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FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/06
 SPONSOR Sandoval LAST UPDATED 1/30/06 HB 354
 SHORT TITLE Modernize Primary Care Clinic Patient Records SB _____
 ANALYST Lewis

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	720.0	Non-Recurring	General Fund
	1680.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 90

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
 Health Policy Commission (HPC)
 New Mexico Primary Care Association (NMPCA)

SUMMARY

FOR THE LEGISLATIVE HEALTH AND HUMAN SERVICES COMMITTEE

Synopsis of Bill

House Bill 354 appropriates \$2,400,000 from the general fund to the Department of Health for expenditure in fiscal year 2007 to update patient billing systems, implement electronic health records and conduct training in primary care clinics eligible to receive funds under the rural primary health care act.

FISCAL IMPLICATIONS

The appropriation of \$2,400,000 contained in this bill includes \$720,000 for computer hardware (non-recurring) and \$1,680,000 for software (recurring) expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2007 shall revert to the general fund.

SIGNIFICANT ISSUES

This appropriation is not included in the Department of Health (DOH) executive budget recommendation. According to the DOH, the funds are sought by the New Mexico Primary Care Association (NMPCA) to implement electronic health records in primary care clinics across the state.

The New Mexico Primary Care Association (NMPCA) indicates that the \$2,400,000 requested would breakout to approximately 30% (\$720,000) for computer hardware and 70% (\$1,680,000) for software. According to the NMPCA, New Mexico's Primary care clinics have been struggling to update obsolete patient billing systems and incorporate electronic health records (EHRs) into their systems.

NMPCA notes that, at \$40,000-\$50,000 per clinician, the purchase of new and sophisticated patient tracking and Electronic Medical Record systems is beyond the capability of most non-profit primary care organizations. However, by combining purchasing power and sharing training and implementation costs, health centers can implement electronic health records at a 40-50% cost savings as compared to individual purchases. With this appropriation, NMPCA expects that 80 clinical providers and their support staff can be transitioned to Electronic Health Records at a cost of \$25,000 per clinician (\$2 million); and five organizations can replace obsolete patient billing and information systems for \$80,000 each (\$400,000).

NMPCA argues that these systems can reduce medical errors, and improve efficiency and quality of care, and the health status of the 275,000 (mostly low-income and uninsured) New Mexicans served by primary care clinics. The financial stability of the clinics will be improved as well, through better billing and collection and more efficient accumulation and tracking of key data.

According to the DOH, the Rural Primary Health Care Act (RPHCA) Program, which is administered by DOH, supports 82 clinics statewide through contracts with community-based nonprofit organizations and governmental entities. In fiscal year 2005, RPHCA-funded clinics reported over 750,000 primary care patient visits. In many rural communities the RPHCA-funded clinics are the only source of accessible primary care available. The majority of patients at RPHCA-funded community-based primary care centers are either indigent or Medicaid/Medicare participants. Indigent patients receive services according to sliding fee schedules, based upon their ability to pay.

The Health Policy Commission (HPC) reports that, according to the American Medical Association, "many experts are advocating electronic records as a way to cut medical errors, provide doctors with up-to-date patient histories, and put best practices and clinical guidelines at their fingertips. Entering data into electronic records could facilitate quality measurement and improvement, cut paperwork, and streamlines health transactions. Proponents envision a system under which a patient's medical records could easily be shared electronically among doctors and other health care professionals caring for the patient." (www.amednews.com/2004/gvsa0209)

At the HPC's January, 2006 meeting the commissioners recommended that lawmakers support funding for electronic medical records for primary care clinics. The commissioners stated that telehealth cannot be productive or effective without including electronic medical records.

ADMINISTRATIVE IMPLICATIONS

According to the DOH, the additional appropriation would require a separate stand-alone RFP process and add additional procurement, contracting and monitoring activities to existing workloads of the RPHCA Program. At current staffing levels, one additional FTE of \$60,000 (salary and benefits), plus start-up costs for new staff (space, computer, licenses, etc.) of approximately \$11,500 would be needed.

OTHER SUBSTANTIVE ISSUES

HPC suggests that there is potential duplication with the initiatives of HB 354 at the federal level. In November, 2005, HHS Secretary Mike Leavitt announced the awarding of contracts “totaling \$18.6 million to four groups of health care and health information technology organizations to develop prototypes for a Nationwide Health Information Network (NHIN) architecture. The contracts awarded to these four consortia will move the nation toward the President’s goal of personal electronic health records by creating a uniform architecture for health care information that can follow consumers throughout their lives.”

(<http://www.hhs.gov/news/press/2005pres/20051110.html>)

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

HPC notes that without updated billing systems or access to electronic medical records, health care providers will continue using outdated and inefficient billing and medical records systems.

ML/mt