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FISCAL IMPACT REPORT

LAST UPDATED 3/15/23

SPONSOR Szczepanski/Thomson **ORIGINAL DATE** 2/20/23

BILL

SHORT TITLE NM Insurance Pool Board of Directors **NUMBER** House Bill 376

ANALYST Esquibel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Medicaid general fund cost to fund additional subsidized health insurance plans on NMMIP		Minimal-\$2,003.6	Minimal-\$4,559.5	Minimal-\$6,563.1	Recurring	General Fund
Medicaid 4-1 federal funds match		Up to \$5,632.0	Up to \$12,075.0	Up to \$17,707.0	Recurring	Medicaid federal matching funds
Total		Minimal-\$7,635.6	Minimal-\$16,634.5	Minimal-\$24,270.1	Recurring	General Fund, federal Medicaid matching funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to appropriation in the General Appropriation Act

Sources of Information

LFC Files

Responses Received From

Human Services Department (HSD)

Office of Superintendent of Insurance (OSI)

SUMMARY

Synopsis of House Bill 376

House Bill 376 (HB376) would broaden the scope of operations of the New Mexico medical insurance pool (NMMIP) to grant authority to NMMIP to enter into contracts or otherwise participate in any health insurance related program or initiative of the state.

The bill proposes that low-income premium rates for health insurance coverage on the NMMIP would not be lower than the average subsidized rates available on the New Mexico health insurance exchange at the same income level for a substantially similar plan.

The bill proposes changing the NMMIP insurance pricing from a standard risk to an average market rate, with the calculation to be performed by an actuary.

The effective date of the provisions of the bill would be July 1, 2023.

FISCAL IMPLICATIONS

Depending on the take up of program offerings, the fiscal impact of the bill could be minimal. HSD reports an upper end estimate of the projected costs below based on higher take up.

The Human Services Department (HSD) reports Medicaid contributes about 79.19 percent to the assessment amount to support the costs of the New Mexico Medical Insurance Pool (NMMIP). Under the provisions of the bill which expand NMMIP coverage and subsidies similar to that of the New Mexico health insurance exchange, HSD reports it would have a projected increased cost of \$2 million in general fund revenue in FY24 and \$4.6 million in FY25 with commensurate matching federal funds. These projections are based on the current number of existing NMMIP members and do not take into account projected increases in covered lives.

The General Appropriation Act, as approved by the House Appropriations and Finance Committee (HAFC), included an additional \$242 million in general fund support over FY23 to support the Medicaid budget. This amount did not include projected increases to cover program expansions for the New Mexico medical insurance pool. The HAFC-approved budget for the Office of Superintendent of Insurance (OSI) included a \$78 million pass-through of health care affordability fund revenue to the New Mexico health insurance exchange to fund expanded coverage for undocumented individuals, subsidize premiums for small employers, cover premiums for one month for people transitioning from Medicaid to the New Mexico health insurance exchange, and subsidize premium coverage for individuals with incomes up to 400 percent of the federal poverty level (i.e., \$127,680/year for a family of four).

SIGNIFICANT ISSUES

The New Mexico medical insurance pool (NMMIP) is largely subsidized by the Medicaid program given Medicaid is the largest insurer in the state and pays health insurance premium taxes, which are in turn used to subsidize coverage and operations of the NMMIP. The NMMIP covers approximately 5,800 lives, the New Mexico health insurance exchange covers approximately 40 thousand lives, and the Medicaid program covers approximately 995 thousand lives.

Relationships

HB376 relates to an appropriation in the General Appropriation Act, as approved by the House Appropriations and Finance Committee (HAFC), including the Medicaid budget and the Office of Superintendent of Insurance (OSI) pass-through of health care affordability fund revenue to the New Mexico health insurance exchange.

TECHNICAL ISSUES

House Bill 376 does not include definitions or specific statutory references for Section 1, Subsection G, in reference to “entering into contracts or otherwise participating in any health-insurance-related program or initiative of the state.” This language includes broad, open-ended general references that are unclear.

OTHER SUBSTANTIVE ISSUES

According to the Kaiser Family Foundation, nearly four decades of experience with high-risk pools suggests they have the potential to provide health coverage to a substantial number of people with pre-existing conditions who are considered “uninsurable.” State high-risk pools that existed prior to passage of the federal Affordable Care Act (ACA) in 2010 covered over 200 thousand people at their peak, and the temporary federal Pre-Existing Condition Insurance Program (PCIP, 2011-2013) pool created as part of the ACA covered over 100 thousand individuals and had a net operating loss of over \$2 billion.

These high-risk pools likely covered just a fraction of the number of people with pre-existing conditions who lacked insurance, due in part to design features that limited enrollment. State pools typically excluded coverage of services associated with pre-existing conditions for a period of time and charged premiums substantially in excess of what a typical person would pay in the non-group market. PCIP had fewer barriers to enrollment – charging standard premiums with no pre-existing condition exclusions – but it did restrict signups to people who had been uninsured for a least six months.

Even with these limitations, the government subsidies required to cover losses in these high-risk pools were substantial—over \$1 billion per year in the state pools and about \$2 billion in the final year of PCIP. A state high-risk pool with minimal barriers to enrollment and highly subsidized premiums could cost substantially more.

The ACA changed the rules in 2014, requiring all individual/family plans to be guaranteed-issue despite pre-existing conditions during open enrollment and special enrollment periods, just like employer-sponsored insurance. Pre-existing conditions can no longer be excluded, and premiums cannot vary based on medical history.

So high-risk pools are largely unnecessary today. But some states have maintained them in order to provide supplemental coverage to people with Medicare who are unable to enroll in medically-underwritten Medigap plans, or to provide coverage to undocumented individuals. States who still have high risk pools include Alaska, Iowa, Nebraska, New Mexico, North Dakota, South Carolina, Washington, and Wyoming.