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FISCAL IMPACT REPORT

SPONSOR Lopez ORIGINAL DATE 02/22/15
 LAST UPDATED 03/17/15 HB _____

SHORT TITLE All-Payer Claims Database SB 578/aSPAC

ANALYST Cerny/Clark

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$100.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$200.0	\$250.0	\$450.0	Nonrecurring	Insurance Operating Fund, General Fund*

(Parenthesis () Indicate Expenditure Decreases)

*The additional insurance operating fund revenues needed would otherwise primarily revert to the general fund, so this has a negative general fund impact

Related to SB 309, SB 323, SB 474, HB 432

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)
 Department of Health (DOH)
 NM Corrections Department (NMCD)
 Department of Information Technology (DOIT)
 Office of the Superintendent of Insurance (OSI)

SUMMARY

Synopsis of SPAC Amendment

Senate Public Affairs Committee amendment for SB 578 on page 8 adds another entity from which a representative will be selected to serve on the commission: the New Mexico Association

for Home and Hospice.

Synopsis of Original Bill

Senate Bill 578 appropriates \$100.0 thousand from the general fund to the Office of the Superintendent of Insurance for the purpose of establishing an All-Payer Claims Database (APCD) in the state.

SB 578 would require that the OSI:

- Contract with an entity with experience operating a health information exchange in the state to collect, store and maintain data;
- Contract with an entity in the state with expertise in health care cost and quality analysis to convene and coordinate the APCD commission;
- Adopt and promulgate rules in accordance with the recommendations of that commission; and
- Prescribe by rule the standards for the data that would become part of the APCD.

SB 578 would also require that each reporting entity in the state report health care data for purposes of collection in the APCD. Reporting entities are defined in the bill and include health insurers, nonprofit health service providers, health maintenance organizations, managed care organizations, pharmacy benefits managers, providers of Medicare part C or supplemental coverage, the state Medicaid program, and others.

SB 578 would require that the commission consist of representatives from: the Medical Assistance Division and the Behavioral Health Services Division of HSD; the Public Health Division and Developmental Disabilities Supports Division of DOH; the Corrections Department; the University of New Mexico; New Mexico State University; the Interagency Benefits Advisory Committee; the New Mexico Primary Care Association; the New Mexico Hospital Association; the New Mexico Medical Society; and others.

The Commission would meet monthly until December 2015. By December 1, 2015, the commission must make recommendations regarding the following:

- Sources for health claims data and the manner of receiving the data; sources of funding to operate the database, including fees for the use of the data;
- Possibilities afforded in state and other applicable law for a governance structure and operational entity to provide for the safe collection, management, storing and sharing of health care data and other designated requirements;
- Criteria for deeming persons eligible to receive data from the database and protocols for applying for the use of data;
- Applications for the data to achieve high quality health care while cutting health care costs; and
- Entities with which the database may partner to improve the quality and cost of health care in the state.

The bill also requires the superintendent to establish reasonable fees for database users to cover the costs of administering the database, and provides for civil penalties for entities that fail to report the required health care data.

FISCAL IMPLICATIONS

The appropriation of \$100.0 thousand contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2016 shall revert to the general fund.

OSI states that estimated added costs are \$450 thousand adding: “The timeline (6 months) for the activities of the APCD commission is too short for successful completion and the cost for a technically specialized contractor to support it is well below real world costs.”

The DOH, in concert with HSD, has received a State Innovation Model (SIM) “design” grant from the Centers for Medicare and Medicaid Services (CMS) totaling roughly \$2 million. A portion of this SIM grant (approximately \$600 thousand) would be for the purpose of exploring and designing an APCD in the state. The subsequent implementation of an APCD could be funded by a follow-up “test” grant that could be as much as \$50 million or more.

DOH analysis also states that SB 578 would have an information technology impact, as to build the functionality for the APCD would cost an estimated \$2 million.

SIGNIFICANT ISSUES

SB578 proposes to do what DOH and HSD have been tasked with accomplishing as part of the SIM design work; however, DOH reports the timeline proposed would be insufficient to effectively accomplish the goal. The SIM process allows for a more calculated approach that will result in an APCD design that has been developed with broad stakeholder input and guidance from CMS. More importantly, it will be developed in tandem with other design initiatives being proposed and discussed throughout the year so that there is a coordinated, collaborative effort to improve the state health care system. Development of an APCD by the end of the year as required by SB578 does not take into account these ongoing initiatives in the state and, if developed in isolation, may not be consistent with those initiatives.

New Mexico is part of a national trend in evaluating health systems and finding ways to achieve the Triple Aim of health: improving the patient experience of care, improving the health of populations, and reducing the per capita cost of health care.

