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FISCAL IMPACT REPORT

SPONSOR: HGUAC DATE TYPED: 03/05/01 HB 878/HGUACS
 SHORT TITLE: Consolidated Purchasing SB _____
 ANALYST: Carrillo

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
			Indeterminate		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to See section in text.

SOURCES OF INFORMATION

Public School Insurance Authority (PSIA)
 General Services Department (GSD)
 Health Policy Commission (HPC)

SUMMARY

Synopsis of Bill

House Bill 878 as substituted by the House Government and Urban Affairs Committee proposes to amend the Health Care Purchasing Act (Section 13-7-1 through 13-7-4 NMSA 1978) to:

Include counties, municipalities, state educational institutions and other political subdivisions that wish to use the consolidated purchasing single process for the procurement of health care benefits (either the public agency pool or an allowance of those same entities to create or join another pool).

Reaffirms by statute that Social Security Numbers may not be required for health insurance identification purposes.

Requires a study be conducted on the feasibility of combining certain administrative functions of the agencies participating in the Health Care Purchasing Act. The study will be completed by December 1, 2001 and implementation of any combined functions by December 31, 2003. The substitute bill allows the agencies to enter into a joint powers agreement (JPA) or contracts with others to determine assessment to be levied against other agencies for one agency's provision of any services. It clarifies the agencies still retain responsibility for policy direction of the benefit plans.

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Clarifies the exemption from the Insurance Code of the Public School Insurance Authority (PSIA), RHCA and public schools. It exempts these agencies from all provisions of the Insurance Code except for the Patient Protection Act, Mental Health Parity Act, and the Clean Claims Act.

Significant Issues

The Interagency Task Force (ITF) was created in 1997 as part of the Health Care Purchasing Act of 1997. The ITF members are:

RMD (general government employees, state and local public bodies),
PSIA (public schools),
APS (Albuquerque public schools), and
RHCA (PERA and ERA retired employees).

The purpose of the Act was to consolidate purchasing power (including risk) into a health care insurance pool so that health insurance would be more cost-effective, with higher quality and more accessibility through reduced rates, especially by encouraging health care providers in rural areas to participate in the consolidated plans.

The Health Policy Commission (HPC) states:

The HPC HJM18 report, *Restructuring of Health Care Final Report 2000*, state that value-based purchasing is a concept that combines cost-effective approaches of purchasing pools/cooperatives with choices of health plans based on quality. Throughout the nation, and in New Mexico with the recent consolidated purchasing of the State employees, retirees and public schools, purchasing pools are providing employers with added leverage in controlling costs and negotiating with healthcare plans.

Washington state created TEAMonitor, an interagency team working in partnership with health carriers to promote accessible, high-quality health care for managed care enrollees. TEAMonitor contracts with managed health care services of medicaid recipients, low-income individuals, public employees, and retired public employees.

The reduction of administrative costs and the improved ability of entities in the New Mexico Insurance Pool to negotiate, while representing more enrollees, may keep insurance costs from rising as quickly as they have in recent years. In addition, a larger New Mexico Insurance Pool may allow pool members to negotiate for better insurance coverage.

FISCAL IMPLICATIONS

HPC staff states an insurance purchasing pool may decrease both costs and the rate at which costs increase for entities that contribute into the pool.

The fiscal impact is unknown since the substitute bill allows for a JPA to determine assessments.

The RHCA staff indicates there could possibly be expenses incurred in the first year (FY02) for the study and implementation. Approximately \$550.0 would be saved by the four entities overall

beginning in the first year for Health Insurance Portability and Accountability Act (HIPPA) compliance, and efficiency savings would continue to result from consolidation of administrative functions.

ADMINISTRATIVE IMPLICATIONS

Unknown until completion of study.

RELATIONSHIP

HB 878 as substituted relates to:

- SB 274, Amend NM Insurance Code
- SB 209, Self-Insured health Care Act
- SB 334, Amend Health Insurance Alliance Act
- SB 375, Medical Insurance Pool Act
- SB 478, Catastrophic Health Insurance
- HB 275, Small Employer Catastrophic Group Health
- HB 406, Self-Insurance Health Care Act

WJC/njw:ar