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FISCAL IMPACT REPORT

SPONSOR Heaton DATE TYPED 3-11-05 HB 780/aHAFC

SHORT TITLE Health Care Electronic Info Study System SB _____

ANALYST Collard

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 747

SOURCES OF INFORMATION

LFC Files

Department of Health and Human Services (<http://www.hhs.gov>)

Computer World (www.computerworld.com/governmenttopics)

Connecting For Health (www.connectingforhealth.org)

Electronic Health Record Collaborative (www.ehrcollaborative.org)

Responses Received From

Health Policy Commission (HPC)

Department of Health (DOH)

Human Services Department (HSD)

Office of the Chief Information Office (OCIO)

Public Regulation Commission – Insurance Division (PRC)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to House Bill 780 strikes the appropriation of \$200 thousand to HPC to carry out the provisions of this bill.

Significant Issues

HPC indicates there is very significant budget implication with the amendment to eliminate the appropriation. Most likely, HPC will have to find its own external source of funding, either

through foundation grants or donations from information technology companies willing to consult for no compensation, if there are any who would consider doing this.

HPC also indicates, if grant funding were obtained, it is likely that the deadlines in the bill could not be met.

The amended bill now assumes that HPC can do this work within its existing budget. HPC mentions page 3, lines 4-7 even notes "that the HPC would contract with specialists in various aspects of the study, but shall provide basic research staff and administrative needs as required." However, with the budget in the general appropriations bill and the current contractual obligations of the commission, HPC indicates there are no contract monies available to do this work.

Synopsis of Original Bill

House Bill 780 appropriates \$200 thousand from the general fund to HPC for the purpose of leading a 19 member taskforce to study the development and implementation of a single state-wide electronic health information system (HIS) to combine consumer, provider, payer, and state agency health information data, resources, needs and access.

The bill directs the taskforce is to meet on a monthly basis and include the following members: the director or designee of HPC, secretaries or designees of DOH and HSD, the division director or designee of the Risk Management Division of the General Services Department, the director or designee of the Health Insurance Alliance, the state's Chief Information Officer or designee, the Superintendent of Insurance or designee, a representative of a statewide health maintenance organization appointed by the governor, a representative of a statewide point-of-service health insurer appointed by the governor, and ten public members appointed by the governor.

Under this bill, HPC may contract with specialists in aspects of the study, but will provide basic research and administrative needs as required.

The bill directs 13 duties for the taskforce to consider including user needs, security and privacy, identification and invitation to providers, personal health records and access to them, information accumulation and storage, routine and emergent provider access to records, access to evidence based treatment protocols, access to epidemiological studies and notification of reportable diseases, maintenance of databases and registries. Additionally, study duties include determination of factors necessary to measure improvements in quality of health care, patient safety, reduction in medical errors, reduction in duplication of health services, methods for financing the system, and consideration of adoption of national and regional technology and standards. A pilot HIS is also to be considered by the study.

The taskforce is to report to the legislative Health and Human Services Committee and the governor in November 2005 and November 2006, with a final report in September 2007.

Significant Issues

DOH indicates currently there is no system in place that effectively permits multiple users to achieve the goals identified in this bill. Information is available only in multiple locations and in non-compatible formats. Individual systems have been developed with the support of various funding sources, and are not designed from a whole system point of view making it difficult to

share and coordinate access to required information. The study and recommendations that would derive from the deliberations of the proposed task force would provide a roadmap to how the current systems could be retooled to create a coordinated system.

The fragmented nature of health information makes it very difficult for patients to access their personal health records for increased awareness, involvement in and responsibility for their own health care. It also makes it more difficult for citizens and healthcare providers to access up to the minute evidence-based treatment guidelines, standards and protocols.

Electronic health care information systems (EHCIS) have the potential to greatly improve health care quality, efficiency and effectiveness. In April 2004, President Bush issued Executive Order 13335 calling for widespread adoption of interoperable electronic health records (EHRs) within 10 years, and established the position of National Coordinator for Health Information Technology. Numerous public and private organizations are working together to develop standards and architectures for building local, regional and national health care information systems.

New Mexico, with its advanced technology industry, national labs and centralized state government infrastructure is well positioned to take a leading role in this effort. There are at least two EHCIS's projects in the state and there has been significant work at Los Alamos National Lab on related technology.

PERFORMANCE IMPLICATIONS

HPC indicates performance implications are significant. HPC has existing statutory responsibilities that must be maintained. HPC indicates this bill involves a significant amount of accountability with 13 different topic areas to be addressed and will call upon the expertise of nearly all HPC staff. In addition, HPC will likely contract some of the study with an outside firm, which will require staff time for contract management and eventual integration of the work product of the contractor into the final report.

FISCAL IMPLICATIONS

The appropriation of \$200 thousand contained in this bill is a nonrecurring expense to the general fund. The appropriation is eligible for spending in FY06 through FY08. Any unexpended or unencumbered balance remaining at the end of FY08 shall revert to the general fund.

HSD notes the bill also calls for the use of contractors to conduct research and administrative duties and suggests \$200 thousand may not be adequate to cover these activities.

RELATIONSHIP

House Bill 780 has an indirect relationship to House Bill 747, Create a Statewide Information Technology Division, which increases the role of information technology in state government.

