.

The results of the study must be presented by LFC staff through oral and written testimony to the Legislative Finance Committee and the Legislative Health and Human Services Committee by November 1, 2011.

FISCAL IMPLICATIONS

The appropriation of \$100 thousand contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2012 shall revert to the general fund.

In addition, the bill requires LFC to:

- Seek outside partnerships to provide independent expertise and analysis,
- Use federal funds appropriated for the planning and implementation of health benefits exchanges and any other available federal funds, and
- Seek and coordinate the use of other state, federal and local government funding and grants from private foundations.

SIGNIFICANT ISSUES

Under the federal health care reform law – the Patient Protection and Affordable Care Act (PPACA) -- state exchanges must be operational by January 1, 2014. However, states must demonstrate their ability to stand up an exchange by January 1, 2013. If a state cannot demonstrate such ability, the federal government will operate the exchange. To help states meet these deadlines, planning grant funding was made available to all states.

In September 2010, New Mexico, along with almost every other state, was awarded a \$1 million grant to plan for the creation of a health benefit exchange. The NM Office of Health Care Reform, first established at the Human Services Department, received the grant and divided the funding as follows:

- Develop a fiscal, actuarial and population modeling tool based on the current environment that can provide ongoing information as adjustments are made to reflect policy decisions related to the exchange(s).

- Assess current information technology (IT) systems and determine any exchange IT needs;
- Gather data regarding New Mexico’s current health insurance market;
- Gather off-reservation leaders, providers, and consumer input to guide the exchange planning process.

The grant funding has been divided for these purposes and requests for applications (RFAs) have been disseminated, but most of the funding has not been awarded.

According to HSD, “the sooner that New Mexico establishes its Exchange, the more likely the state will meet federal benchmarks and receive sufficient funding to fully develop its Exchange by 2014. HHS has developed a worksheet of example milestones that states should attempt to meet each year; it suggests that states should draft enabling legislation and develop a governance structure for the Exchange in the year 2011.”

In discussions with the federal Department of Health and Human Services, HSD was informed that the planning grant could not be used to study and single payer health care system as required by this bill.

ADMINISTRATIVE IMPLICATIONS

The scope of study required by this bill is outside of the current capacity of the Legislative Finance Committee staff. Using the appropriation in this bill, LFC would likely contract for much the health care market analysis required in this legislation.

Furthermore, HSD reports there would need to be “a coordination of efforts between the LFC and the other state agencies to anticipate budgeting and funding needs. The grant awarded under the PPACA to the Office of Health Care Reform for planning a state Exchange did not specifically include monies to be used by the LFC, but the grant award allows for amendments and reallocation of funds as needed and as approved by the federal contract manager.”

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to and conflicts with House Bill 33, Senate Bill 370 and Senate Bill 38, which establish health benefit exchanges. Senate Bill 386 is a duplicate of House Bill 257.

BE/bym:mew