

ISSUES FOR HEARING

Fiscal Analysis of Health Security Plan: Preliminary Report Summary

Goals and Process

- House Bill 548 appropriated \$275 thousand to LFC in FY19/FY20 to undertake a fiscal analysis of the Health Security Act.
- Senate Bill 536 appropriated \$114 thousand to LFC in FY19/FY20 for performance of a fiscal analysis for the Health Security Plan (HSP).
- LFC issued in September 2019 a request for proposals (RFP) from qualified firms to conduct an extensive quantitative and comparative analysis of various scenarios for extending health care coverage in New Mexico pursuant to the Health Security Act as introduced during the 2019 New Mexico legislative session as House Bill 295 and Senate Bill 279.
- Proposals were due in mid-October 2019 and deliverables included a modeling of options, a written report, and testimony to legislative committees and other interested public bodies. After a competitive process, KNG Health Consulting LLC was awarded the contract.

Opportunities for Public to Provide Feedback on HSP Fiscal Analysis Project:

- KNG's proposal describing its plan for the analysis as well as the contract with the expectations for the analysis and deliverables was posted in December 2019 on legislative website for public review and comment;
- Public was repeatedly encouraged to send written feedback at any time to LFC staff to be forwarded to KNG;
- The first two hour public meeting with KNG and LFC staff was held in Albuquerque on December 4, 2019, to go over the initial work plan design and gather public feedback;
- KNG posted on its website the next draft of the work plan on February 25, 2020, and on that date the LFC issued a notice on the legislative website of its posting and requested the public provide written feedback on the plan;

- The second four hour public meeting was held in Santa Fe on March 3, 2020 in person with KNG and LFC staff to discuss the next draft of the fiscal analysis work plan;
- LFC staff again requested written feedback be submitted and gathered feedback on the work plan up through March 10, 2020 which was transmitted to KNG for its consideration;
- Preliminary draft report posted on May 22, 2020 along with request for written feedback through June 8, 2020, with feedback shared with KNG for final report.

KNG Preliminary Report Findings

- The purpose of releasing the preliminary report is to solicit feedback from stakeholders in New Mexico. The draft and the results contained within are preliminary and subject to change.
- Key findings from the preliminary draft report include:
 - Under the HSP, the state's uninsured rate would likely fall well below 1 percent and the vast majority of the population would receive coverage through a public insurance program.
 - Fully funding the HSP would require some combination of additional employer contributions, reduced payment rates to providers, and/or higher enrollee costs.

Fiscal Analysis of the Health Security Plan: Preliminary Report Summary

*Presented to:
New Mexico Legislative Finance Committee*

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June 10, 2020



Reynis Analytics



Presentation Overview

- Study Objectives
- Approach Overview and Preliminary Findings
- Summary of Public Comments
- Next Steps

Study Objectives

- The New Mexico Legislative Finance Committee engaged KNG Health and its partners, IHS Markit and Reynis Analytics, to conduct a fiscal analysis relating to the first 5 years of the proposed Health Security Plan (HSP).
- The study is intended to provide information to the state on the potential **costs of the HSP**, whether **current revenue sources** would be sufficient to fund the plan, and its **economic impact** on the state.

Overview of Study Approach

- Conducted a qualitative assessment of the proposed HSP to understand key features and identify policy assumptions needed.
- Solicited public feedback on our analytic approach at two public meetings³ and accepted written comments.
- Developed New Mexico-specific baseline projections (2024-2028, current law) and compared to outcomes under the proposed HSP.
- Simulated potential HSP impacts using a microsimulation model; analyzed base and alternative scenarios.
- Accounted for 3 revenue sources : (1) beneficiary spending; (2) employer contributions; and (3) repurposed federal and state spending. We also accounted for lost premium tax revenue when assessing revenue sources to cover the cost of the HSP.

