

The Financial Impact of the NM Health Security Plan: Is the Glass Half Empty or Half Full?

Mary Feldblum, Ph.D., a former academic and executive director of the Health Security for NM Campaign

Last fall, the New Mexico Legislative Finance Committee selected Maryland-based KNG Health Consulting to conduct a fiscal analysis of the homegrown Health Security Plan (HSP). The HSP would automatically cover most New Mexicans and provide comprehensive services and freedom of choice of doctor.

KNG's final report attempts to answer a basic question: Would the HSP's estimated revenue pay for its estimated cost? The HSP is assumed to begin operations by 2024.

The challenge in estimating the HSP cost is that there are so many variables and unknowns. Thus, LFC required KNG to produce differing options, or scenarios. KNG developed four cost/revenue scenarios (all of which excluded Medicare recipients).

Recent media coverage has focused on a possible "shortfall," with the HSP not producing enough revenue to pay for costs. This gap is estimated to be as much as \$5.8 billion over the first five years.

Actually, the four scenarios described in the report show very different outcomes. In fact, the last one results in a **surplus**. KNG acknowledges that other options are also possible.

So, is the glass half empty, or half full?

Moreover, the estimated shortfall for the first three scenarios **decreases** substantially over the five-year period. This is not surprising, since any new program will likely cost more in its beginning phases.

But there is still more to uncover to address the half-empty, half-full issue.

Health care costs will increase, unfortunately, no matter the system. (Costs are rising in countries with universal coverage too.) The key question, however, is by how much (the rate of increase).

An examination of KNG's data shows that from 2024 to 2028, health expenditures under the current system are projected to rise by \$2.1 billion, a total five-year rate of increase of 16.4%. On the other hand, HSP Scenario 1, which has the largest potential shortfall, is estimated to increase costs by \$1.16 billion (11.8%). And Scenario 4, the one with a projected surplus, results in an increase of just \$667 million (7.3%) over the same period.

These substantial differences reveal what two other New Mexico studies demonstrated, that providing guaranteed health coverage for almost all New Mexicans through one health risk pool will substantially reduce rising health care costs by hundreds of millions, if not billions of dollars, within five years.

Here are some of the reasons mentioned in the report that lead to these Plan savings:

- reduced administrative costs for the state when merging Medicaid, state employees, and the health insurance exchange programs into the HSP
- lower drug costs through bulk purchasing
- billing and insurance administrative cost reductions for hospitals and providers
- stable revenues for hospitals through global budgets, enabling them to invest in better systems of care

Additional positive impacts mentioned but not included in the KNG scenario estimates include:

- lower workers compensation and automobile insurance premiums – a boon to businesses, employees and consumers
- more jobs due to direct health care spending (more nurses, medical equipment, etc.) and indirect spending (other goods and services)
- over a 10-year period, the HSP, which focuses on prevention and patient-centered care, will result in a healthier population and increased productivity

These cost savings now seem to indicate an overflowing glass.

We have a major choice to make. We can continue on the current path of rising out-of-pocket costs, escalating drug prices, hospitals on the brink of bankruptcy, health care providers frustrated with a system in which they are forced to spend more time on a computer than with patients, employers frustrated that they can't afford health benefits for employees, and insured patients getting sued by hospitals for unpaid, inflated bills.

Or we can invest in the HSP.

One choice leads to an increasing health care crisis; the other offers a path toward real health security and cost-control mechanisms that reduce rising health care costs. Which system is the better investment?