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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/24/07  
 LAST UPDATED 03/05/07    **HB** \_\_\_\_\_

SPONSOR Komadina

SHORT TITLE Health Care Provider Insurance Coverage    **SB** 49/a SPAC/a HHGAC

ANALYST Hanika Ortiz

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$.01 see narrative			recurring	various risk management funds

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Health (DOH)

Human Services Department (HSD)

Health Policy Commission (HPC)

Risk Management Division/General Services Department (RMD/GSD)

### SUMMARY

#### Synopsis of HHGAC Amendment

The House Health & Government Affairs Committee amendment adds a “pharmacist” to the definition of “health care provider” as used in the Act.

#### Synopsis SPAC Amendment

The Senate Public Affairs Committee amendment clarifies that the intent of the bill is to allow health care providers to purchase only medical malpractice insurance coverage through RMD/GSD.

#### Synopsis of Original Bill

Senate Bill 49 amends the Risk Management Act, Chapter 15, Article 7 NMSA 1978, by creating a new section allowing health care providers, as defined in the bill, to purchase insurance coverage including group health benefits, liability, workers compensation, public property and surety bonds through RMD/GSD.

This new section of the Risk Management Act is repealed effective July 1, 2012

### FISCAL IMPLICATIONS

RMD/GSD reports no way of determining the extent of participation by these categories of health care providers and individual businesses, but the potential is significant. RMD/GSD further claims the fiscal impact of obtaining the initial coverage will be neutral because these private entities will be apportioned their share toward the purchase of insurance, including administrative costs to GSD and to the Department of Finance and Administration for risk assessment and accounting expenses.

### **SIGNIFICANT ISSUES**

The original intent of the Risk Management Act, Chapter 15, Article 7, NMSA 1978, is for RMD to provide risk coverage for governmental entities including state agencies, local public bodies, universities, and other political subdivisions of the state. A health care provider as defined in the bill includes “a licensed physician, hospital, outpatient health care facility, nursing home, intermediate care facility, post-acute health care facility, osteopathic physician, chiropractic physician, podiatrist, nurse anesthetist, physician assistant, dentist, psychologist, doctor of oriental medicine, certified nurse practitioner, registered lay midwife or certified nurse-midwife”.

SB 49 is unclear as to whether these particular health care providers will be segregated into a separate pool which is actuarially sound for purposes of determining risk. RMD/GSD believes until there is experience with this new pool, the risks are unknown and costs will be higher with membership because of the possible inclusion of uninsured individuals and businesses, and the additional administrative costs.

### **PERFORMANCE IMPLICATIONS**

RMD/GSD states that adding responsibility for providing insurance to private sector entities will distract from its primary duties to public sector clients.

### **ADMINISTRATIVE IMPLICATIONS**

RMD/GSD further states that SB 49 could mandate the establishment of up to 10 pools to provide coverage for 10 individual lines of coverage for health care providers, which is beyond the capacity of existing RMD/GSD staff and resources.

### **TECHNICAL ISSUES**

State agencies are concerned the intent of SB 49 may conflict with the anti-donation clause of the New Mexico constitution (Article IX, Section 14) in providing free services to private entities.

### **OTHER SUBSTANTIVE ISSUES**

There has been considerable discussion in recent years about the impact on the health care industry of increasing insurance costs, especially for medical malpractice insurance.

### **ALTERNATIVES**

RMD/GSD suggests health care providers and private businesses form privately-administered pools to obtain insurance coverage in the private-sector market or through other existing and available insurance programs. HSD notes a new program, the Small Employers Insurance Program, which is a self-funded pool with actuarially sound rates to allow groups of private employers purchase insurance through the sponsorship of the GSD.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Private sector insurance coverage currently available as an option for health care providers.

AHO/mt