OTHER SUBSTANTIVE ISSUES

DOH notes an effective study, as proposed in this bill, could provide a roadmap for the development of a statewide health information system.

HPC research indicates a January 2005 article in *Health Affairs* speaks to the value of electronic health care information exchange and interoperability of HIS between providers (hospitals and medical group practices) and independent laboratories, radiology centers, pharmacies, payers, public health departments, and other providers. The study created an HIS taxonomy and combined published evidence with expert opinion in a cost-benefit model. According to the article, “a fully standardized HIS could yield a net value of \$77.8 billion per year once fully implemented. Non-standardized HISs offer smaller positive financial returns.” The clinical impact of HIS, for which quantitative estimates could not be made, would likely add further value. The conclusion of the study is that a compelling business case exists for national implementation of fully standardized HIS.

A “fully functional national system of healthcare information exchange would cost as much as \$276 billion to build over 10 years and require another \$16.5 billion a year to run, but would generate a net value of up to \$77.8 billion a year in savings over costs,” according to another study by the physician-led Center for Information Technology Leadership (CITL).

Researchers with CITL, an arm of Massachusetts based Partners HealthCare, have “estimated that a national IT system could generate \$31.8 billion in potential savings from avoided, unnecessary costs between outpatient physicians and labs; \$25.2 billion a year in unneeded and duplicative radiology costs; \$2.7 billion in costs associated with call-backs to pharmacies; and \$13.2 billion in handling referrals and charts.”

At this time, according to the Washington Post, Providence Journal, and New York Times, there appears to be an emergency consensus on the need for a national HIS with parties as diverse as President Bush, former Speaker Gingrich and Senators Clinton and Kennedy agreeing on the need for a national solution for the use of HIS.

States such as Wisconsin are also moving ahead with providers. For example, the new state Health Care Quality and Patient Safety Board will “develop a plan to automate all health care information systems in Wisconsin by 2010. The new technology will enable doctors to instantly access a patient's history, including allergies, medications, previous test results, X-rays, CAT scans and other important pieces of information. Physicians would then have a better idea of which tests to run, based on the medical history.” Also, when a patient shows certain symptoms that lead to a particular diagnosis, the technology would indicate possible treatments, ensuring that the physician is receiving updates about new treatments and best practices that have been developed for certain illnesses.

Technology such as HIS is also useful in emergency situations when a person is not receiving care from his or her primary physician. With information technologies that communicate across health care systems, records can be quickly accessed to assist the attending physician in treating a patient based on known medical history.

David Brailer, MD, head of the Office of the National Coordinator for Health Information Technology, an arm of HHS, has “estimated 50,000 to 100,000 people die every year from medical errors and contends that centralized data could help doctors and patients keep better track of treatment. While many medical records are computerized, such as lab results, drug data and even accounts of office visits in text files, records are not organized or standardized in format.”

Former Health and Human Services Secretary Tommy Thompson was quoted in Computer World as saying “electronic health information will provide a quantum leap in patient power, doctor power and effective health care. We can’t wait any longer.” He further stated that with the adoption of EHR systems nationally, the nation could save 10 percent of the annual \$1.7 trillion health care bill.

HPC indicates the following issues:

With the current wave of proposed and expanding regional HIS systems that may be built or expanded prior to a common agreement on interconnectivity standards, there exists the potential to once again implement “islands of information” that do not communicate with each other, lacking a common national framework.

Large challenges to implementing a system nationwide, or even statewide, would have to be overcome. All medical workers will need to have compatible technology, and converting records to such a system would be a costly endeavor, especially for individual physician offices and smaller clinics. Privacy and security must be ensured so that only those with patient consent have access to the records.

The state government would likely need to develop incentives to get providers online either through loans, tax credits, or grants.

PRC indicates, from the commission’s perspective, the bill appears ambitious. Some consideration should be taken in using a project management approach to setting deadlines for various stages of the project to ensure results.

PRC also notes the potential for implementing such an information system would represent a great cost-savings, efficiencies and resource to guide future health policy making in the State of New Mexico.

ALTERNATIVES

- HPC recommends an amendment asking for a representative on the task force from an individual appointed by either Sandia or Los Alamos National Labs with an interest in health and health information systems.
- HPC recommends at least one rural hospital representative be appointed and one physician in private practice, both of whom have demonstrated experience in HIS.
- HPC also recommends representatives from Aging and Long-Term Services and Children, Youth and Families Department be added to the task force.

HSD also notes, in addition to the member agencies included in the bill, any task force study of a statewide electronic health care information system should include representatives from Children, Youth and Families Department and Aging and Long Term Services Department. Since there are multiple Managed Care Organizations involved currently in the provision of health care to Medicaid funded clients who would be significantly impacted by any recommendations, there should probably be a representative from each of the participating MCOs and the new Behavioral Health Statewide Entity, on the task force.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

HPC indicates continuous duplication and waste of healthcare resources will occur until a health information system becomes available that is user friendly, manages cost and quality, and provides timely and accurate information. Not enacting this bill will make a continuation of a 19th century paperwork system in a 21st century medical environment. This issue has been talked and written about for ten plus years, a time of tremendous though wasted opportunity to fix much of what ails healthcare.

KBC/lg:yr