

HOUSE BILL 122

55TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2021

INTRODUCED BY

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This document may incorporate amendments proposed by a committee, but not yet adopted, as well as amendments that have been adopted during the current legislative session. The document is a tool to show amendments in context and cannot be used for the purpose of adding amendments to legislation.

AN ACT

RELATING TO HEALTH INSURANCE; INCREASING THE HEALTH INSURANCE PREMIUM SURTAX; DISTRIBUTING A PORTION OF THE REVENUE OF THE SURTAX TO A NEW HEALTH CARE AFFORDABILITY FUND; ~~Hf11~~→**PROVIDING FOR A REDUCTION IN THE SURTAX IF THE ANNUAL FEE ON HEALTH INSURANCE PROVIDERS PURSUANT TO THE FEDERAL PATIENT PROTECTION AND AFFORDABLE CARE ACT IS IMPOSED**←~~Hf11~~ CREATING THE HEALTH CARE AFFORDABILITY FUND TO BE USED TO REDUCE THE COST OF HEALTH CARE COVERAGE FOR NEW MEXICO RESIDENTS ~~HAFC~~→**AND SMALL**

.218829.5GLGAIC March 8, 2021 (9:01am)

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BUSINESSES ←H AFC ; REQUIRING THE SUPERINTENDENT OF INSURANCE TO REPORT ON EXPENDITURES FROM THE HEALTH CARE AFFORDABILITY FUND; REQUIRING THE SUPERINTENDENT OF INSURANCE TO ESTABLISH AND ANNUALLY UPDATE HEALTH INSURANCE AFFORDABILITY CRITERIA THAT DEFINE AFFORDABILITY STANDARDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. A new section of the Tax Administration Act is enacted to read:

"[NEW MATERIAL] DISTRIBUTION--HEALTH INSURANCE PREMIUM SURTAX--HEALTH CARE AFFORDABILITY FUND.--A distribution pursuant to Section 7-1-6.1 NMSA 1978 shall be made to the health care affordability fund in an amount equal to H AFC → ~~fifty-five percent~~ ←H AFC H AFC → **the following amounts** ←H AFC of the net receipts attributable to the health insurance premium surtax Hf11 →; **provided that if the rate of the health insurance premium surtax is reduced pursuant to Subsection F of Section 7-40-3 NMSA 1978, no distribution pursuant to this section shall be made** ←Hf11 H AFC → ~~."~~ ←H AFC H AFC → : ←H AFC

H AFC → **A. beginning January 1, 2022 and prior to July 1, 2022, fifty-two percent;**

B. beginning July 1, 2022 and prior to July 1, 2024, fifty-five percent; and

C. beginning July 1, 2024, thirty percent." ←H AFC

SECTION 2. Section 7-40-3 NMSA 1978 (being Laws 2018,

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Chapter 57, Section 3) is amended to read:

"7-40-3. IMPOSITION AND RATE OF TAX--DENOMINATION OF
"PREMIUM TAX" AND "HEALTH INSURANCE PREMIUM SURTAX".--

A. A tax is imposed at a rate of three and three-thousandths percent of the gross premiums and membership and policy fees received or written by a taxpayer, as reported by March 1 of each year to the department in the appropriate schedule, as determined by the department, of the taxpayer's annual financial statement on insurance or contracts covering risks within the state during the preceding calendar year. The tax shall not be imposed on return premiums, dividends paid or credited to policyholders or contract holders and premiums received for reinsurance on New Mexico risks. The tax imposed pursuant to this section may be referred to as the "premium tax".

B. For a taxpayer that is an insurer lawfully organized pursuant to the laws of the Republic of Mexico, the premium tax shall apply solely to the taxpayer's gross premium receipts from insurance policies issued by the taxpayer in New Mexico that cover residents of New Mexico or property or risks principally domiciled or located in New Mexico.

C. With respect to a taxpayer that is a property bondsman, "gross premiums" shall be considered any consideration received as security or surety for a bail bond in connection with a judicial proceeding.

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D. The premium tax provided in Subsection A of this section is imposed on the gross premiums received of a surplus lines broker, less return premiums, on surplus lines insurance where New Mexico is the home state of the insured transacted under the surplus lines broker's license, as reported by the surplus lines broker to the department on forms and in the manner prescribed by the department. For purposes of this subsection, "gross premiums" shall include any additional amount charged the insured, including policy fees, risk purchasing group fees and inspection fees; but "premiums" shall not include any additional amount charged the insured for local, state or federal taxes; regulatory authority fees; or examination fees, if any. For a surplus lines policy issued to an insured whose home state is New Mexico and where only a portion of the risk is located in New Mexico, the entire premium tax shall be paid in accordance with this section.

E. In addition to the premium tax, Hf11→**except as provided in Subsection F of this section,**←Hf11 a health insurance premium surtax is imposed at a rate of ~~[one]~~ three and seventy-five hundredths percent of the gross health insurance premiums and membership and policy fees received by the taxpayer on hospital and medical expense incurred insurance or contracts; nonprofit health care plan contracts, excluding dental or vision only contracts; and health maintenance organization subscriber contracts covering health risks within

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this state during the preceding calendar year. The [~~tax~~ surtax] shall not apply to return health insurance premiums, dividends paid or credited to policyholders or contract holders and health insurance premiums received for reinsurance on New Mexico risks. The surtax imposed pursuant to this section may be referred to as the "health insurance premium surtax".