Key Policy and Other Assumptions

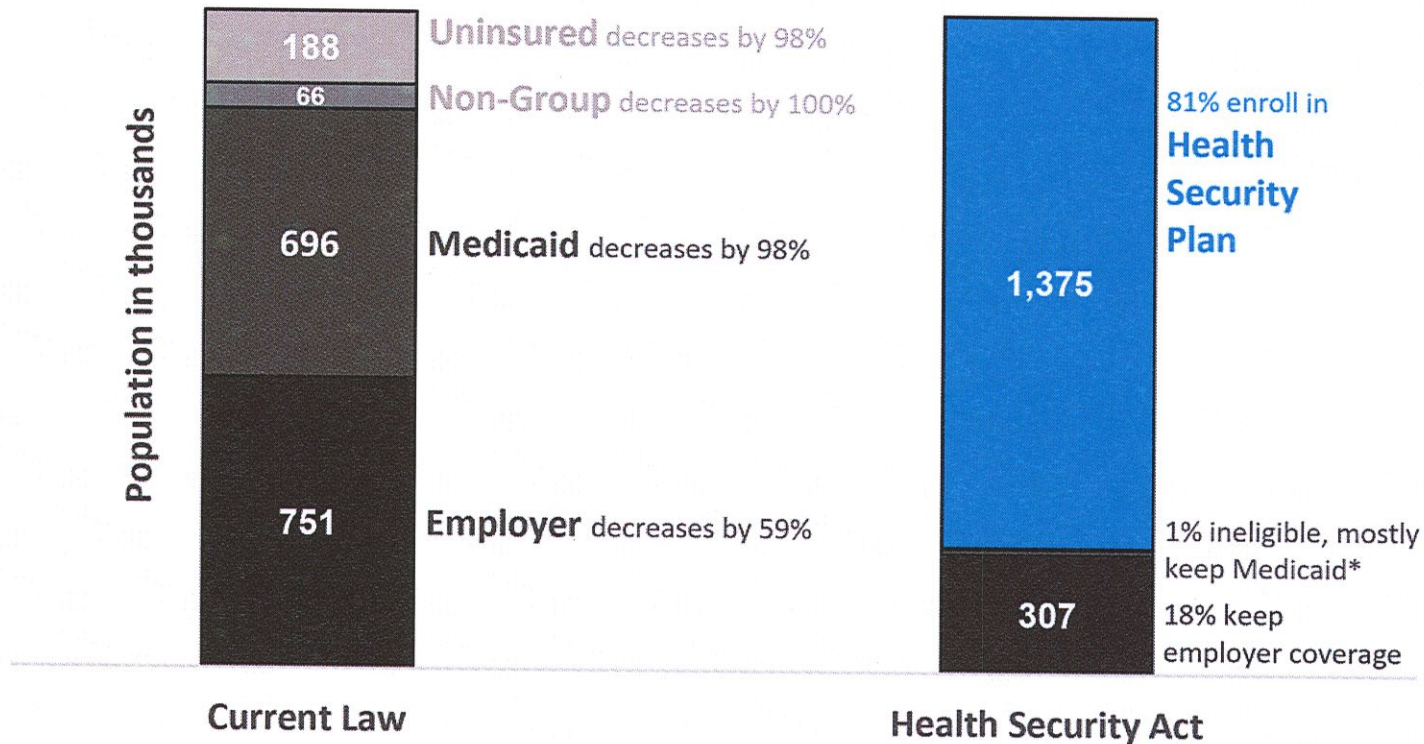
- The HSP would have cost-sharing similar to the average employer-based plan. Plus waived cost-sharing on preventative services, waived cost-sharing for Native Americans or Medicaid-eligible enrollees.
- Premium costs would be modeled on the average employer plan, with low-income beneficiaries eligible for lower premiums or premium-free enrollment.
- Provider payments would be established to keep providers “whole” – i.e., keep aggregate payments comparable to what a provider type was paid prior to HSP.

