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

SPONSOR Sapien **ORIGINAL DATE** 03/08/11 **LAST UPDATED** **HB**

SHORT TITLE Drug & Device Prior Authorization Requests **SM** 46

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APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	**FY12**		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

SUMMARY

Synopsis of Bill

Senate Memorial 46 requests the creation of a working group to develop standards for electronic prior authorization request transactions for drugs and devices.

The Memorial resolves:

- according to the 2009 national progress report on e-prescribing by the National Association of Boards of Pharmacy, the number of electronic prescriptions increased by one hundred eighty-one percent from 2008 to 2009. Over one hundred ninety million e-prescriptions were routed in 2009, compared with sixty-eight million in 2008 and twenty-nine million in 2007. Correlating with those increases, one hundred fifty-six thousand prescribers were using e-prescriptions by the end of 2009, compared with seventy-four thousand at the end of 2008, a one hundred nine percent increase;
- the 2009 national progress report on e-prescribing also indicates that eighty-five percent of community pharmacies in the United States are connected and able to receive e-prescriptions from prescribers;
- the use of e-prescribing will likely continue to grow, influenced in part by new government regulations such as the Federal Drug Enforcement Administration's interim final rule for electronic prescribing of controlled substances and the *meaningful-use* requirements in federal health care reform legislation;
- given the increasing number of e-prescriptions and the current lack of standards on e-prescribing and e-prior authorization, standardized processes should be established in

order to reduce costs in the system and streamline the process for physicians, pharmacists and patients; and

- the American Medical Association, the Pharmaceutical Care Management Association, the Pharmaceutical Research and Manufacturers of America and others affected have endorsed principles to develop standards for e-prescribing.

FISCAL IMPLICATIONS

The bill will require Legislative Health and Human Services Committee (LHHSC) to invite the Lovelace Foundation which probably refers to the Lovelace Clinic Foundation which in 2010 received a federal Recovery Act award of $7,070,441 to facilitate a health information exchange (HIE) in New Mexico and $6,175,000 to support the development of regional extension centers (RECs) in New Mexico that will aid health professionals as they work to implement and use health information technology and achieve *meaningful use.*

The Medicare electronic health record (EHR) Incentive Program will provide incentive payments to eligible professionals and hospitals that demonstrate *meaningful use* of certified EHR technology.

- Eligible professionals can receive up to $44,000 over five years under the Medicare EHR Incentive Program. There's an additional incentive for eligible professionals who provide services in a health professional shortage area.
- To get the maximum incentive payment, Medicare eligible professionals must begin participation by 2012.
- Incentive payments for eligible hospitals may begin as early as 2011 and are based on a number of factors, beginning with a $2 million base payment.
- For 2015 and later, Medicare eligible professionals and hospitals that do not successfully demonstrate *meaningful use* will have a payment adjustment in their Medicare reimbursement.

The Medicaid EHR Incentive Program will provide incentive payments to eligible professionals and hospitals as they adopt, implement, upgrade, or demonstrate *meaningful use* of certified EHR technology in their first year of participation and demonstrate meaningful use for up to five remaining participation years.

- The Medicaid EHR Incentive Program is voluntarily offered by individual states as early as 2011, depending on the state.
- Eligible professionals can receive up to $63,750 over the six years that they choose to participate in the program.
- Eligible hospital incentive payments may begin as early as 2011, depending on when the state begins its program. The last year a Medicaid eligible hospital may begin the program is 2016. Hospital payments are based on a number of factors, beginning with a $2 million base payment.
- There are no payment adjustments under the Medicaid EHR Incentive Program.

SIGNIFICANT ISSUES

SM 46 speaks only to developing standards for electronic prior authorization request transactions for drugs and devices. Prior authorization occurs when a physician or pharmacist must authorize coverage for a prescription or device under a health care plan. Prior-authorization guidelines are determined on a drug-by-drug basis and may be based on FDA and manufacturer guidelines, medical literature, safety, appropriate use and benefit design.

Currently, most health care providers still use medical record systems based on paper. New government incentives and programs are helping health care providers across the country make the switch to electronic health records.

PERFORMANCE IMPLICATIONS

The New Mexico Legislative Council is being requested to direct the LHHSC to hold a hearing on or before November 1, 2011 on developing standards for e-prior authorization request transactions for drugs and devices, with the goal of maximizing administrative simplification and efficiency in preparation for electronic transmission.

ADMINISTRATIVE IMPLICATIONS

The LHHSC will be required to invite representatives from the Lovelace Foundation, the New Mexico Prescription Improvement Coalition and other interested stakeholders to the hearing on developing the standards for e-prior authorization request transactions for drugs and devices.

TECHNICAL ISSUES

The memorial may benefit from including e-prescribing standards in addition to e-prior authorization standards.

OTHER SUBSTANTIVE ISSUES

The Center for Medicare and Medicaid Services' criteria for providers to demonstrate *meaningful use* will occur in three stages.

Stage 1 will focus on electronically capturing health information in a coded format, using that information to track key clinical conditions, communicating that information for care coordination purposes, and initiating the reporting of clinical quality measures and public health information.

Stage 2 will expand upon the Stage 1 criteria in the areas of disease management, clinical decision support, medication management support for patient access to their health information, transitions in care, quality measurement and research, and bi-directional communication with public health agencies.

Stage 3 will focus on achieving improvements in quality, safety and efficiency, focusing on decision support for national high priority conditions, patient access to self management tools, access to comprehensive patient data, and improving population health outcomes.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

LHHSC may or may not decide to include in its discussions standards for e-prior authorization request transactions (or any e-prescribing) for drugs and devices.

AHO/bym