F I S C A L I M P A C T R E P O R T

SPONSOR Feldman **DATE TYPED** 03/16/05 **HB**

SHORT TITLE Small Employer Health Care Coverage Access **SB** 271/aSFC/aSFl#1

ANALYST Wilson/Baca

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		($0.1)Unknown	Recurring	General Fund

Duplicates HB 523/aSFC

SOURCES OF INFORMATION
LFC Files

Responses Received From
General Services Department (GSD)
Human Services Department (HSD)
Retiree Health Care Authority (RHCA)
Public Regulation Authority (PRC)

SUMMARY

Synopsis of SFl#1 Amendment

The Senate Floor amendment to Senate Bill 271 gives a 50% credit on the premium tax for a member on the low-income premium schedule. Currently the participating companies receive a 30% credit which will continue with members who are not paying the low-income premium. There will be a loss in revenue to the general fund due to the increase in the credit. It is not known how many enrollees will qualify for the low-income premium.

The amendment also allows a pool policyholder to be eligible for renewal of pool coverage even though the policyholder became eligible for medicare or medicaid coverage while covered under a pool policy.

The bill also clarifies eligibility under COBRA.

Synopsis of SFC Amendment

The amendments adopted the Senate Finance Committee require verification that premiums charged are actuarially sound in relation to the benefits provided and that this certification shall be filed with the superintendent of insurance, amend existing statutes and add new sections: Section 5, ASSESSMENTS (59A-54-10, Sections A-D); Section 6, ELIGIBILITY – POLICY PROVISIONS (59A-54-12, Sub-sections A- I) Section 7, TEMPORARY PROVISION, requiring, that by 2010, the superintend of insurance promulgate rules for program participants and recommend statutory changes to the Health Alliances Act that may be needed, and repeals Section 4 of this act effective July 1, 2010.

Significant Issues

The provisions of the SFC amendments are cited below:

ASSESSMENTS, 59A-54-10 as amended provides:

A. Subsection A requires yearly actuarial assessments to determine the financial soundness of the program, provides that the board may adopt methods to achieve equity of assessments among pool members, and details the formulas or methods to be used to determine the assessments that may be imposed.

B. Subsection B provided that, if assessments exceed actual losses and administrative expenses of the pool, the excess shall be held at interest and used by the board to offset future losses or to reduce pool premiums. As used in this subsection, "future losses" includes reserves for incurred but not reported claims.

C. Subsection C notes that the proportion of participation of each member in the pool shall be determined annually by the board based on annual statements and other reports deemed necessary by the board and filed with it by the member. Any deficit incurred by the pool shall be recouped by assessments apportioned among the members of the pool pursuant to the assessment formula provided by Subsection A of this section; provided that the assessment for any pool member shall be allowed as a thirty-percent credit on the premium tax return for that member and a fifty percent credit on the premium tax return for a member on the low-income premium schedule pursuant to Subsection B of Section 59A-54-19 NMSA 1978.

D. The board may abate or defer, in whole or in part, the assessment of a member of the pool if, in the opinion of the board, payment of the assessment would endanger the ability of the member to fulfill its contractual obligation. In the event an assessment against a member of the pool is abated or deferred in whole or in part, the amount by which such assessment is abated or deferred may be assessed against the other members in a manner consistent with the basis for assessments set forth in Subsection A of this section. The member receiving the abatement or deferment shall remain liable to the pool for the deficiency for four years."

