

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

SPONSOR Godbey DATE TYPED 2/16/04 HB HJM 69/aHF1#1

SHORT TITLE Study Cost of State-Sponsored Reinsurance SB \_\_\_\_\_

ANALYST Dunbar

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
	See Narrative				

Relates to HB 87; HB 298; HB 394; SB 101; SB 132; HJM 3; SJM 19

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Health Policy Commission (HPC)

Human Service Department (HSD)

Public Regulation Commission (PRC)-Insurance Division

### SUMMARY

#### Synopsis of HF1 Amendment # 1

House Floor Amendment # 1 inserts language clearly identifying a purpose of the study to examine the potential for increased access to “health policy coverage” by small businesses in NM. Reference is made to “Technical Issues” below.

#### Synopsis of Original Bill

HJM 69 requests the New Mexico Health Policy Commission to explore and report on the cost and benefit of reinsurance for certain health insurance losses for small businesses. The study should also “examine the potential for increased access to New Mexico Health Policy Commission by small businesses in New Mexico, as well as the overall impact on the uninsured.”

#### Significant Issues

The memorial points out that:

- ❑ Health insurance premiums are increasing in double-digits;
- ❑ Small businesses are affected by these increase;
- ❑ New Mexico has one of the highest rates of uninsured;
- ❑ Small business lack the ability to self insure;
- ❑ In NY, where state sponsored reinsurance exists, small business insurance premiums have been reduced up to 30%;

### **ADMINISTRATIVE IMPLICATIONS**

The study would involve participation by staff of the Insurance Division. The Health Policy Commission would have to designate staff to conduct the exploration and prepare a report to the Legislature by October 2004.

The Health Policy Commission recognizes that a comprehensive and thorough study may require dedicated staffing requirements. According to the HPC, current statutory demands on the HPC combined with reduced staffing may impact the HPC's ability to undertake additional project requests.

### **RELATIONSHIP**

HB 87 Create Health Care Purchasing Authority,  
HB 298 Add Program to NM Health Insurance Alliance,  
HB 394 Health Insurance Premium Surtax,  
SB 101 Purchase of Public Health Care Programs Employee,  
SB 132 Health Insurance Premium Tax Credit,  
HJM 3 Private Purchase of Health Insurance,  
SJM 19 Impact of health Insurance Tax Credits.

### **TECHNICAL ISSUES**

It is not clear what the memorial is directing when it instructs that the study should examine the potential for increased access to the Health Policy Commission (HPC). Perhaps this refers to increasing the availability of HPC data and reports, but the memorial is not specific on this point.

On the above point, HPC questions the language on Page 3, lines 1 and 2 which refer to the New Mexico Health Policy Commission. HPC suggest changing the language to read "access to health policy coverage", or "access to health insurance" instead of Health Policy Commission?

### **OTHER SUBSTANTIVE ISSUES**

HPC provided the following information:

- ❑ The average annual premiums for employer-sponsored plans rose to \$3,383 this year for single coverage from \$3,060 in last year's survey, with an average worker contribution of \$508, compared with \$454 last year. Average annual premium coverage was \$9,068 for a family in this year's survey, up from \$7,954 last year, with the worker pitching in \$2,412 this year, compared with \$2,084 a year earlier. (SFGate.com, 9/10/2003)
- ❑ Insurance premiums jumped 15.5% this year for firms with fewer than 200 workers vs. a

13.2% rise for those with more than 200 workers (Kaiser Family Foundation). Average premiums for employer-sponsored coverage rose 13.9 percent nationwide between the springs of 2002 and 2003. That was higher than the previous year's 12.7 percent increase and the highest increase since 1990. (USA Today 10/5/2003 quoting Kaiser)

- According to <http://www.ambest.com/resource/glossary.html#R> , Reinsurance - An agreement between two or more insurance companies by which the risk of loss is proportioned. Thus the risk of loss is spread and a disproportionately large loss under a single policy does not fall on one company. Acceptance by an insurer, called a reinsurer, of all or part of the risk of loss of another insurer. A company issuing an automobile liability policy, with a limit of \$100,000. A fire insurance company which issues a large policy generally reinsures a portion of the risk with one or several other companies.

**BD/yr**