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FISCAL IMPACT REPORT

SPONSOR Lujan/Hernandez/Borrego/Anyanonu LAST UPDATED 3/5/23
ORIGINAL DATE 3/1/2023
BILL
SHORT TITLE Firefighter Healthcare Costs NUMBER House Bill 495
ANALYST Simon

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		Up to \$11,025.0	Up to \$11,025.0	Up to \$22,050.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 277 and Senate Bill 250

Sources of Information

LFC Files

Responses Received From

Department of Homeland Security and Emergency Management
General Services Department

No Response Received

Municipal League
New Mexico Counties

SUMMARY

Synopsis of House Bill 495

House Bill 495 (HB495) creates the firefighter health care assistance fund to provide grants of up to \$5,000 per year per firefighter for cost-sharing expenses related to a health insurance policy.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

House Bill 495 does not include an appropriation but creates a fund within the Department of Homeland Security and Emergency Management (DHSEM), which could lead to an expectation

that the Legislature would provide funding in the future. Any unexpended or unencumbered balance in the fund would not revert at the end of the fiscal year. Although HB495 does not specify future appropriations, establishing a new grant program could create an expectation that the program will continue in future fiscal years; therefore, this cost is assumed to be recurring.

This bill creates a new fund and provides for continuing appropriations. LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds because earmarking reduces the ability of the Legislature to establish spending priorities. HB495 does not identify a recurring funding source, so appropriations are assumed to be from the general fund.

HB495 provides that firefighters are eligible for up to \$5,000 per year for health insurance copayments, coinsurance, deductibles or other financial obligations related to health insurance policies. To be eligible, a firefighter would need to be a full-time, salaried employee of a fire department. Analysis from DHSEM does not include an estimate on the number of individuals that could be eligible. However, information from the U.S. Fire Administration's National Fire Department Registry suggests fire departments in New Mexico have 2,365 active career firefighters. This total excludes 4,531 active volunteer firefighters and 162 active firefighters that are paid per call. Additionally, this excludes 963 fire department employees who are in a non-firefighting position.

Additionally, HB495 is limited to fire departments that are “an organization of a county or municipality.” As a result, several fire departments on the National Fire Department Registry are assumed to be excluded because they are organizations of a federal agency, tribal government, or higher education institution. There are 166 career firefighters at these agencies, reducing the estimate of the total number of firefighters to 2,205.

Using the 2,205 employee total, HB495 could have a total cost of up to \$11 million per year. See attachment for estimated distributions authorized by HB495.

DHSEM notes HB495 would place a significant administrative burden on the department to manage the grant program and monitor the use of funding and report on the program. HB495 would not allow the department to recoup administrative expenses from the fund and would need to cover the administrative cost out of its current operating budget.

SIGNIFICANT ISSUES

Generally, health insurance plans offered by employers have employee cost sharing requirements in addition to premiums paid by the employee. These cost sharing requirements can include deductibles, or the amount the insured must pay before the insurance plan begins covering the cost, copayments, or the amount an insurance plan requires the insured pay for a specified service like a doctor's office or emergency room visit, or coinsurance, or a percentage of the total cost of a service the insured is required to cover. HB495 would provide up to \$5,000 from the state for firefighters to cover these costs.

Since the passage of the federal Affordable Care Act, nearly all health insurance plans have a cap on the total amount of cost sharing that can be required in a year. This amount is called the “out-of-pocket maximum.” Looking at plans offered by public employers in New Mexico, it appears the \$5,000 would cover most, if not all, of the out-of-pocket maximum from single coverage

plans and a little less than half of the out-of-pocket maximums for family plans. For example, insurance plans offered by the City of Albuquerque have annual out-of-pocket maximums of \$6,350 for single coverage and \$12,700 for family coverage. For plans offered by the state General Services Department (which covers many local governments) out-of-pocket maximums can vary by plan, with amounts running between \$3,750 and \$5,650 for single coverage or between \$11,250 and \$12,750 for family coverage for in-network providers.

