

**THE ROLE OF THE HEALTH CARE INDUSTRY
IN NEW MEXICO STATE POLITICS**

A Connect the Dots Report

Common Cause New Mexico

Introduction

In the past decade, the health care industry has become a powerful and influential participant in New Mexico's policymaking process. Over the past five election cycles, the health care industry, including pharmaceutical companies, health maintenance organizations (HMOs), and hospitals contributed over \$1.6 million in campaign donations to candidates for New Mexico state office.¹ Why has the health care industry invested so heavily in New Mexico's political campaigns?

Increasing cuts in federal funding for Medicaid coupled with one of the highest levels of uninsured citizens in the country has created an impending health care crisis in New Mexico. State legislators have struggled to manage the rising costs of health care, while still providing quality service and care to its citizens. In the last few years the Legislature has begun to take a more serious role in the state's health care system, including commissioning several reports to examine its efficiency and effectiveness.

This report will examine two of the major policy reforms implemented between 1998 and 2006: the management of the Medicaid system and the creation of the Insure NM! Council. To improve the Medicaid system, the state legislature began by exploring measures to reduce its administrative costs. In addition, in 2001, it passed legislation allowing the state to negotiate better drug prices on behalf of Medicaid patients. In 2002, Governor Richardson, by way of executive order, created the Insure NM! Council. The Council's primary objectives are to reduce the number of New Mexicans living without

¹ We used the following *followthemoney.org* categories in order to account for total industry contributions, 1998-2006: Health Services, Hospitals & Nursing Homes, Insurance (where only "Health & Accident Insurance" was denoted), and Pharmaceutical and Health Products. (Refer to www.followthemoney.org for more details).

health insurance and to increase the number of employers, particularly small businesses and nonprofit organizations, providing coverage to their employees.² Since its inception, the Council has issued a series of policy recommendations to the Governor and Legislature, many of which have subsequently been signed into law.

Access to quality, affordable health care is a salient issue for all New Mexicans. As such, this Connect the Dots report seeks to increase public awareness of the policymaking process and the state's agenda for health care reform, in particular the role that the health care industry plays in both shaping policy and passing into legislation. After outlining the state of the health care system, the report will then document in detail the industry's investment in the New Mexico state government. Finally, we will look at recently adopted policy by New Mexico's lawmakers as well as bureaucratic and administrative decisions that have significantly impacted health care policy and the role the industry played in the making of those policies and decisions. Has the industry been able to buy a seat at the policymaking table with its campaign contributions? To the extent that such purchased political power and leverage does not serve the interests of New Mexicans, answering this question is of enormous import.

Health Care Policy in New Mexico

Access to quality health care has long been an issue for New Mexico as well as the rest of the nation. The establishment of Medicare and Medicaid at the national levels during and after Lyndon B. Johnson's "Great Society" policy initiatives are examples of large-scale measures the federal government has taken, in partnership with the states who administer programs such as Medicaid, to address these issues. However, in recent years,

² Insure NM! 2004 Report to the Governor,
<http://insurenemexico.state.nm.us/documents/InsureNMreport020405.pdf>

there has been a vastly different approach to solving health care problems. Indeed, the political will to address health care from anything else but a pro-market perspective was eliminated with President Clinton's failed attempt at health care reform in the early 1990s, establishing a national paradigm for health care policy that emphasized creating ways to provide health insurance to citizens via mostly private and often public-private mechanisms.

New Mexicans, in particular, appear to be disenfranchised in terms of access to quality and affordable health care. According to the U.S. Census Bureau, in 2006 approximately 15.8 percent of the national population (or 47 million people) had no private or public health insurance for the entire year.³ Moreover, of those with coverage, an additional 29 percent is considered "underinsured."⁴ New Mexico, however, has a significantly higher rate of uninsured than the national average. In fact, it ranks 49th, with more than 21 percent of New Mexicans (or 405,000) lacking any medical insurance.⁵ Combined with those who are considered underinsured, as much as 50 percent of the state population currently has no insurance, has sporadic coverage, or faces high personal costs with their health plans.⁶

³ United States Census Bureau. 2006. *Current Population Survey* <http://www.census.gov/prod/2007pubs/p60-233.pdf>. Data are for U.S. citizens and so do not include uninsured illegal aliens.

