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FISCAL IMPACT REPORT

ORIGINAL DATE 03/07/09

SPONSOR Cisneros LAST UPDATED _____ HB _____

SHORT TITLE Create Health Security Plan Fund SB 640

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)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	\$0.1 Unknown	\$0.1 Unknown	Recurring	Health Security Plan Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Corrections Department (NMCD)

SUMMARY

Synopsis of Bill

Senate Bill 640 appropriates \$500 thousand from the General Fund to the Legislative Finance Committee (LFC) in FY10 to determine the financing options of the health security plan, contingent upon enactment of the health security act this session.

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 FY10 shall revert to the General Fund.

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If either SB 281 or HB 339 passes this session, the health security act will attempt to provide a mandatory comprehensive statewide health care plan through a combination of public and private financing; control of health care costs; and, by providing preventative health care for all New Mexicans. If passed, SB 640 will provide LFC an appropriation to determine the financing options for that plan, contingent upon enactment of the health security act. The LFC may need more time and resources to perform this task depending upon when the final report is due.

SB 640 will also create the “health security plan fund” in the State Treasury. All revenues received pursuant to the health security act will be deposited to the fund. The fund will receive revenues from premiums paid by eligible beneficiaries, employers, state and federal agencies and other entities. The bill states that those revenues combined with other revenues appropriated to the fund will be sufficient to provide health care services, and to pay for administrative functions of the health care commission pursuant to its duties as outlined in the health security act. It is not certain if the health security plan will generate sufficient revenues for a self-sustaining health insurance program to cover all New Mexicans.

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

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.

SIGNIFICANT ISSUES

In conjunction with HSD, the commission will seek payment to the plan from Medicaid, Medicare or any other Federal or other insurance program for any reimbursable payment provided under the plan. The commission will need to negotiate agreements with the Federal Indian Health Service, and work with counties to determine expenditure of indigent funds. The commission will also need to ensure that any amendments, waivers or agreements negotiated do not impair portability.

PERFORMANCE IMPLICATIONS

The effective date of the provisions of the act is July 1, 2009, contingent upon House Bill 339 or Senate Bill 281 or a substitute for either bill becoming law.

ADMINISTRATIVE IMPLICATIONS

The bill provides that the commission will ensure that contributions of the federal government for health care services in New Mexico will not decrease in relation to other states as a result of any waivers, exemptions or agreements. The commission will also maintain sufficient reserves in the fund to provide for catastrophic and unforeseen expenditures.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill is related to and contingent upon SB 281 or HB 339 passing.

OTHER SUBSTANTIVE ISSUES

The commission may find it difficult to bring in certain insured persons or groups accustomed to a certain level of benefit coverage if the state's coverage provided is less.

Socioeconomic disparities exist with respect to access to health care. In 2005, 20.4% of New Mexicans were without health insurance, compared to 15.9% for the US. According to the HPC's *Universal Health Coverage – Research on States and Unsolved Issues* Report published in August 2007, various states have addressed universal health care.

Persons eager for insurance reform believe New Mexico's reliance on private insurers may make universal coverage unaffordable in today's market.

Eight-eight percent of small employers in New Mexico employ less than 20 employees; 41% of those do not offer health insurance. Eight-one percent of the small employers that do not currently provide coverage cite cost as the primary reason; 67% of uninsured individuals say it is affordability.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The LFC will not receive an appropriation to develop financing options for the health security plan. The health security plan (SB 281 or HB 339), if passed this session, will not have a fund created to receive revenues to provide health care services or pay for administrative functions of the commission.

AHO/svb