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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Hickey **ORIGINAL DATE** 3/3/2023

BILL

SHORT TITLE Publicly Funded Health Agency Obligations **NUMBER** Senate Bill 484/ec

ANALYST Simon

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	See Fiscal Implications				Recurring	Group Benefits Funds

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Is a companion to Senate Bill 453

Sources of Information

LFC Files

Responses Received From

General Services Department (GSD)
 Public School Insurance Authority (PSIA)
 Retiree Health Care Authority (RHCA)

No Response Received

Albuquerque Public Schools (APS)

SUMMARY

Synopsis of Senate Bill 484

Senate Bill 484 would amend the Health Care Purchasing Act to require members of the Interagency Benefits Advisory Committee (IBAC) to complete a joint powers agreement to develop a uniform benefit plan design, submit all claims, utilization and payment data to the all-payer claims database, and report annually to the Legislative Finance Committee on the cost of plans and quality of benefits. The joint powers agreements must be submitted to the Department of Finance and Administration and the Legislative Finance Committee. Additionally, the bill would allow any political subdivision in New Mexico to enter into a joint powers agreement with the IBAC entities. Higher education institutions that choose not to participate in consolidated purchasing would be required to explain why the institution chose not to participate.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

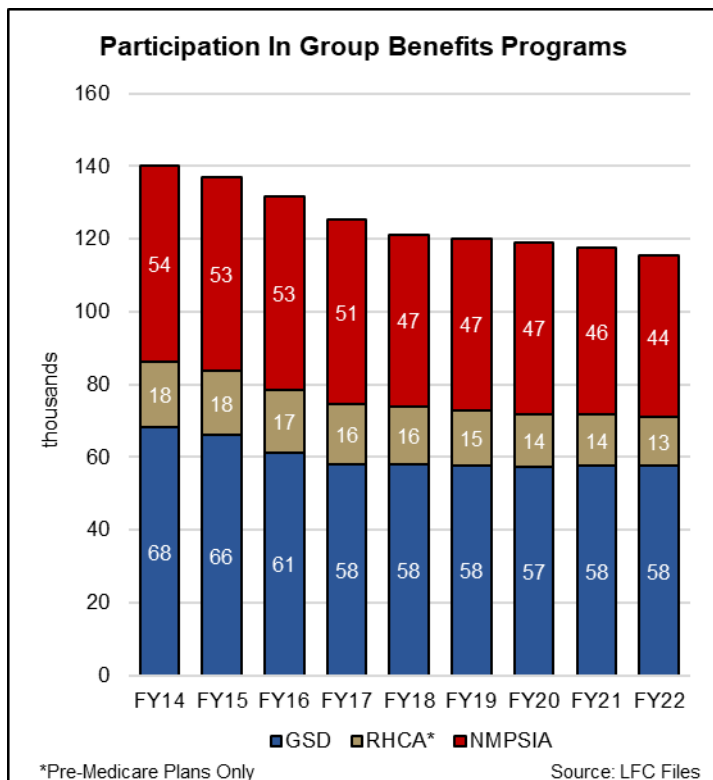
Agencies generally report no fiscal impact, though agencies note there could be additional costs with requiring their data warehouses to prepare and submit information to the all-payer claims database.

Analysis from agencies does not address the potential for cost savings from a more consolidated approach to procuring state health benefits. Previous LFC program evaluations have noted the IBAC agencies have failed to maximize the purchasing power of the state to lower the costs of health benefits. Additionally, these evaluations have noted redundant administrative functions have increased costs to the state and recommended the consolidation of the agencies to increase cost savings and realize the full potential of the Health Care Purchasing Act.

SIGNIFICANT ISSUES

In 1997, the state enacted the Health Care Purchasing Act, requiring publicly funded health agencies to participate in a consolidated purchasing process in an effort to provide public employees access to more affordable and better quality health benefits through cost containment and the savings produced by consolidated purchasing (See Section 13-7-2 NMSA 1978). The law forms IBAC to provide the agencies with a way to conduct a consolidated purchasing effort for employee benefits programs. The members of IBAC are the General Services Department (GSD), the Public School Insurance Authority (NMPSIA), the Retiree Health Care Authority (RHCA) and Albuquerque Public Schools (APS). Each agency is responsible for their own self-funded insurance plan and each agency designs its plan independently from the others. The

agencies do issue a joint request for proposals, although agencies can select different vendors from the responses.



Consolidated purchasing is one tool state and local governments nationwide have used to address rising health care costs. According to the National Conference of State Legislatures, most states currently allow local governments, public schools, higher education institutions, and other public employers to pool resources to purchase health care benefits. A few states require pooling, to spread risk among multiple public employers and control costs. Generally, the more members in the pool, the lower the costs. In the last decade, participation in plans offered by GSD, RHCA, and NMPSIA have fallen by 17.5 percent, from 140 thousand in FY14 to 115 thousand in FY22.

The bill would amend the Health Care Purchasing Act to require the agencies to enter into a joint powers agreement. Currently law allows the agencies to do this but does not require it.

Additionally, the bill would require the members to develop at least one common, uniform benefit plan. Agency analysis notes differences in membership of the different agencies may make it difficult for the agencies to agree on a common, uniform benefit plan. The agencies note differences in health risk, demographics, and location of covered members. In particular, RHCA notes due to their older population, a common benefit plan could be more costly for that agency.

The bill would also require IBAC members to submit claims data to the state's all-payer claims database at the Department of Health. New Mexico is one of 18 states that have set up a database and presentations from the department indicate this database will serve as a tool for policymakers when considering health care policy. National research suggest these databases will provide more accessible data for employers to consider when looking at the cost of providing health care, allowing employers to benchmark their costs to those of other employers. In New Mexico, the IBAC entities account for a large share of the privately insured population.

TECHNICAL ISSUES

On Page 3, Line 14, language included in the bill implies the Legislative Finance Committee may need to approve the joint powers agreement. Typically, the committee does not approve actions of executive agencies. The language goes on to state the elements DFA must consider before approving a joint powers agreement. A separate statute requires the secretary of the Department of Finance and Administration to approve joint powers agreements. The sponsor may wish to clarify that only the secretary would be allowed to approve a joint powers agreement.

JWS/al/ne