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## FISCAL IMPACT REPORT

SPONSOR HTRC DATE TYPED 03/22/05 HB 610/HTRCS

SHORT TITLE Insurance Tax Credit & Eligibility SB \_\_\_\_\_

ANALYST Wilson/Padilla-Jackson

### REVENUE

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

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Regulation Commission (PRC)

### SUMMARY

#### Synopsis of Bill

The House Taxation and Revenue Committee Substitute provides for small group coverage in the Medical Insurance Pool (Pool). The substitute gives the Pool board the authority to issue a policy of insurance for a small group that is formed voluntarily through an employer, association, cooperative, mutual alliance or other organization; provided, however, that an employer group may not have more than fifty persons.

The group must be uninsurable as defined in the Medical Insurance Pool Act

#### Significant Issues

Currently the Pool cannot take high risk groups, but the Alliance can. The Pool insurance is more comprehensive for groups with disabled member or persons with high prescription drug usage.

### FISCAL IMPLICATIONS

According to the PRC, the fiscal impact of this bill is positive, but indeterminate as it is based on the amount of increased enrollment due to the bill's provisions. They note that the Medical In-

insurance Pool is funded by premiums paid by those enrolled in the program and, to the extent that these premiums are insufficient, assessments from the health insurance industry. The PRC notes that since the premiums are set at standard rates + 10 percent, they are not adequate to fund the operations and pay claims. The health insurance industry pays approximately \$6 million in assessments to cover the shortfall for the 1400 enrollees. The General Fund covers 30 percent of this cost or approximately \$1.8 million as a credit against the insurers premium tax liability.

The PRC notes that the group coverage contemplated by House Bill 610 could cause enrollment in the Medical Insurance Pool to increase, especially if the program is successful, though no estimates have been made. If enrollment grows the industry assessments will grow as will the General Fund credit against premium taxes. For example, if membership doubles in Fiscal Year 2006, an additional \$6 million assessment to the industry could be made in FY06 and 30 percent or \$1.8 million taken as a credit against General Fund revenues in FY07.

### **OTHER SUBSTANTIVE ISSUES**

- The Pool was created in 1987 by the legislature to offer insurance coverage to individuals who are unable to purchase coverage due to their health status in either the private or public markets. These individuals have health conditions such as heart disease, cancer, diabetes, disabilities, asthma, obesity or arthritis.
- The Pool actuarially calculates premiums based on the private individual market. The Pool is able to charge up to 150% of what a policy would cost if sold by an insurance company. The Pool currently charges 10% over what the policy would cost in the private market.
- Only 1400 people in New Mexico are currently enrolled in the Pool.

**DW/sb:yr:lg**