⁴ Individuals are considered underinsured if they have health insurance but face two or more of the following aspects: It does not adequately cover the cost of prescription drugs; it does not adequately cover the cost of doctor visits; it does not adequately cover the costs of medical visits; it does not adequately cover the costs of surgery or medical procedures; it does not provide enough coverage for catastrophic medical conditions; the deductible is too high. Consumer Reports National Research Center. 2007. Health Care Survey.

⁵ United States Census Bureau. 2006. *Current Population Survey* <http://www.census.gov/prod/2007pubs/p60-233.pdf>. Data are for U.S. citizens and so do not include uninsured illegal aliens.

⁶ State-based data on the rate of underinsurance are not available; therefore the national average is used here. As New Mexico has a higher rate of uninsured, it is likely it also has a higher rate of underinsured. The use of the national average, then likely underestimates, rather than inflates, the true health care crisis in New Mexico.

As “managed care” emerged as the dominant mechanism for providing health care services, the state had to cope with increasingly high costs for the services it administered (i.e. Medicaid), decreasing federal funding and an ever-growing number of uninsured. In 2002, the rate of medical inflation was one of the New Mexico Legislature’s chief concerns. Medicaid was facing increasing budget shortfalls and each year demanding an increased share of the state’s limited budget resources. Meanwhile, the number of eligible and uninsured continued to grow. Governor Gary Johnson vetoed the state budget that year in part because he did not agree with the Legislature’s proposed budget for covering Medicaid expenses. Instead, the Legislature established a Medicaid reform committee to “review that program’s services, delivery, finding and policy and provide recommendations for a new legislature and a new administration.”⁷

The table was therefore set for new players to enter onto the health care scene in New Mexico. Little did Governor Johnson know then, but New Mexico’s “new legislature and new administration” would explore solutions to the impending health care crisis in ways never before seen and with partners who until then had only participated in the process from the outside looking in.

Health Care Industry Campaign Contributions

The New Mexico campaign finance system, such as it is, allows any type of special interest, including the health care industry, to significantly invest in election campaigns with the hopes of gaining access to those officials when it comes time to pass laws that may affect the industry in either positive or negative ways. The National Conference of State Legislatures reports that New Mexico is one of only five states in the country which currently place no restrictions or limits on individual or corporate

⁷ *NM Legislative Highlights*, 2002 Regular Session

contributions to state office campaigns.⁸ While other data, such as records of gifts to elected officials by state-registered lobbyists, are available, this report employs campaign contribution data, which is widely seen to be a more reliable measure of industry investments in political access.

During the years 1997 – 2006, the health care industry contributed \$1,618,168 to candidates for New Mexico state office⁹ (see table 1 for industry totals by year). The total number of contributions by election cycle increased steadily during that same time period. As figure 1 illustrates, industry contributions quadrupled from \$203,766 in 1998 to \$869,029 in 2006. The gubernatorial race accounted for much of this increase. Donations from the health industry to candidates vying for governor in the general elections rose from \$145,543 in 2002 to \$581,889 in 2006

The Health Services and Insurance industries, a combined category since they represent both HMOs and other health insurance providers, are the biggest contributors among the Health Care Industry as a whole to New Mexico's political candidates. Between 1997 and 2006, the Health Services and Health Insurance sectors contributed a combined \$670,023, more than 41 percent of the total industry contributions during this period. Significant donors from this area include Presbyterian Health Plan and Presbyterian Health Care Services, which were the largest health industry donor during the 10-year period. Presbyterian alone contributed \$255,990 to political candidates from 1997 – 2006, close to 16 percent of all health care industry contributions during the same

⁸ With the exception of the NM Public Regulation Commission, for which public financing regulations were adopted by the NM Legislature in 2003, and statewide judicial races, for which such regulations were adopted by the Legislature in 2007. For more details, see National Conference of State Legislatures. 2007. *Contribution Limits*. <http://www.ncsl.org/programs/legismgt/about/ContribLimits.htm>

⁹ This includes candidates for the following offices: House of Representatives, Senate, Public Regulation Commission, State Board of Education, Supreme Court, State Auditor, State Land Commissioner, State Treasurer, State Attorney General, Secretary of State, Lt. Governor and Governor.

time period. Other significant donors in the Health Services and Insurance category include Blue Cross and Blue Shield, Health Care Service Corp (an insurance provider), FHC Health Systems (a health care delivery company), and Laurel Heights Healthcare (a provider of health care) (see table 2).

