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FISCAL IMPACT REPORT

SPONSOR: Park DATE TYPED: 02/26/01 HB 936
 SHORT TITLE: Private Remedies Against HMOs SB _____
 ANALYST: Wilson

APPROPRIATION

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

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Health Policy Commission (HPC)
 Public Regulatory Commission (PRC)
 Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of Bill

HB936 allows an HMO enrollee to bring an action to recover actual damages. It also deletes a provision from existing law that states that an HMO authorized under the provisions of the HMO Law is not deemed to be practicing medicine and an HMO is no longer exempt from laws relating to the practice of medicine.

Significant Issues

Consumers have expressed concerns and frustrations about their ability to challenge the decisions of Health Maintenance Organizations regarding coverage for treatment of illness or injury. The statutory right of enrollees to seek redress for actual damages from HMOs may alleviate this frustration. HMOs will have to examine their administrative processes regarding their case-by-case evaluation of whether to provide payment for treatment of certain illnesses or injuries. This administrative process will have to balance the needs of consumers and the financial viability of the HMO. At some point, HMOs will also have to decide how to balance challenges to their decisions regarding payment for treatment versus legal challenges.

FISCAL IMPLICATIONS

HB 936 allows enrollees to recover damages from an HMO and holds them responsible for the laws governing the practice of medicine. HB 936 may make it more expensive for the HMOs to operate which may cause HMO premiums to rise. Since the State pays the employer's share of the premiums for state employees, retirees and public school employees, there may be a negative financial impact which cannot be quantified by any of the agencies involved at this time.

ADMINISTRATIVE IMPLICATIONS

The PRC indicated that HB 936 might result in additional complaints to the Division of Insurance, but could not quantify the administrative impact.

OTHER SUBSTANTIVE ISSUES

The HPC noted that many HMOs are currently experiencing financial difficulties. Nationally, about 30 percent of the population are currently enrolled in HMOs. While nearly 90 percent of the HMOs were profitable in 1994, with an average profit margin of 2.4 percent, in the third quarter of 1997 only 49 percent of the plans were profitable. In New Mexico, three of the five major managed care organizations providing financial information in 1997 reported negative operating profit margins. The financial vulnerability of these organizations puts many New Mexicans at-risk for loss of their health insurance coverage. The HPC suggests that a public and private partnership may be an alternative to the current instability, in the private, managed care system.

DW/ar