Key Policy and Other Assumptions (Cont'd)

- Federal contributions to Medicaid and financial assistance on the Marketplace would be kept at current aggregate levels.
- Employers who do not offer a plan would contribute to the cost of HSP coverage, such that total employer contributions would be an amount equal to their contributions in the baseline.
- Consistent with the Health Security Act, administrative costs under the HSP would fall to 5% of total spending by year 5 of the plan (from 9% in 2024 to 5% by 2028).

Virtually All New Mexicans Would Gain Coverage

Figure 5.1. Estimated HSP Impacts on Health Insurance Coverage in New Mexico in 2024

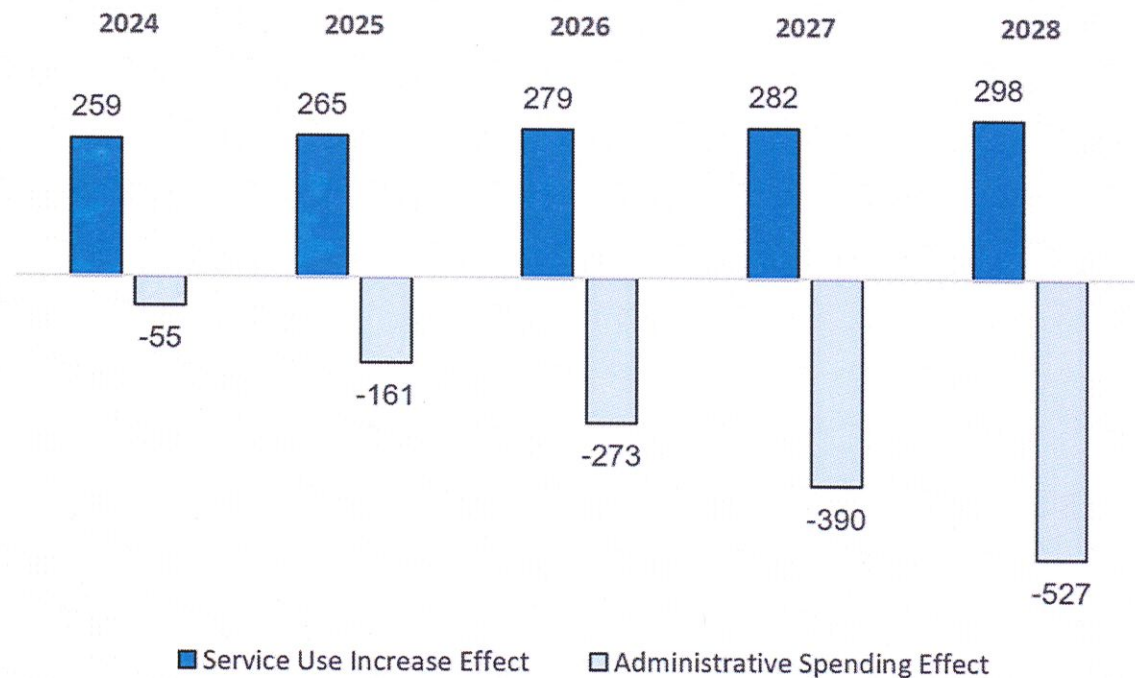


*Among those ineligible for the Health Security Plan, 75% would have Medicaid. The rest would be uninsured.