The Pharmaceutical sector came in second to Health Services and Insurance, contributing \$406,696 during the time period under study. Large contributors from that sector include the major American pharmaceutical firms: Pfizer, GlaxoWellcome/GlaxoSmithKline, Merck, and Johnson & Johnson. In addition, the Pharmaceutical Research and Manufacturers of America (otherwise known as PhRMA) contributed \$38,250 to New Mexico candidates during those election cycles (see table 4).

Who has benefited from the generous contributions of the health care industry? Donors to New Mexico candidates have spread their contributions across a wide array of candidates and contributed substantially to those representing both major political parties. Not only have Republicans and Democrats alike benefited from the contributions of the health care industry but so have all manner of legislators, ranging from those in leadership to rank-and-file members.

Democrats, who have controlled both houses of the New Mexico State legislature for decades, received more than their Republican counterparts in contributions from the health care industry during the time under study. Democratic members of the State House of Representatives and State Senate received a total of \$417,616 from 1997-2006.

By contrast, Republicans in the House and Senate received \$210,165 during the same time period.¹⁰

The same pattern follows for members of the House and Senate Leadership on both sides of the aisle, though in the House of Representatives, total donations between Democratic and Republican Leaders were closer than donations to Senate leaders. Democratic leaders in the House received \$56,835 from health care industry from 1997-2006 while Republican House leaders raised \$40,700 during the same period. In the Senate, the health care industry donated nearly four times the amount of money to the Democratic leadership than their Republican counterparts, \$51,000 to \$11,800 respectively. Overall, however, the Democratic leadership among both houses received twice as much in contributions from the industry as the Republican leadership, for a grand total of \$107,835 in contributions to Democrats in leadership positions vs. \$52,500 to Republican leadership over the 10-year period.

The health care industry also gave generously to candidates for Governor from 1998-2006. Three gubernatorial elections occurred during the time period under study – in 1998, 2002 and 2006. During the three elections, six general election candidates for Governor received \$883,202 or 53 percent of the total industry contributions for period under investigation. During the gubernatorial election year of 2002, winning gubernatorial candidate Bill Richardson (D) received \$129,293 or almost half the total industry donations given to all candidates for New Mexico office that year.

2006 represented a banner year for industry contributions. Not only did health care donors contribute a record \$869,029 to candidates for New Mexico state office but

¹⁰ Figures for donations to the New Mexico House and Senate are based on contributors identified as part of the health industry defined at *followthemoney.org*, which includes the health services sector, hospitals and nursing homes, the pharmaceutical industry and Health Professionals.

\$581,889 of that was given to candidates for Governor, all but \$1,000 of that to Governor Richardson.

The health care industry has clearly contributed a large amount of money to candidates for New Mexico office. Why has it done so? Why would an industry contribute over one and a half million dollars to candidates in New Mexico and particularly to candidates of the legislative ruling party, to those who have ended up winning their elections and to those in leadership positions? Why did the industry give almost 44 percent of its total contributions over a ten-year period to one candidate for Governor during two elections? What, if anything, has the industry received for its investment in New Mexico's lawmakers? We will explore some possible answers to these questions in the next section of the report.

A Seat at the Table

Like most special interests, the health care industry has been actively involved in the legislative process in New Mexico for decades. Members of the industry employ high-paid lobbyists and pool their resources via activist organizations such as the New Mexico Hospital & Health Services Association and the NM Medical Society. The industry actively supports and opposes legislation, tracks bills, and informs its constituents about opportunities to get involved in the political process. It also contributes tens of thousands of dollars to elected officials' campaigns for office. Like all other groups who get involved in the process, the health care industry has a vested interest in the outcome of legislation that is passed in New Mexico in terms of its ability to provide services and the outcome of its bottom line. Corresponding to its increasing financial contributions to political campaigns, the health care industry has seen a rise in

its access and influence in the political arena. To illustrate this point, this section will explore two such cases in greater detail.

Insure NM!

Soon after his election to office, Governor Richardson addressed the health care crisis in New Mexico, beginning with the establishment of the Governor’s Health Care Coverage and Access Task Force in 2003. Of the task force’s key recommendations to the Governor included the need for continued monitoring and analysis of the health care system, including the insurance coverage and the provision of services. Soon after, Governor Richardson created the Insure NM! Council. He charged the Council with addressing what he saw as the leading factors in the high rate of uninsured New Mexicans: “cost, lack of knowledge about how to get health insurance for employees...and the ‘hassle factor’ of finding health insurance easily.”¹¹ Governor Richardson directed the Council to, “recommend affordable health insurance options...; promote increasing small employers’ knowledge about their health insurance options; and find ways to easily access health insurance...”¹² The Council was also charged with “implementing action steps to achieve these objectives as well as recommending and supporting legislative initiatives to reach these goals.”¹³ Notably, the Governor’s major vehicle for solving the state’s health care programs focused on the market-based approach of providing access to health insurance – rather than direct access to health services.

