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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/24/09

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

SHORT TITLE Electronic Patient Health Records SB 105

ANALYST Hanika-Ortiz

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
\$500.0		Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>	\$2,050.0	\$85.0		\$2,135.0		General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Health (DOH)

Human Services Department (HSD)

Department of Information Technology (DoIT)

Health Policy Commission (HPC)

### SUMMARY

#### Synopsis of Bill

Senate Bill 105 appropriates \$500 thousand from the General Fund to DOH in FY09 and subsequent fiscal years to implement patient electronic health records (EHR) in primary care clinics eligible to receive funds under the Rural Primary Health Care Act (RPHCA).

The bill supports the need for comprehensive electronic patient records that are exportable to state, federal and regional registries and databases.

The benefits as outlined in the bill include:

- Improve practitioner decision making in disease management and prevention;
- Help manage prescription to reduce adverse drug reactions;
- Involve patients more fully in their health care;
- Reduce mortality and morbidity cause by preventable medical errors; and
- Achieve cost savings through the elimination of duplicate tests, procedures and treatments.

## **FISCAL IMPLICATIONS**

The appropriation of \$500 thousand contained in this bill is a recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of any fiscal year shall not revert to the General Fund.

The appropriation in the bill was not part of the Legislative Finance Committee's budget recommendation for the Department in FY09.

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

The New Mexico Primary Care Association estimates that an EHR system would cost \$30 thousand per provider in the first year of implementation, \$10 thousand per provider in the second year, and could be largely self-sustaining by the third year. It is not clear if this estimate includes staff training and ongoing system support. Based on these numbers, the cost would be \$2.635 million for the first three years to implement an EHR system for the 85 RPHCS-eligible clinical sites in New Mexico.

RPHCS should realize cost savings over time by reducing unnecessary or repeat tests or procedures because of the lack of patient information readily available to practitioners.

A Harvard study estimated 17 percent of physicians use an EHR system. Only 10% of New Mexico physicians use an electronic system. Physicians cite the high cost of implementation as a deterrent.

## **SIGNIFICANT ISSUES**

EHR systems provide opportunities for multi-agency coordination around shared patients.

## **PERFORMANCE IMPLICATIONS**

HSD notes that state statute currently limits the transfer of information related to mental health, substance abuse and HIV/AIDS treatment.

HPC reports that the technology for a HER system has been successfully demonstrated in Washington D.C. by the NMHIC. The NMHIC has developed a business plan, survey of potential health information exchange network users, a New Mexico Health Care Environmental scan, and revenue and cost models.

**ADMINISTRATIVE IMPLICATIONS**

DOH reports that the Department could administer the funds with existing staff and resources.

**TECHNICAL ISSUES**

The bill does not include provisions for the maintenance and sharing of confidential health information.

DOH notes that the bill does not require the EHR system to be certified as “interoperable” or require participation in the New Mexico Health Information Collaborative (NMHIC) which facilitates the movement of EHR’s among providers.

The bill does not have an emergency clause if the act is expected to take place in FY09.

**OTHER SUBSTANTIVE ISSUES**

A RPHC provider-contractor must be a New Mexico nonprofit community corporation with Federal IRS 501c(3) tax exempt status, a local government, or a tribal government which provides primary health care services to residents of an underserved area. They must have a governing board representative of its service area; policies and procedures assuring no one is denied services because of inability to pay; and policies and procedures that maximize patient collections.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

RPHC providers will not receive funding through this legislation to implement electronic health records.

AHO/mc