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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/29/08

SPONSOR Campos LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Primary Clinic Electronic Records SB 341

ANALYST Geisler

### APPROPRIATION (dollars in thousands)

| Appropriation |         | Recurring<br>or Non-Rec | Fund<br>Affected |
|---------------|---------|-------------------------|------------------|
| FY08          | FY09    |                         |                  |
|               | \$500.0 | Recurring               | General          |

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to: HB 37 and HB 260

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Health (DOH)

New Mexico Primary Care Association

### SUMMARY

#### Synopsis of Bill

Senate Bill 341 would appropriate \$500,000 from the General Fund to the Department of Health (DOH) for expenditure in FY09 and subsequent fiscal years to implement electronic patient health records in primary care clinics eligible to receive funds under the Rural Primary Health Care Act (RPHCA). Any unexpended balance remaining at the end of a fiscal year would not revert to the General Fund.

### FISCAL IMPLICATIONS

DOH notes that the funding in SB 341 is not a part of DOH's Executive Budget. Both the Legislative and Executive base budget recommendations contain \$150,000 in General Funds to implement electronic patient health records in primary care clinics eligible to receive funds under the RPHCA to assist primary care clinics in developing analyzable, comprehensive patient records (Laws 2007, Chapter 21).

The New Mexico Primary Care Association breaks out the budget for this project below, which includes the use of other funds in addition to the general fund appropriation contained in this bill.

| <b>Electronic Health Record Systems Budget</b> |                                          |  |  |                    |
|------------------------------------------------|------------------------------------------|--|--|--------------------|
| Hardware, Software                             | 90 Clinicians @ \$20,000                 |  |  | \$ 1,800,000       |
|                                                |                                          |  |  |                    |
|                                                |                                          |  |  |                    |
|                                                | State non-recurring request              |  |  | \$ 500,000         |
|                                                | DOH Information Technology Appropriation |  |  | \$ 400,000         |
|                                                | Clinic Dollar for Dollar Non-State Match |  |  | \$ 900,000         |
| <b>Total</b>                                   |                                          |  |  | <b>\$1,800,000</b> |

**SIGNIFICANT ISSUES**

Background on this funding request provided by the New Mexico Primary Care Association:

The New Mexico Primary Care Association and its member Primary Healthcare organizations seek to raise the quality of our health care services and prevention programs to the 300,000 patients we serve at 149 sites in 31 counties. Implementation of Electronic Health Records Systems (EHRs) is critical to accomplishing these goals. EHRs will enable us to:

1. Achieve cost savings through elimination of unnecessary or duplicative treatment and diagnostic tests
2. Improve practitioner access to evidence based protocols, decision support tools, and best practices in disease management and prevention programs
3. Prescribe medications through systems with alerts for adverse drug reactions
4. Devise systems for measuring patient outcomes and incentivizing practitioners for positive patient outcomes, not only for volume of patients served
5. Involve patients more fully in their healthcare through personal health records and web portals
6. Seamlessly export information/data to state, federal, and regional registries and databases
7. Reduce mortality and morbidity caused by preventable medical errors

The EHR implementation will involve the collaboration of six to eight organizations, based on technological maturity, stability, and the commitment to dedicate the time and resources necessary to successfully implement EHRs.

The Primary Care Association and its partner community health centers have a proven model to implement EHRs in a cost effective manner. We have a proven technical team and through the power of joint negotiation we can lower implementation to \$20,000 per clinician, well below the national average. Furthermore by utilizing our proven model of network support and training we can virtually eliminate failures and serious underutilization of system capacity that affect as many as 90% of individual practices that implement EHR on their own. We are confident that New Mexico can lead the way in sharing of patient information via registry and exchange, stay abreast of patient privacy issues, and develop interoperability among New Mexico EHR systems.

## **ADMINISTRATIVE IMPLICATIONS**

DOH notes that SB 341 could have administrative impact on DOH, as this appropriation could require additional staff time for procurement, contracting and monitoring activities of the RPHCA Program. The program would manage the appropriation with other rural health/primary care appropriations, and utilize existing staff and administrative resources.

## **RELATIONSHIP**

SB 341 is related to HB 37, the proposed Electronic Medical Records Act, which would require all health care providers to migrate to electronic health records systems. SB 341 would provide some financial support to eligible primary care centers that could assist them in complying with HB 37. Also SB 341 relates to HB 260, which would provide additional funds to eligible primary care centers for staff compensation increases.

## **OTHER SUBSTANTIVE ISSUES**

DOH notes there are several initiatives underway designed to shift healthcare providers in the United States from paper health records systems to electronic health records systems. The Federal Centers for Medicare and Medicaid Services has set this as a goal, as has the Governor in his Health Solutions initiative. The shift to electronic systems has the potential to reduce health care costs through elimination of duplicate tests and procedures and increase health care quality through the sharing of key information between providers. The cost of this transition could be significant, and health care safety net providers, such as community-based primary care centers, do not have sufficient resources for implementing the new systems. SB341 would permit some eligible centers to begin the transition. The RPHCA Program, administered by DOH, provides support to 93 clinics statewide through contracts with nonprofit organizations and governmental entities. In FY2007, these clinics reported approximately 798,000 primary care patient visits.

GG/mt