The Governor named members to serve on the Council from a wide array of stakeholders. Health care providers, business owners and human resources managers,

¹¹Op cit.

¹² Ibid.

¹³ Ibid.

legislators and insurance companies all had representation on the Council. Lt. Governor Diane Denish chaired the group and was joined by fellow lawmakers Senators Dede Feldman (D) and Sue Wilson Beffort (R) and Representatives Danice Picraux (D) and Ken Martinez (D). These lawmakers shared the table with, among others, industry representatives of Lovelace Sandia Healthcare System, Blue Cross Blue Shield NM, Presbyterian Health Services, the NM Hospital and Health Systems Association, Molina Healthcare, Untied Healthcare and the Independent Insurance Agents of New Mexico. All told, the vast majority of major health care providers in the state at that time were represented at the Insure NM! table.¹⁴

The council conducted thorough studies to evaluate the current status of the uninsured population in New Mexico such as a profile of New Mexico's uninsured (demographics within the Federal Poverty Levels, attachment to the labor force, who has access to health insurance via their employer but does not accept it, who is eligible for Medicaid but does not apply, etc.) and a profile of New Mexico employers and their reasons for providing insurance (or not) and the levels of insurance they provide and why.

Ultimately, the Council made 29 policy recommendations as well as five revenue-generating recommendations to the Governor. The legislature then passed and the

¹⁴ Other members of the Insure NM! Council included: Dale Anderson (Aztec Media), Norm Becker (CEO Lovelace Sandia Health Systems), Jeff Connole (CEO Borman Motors), Phil Castillo (CO Hispano Chamber of Commerce), Deborah Dorman-Rodriguez (Blue Cross Blue Shield of NM), Del Esparza (CEO Esparza-King, Inc.), Katherine Freeman (CEO United Way of Santa Fe County), Jeannie Hardie (Santa Fe New Mexican Inc), Jim Hinton (CEO Presbyterian Health Services), Pamela Hyde (Human Services Department), Jude McMullan (President Communication Workers of America), Eric Serna (Department of Insurance), Chet Lytle, Jr (President Communications Diversified Inc), Jeff Dye (President/CEO NM Hospital and Health Systems), Sharon Jones (Molina Healthcare), Craig Keyes (CEO United Healthcare), Stewart Sroufe (Direct Palmer Drug Abuse Center), Thom Turbett (CEO Independent Insurance Agents of NM), Duane Trythall (Excel Staffing Co), Pati Martinson and Terrie Bad Hand (Taos County Economic Development Corp).

governor signed fourteen of the recommended initiatives into law during the 2005 and 2006 legislative sessions. Those recommendations included, among other things: creation of the Small Employer Insurance Program; expanding health coverage for unmarried dependents under age 25; requiring insurance companies to offer health insurance plans for part-time employees; expansion of the Health Insurance Alliance and Medicaid outreach to the Navajo Nation.

Because of the active participation of the industry in the Insure NM! Council, all policy recommendations were ostensibly palatable and preferable to the industry. Notably, most recommendations of the council created public-private partnerships in which the state provided funding to increase the number of citizens who had access to health insurance, which is provided exclusively by private companies. Even the state's Medicaid program is administered by a private company.

It was noted by legislative members of the Council that the industry's participation on the council created an environment where compromise was inherently necessary and therefore all recommendations (and particularly those that were passed by the legislature and then signed into law) had the pro-industry stamp of approval attached to them. The health care industry, therefore, has had an enormous impact on the most recent and high profile changes to New Mexico's health care policies.

Medicaid

In tandem with its impact on the Insure NM! Council recommendations to the Governor and subsequently passed by the state legislature, the industry has also had an enormous impact on recent decisions regarding the state's Medicaid program. Medicaid is by far the state's largest health care program. The state government receives federal

funding to aid in the management of Medicaid programs. In recent years, however, federal funding for Medicaid has been cut, leaving greater shares of the administrative costs to be covered from the state budget. In addition, New Mexico has had to battle increasingly high prices of management and has been invested in seeking solutions to improving how the system is managed and reducing costs while at the same time providing a consistent high quality of services to Medicaid clients in the state.

