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FISCAL IMPACT REPORT

SPONSOR Luna DATE TYPED 2/17/05 HB 444/HBICS

SHORT TITLE Health Insurance Premium surtax SB _____

ANALYST Wilson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(\$800.0)		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Aging & Long Term Care Department (ALTCD)

Health Policy Commission (HPC)

Human Services Department (HSD)

Public Regulation Commission (PRC)

Public School Insurance Authority (PSIA)

SUMMARY

Synopsis of Bill

The House Business and Industry Committee Substitute for House Bill 444 amends Section 59A-6-2 NMSA 1978 to clarify that hospital or medical expense incurred insurance or contracts; non-profit health care service plan contracts are included and dental or vision only contracts are excluded; and health maintenance organization subscriber contracts in the imposition of the premium tax.

This surtax is in the amount of one percent of the gross health insurance premiums and memberships and policy fees received by it on the above.

Significant Issues

The PRC provided the following:

There is, currently a premium surtax of 1% applied to health insurance premiums excluding disability income contracts. The intent of the law was to broadly tax health insurance premiums to raise revenue to offset cuts in the Medicaid program. The broad tax was aimed at comprehensive health insurance that reimburses for the cost of receiving health care.

The broad language in the law affects many kinds of supplemental health insurance contracts, which make up a small portion of premiums and resulting surtax. This bill clarifies the language in the law to broadly surtax hospital and medical reimbursement policies issued by HMO's, non-profit health care plans and other insurers without taxing supplemental health insurance policies.

FISCAL IMPLICATIONS

The PRC estimates that beginning in fiscal year 2006, there will be a \$800 thousand loss of revenues to the general fund as a result of not taxing supplemental insurance such as dental and vision contracts only.

DW/njw:yr