Payer-side Administrative Cost Savings Roughly Offset Higher Service Use Costs

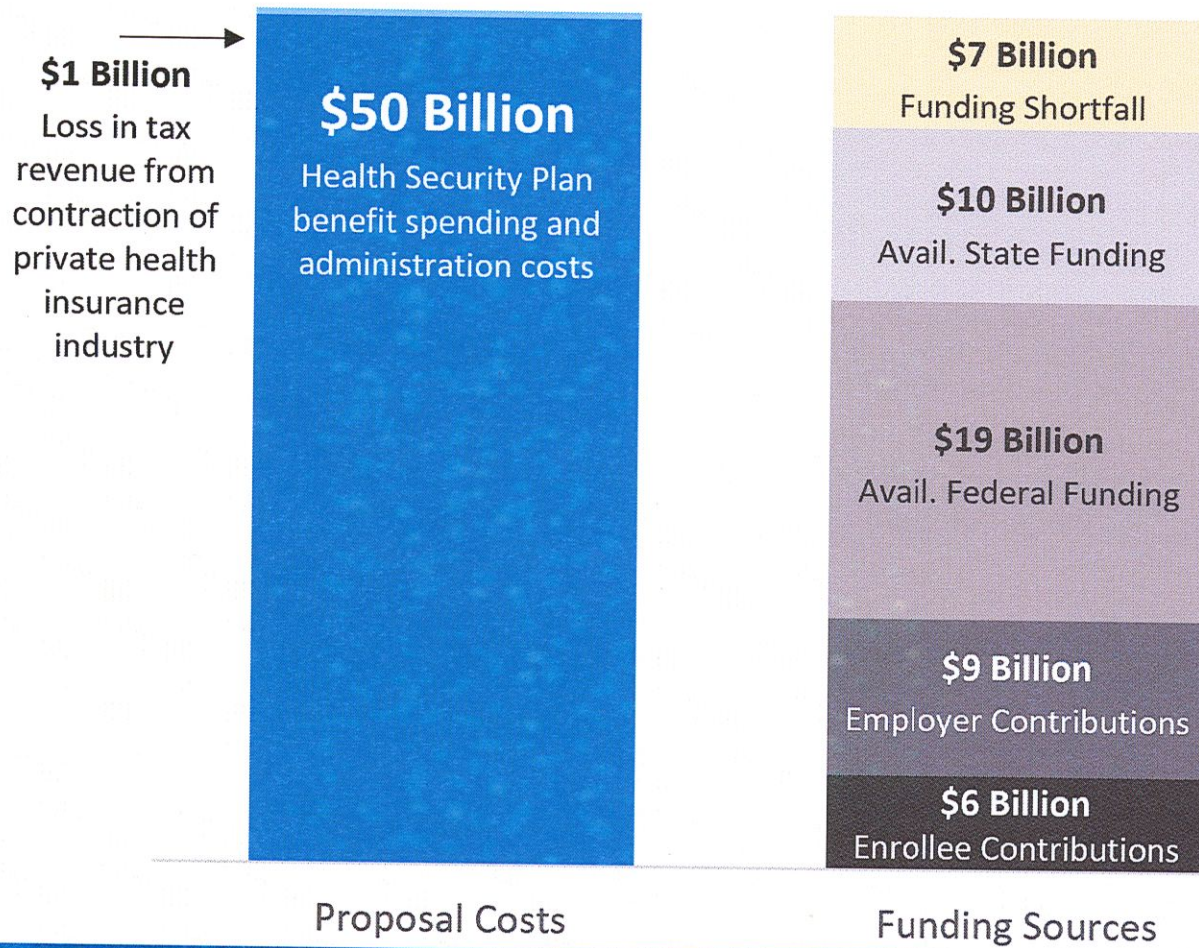
Payer-side administrative cost savings roughly offset the costs associated with higher utilization over the 5-year period, with net savings starting in year 4.

Figure 5.4. Effects of Increased Service Use and Reduced Administrative Spending under the HSP (in millions \$)