Section 6. Section 59A-54-12 NMSA 1978 is amended to read:

"59A-54-12. ELIGIBILITY--POLICY PROVISIONS.--

A. Except as provided in Subsection B of this section, a person is eligible for a pool policy only if on the effective date of coverage or renewal of coverage the person is a New Mexico resident, and:

(1) is not eligible as an insured or covered dependent for any health plan that provides coverage for comprehensive major medical or comprehensive physician and hospital services;

(2) is currently paying a rate for a health plan that is higher than one hundred twenty-five percent of the pool's standard rate;

(3) has been rejected for coverage for comprehensive major medical or comprehensive physician and hospital services;

(4) is only eligible for a health plan with a rider, waiver or restrictive provision for that particular individual based on a specific condition;

(5) has a medical condition that is listed on the pool's pre-qualifying conditions;

(6) has as of the date the individual seeks coverage from the pool an aggregate of eighteen or more months of creditable coverage, the most recent of which was under a group health plan, governmental plan or church plan as defined in Subsections P, N and D, respectively, of Section 59A-23E-2 NMSA 1978, except, for the purposes of aggregating creditable coverage, a period of creditable coverage shall not be counted with respect to enrollment of an individual for coverage under the pool if, after that period and before the enrollment date, there was a sixty-three-day or longer period during all of which the individual was not covered under any creditable coverage; or

(7) is entitled to continuation coverage pursuant to Section 59A-23E-19 NMSA 1978.

B. Notwithstanding the provisions of Subsection A of this section:

(1) a person's eligibility for a policy issued under the Health Insurance Alliance Act shall not preclude a person from remaining on or purchasing a pool policy; provided that a self-employed person who qualifies for an approved health plan under the Health Insurance Alliance Act by using a dependent as the second employee may choose a pool policy in lieu of the health plan under that act; and

[(2) a pool policyholder shall be eligible for renewal of pool coverage even though the policyholder became eligible for Medicare or Medicaid coverage while covered under a pool policy; and

(3)] (2) if a pool policyholder becomes eligible for any group health plan, the policyholder's pool coverage shall not be involuntarily terminated until any preexisting condition period imposed on the policyholder by the plan has been exhausted.

C. Coverage under a pool policy is in excess of and shall not duplicate coverage under any other form of health insurance.

D. A policyholder's newborn child or newly adopted child is automatically eligible for thirty-one consecutive calendar days of coverage for an additional premium.

E. Except for a person eligible as provided in Paragraph (6) of Subsection A of this section, a pool policy may contain provisions under which coverage is excluded during a six-month period following the effective date of coverage as to a given individual for preexisting conditions.

F. The preexisting condition exclusions described in Subsection E of this section shall be waived to the extent to which similar exclusions have been satisfied under any prior health insurance coverage that was involuntarily terminated, if the application for pool coverage is made not later than thirty-one days following the involuntary termination. In that case, coverage in the pool shall be effective from the date on which the prior coverage was terminated. This subsection does not prohibit preexisting conditions coverage in a pool policy that is more favorable to the insured than that specified in this subsection.

G. An individual is not eligible for coverage by the pool if:

(1) except as provided in Subsection I of

this section, the individual is, at the time of application, eligible for medicare or medicaid that would provide coverage for amounts in excess of limited policies such as dread disease, cancer policies or hospital indemnity policies;

(2) the individual has voluntarily terminated coverage by the pool within the past twelve months and did not have other continuous coverage during that time, except that this paragraph shall not apply to an applicant who is a federally defined eligible individual;

(3) the individual is an inmate of a public institution or is eligible for public programs for which medical care is provided;

(4) the individual is eligible for coverage under a group health plan;

(5) the individual has health insurance coverage as defined in Subsection R of Section 59A-23E-2 NMSA 1978;

(6) the most recent coverages within the coverage period described in Paragraph (6) of Subsection A of this section were terminated as a result of nonpayment of premium or fraud; or

(7) the individual has been offered the option of continuation coverage under a federal COBRA continuation provision as defined in Subsection F of Section 59A-23E-2 NMSA 1978 or under a similar state program and he has elected the coverage and did not exhaust the continuation coverage under the provision or program.

H. Any person whose health insurance coverage from a qualified state health policy with similar coverage is terminated because of non-residency in another state may apply for coverage under the pool. If the coverage is applied for within thirty-one days after that termination and if premiums are paid for the entire coverage period, the effective date of the coverage shall be the date of termination of the previous coverage.

