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FISCAL IMPACT REPORT

SPONSOR Muñoz **ORIGINAL DATE** 02/09/11
LAST UPDATED _____ **HB** _____

SHORT TITLE Health Insurance Access for Large Employers **SB** 90

ANALYST Earnest

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY11	FY12	FY13		
	(\$751.5)	(\$789.1)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

Human Services Department (HSD)

Health Insurance Alliance (HIA)

SUMMARY

Synopsis of Bill

Senate Bill 90 amends the Health Insurance Alliance Act to allow large employers to join the NM Health Insurance Alliance (HIA) – a statutorily created non-governmental entity established to provide health insurance policies for small employers who had difficulty obtaining health plans for their employees on the commercial market.

The bill reduces the number of HIA board members and provides for two members to be chosen from large employers and two to be chosen from small employers.

FISCAL IMPLICATIONS

To increase access to the health insurance market for small employers, HIA plans are subsidized by the state and private carriers. Health claims and expenses in excess of premiums collected by HIA are charged to insurance carriers. In return, those carriers receive a 50 percent credit on their premium tax return of the amount assessed by HIA in the prior year. Subsequently,

increasing the number of employers participating in HIA will have an impact on general fund revenue, in addition to increasing the assessment to insurance carriers. Based on PRC data, the revenue impact assumes this bill would result in HIA writing 4.7 percent of the large group health insurance market. Assuming a 10 percent loss by HIA from this business, the assessment to insurance carriers would be \$1.5 million. Carriers would receive a 50 percent premium tax credit of this amount, reducing general fund revenue by \$750 thousand. The increase for FY13 is based on growth in the large employer market.

This analysis assumes full impact in FY12, but this tax is collected on a calendar basis and credits are based on prior-year assessments; the full impact may not occur until FY13.

SIGNIFICANT ISSUES

HIA serves as reinsurer for certain losses for its members. Effectively, however, the assessment by HIA comprises a reinsurance assessment and an administrative assessment. In 2009, the total assessment by HIA was \$4.9 million. The assessment dropped by half from 2008 to 2009, due primarily to significantly lower incurred claims.

HSD reports that by allowing these large employers to participate in HIA may allow the Alliance to be a qualified entity to operate a health insurance exchange as defined by Section 1311 and 1312 of the federal Patient Protection and Affordable Care Act (PPACA) (Public Law 111-148), as amended by the federal Health Care and Education Reconciliation Act of 2010 (Public Law 111-152).

HIA notes that large employer plans have access to healthcare coverage in the commercial market. However, HIA plans may be beneficial to employers under certain circumstances:

- Their health plans have been rated at the highest levels by an insurance carrier
- the employer cannot maintain 75 percent participation requirements, or
- The employer cannot fund at least 50% of the total premium costs.

However, HIA raises the following concerns about allowing large employers into the plans

- The Alliance rating methodology for small employers may not fit with the competitive market of “experience rating” large groups.
- The Alliance value of no medical underwriting and the rate determination do not follow typical large group pricing evaluation.
- The only large groups that would value the Alliance would be those groups that could not get a better market rate and look for the small groups to subsidize their pricing. HIA is not certain this is a good financial deal for the smaller employers who are currently enrolled in the Alliance.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 90 duplicates HB 246.