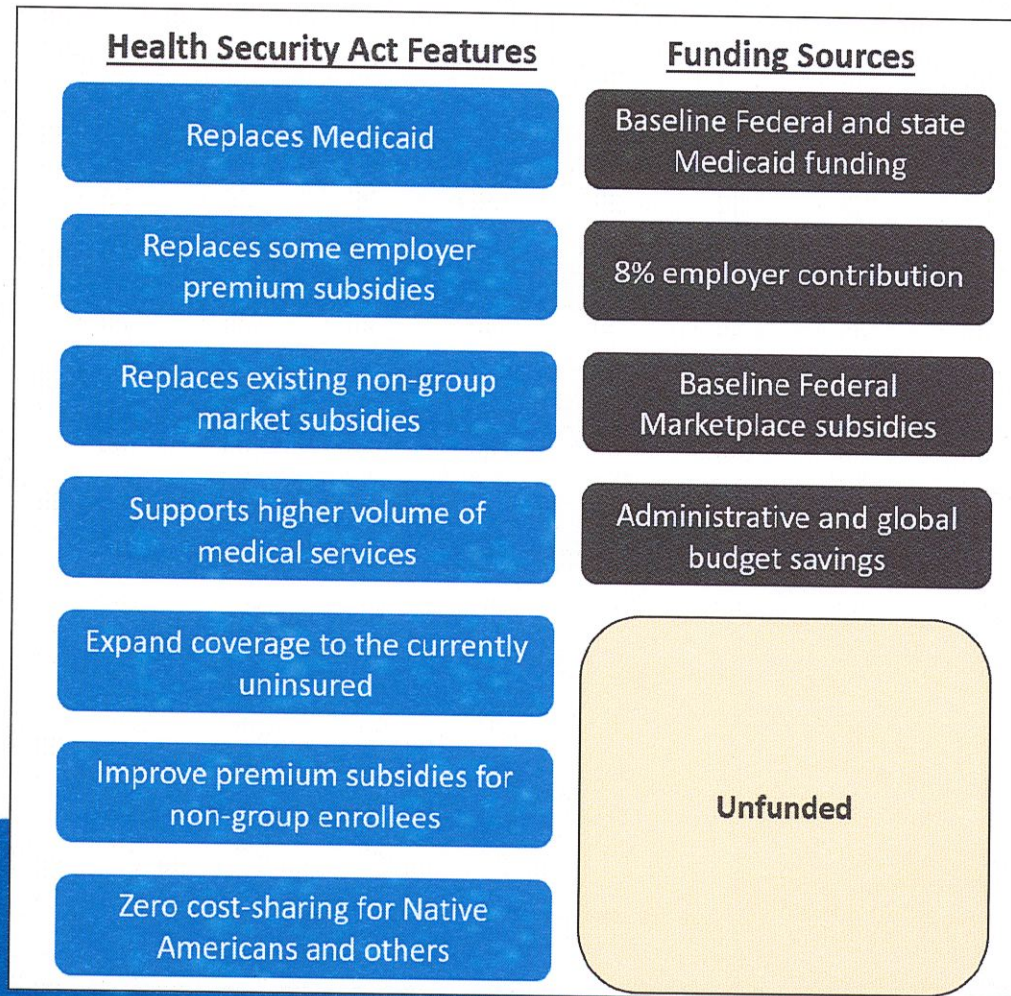
In Base Scenario, \$7B in Additional Funding is Needed Over the Initial 5 Years of the HSP

Figure 5.7. Estimated Aggregate Fiscal impact of the HSP on New Mexico, 2024-2028



If HSP Doesn't Increase Total Spending, Why Would It Result in a Budget Shortfall?

Figure 5.6. How the proposed HSP Could Increase State Spending



Some Options For Closing The Funding Shortfall

- Increase employer contributions for firms participating in the HSP
- Apply a payroll tax to all firms
- Reduce reimbursements to providers to capture any provider-side administrative savings
- Offer less generous coverage (higher premiums and cost-sharing) for some HSP beneficiaries

Summary of Public Comments (Areas)

- Accounting for all sources of revenue
- Estimation of administrative cost savings
- Exclusion of potential costs, benefits, and savings from the HSP, such as reduced provider bad debt, savings from consolidating purchasing, improved health outcomes, startup costs, loss of insurance industry jobs
- Request for additional information or analyses

Next Steps

- Summarize public comments
- Address comments as appropriate
- Revise preliminary report
- Submit a final report by June 30, 2020