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FISCAL IMPACT REPORT

SPONSOR: Martinez DATE TYPED: 2/25/03 HB _____

SHORT TITLE: Insurance Licensure Procedure SB 557

ANALYST: Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See Narrative		

SOURCES OF INFORMATION

Responses Received From

Public Regulation Commission (PRC)
Department of Health (DOH)

SUMMARY

Synopsis of Bill

Senate Bill 557 clarifies the requirement for health insurers to “provide” coverage for contraceptive drugs or devices instead of being required to only “offer” this coverage with a prescription drug benefit.

SB 557 contains several changes designed to address agent licensing reciprocity requirements of the federal Gramm-Leach-Bliley Act (GLBA) in order to make New Mexico a reciprocal state. These items are all addressed to eliminating barriers to agent licensing for non-residents.

Other changes to the Insurance Code include:

- Makes monthly rather than daily transfers to the law enforcement protection fund,
- Gives discretion to increase special deposits based on company risk factors,
- Makes agent appointment effective when approved by superintendent rather than when filed,
- Uses non-work compensation property and casualty forms as soon as they are approved,
- Property and casualty rate filings can reference previously filed loss cost filings,

- Makes bail bond license suspension/revocation procedure like all other licensees, and
- Repeals loophole in penalty for use of unapproved forms.

Significant Issues

The PRC provided the following:

- Daily transfer of funds is impractical, costly, and time-consuming.
- Special deposits held by the superintendent for each insurer doing business in NM are sometimes inadequate, particularly when a company is showing signs of hazardous financial condition, or when the domiciliary regulator attempts to penalize New Mexico citizens for resorting to the deposit in the event of insolvency.
- Recent experience indicates that bank certificates of deposit are not reliable security for statutory deposits. Banks sometimes will cash out the CD, paying the cash to the insurer, without notifying the Superintendent of Insurance that the CD being held by the Superintendent has become worthless.
- Insurance Division staff has interpreted the rate and form filing laws to require that a rate or form may not be used for at least 60 days from the date of filing. SB 557 clarifies that the rate or form may be used as soon as the Superintendent approves the filing.
- There are conflicting provisions in existing law regarding the procedure for suspension or revocation of bail bond licenses. SB 557 makes the procedure for bondsmen the same as for all other licenses issued under the Insurance Code.
- Existing law contains a loophole creating a lesser penalty for use of a form that has been filed and expressly disapproved than the penalty for use of forms that have simply not been approved or not filed at all. SB 557 eliminates the lesser penalty.

The DOH believes that SB 557 is critical to assuring access to needed contraceptive drugs and devices to prevent unwanted and unintended pregnancies. Among live births in NM from 1997-99, an estimated 45% of these pregnancies were unintended. Among women with an unintended pregnancy, 42% reported using some method of contraception at the time they became pregnant. The data suggest problems of access to reliable methods and problems of correct usage. Every dollar spent for contraceptive services saves \$3 in public funds related to unintended pregnancies. Using New Mexico data from the public sector, it costs \$150 per year per woman for family planning services compared to an average \$3,754 for pregnancy, labor and delivery for an unintended pregnancy. This cost estimate does not include higher maternal and indigent care costs associated with such pregnancies.

Unmet needs are great; among all women who want and need family planning services, the State's public and private sector providers serve only 51% of all women in need and 65% of teenagers in need. An estimated 199,070 women in New Mexico, including 31,310 teenagers, are in need of contraceptive services and supplies. Publicly supported contraceptive services in New Mexico avert 15,000 unintended pregnancies each year.

SB557 will require all group health plans to provide contraceptive benefits as part of a drug benefits plan. Although it is not possible to quantify the number of women who will benefit from this requirement, there is no doubt SB 557 will extend coverage to some women who do not currently have access to contraceptives.

FISCAL IMPLICATIONS

SB 557 makes the Insurance Code easier to administer and more internally consistent.

ADMINISTRATIVE IMPLICATIONS

After procedures are implemented SB 557's provisions should use less staff resources

DW/yr