Beginning the 2002 legislative session, the state Legislature was faced with an impending crisis in the Medicaid budget. The budget included about \$50 million in uncovered expenses. Determining how the budget would be financed without restricting Medicaid's eligibility requirements or reducing patients' benefits was a principal objective of state legislators. That same year, Senator Dede Feldman sponsored legislation – Senate Bill 253 - that was passed by the legislature and signed by then-Governor Johnson. This bill gave the state the authority to negotiate drug prices for Medicaid patients at bulk rates, in effect lowering the out-of-pocket expenses of prescription medicines to Medicaid patients. During the legislative process, a group of pharmaceutical industry interests (including PhRMA) emerged in opposition to the bill and lobbied strenuously against its passage, arguing that such price controls would undermine research and development efforts in the drug industry. Despite their efforts, the bill was passed and signed into law, largely maintaining its original integrity.

The following year brought a new administration and a reconsideration of the state's position on Medicaid. The Health and Human Services Department granted Presbyterian Health Services – a private, for-profit company – a contract to administer the state's Medicaid program. Under this agreement, Presbyterian became the sole agent

for negotiating prescription drug costs for Medicaid patients, effectively overturning SB 253. It was argued that Presbyterian could do as good, if not a better job at negotiating bulk drug prices for the state's Medicaid patients. However, no data were readily available to test that assertion.¹⁵

The Legislature also eagerly passed several pieces of Medicaid-related legislation that were generated from the Insure NM! Council, which as previously discussed was highly inclusive of pro-industry input into its recommendations. Such legislation included: expansion of Medicaid ability to pregnant women who were currently ineligible; changes to Medicaid recertification with \$4.5 million in funding; changes to Medicaid income disregards; expansion of Medicaid outreach for children and Medicaid outreach to the Navajo Nation.

Conclusion

Overall, in the past few years, New Mexico's lawmakers have been the eager recipients of a large amount of campaign funding from the health care industry. Indeed, data from the 2006 election cycle reveals that this trend is likely to continue at an exponential rate (see Table 1). As such, it is important that we understand what, if any, influence the health care industry has been granted in exchange for their financial contributions to state government. This report reveals that state government has been extremely inclusive of the health care industry in its decision-making process with regard to health care policy. From sharing equal ground on the Insure NM! Council to being granted exclusive contracts to administer Medicaid, the state's largest program, the health care industry has found itself to be a key player in the health care policies created by New

¹⁵ Information regarding the passage of SB 253 and subsequent administrative changes to Medicaid provided by Senator Dede Feldman, the bill's sponsor.

Mexico politicians. The health care industry is by its very nature a for-profit industry, therefore its interests lie in its bottom line. It is important to ask the question, therefore, are the health care policies that have emerged in recent years, with copious input from the health care industry, the best and most effective policies for the citizens of New Mexico? By investing so heavily in our state's lawmakers, has the industry successfully gained access at a level that is in stark contrast to the real needs of New Mexico's people? It is hard to know the answer to these questions, as the industry has clearly become so entrenched and prolific at the policymaking table in this state. However, our state's elected officials must never forget that their ultimate responsibility is to the people of our state, and not to those that contribute dollars for re-election.

Methodology

The National Institute on Money in State politics (www.followthemoney.org) supplied campaign contribution data for this report. The authors conducted a series of interviews with various stakeholders: Charlotte Roybal of Health Action New Mexico; State Senator Dede Feldman; State Representative Danice Picraux and New Mexico Hospital and Health Systems Association Executive Director Jeff Dye.

Other resources included the New Mexico Blue Book (1999-2000, 2001-2002, 2003-2004 and 2005-2006); New Mexico Legislative Highlights (2000-2006 Regular Sessions); the New Mexico Legislature Website (<http://legis.state.nm.us>); *The Albuquerque Journal*; *The Albuquerque Tribune*; The Insure NM! Council website (<http://insurenemexico.state.nm.us>); and the NM Hospitals & Health Systems Association 2006 Annual Report (provided by NMHSA).

