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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/08

SPONSOR Rawson LAST UPDATED _____ HB _____

SHORT TITLE Require Pooled Health Insurance Coverage SB 514

ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY08	FY09	FY10	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Indeterminate			Recurring	Various

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

Health Policy Commission (HPC)

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

No Response Received From

Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Senate Bill 514 adds a new section to the New Mexico Insurance Code, Chapter 59A, Article 23, Group and Blanket Health Insurance and Article 46, Health Maintenance Organization NMSA 1978, which will require health insurance carriers to offer pooled health insurance coverage to employees of multiple employers.

FISCAL IMPLICATIONS

This bill attempts to have an insurance carrier risk equalize groups that apply for group health insurance by pooling certain groups, upon request, with other groups thereby creating a larger risk pool. It is not clear how groups will choose this option. Carriers will need to establish underwriting guidelines to protect the integrity of the newly created pool. It is difficult to know what costs savings will be realized over time.

It is difficult to analyze specifically how the implementation of the *Require Pooled Health Insurance Coverage* bill will change the health coverage marketplace or contribute significantly

to getting more New Mexicans insured. Any statute that increases consumer protections will likely incur costs in general.

New Mexico has a high rate of uninsured at 21.1% or an estimated 401,000 individuals. 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 and 67% of uninsured individuals say it is affordability. The cost of health insurance is still an insurmountable obstacle for many smaller businesses and if they provide it, they generally pass on a significant share of the premium to the employee.

SIGNIFICANT ISSUES

This bill proposes a significant change in the manner in which small groups are insured by allowing them to pool, upon request, with other employer groups of that insurance carrier in an attempt to achieve risk equalization and potential cost savings through use of large pools. This provision will not apply to short term travel insurance, accident-only insurance, limited, or disease specific policies.

PERFORMANCE IMPLICATIONS

There are current New Mexico Insurance Code provisions that allow small employers to band together for risk purposes in a similar fashion under Article 15. It is not clear if this bill conflicts.

There is federal regulation under ERISA which may be in conflict with the provisions of the proposed bill.

Employers who request to be part of a larger pool will need to be educated on the potential of experiencing both rate decreases and increases based on factors outside of their specific employee group. HSD notes that attempts made to amalgamate small groups to lower premium costs have not been successful in achieving the desired rate decrease and in fact many times have resulted in cost increases.

ADMINISTRATIVE IMPLICATIONS

SB 514 amends the Insurance Code. The Insurance Code does not apply to existing pools within the General Services Department (GSD), Risk Management Division.

Defer to Public Regulation Commission/Division of Insurance for administrative issues.

OTHER SUBSTANTIVE ISSUES

In New Mexico, affordable health insurance is more of a problem than nationally. The burden of providing health care access has shifted from the employer to the government. States have recently been trying to reverse that and one way is to offer tax incentives that encourage employers to provide access to health insurance, as well as, states insurance pools to fill this need.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

HPC notes that the State of New Mexico may continue to pay for the uninsured; and, higher health insurance premiums by not pooling and spreading the risk.

AMENDMENTS

Clarification as to what is meant by “blanket or group health insurance policy” on page 1, lines 20 and 21.

AHO/bb