



NEW MEXICO | OFFICE OF
SUPERINTENDENT
OF INSURANCE

Fiscal Year 2024 Budget

November 16, 2022

Legislative Finance Committee

Russell Toal, Superintendent of Insurance

Office of Superintendent of
Insurance

Mission and Vision



- The mission of the Office of Superintendent of Insurance (OSI) is to provide consumers with convenient access to reliable insurance products that are underwritten by dependable and financially sound companies.
- The vision of the OSI is to become one of the country's leading regulatory agencies with respect to overseeing the insurance industry and ensuring that New Mexico insurance consumers are treated fairly, equitably and honestly.
- The OSI is committed to insurance consumer protection, education, fraud prevention, and support of reliable insurance entities.

OSI Agency Accomplishments



- **We took action to ensure that each** New Mexico funeral home was in compliance with New Mexico statutes regarding the selling of Prearranged Funeral Plan Products. 86 needed to be licensed. – Similar action was taken on storage shed operators. Fines were applied.
- **We** collected \$14.3K in Reinstatement Fees for the annual continuation of Certificates of Authority and \$146.K in Annual Statement Penalties for those insurers who were not timely with their submissions.
- **We** saved or recovered \$2.4 million for 1038 consumer complainants; in addition, many consumers were helped with positive resolution of their complaints that did not directly involve monetary recoveries.
- **Wildfire Outreach**
 - Attended 15 major public events;
 - Performed daily outreach in Las Vegas, Mora and Ruidoso
 - Addressed approximately 800 inquires of assistance
 - Over 21,000 miles driven by staff for consumer assistance
 - \$109,319 saved or recovered from Wildfire complaints
- **We** lowered Title Insurance rates for the first Premium reduction in over a decade (rate was reduced by 6%).
- **We** also lowered Workers Comp rates for employers by 10.7%.
- **The Health Care Affordability Fund** has saved small businesses and their employees \$12.5 million as of 11/1/22, and lowered personal insurance coverage rates on beWellnm.
- **Personnel:** as of yesterday, the OSI has a 9% vacancy rate. We raised all salaries to the midpoint of their job classification range.



What We Do by the Numbers

- Licensing
 - Company – 3,121 active insurance companies/related entities
 - Producers and Agencies – 223,000 active licenses
- Rate Filings and Form Reviews
 - Property & Casualty – 2,888
 - Life and Health – 4,093
- Received and Investigated Complaints
 - Managed Health Care Grievances – 565
 - Civil complaints received - 64
 - Civil complaints investigated – 64
 - Civil cases referred for action – 11
 - Cases referred to Fraud – 5
 - Fraud referrals received 943
 - 120 referred for prosecution

- Company Examinations
 - Financial -8
 - Market – 1
- Service of Process – 1,340 pleadings
- Title Plant Inspections and Audits – 97
- Issued 25 Regulatory or Coverage Bulletins
- Made 5 Data Calls to Insurers
- Continued to enforce COVID requirements

All Numbers are from FY 22

Projected FY24 OSI Revenue



Type of Revenue	FY24 Projected
Licenses & Renewals	\$31,000,000
Fines & Penalties	\$304,000
* Fraud Assessments	\$3,742,000
* Title Assessments	\$1,097,000
* Patient Compensation Fund	\$46,100,000
* Continuing Education	\$235,000
* Administrative Fees	\$49,000

The OSI operates solely on revenues generated by the agency and does not rely on general funds to operate.

* These revenue streams support specific program costs within the OSI.

Numbers are based on an average of current and previous fiscal year collections



OSI Fund Distribution

- Funds from the projected \$31,000,000 revenue collected from Licenses & Renewals are disbursed as shown.
- Reversion funds are excess revenues collected above what has been budgeted for operations and other funds as indicated.

Fund Type Distributed To	FY23 Projected
Insurance Operations - OSI	\$11,645,655
State General Funds (Includes Year End Reversion)	\$6,494,512
Fire Protection –Homeland Security	\$12,400,000
Carrie Tingley – DFA	\$46,500
Law Enforcement Protection – DFA	\$413,333
Total Projected Distributions	\$31,000,000



OSI Budget Request FY 24	FY 23	FY24
Total	\$53.1 million	\$59.9 million
Personnel Services¹	\$10.0	\$12.0
Contracts	\$3.0	\$3.2
Other²	\$1.8	\$2.7
Patient's Compensation Fund (PCF)³	\$28.1	\$30.1
Financing Uses⁴	\$10.2	\$11.9

1. \$2M expansion request for 21 FTE for increased PBM oversight, Consumer Assistance, Auto Theft Prevention and Health Care Affordability.

2. \$900K for increased travel, IT server replacement and \$375K for the New Mexico Auto Theft Prevention Authority to provide grants in other municipalities to prevent auto theft

3. PCF Consists of settlements and costs associated with the Third-Party Administrator and the NMMRC.

4. Financing Use is where funds are deposited for the OSI to redistribute to OSI operations.

OSI Budget Request Highlights



Salaries and Benefits (Category 200)

- Requesting \$1.6 million increase for an additional 21 positions which include:
 - 4 positions for PBM oversight and regulation
 - 11 positions for compliance, service capacity and investigation
 - 5 positions for the Fraud program and the NM Auto Theft Prevention program
 - 1 position for the Health Care Affordability Fund

Contracts (Category 300)

- Requesting \$2.3 million increase for contracts, which include:
 - Contractual support for evaluation and supervision of PBMs
 - Network Adequacy Tools for Compliance Reviews
 - Life and Health Actuarial Rate Review Assistance
 - Health Care Affordability Fund contractual support for program evaluation and outreach
 - Patient Compensation Fund Third Party Administrator
 - Increased IT and Technical Support

Other Costs (Category 400)

- Requesting \$1.2M increase for other costs, including:
 - \$375k Auto Theft bureau gifts and grants program
 - IT Server replacement
 - Employee travel, education & training
 - Consumer outreach
 - Equipment and supplies for new staff positions



Positions

	FY23 Current Positions	FY24 Positions Requested
Permanent	94	125
Exempt	5	5
Vacant Positions	10	0
Total	109 (9% vac rate)	130

The OSI has worked diligently to fill vacant positions that are in specialized fields. OSI has made positions competitive in salary to the outside market by increasing salaries to the midpoint of their classification range.

