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FISCAL IMPACT REPORT

SPONSOR Candelaria **ORIGINAL DATE** 01/23/15
LAST UPDATED 02/06/15 **HB** _____

SHORT TITLE Innovation Waiver Working Group **SB** SJM 2/aSRC

ANALYST Cerny

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of Superintendent of Insurance (OSI)

Department of Health (DOH)

Not Responding

Human Services Department (HSD)

SUMMARY

Synopsis of SRC Amendment

The Senate Rules Committee amendment to Senate Joint Memorial 2 adds the words “and consumers from rural and urban communities” after the word “areas” on page 6, line 14. This amendment would assure that consumers would be included on the Innovation Waiver Working Group along with experts in healthcare delivery, policy, finance and related areas.

Synopsis of Bill

Senate Joint Memorial 2 creates a working group under the Office of Superintendent of Insurance to examine the option of applying for and implementing an innovation waiver under Section 1332 of the Affordable Care Act (ACA).

The working group, consisting of experts in health care delivery, policy and finance will examine several issues related to health care coverage and will analyze the potential for designing a comprehensive, sustainable health care system that would address the effects of the lack of health insurance, unaffordable health coverage, disparities in access to health care and uncompensated care on New Mexicans.

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The working group would meet at least monthly from April through December 2015, develop recommendations for any state legislation that may be required to apply for and implement an innovation waiver and present findings to the Legislative Health and Human Services Committee, and the LFC by December 1, 2015.

Further, the Legislative Council and the LFC are requested to provide staff and administrative support to the working group.

FISCAL IMPLICATIONS

OSI analysis states that impact on staff will be minimal as a well-qualified volunteer who is a health consultant will oversee this effort by organizing meetings and preparing draft reports.

SIGNIFICANT ISSUES

SJM 2 seeks to address disparities in health care access and insurance coverage that exist in New Mexico. For examples, many children in New Mexico remain uninsured. According to the Annie E. Casey Foundation 2014 Kids Count data book, 31 percent of children under age 18 in New Mexico live in families with incomes below the federal poverty level; 14 percent of children ages 0-5 and 19 percent of children ages 6-17 were not covered by health insurance in the past year.

Under the ACA, New Mexico's expansion of the Medicaid eligibility resulted in an enrollment of 171,000 in 2014 according to the NM Health Insurance exchange. The exchange reported, as of September 2014, the number of New Mexicans lacking health care fell from 21.6 percent to 14.5 percent and that 80 percent of exchange enrollees received financial assistance for qualified plans. New Mexico's high rate of poverty, shortage of health care providers and disparities to access means many New Mexicans will continue to struggle to access affordable health coverage in the near future.

DOH analysis states:

Historically, the New Mexico Medical Insurance Pool has served as a safety net insurance provider for those considered "uninsurable," but with the implementation of the Affordable Care Act and the Health Insurance Exchange, fewer New Mexicans are able to meet the eligibility criteria for the Pool. Yet despite the federal premium tax credits and cost-sharing subsidies available through the Exchange, insurance remains unaffordable for many. The NM Health Insurance Exchange reports that 56 percent of New Mexicans have cited affordability as the primary reason why they do not have health insurance.

Under the Affordable Care Act (ACA), State Innovation Waivers allow States to propose and test alternative ways to meet the shared goals of making health insurance affordable and accessible to all Americans. Specifically, State Innovation Waivers are designed to allow States to implement policies that differ from the new law so long as they provide coverage that:

- Is as comprehensive as the coverage available through the health insurance exchanges;
- Is no less affordable than coverage available through the health insurance exchanges;
- Will provide coverage to at least as many residents as the Affordable Care Act would have provided; and

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- Will not increase the federal deficit.

State Innovation Waivers are provided for up to five years, with the option of renewal. If a State's innovation fails to meet the criteria outlined above, the policies outlined in the Affordable Care Act would take effect.

According to the Center on Budget and Policy Priorities the state may request a waiver from the provisions relating to qualified health plans, essential health benefits, the exchange, premium credits and reduced cost-sharing, and the individual and employer responsibility requirements. By altering these key components of health reform, a state could design a system for expanding health coverage that is very different from what the ACA envisions.

PERFORMANCE IMPLICATIONS

DOH analysis states: "SJM2 proposes that the findings of the innovation waiver group be presented to the legislative health and human services committee and the legislative finance committee by December 1, 2015. Given the complexity of the issues meeting a deadline that soon might be challenging."

ADMINISTRATIVE IMPLICATIONS

The OSI has agreed to administratively house the working group for the next year. Some assistance from legislative council service and legislative finance committee may be requested and is included in the Memorial.

CAC/je/aml