

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR: Leavell DATE TYPED: 03/12/01 HB
 SHORT TITLE: Amend Health Insurance Alliance Act SB 334/aSPAC/aSFI#1/aHPAC
 ANALYST: Wilson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	\$ (1,000.0)		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Public Regulation Commission (PRC)
 Health Policy Commission(HPC)

SUMMARY

Synopsis of HPAC Amendment

SB 334/aHPAC removes the Senate Floor Amendment #1 which basically incorporated the entire bill related to amending the Comprehensive Insurance Pool.

Synopsis of SFI#1

SB 334/aSFL#1 does the following:

- C changes the Comprehensive Health Insurance Pool's name to the Medical Insurance Pool(MIP).
- C expands interim assessment authority of the MIP board,
- C increases the MIP premium tax offset to 50% from 30%,
- C permits MIP coverage supplemental to Medicare,
- C provides for a MIP low-income premium subsidy that could exceed 25% of the standard risk rate,
- C eliminates the low-income subsidy for third party payers, and
- C makes dumping an unfair trade practice.

Synopsis of SPAC Amendment

The Senate Public Affairs Committee amendment removes sections of existing law in which two minor clean-ups are contained and renumbers the sections of SB 334.

Synopsis of Original Bill

SB 334 amends the New Mexico Health Insurance Alliance Act by changing the definition of small employer, clarifying the conduct of its board meetings, reducing the reinsurance attachment point and increasing the premium tax offset. SB 334 also sets conditions for carrier administration and repeals the sunset.

Significant Issues

The Alliance is scheduled to sunset June 30, 2002. Carriers who offer products through the Alliance claim that they carry a higher percent of the cost than carriers who don't offer products. This bill attempts to correct these issues by: 1) repealing the sunset; and 2) reducing the reinsurance attachment point from 85 percent to 75 percent. The bill also proposes to increase the premium tax offset from 30 percent to 50 percent.

The PRC states there are those who believe that the Alliance is serving its intended purpose by providing access to health insurance in the small employer market. Others believe it is not. The repeal to the sunset is the substantive issue. The rest of SB 334 are merely provisions to improve the operation of the Alliance.

FISCAL IMPLICATIONS

The increase in the premium tax offset will reduce the amount of premium tax collected by the Superintendent and placed in the general fund. Based on the projected 2000 assessment the increase in premium tax offset would be approx \$1,000.0. Future revenue losses would depend on future assessments.

RELATIONSHIP

Relates to:

SB 209, Self-Insured Health Care Act
HB 275, Small Employer Catastrophic Group Health

OTHER SUBSTANTIVE ISSUES

The HPC has provided the following:

- c The New Mexico Open Meetings Act, governs procedures for open and closed meetings.
- c The Health Insurance Alliance was created by the legislature in 1994 to provide an affordable alternative for small business to obtain health insurance. Board members include representatives of health plans and insurers, employers buying plans, insurance agents and others involved with insurance regulations.
- c The New Mexico Health Insurance Alliance is an alliance of independent health insurers who have agreed to offer similar health plans to companies with from 2-50 employees and dependents. All insurance companies offer very similar plans but some of the details differ. Each insurance company sets its own price within Alliance guidelines. An employer selects

the type of health insurance to be offered to employees. Comprehensive health insurance, for individuals who no longer have access to a group plan, is offered by the New Mexico Health Insurance Alliance insurers. Individuals can get the same Alliance health coverage as the small employer. If the individual meets all of the applicable criteria, the individual is guaranteed coverage with no medical questions asked and no pre-existing exclusions. Dependents can also be covered.

C The New Mexico Health Insurance Alliance offers a \$5,000 deductible plan with a premium around \$55 for a male employee under 30 years old.

C There are a large number of group insurance plans available in the marketplace with annual deductibles between \$600 and \$1,500, which means these plans could all be re-categorized by the insurance companies as “catastrophic group health insurance policies” and avoid mandatory benefits. With such a low deductible requirement, benefits and dependent coverage in many group health insurance plans could be scaled back to meet the minimum

MV/ar/njw