Hf11→"←Hf11

Hf11→F. If an act of the United States congress is signed into law that imposes the annual fee on health insurance providers pursuant to Section 9010 of the federal Patient Protection and Affordable Care Act, or that imposes a substantially similar fee on the same class of taxpayers, the rate of the health insurance premium surtax shall be decreased at a rate equal to the rate of the annual fee imposed; provided that the rate of the health insurance premium surtax shall not be less than one percent. A reduction in the health insurance premium surtax pursuant to this subsection shall go into effect on the later of the effective date of the imposition of the federal annual fee or ninety days after the congressional act imposing the federal annual fee is signed into law."←Hf11

SECTION 3. A new section of the New Mexico Insurance Code is enacted to read:

"[NEW MATERIAL] HEALTH CARE AFFORDABILITY FUND.--

A. The "health care affordability fund" is created in the state treasury. The fund consists of distributions,

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appropriations, gifts, grants and donations. Money in the fund at the end of a fiscal year shall not revert to any other fund. The H AFC → ~~insurance department~~ ← H AFC H AFC → office of superintendent of insurance ← H AFC shall administer the fund, and money in the fund is subject to appropriation by the legislature for purposes provided by this section. Disbursements from the fund shall be made by warrant of the secretary of finance and administration pursuant to vouchers signed by the superintendent or the superintendent's authorized representative.

B. The purpose of the fund is to:

(1) reduce health care premiums and cost sharing for New Mexico residents who purchase health care coverage on the New Mexico health insurance exchange;

H AFC → (2) reduce premiums for small businesses and their employees purchasing health care coverage in the fully insured small group market; ← H AFC

H AFC → (2) ← H AFC H AFC → (3) ← H AFC provide resources for planning, design and implementation of health care coverage initiatives for uninsured New Mexico residents; and

H AFC → (3) ← H AFC H AFC → (4) ← H AFC provide resources for administration of state health care coverage initiatives for uninsured New Mexico residents.

C. If the federal Patient Protection and Affordable

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Care Act is repealed in full or in part by an act of congress or invalidated by the United States supreme court and eliminates or reduces comprehensive health care coverage for New Mexico residents through medicaid or the New Mexico health insurance exchange, the fund may be used to maintain coverage through the New Mexico health insurance exchange or through medical assistance programs administered by the human services department, provided that coverage is prioritized for New Mexico residents with incomes below two hundred percent of the federal poverty level. HAFC→"←HAFC

HAFC→D. Prior to July 1, 2025, the staff of the legislative finance committee shall conduct a program evaluation to measure the impact of changes to the health insurance premium surtax and the creation of the health care affordability fund as it relates to the purpose of the fund.

E. Prior to July 1 of each year, the superintendent shall provide actuarial data from the health care affordability fund to the legislative finance committee.

F. Prior to July 1 of each year, the superintendent, in consultation with the secretary of human services, the secretary of taxation and revenue and the chief executive officer of the New Mexico health insurance exchange, shall work with the legislative finance committee and the department of finance and administration to develop and report on performance measures relating to the health care

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affordability fund and any programs or initiatives funded by
the fund."←HAFC

SECTION 4. A new section of the New Mexico Insurance Code
is enacted to read:

"[NEW MATERIAL] HEALTH CARE AFFORDABILITY PLAN--
RULEMAKING--REPORTING REQUIREMENTS.--

A. The superintendent, in consultation with the
secretary of human services, secretary of taxation and revenue
and chief executive officer of the New Mexico health insurance
exchange, shall promulgate rules to:

(1) provide enhanced premium and cost-sharing
assistance to individuals and families for the purchase of
qualified health plans on the New Mexico health insurance
exchange. In providing this assistance, the superintendent
shall develop health care affordability criteria designed to
reduce the amount that individuals pay in premiums and
out-of-pocket medical expenses for qualified health plans
offered on the New Mexico health insurance exchange; and

(2) establish income eligibility parameters
for the health care affordability criteria for plan year 2023
and each subsequent calendar year based on available funds.
New Mexico residents who qualify shall have an income that is
eligible for advanced premium tax credits under the federal
Patient Protection and Affordable Care Act.

B. The superintendent, in consultation with the

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human services department, the New Mexico medical insurance pool, the department of health and stakeholder groups, including health care providers that serve uninsured residents, health insurance carriers and consumer advocacy groups, shall develop a plan for extending health care coverage access to uninsured New Mexico residents who do not qualify for federal premium assistance or, except by reason of incarceration, qualified health plans, through the New Mexico health insurance exchange. No later than June 30, 2022, the superintendent shall submit the plan to the legislative finance committee and legislative health and human services committee that could offer health care coverage for eligible New Mexico residents beginning July 1, 2023. The plan shall include:

- (1) details about health care benefits;
- (2) health care affordability criteria

designed to reduce the amount that individuals pay in premiums and out-of-pocket medical expenses under the plan and that result in, to the greatest extent possible, health care costs comparable to costs for New Mexico residents for whom assistance is provided under Subsection A of this section; and

- (3) income eligibility parameters that prioritize eligibility for New Mexico residents with incomes under two hundred percent of federal poverty level.

C. On or before October 31, 2023 and each October 31 thereafter, the superintendent shall submit a report to the

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legislative finance committee and legislative health and human services committee, which shall include:

(1) a summary of the affordability criteria implemented pursuant to Subsections A and B of this section;

(2) the estimated number of uninsured New Mexico residents who enrolled in coverage following implementation of the affordability criteria pursuant to Subsections A and B of this section; and

(3) the amount in reduced costs and coverage assistance the initiatives provided in the current and previous calendar years by income level, county and coverage source."

HAFC→~~SECTION 5. EFFECTIVE DATE.--~~

~~A. The effective date of the provisions of Section 1 of this act is July 1, 2022.~~

~~B. The effective date of the provisions of Section 2 of this act is January 1, 2022.~~←HAFC

HAFC→SECTION 5. EFFECTIVE DATE.--The effective date of the provisions of this act is January 1, 2022.←HAFC