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FISCAL IMPACT REPORT

ORIGINAL DATE 01/31/13

SPONSOR McSorley LAST UPDATED _____ HB _____

SHORT TITLE Analysis of Basic Health Program Costs SB 148

ANALYST Geisler

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$50.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Bill 148 directs the Office of the Superintendent of the Division of Insurance (DOI) to perform an actuarial analysis of potential costs and benefits associated with the implementation of a Basic Health Plan (BHP), as authorized in Section 1331(a)(1) of the Affordable Care Act (ACA). SB 148 appropriates \$50,000 from the state general fund to the DOI Office of the Superintendent for expenditure in FY14 and FY15 to pay for the study.

FISCAL IMPLICATIONS

The \$50 thousand provided in the bill is the estimated cost of contract actuarial services needed to perform this analysis. Any unexpended balance remaining at the end of FY15 shall revert to the general fund.

SIGNIFICANT ISSUES

Affordability concerns about the cost of insurance that will be offered through the Health Insurance Exchange starting in 2014, combined with the reduction of disruptive movement

between Medicaid and health exchange plans due to client income changes impacting eligibility were key considerations behind creation of the BHP option at the federal level. Some national studies have projected that a BHP could save both the state and low-income adults money, but no New Mexico specific study has been completed. Senate Memorial 54 and House Memorial 38 from the 2012 session requested the Legislative Finance Committee to complete a study on the feasibility of a Basic Health Plan for New Mexico. However, due to a lack of federal guidance on basic health plans and a lack of funding for actuarial services it was not possible to complete a comprehensive cost benefit analysis in 2012. SB 148 provides the funding for the Office of Superintendent of Insurance to complete a study by the end of FY15.

The PRC does not support this appropriation due to workload considerations. HSD notes that federal rules on the BHP have not been issued yet. It could be argued that this appropriation is premature because of a lack of federal guidance and because New Mexico specific actuarial data from the health insurance exchange and expanded Medicaid coverage for low-income adults will not be available until mid-FY14. However, because the appropriation is valid through June 30, 2015, there should be ample time to gather data needed to complete the study.

HSD notes that the ACA gives states the option to create a BHP, under the auspices of the state's Medicaid program, for uninsured individuals with incomes between 133 percent and 200 percent of the federal poverty level (FPL) who would otherwise be eligible to receive premium tax subsidies to purchase coverage in the health insurance exchange. In states that implement a BHP, individuals with incomes up to about \$22,300 per year, would be required to participate in this Medicaid-like program instead of choosing coverage on the Exchange.

A BHP must provide at least the 10 broad categories of essential health benefits specified in the ACA, and ensure that eligible individuals do not pay more in premiums than they would have paid in the health insurance exchange. The BHP would also limit cost-sharing for enrolled individuals, based on their income level. States choosing the BHP option will receive 95 percent of the federal funds that would have been paid as federal premium and cost-sharing subsidies for eligible individuals; therefore, individuals who are eligible for BHP coverage will not receive tax subsidies to purchase coverage in the health insurance exchange.

ADMINISTRATIVE IMPLICATIONS

The PRC believes this study will conflict with their workload but the intent of SB 148 is to provide funding for the study to be contracted out to a national actuarial firm.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Additional resources for professional actuarial services will not be available, possibly hampering the completion of analysis of the costs and benefits of a BHP for the citizens of New Mexico.

GG/svb