F I S C A L I M P A C T R E P O R T

SPONSOR HHGAC **ORIGINAL DATE** 2/22/09 **LAST UPDATED** 3/07/09 **HB** 544/HHGACS

SHORT TITLE Health Coverage Accountability and Transparency **SB**

ANALYST Earnest

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
FTE		$0.0 – $75.0*	$0.0 – $75.0	$0.0 - $150.0*	Recurring	General Fund
		$0.0 – $75.0*	$0.0 – $75.0	$0.0 - $150.0*	Recurring	Federal Funds
IT	$0.0 - $100.0	$0.0 - $100.0	$0.0 - $150.0	$0.0 - $350.0*	Nonrecurring	General Fund
	$0.0 - $100.0	$0.0 - $100.0	$0.0 - $150.0	$0.0 - $350.0*	Nonrecurring	Federal Funds

(Parenthesis ( ) Indicate Expenditure Decreases)
*See Fiscal Implications Section

Relates to House Bill 130.

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)
Health Policy Commission (HPC)

SUMMARY

Synopsis of HHGAC substitute

House Health and Government Affairs Committee substitute for House Bill 544 (HB544) amends the Public Assistance Act to require the Human Services Department (HSD) to report fiscal and programmatic information related to Medicaid and other medical assistance programs.

Information required to be reported within thirty days:

- Any plans, state plan amendments, waiver proposals or amendments, reports, reviews, documentation of any public input that was obtained as required by Centers on Medicare and Medicaid Services (CMS) for any Medical Assistance program; and any correspondence with CMS that the Medicaid director deems to have a significant impact on any Medical Assistance program.

Information required to be reported quarterly and/or annually:

- All actuarial analyses, budget projections, and actual expenditures for medical assistance programs.
- Capitation rates, per member per month costs by rate cohort. This information would be provided as a blended rate that will show the average rates of all contracted Managed Care Organizations (MCO) as opposed to rates for each MCO.
- All information that is currently provided to HSD or routinely collected on utilization, quality and performance data for each medical assistance program.

Information required to be reported on a monthly basis:

- Enrollment and demographic data on individuals in each program, which is routinely collected and tabulated by the department.
- Data on employer involvement, where applicable, including number of employers, the size of the employers by number of employees, geographic location by county, and financial contributions.

FISCAL IMPLICATIONS

The fiscal implications are limited to the administrative impact at HSD. The department estimates costly IT systems changes to produce all of the data as outlined, totaling $700 thousand in general fund and federal funds. HSD also calculates a need for 2 additional FTE to fully carry out the requirements of this bill. Total costs estimated by the department are $1 million in state and federal funds over a three year period.

This administrative impact should be significantly reduced, if not eliminated, by provisions of the bill requiring HSD to report data that is "routinely collected and tabulated by the department." Posting reports on the website should not require additional costs.

According to the HSD, the most costly impact would be necessary upgrades to the IT system to report data about employer participation in the SCI. While most of this information should be available, HSD states "the IT system is a fragile mainframe system that is more than twenty years old. Some of the required information in HB 544 would come from the ISD2 eligibility system. Making changes to the system is difficult and costly, and any changes made to the system create risks that the system may crash or that errors occur within the system that result in incorrect issuance of benefits. The change made by the Committee Substitute would reduce the burden and the magnitude of the necessary changes to this system, but there remain implications for ISD2 such as employer data."

SIGNIFICANT ISSUES

A recent LFC evaluation of the Medicaid Physical Health Managed Care Program found that "increased Medicaid managed care transparency by HSD would improve budgeting and oversight responsibilities of the Legislature. States are one of the country's largest healthcare purchasers through Medicaid and employee benefits. Transparency provides a foundation for government accountability, public confidence and information which the state policy makers and healthcare consumers can use to make responsible decisions. . . Other states, unlike HSD, make more information available publicly, including rates, actuarial studies, sanctions and up-to-date enrollment estimates on Medicaid websites."

HSD is concerned about the reporting requirements of the bill, and provided the following:

> The Department is currently required by CMS and by contractual obligation to oversee and monitor the MCOs. Much of the information regarding MCO spending and quality is already shared periodically with stakeholders such as the Medicaid Advisory Committee, as well as posted on the HSD website.
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> Reporting information on clients and employers would be difficult to do, due to the aforementioned issues with the aging eligibility IT system. Currently, the automated eligibility system does not capture employer information to the level of accuracy or specificity for creating the report recommended as employers may have several locations and certain franchise employers may be individually owned and operated which would skew the accuracy of the report. HSD would also need to establish a standardized process for entering and recording employer information to minimize inaccuracies from occurring.
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> Data for current program recipients would also be difficult to obtain as many households are certified only once a year and requiring an additional application to be submitted for gathering this information would be burdensome to the recipient and for administrative purposes. The collection of the data would need to occur over a minimum of a year from data collection implementation as many households for these programs renew their application only once a year. The data would not capture some of the interim employment changes that a recipient is not required to report and may not be comprehensive.
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> The Department does usually report to stakeholders on upcoming state plan amendments or waiver proposals and does allow ample time for public input. Reporting on every plan, amendment, report or review within thirty days, however, would create significant administrative burden on the already limited staff and system resources, and would not likely add much to the public debate regarding the Medicaid program. The HSD web site would need to be updated on a near-daily basis. Much of the reporting that is required quarterly and annually is already available, however has not been posted to the web site. This also would have a significant administrative burden to staff.
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> HSD does work with a contracted actuarial firm and several programs within HSD use this same actuarial service for different projects and programs. Staff work with the contractor on a day-to-day basis. The analyses provided by the contractor are often preliminary and there is frequent revision and feedback built into the process. It would be difficult and counter-productive to report all actuarial analyses on a quarterly basis. Additionally, some of the communication with our actuarial contractor would constitute confidential, proprietary and trade secret information that is not subject to disclosure pursuant to § 14-2-1(A)(12) NMSA 1978, Sections 9 and 45 of 1.4.1 NMAC, and the Uniform Trade Secrets Act, Section 57-3A-1 to -7 NMSA 1978

HSD also finds that the department could not comply with bill's requirement to report rates, because the department considers the information confidential (see below); however, the bill would allow the department to report blended rates to ameliorate confidentiality concerns.

> Regarding some of the other requirements in the bill, such as changes in capitation rates, per member per month costs by rate cohort, and MCO blended rates, some of this information is considered confidential under the law and additionally would be nearly impossible to keep updated on the website due to resource constraints. The Department had considered contracting with a consultant group to assist in putting together standardized reporting formats for some of this information, but that contract was cut due to budget constraints.

Finally, HSD states that the department reports regularly on

> managed care expenditures and plans to continue doing so. The Department releases average aggregate MCO rates, MCO expenditures by service category, and MCO administrative expenditures. Additionally, the Department undergoes frequent audits, the most recent being the LFC audit of the Salud! physical health managed care program. There is also an annual program audit completed by the External Quality Review Organization contractor. Through these audits, much of the information requested by HB544 is already made public."

ADMINISTRATIVE IMPLICATIONS

HSD reports that "some of the information requested in HB544 is currently available on HSD's website or through the Monthly Statistical Report that HSD produces. Additional information would be much more difficult to gather accurately and costly systems changes would be necessary to produce all of the data listed in the bill."

RELATIONSHIP

House Bill 544 relates to House Bill 130, which requires HSD to report regularly on budget and enrollment in Medicaid and the State Children's Health Insurance Program (SCHIP).

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