ADMINISTRATIVE IMPLICATIONS

HB495 would require DHSEM to manage a new grant program with a significant administrative burden. The bill would require the department to monitor funding to ensure it is not used for a purpose not allowed by the bill and to ensure local fire departments are properly reverting funding. Notably, the department has struggled to maintain adequate internal controls, with the department's independent auditors issuing a qualified opinion of the agency's financial statements due to six findings of materials weaknesses in the department's financial statement. Among these findings, the auditor noted the department was found to lack adequate internal controls related to flow-through funds for federal awards. Adding a new flow-through program to the department may complicate department operations at a time when the department is working to correct audit findings.

ALTERNATIVE

It may be less administratively burdensome for the department to run a program to provide a stipend or salary increase to firefighters instead of managing a program to cover health care costs. Submitting medical bills or other information necessary to receive a grant award may also be time consuming for the firefighter.

Attachment

1. Estimated Distributions

JWS/ne/mg

Estimated Distributions Authorized by HB495

Fire Department	No. of Firefighters	Estimated Amount
Albuquerque Fire Department	673	\$3,365,000
Angel Fire Fire Department	6	\$30,000
Artesia Fire Department	31	\$155,000
Bernalillo County Fire & Rescue	231	\$1,155,000
Bloomfield Fire Department	12	\$60,000
Carlsbad Fire Department	50	\$250,000
City of Belen Fire Department	7	\$35,000
City of Hobbs Fire Department	70	\$350,000
City of Las Vegas Fire Department	20	\$100,000
City of Moriarty Fire Department	3	\$15,000
City of Roswell Fire Department	90	\$450,000
Clayton Fire and Rescue	3	\$15,000
Clovis Fire Department	75	\$375,000
Cookes Peak Fire District 403	1	\$5,000
Corrales Fire Department	8	\$40,000
Deming Fire Department	20	\$100,000
Espanola Fire-Rescue	14	\$70,000
Estancia Fire Department	1	\$5,000
Eunice Fire and Rescue	4	\$20,000
Farmington Fire Department	84	\$420,000
Gallup Fire Department	48	\$240,000
Grants Fire & Rescue	10	\$50,000
La Puebla Fire District of Santa Fe County Fire Department	2	\$10,000
Las Cruces Fire Department	133	\$665,000
Los Alamos Fire Department	150	\$750,000
Los Lunas Fire Department	14	\$70,000
Los Ranchos Fire Department	11	\$55,000
Lovington Fire Department	20	\$100,000
Milan Volunteer Fire Department	1	\$5,000
Organ Volunteer Fire Department	2	\$10,000
Portales Fire Department	22	\$110,000
Rio Rancho Department of Public Safety	100	\$500,000
Ruidoso Downs Fire Department	2	\$10,000
Ruidoso Fire Department	19	\$95,000
Sandoval County Fire Department	22	\$110,000
Santa Fe County Fire Department	44	\$220,000
Santa Fe Fire Department	130	\$650,000
Santa Rosa Fire Department	1	\$5,000
Socorro Fire Department	17	\$85,000
Texico Volunteer Fire Department	1	\$5,000
Town of Mesilla Fire Department	1	\$5,000

Estimated Distributions Authorized by HB495

Fire Department	No. of Firefighters	Estimated Amount
Town of Silver City Fire Department	23	\$115,000
Tucumcari Fire Department	1	\$5,000
Wagon Mound Volunteer Fire Department	19	\$95,000
Statewide Total	2,205	\$11,025,000

Departments Excluded from Fiscal Impact

(unclear if these agencies qualify as an "organization of a county or municipality")

Fire Department	No. of Firefighters	Estimated Amount
Waste Isolation Pilot Project (WIPP)	28	\$140,000
NASA -JSC - White Sands Test Facility	21	\$105,000
White Sands Missile Range Fire Department	71	\$355,000
New Mexico State University	4	\$20,000
New Mexico State University Fire & Emergency Svc	3	\$15,000
Pueblo of Laguna Fire - Rescue	14	\$70,000
Acoma Fire Rescue	16	\$80,000
Zuni Independent Fire District # 8	9	\$45,000
Statewide Total	166	\$830,000

Source: National Fire Department Registry