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FISCAL IMPACT REPORT

SPONSOR: Komedena DATE TYPED: 02/21/01 HB _____
 SHORT TITLE: Medicaid Managed Care Premiums SB 718
 ANALYST: Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		NFI			

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB913
 Conflicts with SB679

SOURCES OF INFORMATION

Attorney General's Office (AG)
 Health Policy Commission (HPC)
 Human Services Department (HSD)
 Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

SB718 clarifies existing law to explicitly include Medicaid payments made under Salud to managed care organizations as premiums subject to the Comprehensive Health Insurance Pool (CHIP) assessments.

Significant Issues

Current law is ambiguous and there is a pending administrative proceeding before the Public Regulation Commission on this matter. SB718 clarifies the law by explicitly including the Salud premiums when making CHIP assessments.

The Human Services Department and Attorney General's Office do not agree on how the federal law applies to Medicaid.

Three health insurance companies in the state run Medicaid Managed Care programs and receive premium income for those programs. Until now Lovelace has been including the Salud premiums in

the calculation of its assessment. Cimarron and Presbyterian have not. SB718 clarifies the issue by requiring all three managed health care organizations to include Salud premiums when calculating assessments to CHIP so all calculations are handled uniformly.

FISCAL IMPLICATIONS

No direct cost to state agencies or to CHIP.

CONFLICT/DUPLICATION

Conflicts with SB679 that excludes Medicaid premium payments in the assessment formula. Duplicates HB913.

OTHER SUBSTANTIVE ISSUES

HSD has submitted an analysis which states:

The direct imposition of part of the cost of the CHIP program on the Medicaid program would violate federal limitations on permissible Medicaid expenditures because it would directly subsidize health insurance for individuals not eligible for Medicaid.

Federal Funds can only be used to pay for expenditures made in accordance with an approved state plan.... The CHIP assessment is not approved in the state plan.

To impose CHIP assessments on Medicaid payments (or premiums to insure such payments), would constitute an impermissible healthcare-related tax because it is not broad-based...

The Attorney General's Office disagrees:

...(Federal law) only permits the imposition of broad-based health care related taxes in determining the amount of federal Medicaid funds to be paid to the State. However, (federal law) defines "broad-based health care related tax" to include a tax based on revenues when the tax is imposed at a uniform rate for all revenues relating to the services provided. In this context, the CHIP assessment is a "broad-based health care related tax" because it applies to all premium income of the managed care companies....

DW/ar/njw