Appendix

Figure 1 Campaign Contributions of Health Industry by Sector, 1998-2006

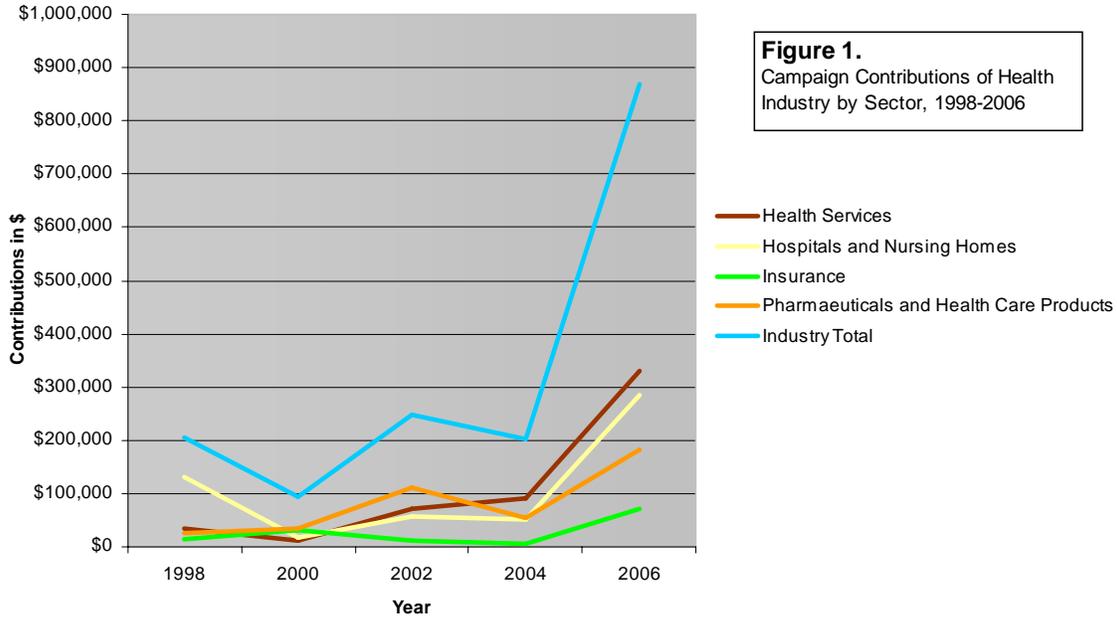


Table 1. Total Contributions by Sector, 1998-2006

Sector	1998	2000	2002	2004	2006	Total
Health Services	\$33,641	\$10,700	\$71,450	\$89,830	\$331,779	\$537,400
Hospitals and Nursing Homes	\$130,745	\$17,875	\$55,902	\$52,220	\$284,500	\$541,242
Insurance	\$13,230	\$30,700	\$10,750	\$6,950	\$71,200	\$132,830
Pharmaceuticals and Health Care Products	\$26,150	\$34,085	\$110,211	\$54,700	\$181,550	\$406,696
Industry Total	\$203,766	\$93,360	\$248,313	\$203,700	\$869,029	\$1,618,168

Table 2. Leading Contributors in Health Services and Insurance Sector

Company Name	Total Campaign Contributions, 1998-2006
Presbyterian Health Plan and Presbyterian Health Care Services	\$255,900
FHC Health Systems	\$55,000
Health Care Service Corp	\$51,000
Blue Cross Blue Shield	\$33,175
Laurel Heights Healthcare	\$31,150

Table 3. Leading Contributors in Hospitals and Nursing Homes Sector

Company Name	Total Campaign Contributions, 1998-2006
Sun Healthcare Group	\$115,000
New Mexico Hospitals and Health Systems Assoc.	\$91,600
Ardent Health Services	\$50,000
Lovelace Sandia Health System	\$43,250
Laurel Healthcare Providers	\$17,000

Table 4. Leading Contributors in Pharmaceutical and Health Care Products Sector

Company Name	Total Campaign Contributions, 1998-2006
Pfizer	\$61,700
Glaxo Wellcome/GlaxoSmithKline	\$53,500
Merck	\$40,850
PhRMA	\$38,250
Johnson & Johnson	\$27,500

Table 5. Industry Contributions to Candidates in Gubernatorial General Elections

Recipient	Election Year	Party	Total Industry Contributions
Chavez, Martin J	1998	D	\$21,095
Johnson, Gary	1998	R	\$134,675
Richardson, Bill	2002	D	\$129,293
Sanchez, John	2002	R	\$16,250
Richardson, Bill	2006	D	\$580,889
Dendahl, John	2006	R	\$1,000