An APCD is one approach that states have undertaken to achieve these goals. An APCD is an aggregated claims database, which can include claims data submitted by medical, dental, and pharmacy providers, such as type of care received, insurance type, facility type, costs, and provider information. The APCD allows a statewide view of care across a variety of settings. Reports and analyses based on this data can be used by consumers to make more informed decisions about their own care, by policymakers to make public policy decision and by researchers for a variety of reasons.

Since 2003, 13 states have enacted APCD legislation, according to DOH.

The SIM grant the state has been awarded from CMS is for the design phase of a project with the broad goals of reforming health care delivery and improving population health statewide. DOH is the lead for the state on this grant but has worked closely with HSD and is transferring a portion of the grant funds to HSD specifically for the purposes of developing an APCD and

accomplishing the activities and goals set forth in SB 578.

SB 578 may be duplicative of the efforts already underway and could lead to confusion among stakeholders. As part of the SIM design process, DOH and HSD will be conducting many of the same activities as outlined in the bill. There will be a SIM steering committee that has very similar representation to the commission as outlined in SB 578. There will also be a number of stakeholder groups to inform the various components of the project, including the APCD. A portion of the funds in the SIM grant will be used for contracts with entities to coordinate stakeholders and assist in the design of the APCD. DOH advises that the bill may be too prescriptive in this area. While DOH and HSD will be seeking both state-level and national expertise in assisting with the design and development of an APCD, the bill seems to require contracting only with in-state entities.

One potential outgrowth of the SIM planning and design process may be the recommendation for legislation in the future. If that is the case, that legislation would be informed by the input of stakeholders across the state as well as the experiences of other states and national experts that have implemented APCDs.

SB 578 would also require the SOI to set forth standards for reporting that are consistent with the Accredited Standards Committee X12 of the American National Standards Institute, the Centers for Medicare and Medicaid Services, and the National Council for Prescription Drug Programs. DOH analysis advises that the language in SB 578 may be too restrictive. For example, the Agency for Healthcare Research and Quality is in the process of developing a core set of data elements that reflects national standards and supports consistency across states. More general language may be appropriate.

PERFORMANCE IMPLICATIONS

SB 578 may adversely affect the ability of DOH and HSD to successfully implement the SIM grant as it has been outlined to CMS and could thereby jeopardize subsequent test grant funding that could be up to \$50 million or more.

SB 578 proposes to do what DOH and HSD have been tasked with accomplishing as part of the SIM design work, however, DOH states that the timeline proposed would be insufficient to effectively accomplish the goal.

ADMINISTRATIVE IMPLICATIONS

HSD states that “SB 578 may unnecessarily constrict a process that would need to be more flexible at this stage of planning. This could make the grant project implementation more complicated and burdensome.”

OSI analysis advises:

The timeline envisioned for the work of the APCD Commission is exceedingly optimistic and no provision is made for any ongoing role in revising its recommendations or data standards, or for supporting its work for longer than 6 months.

Additionally, regulation drafting in an area outside the current expertise of OSI legal staff

may require hiring, contracting or additional training for attorneys and paralegals.

RELATIONSHIP

SB 578 is related to SB 309 Health Record Interoperability Commission, as well as three versions of Safe Disclosure of Certain Health Information, SB 323, SB 474, and HB 432.

OTHER SUBSTANTIVE ISSUES

Below is a section of the New Mexico SIM grant proposal describing the vision for an APCD in the state:

The development and implementation of an APCD is one of the foundational components of New Mexico's SIM plan and is a critical tool for promoting transformative changes in the health care delivery system. It will also form a bridge between health care and population health. Reports and analyses based on APCD data will improve health care quality and reduce costs. Standardized metrics can generate provider performance data that will inform the development of alternative payment models. An APCD will facilitate value-based purchasing and delivery system reforms across payers. It will also provide stakeholders with information about healthcare utilization patterns and costs on a regional basis, create transparency, and provide previously unavailable data that can contribute to effective policy decisions. Ultimately, an APCD will facilitate better understanding of the health care system's performance and address imbalances between public health and healthcare services.

ALTERNATIVES

Legislation may not be required to achieve the goals of SB 578. The SIM design work that DOH and HSD will be leading over the course of 2015, with substantive federal funding, addresses many of the objectives of this bill, will involve broad stakeholder engagement and evaluation of best practices in the development of an APCD model.

Further OSI does not feel it has the expertise to successfully meet the requirements of this bill.

POSSIBLE QUESTIONS

Why does SB 578 allow for contracting for the APCD only with in-state entities?

CAC/bb/aml/je/jc/aml