I. The board may issue a pool policy for individuals who:

(1) are enrolled in both Part A and Part B of Medicare because of a disability; and

(2) except for the eligibility for Medicare, would otherwise be eligible for coverage pursuant to the criteria of this section."".

Section 7, TEMPORARY PROVISION.

Section 7 requires, that by 2010, the superintendent of insurance promulgate rules for program participants and recommend statutory changes to the Health Alliances Act that may be needed.

Section 8, DELAYED REPEAL.

Section 8 repeals Section 4 of this act effective July 1, 2010.

Synopsis of Original Bill

Senate Bill 271 creates the small employer insurance program, providing options for small employers with 50 or less employees to voluntarily purchase health insurance through the state's employee health insurance program. Eligible employers may not have offered health insurance to their employees during the previous 12 months.

Significant Issues

The bill is based on the recommendations of the *Insure New Mexico!* Council to:

> "Allow buy-in to the General Services Department/Risk Management Division (GSD/RMD) health plans for small employers with 50 or less employees that have not offered health insurance for at least 12 months. This option should be fully funded by small employers who buy in to GSD, assumes GSD functions are actuarially sound and operating within regular budget levels, and on-going costs will be paid by employers buying in when the program is up and running."

This bill would target several performance measures the Governor has identified to reduce the uninsured population and increase the rate of employer-sponsored health insurance in New Mexico. The Governor has stressed the need to decrease New Mexico's uninsured rate and is introducing a package of legislation aimed at decreasing the uninsured rate by 10%. This initiative is estimated to potentially serve from 2,000 to 4,000 individuals in the first year.

Finally, the provisions of the bill address "crowd out" issues by exclusively targeting currently uninsured employers and individuals by:

1) defining a small employer as not offering health care coverage for the previous 12 months;

2) indicating eligible employees must have lived in New Mexico for the previous 12 months.

The population of small employers targeted in the bill are not currently offering health insurance and thus GSD will not be competing with insurance carriers since these are new groups being added to the marketplace.

FISCAL IMPLICATIONS

Small employers who buy in to GSD will pay the full costs of the health insurance program with their premiums. RMD actuaries will need to compute the appropriate premiums.

ADMINISTRATIVE IMPLICATIONS

GSD has the infrastructure in place to procure and manage contracts with managed care organizations. GSD already has the experience of working with multiple public entities throughout the state and provides health care benefits to over 55 New Mexico cities, counties, colleges and special districts. They are equipped to further expand their services to a new self-sustaining, separate group of small employers.

DUPLICATION

Senate Bill 271 duplicates House Bill 523.

OTHER SUBSTANTIVE ISSUES

According to the Census' 2003 Current Population Survey, New Mexico ranks second in the nation for the rate of uninsurance at 22.1% or an estimated 414,000 individuals.

Additionally 88% of small employers in New Mexico employ less than 20 employees with 41% not offering health insurance. 81% of the small employers that do not currently provide coverage cite cost as the primary reason. The NM Health Policy Commission recently released a new employer survey and two-thirds of small employers expressed interest in a purchasing alliance. Nonprofit agencies also report a strong interest in a purchasing collaborative as a means to cut costs and provide access to comprehensive health insurance coverage.

Connecticut passed similar legislation to this bill that allows the comptroller of the state to arrange group health coverage, under the state employee health plan, for small employers to enter under a separate risk pool. Between 1998 and 2001, growth has been steady within Connecticut's new pool, with almost 14,000 covered lives. The Connecticut program's success to date is due to several factors: it utilizes the same carriers that provide health insurance to state employees and retirees (a pool of about 180,000 individuals); and with that buying power behind it, they are able to achieve favorable rates for its participants with greater plan design flexibility.

Implementing this bill addresses the high rate of uninsurance in New Mexico by allowing small employers to pool their purchasing power through an entity (GSD) with significant expertise in health insurance negotiation and administration. The bill also assists in decreasing the number of uninsured New Mexicans by supplying another option to acquire relatively affordable comprehensive insurance benefits for small employers, including nonprofits.

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