Special Appropriation Requests

- \$32.5M for the elimination of the existing deficit for the Patient Compensation Fund (PCF) and reduce the rate of impact of non-deficient related rate increases.
- \$1.5M for the Office of Superintendent of Insurance to reimburse the New Mexico Medical Insurance Pool (NMMIP) for lost premiums due to the COVID emergency.
- \$375K general fund match for the OSI New Mexico Auto-Theft Prevention Authority (NMATPA) to fulfill the authority's statutory duty under NMSA 1978 59A-16C-17(E). To solicit, review and approve applications for grants to improve and support automobile theft prevention programs and prosecution.

Health Care Affordability Fund(HCAF)

The law requires OSI to:

- Reduce premiums and out-of-pocket costs on New Mexico's Health Insurance Marketplace (beWellnm.com)
- Reduce premiums for small businesses and their employees
- Design and offer a coverage option for individuals and families who do not have access to other types of coverage

Salary and Benefits

- \$100k for a program coordinator

Contracts

- \$750k for actuarial analysis, program modeling, operational consulting, and community outreach programs.

Supplemental Request for FY23

- \$2.3M for the Small Business Health Insurance Premium Relief

Special Appropriation Request for FY24

- \$92.01M for coverage affordability initiatives

Note: These are not general funds, but funds allocated from the newly created HCAF.



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The Health Insurance Marketplace Affordability Program

Beginning on January 1, 2023, the program will:

- Reduce premiums for individuals and families up to 400% FPL;
- Reduce deductibles, maximum out-of-pocket limits, co-pays, and coinsurance for individuals and families up to 300% FPL; and
- Provide no-cost options for members of Federally-Recognized Tribes up to 300% FPL who qualify for federal assistance on the Marketplace.
- Assistance for Marketplace-eligible individuals who no longer qualify for Medicaid after the federal PHE ends.

OSI's FY24 budget request for the program is based on a continuation of the program with out-of-pocket assistance enhancements.



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New Mexico's Small Business Health Insurance Premium Relief Initiative

- **Beginning July 1, 2022**, New Mexico began to reduce premiums for plans in the small group market by 10%
 - Available to businesses with 50 or fewer employees
- **As of November 1**, the program has **saved small businesses and their employees \$12.5 million**
- OSI has requested a \$2.3 million supplemental appropriation for FY23
 - Covers costs resulting from rate changes that will occur during the second half of the fiscal year

OSI's budget request reflects a continuation of the 10% premium reduction during FY24.



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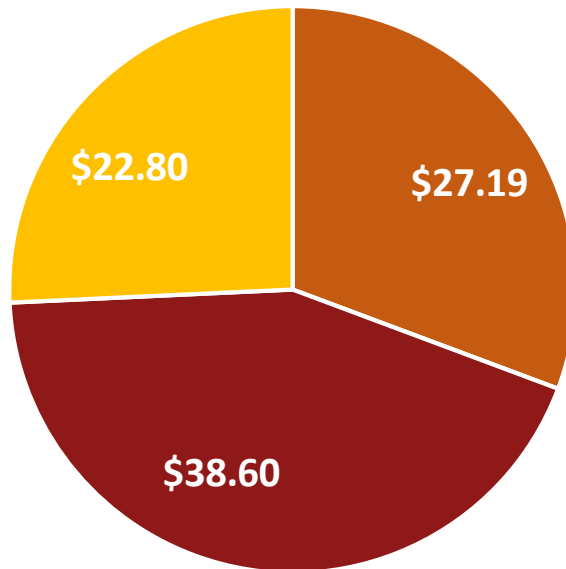
Coverage for uninsured New Mexicans who don't have access to other coverage

- OSI submitted a plan to LFC and LHHS in June
 - Coverage and costs would be similar to beWellnm
 - Proposed start date is January 1, 2024
 - OSI would contract with a third-party to administer benefits
 - Program targeted to those with incomes under 200% of the FPL who are not eligible for Medicaid and cannot purchase coverage on the NM Health Insurance Exchange
 - Estimated number to be served in the first full year is 8,000
- OSI contracted with two actuarial firms to model options
 - Most likely scenarios based on similar programs in other states suggest program costs could range between \$12.6-22.8 million in FY24



FY24 HCAF Special Appropriation Request

HCAF Budget Request (Millions)



- Health Insurance Marketplace Affordability Program
- Small Business Premium Relief Initiative
- Coverage Plan for Uninsured New Mexicans

**FY24 Total HCAF
Program Budget
Request:**

\$92.01 million

Importance of Building HCAF Reserves

- OSI recommends maintaining substantial reserves during the early years of HCAF programs
- The HCAF should not be a source of funding for other health programs.
- After several years of experience, OSI will be able to project trends with more accuracy
- An actuarial report on the Fund will be delivered to LFC by June 30th, per statute

Summary



- The OSI has an essential role to protect New Mexicans.
- We have a responsibility to provide public education, awareness and protection.
- We have made significant strides to fill vacancies, retain staff, and expand our services.
- OSI has the energy and enthusiasm to be the agency that you, we and our clients want us to be.

Questions



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