

NM Department of Human Services  
Planning and Implement Grant – Application  
October 2009

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**Purpose:** “To effectively evaluate the available Exchange options, the state will want to research and be able to report to the Legislature on the following issues, which have been identified by stakeholders and others in the course of previous reports and discussions that have taken place in the state.” (p. 4)

*There are other questions that the research is supposed to provide answers to in a report to the legislature but these are the ones that particularly focus on the viability of an exchange in our state.*

1. Adverse selection/risk adjustment. Are there sufficient protections provided for in the Affordable Care Act for a state with a small population or are additional protections needed to reduce adverse selection? (p. 3)
2. What is the effect of eliminating health status as a rating factor? (p. 3)
3. Is there sufficient population within New Mexico “to provide the Exchange with market power, economies of scale, stability and protection against adverse selection needed to sustain the entity and keep rates reasonable within the Exchange over time?...” (p.4)
4. “A study is needed on the breakdown of the eligible individuals who are also eligible for Medicaid; those who will be eligible for subsidies, those eligible for employer coverage, those who are not currently enrolled and why... (p.4) *This question, of course, gets into potential critical numbers for the Exchange to be viable. Medicaid enrollment is not included in Exchange participation calculations.*
5. “...the best methods for determining eligibility for Medicaid and for subsidies, and how to track individuals as their employment and income situations change, to provide a smooth transition from one type of coverage to another, and between subsidized and unsubsidized coverage.” (p. 4) *This question really involves IT – a costly and important part of the administrative costs of an exchange.*

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6. "Part of this analysis should include the costs and benefits for New Mexico of implementing a state run basic health plan." (p. 4) *The Washington State Health Authority is very concerned that the basic health plan will take away critical participation numbers in the exchange. They already have an established basic health plan that served as a model for the national law. In a briefing paper they think that they may need to abolish the program so that basic health plan enrollees can be included in the exchange. Sufficient enrollment for sustainability is a critical issue.*
7. **Residual uninsured.** Projections as to numbers and types of individuals who will remain uninsured. (p.4)
8. **Cost shifting.** "The state must estimate likely costs to provide health care services to the uninsured individuals to determine the extent, if any, that implementation of an Exchange will lower the number of the uninsured and allow cost shifts from current levels incurred by public and private entities to provide health care services to the uninsured. (pp. 4-5)
9. **Exchange administrative costs.** "Another aspect of this analysis would be to determine the cost of an Exchange on insurers, in the form of user fees, premium assessment, or other means....whether there is a way to structure an Exchange so as to ease the burden on insurers, and the consequences of sending the savings back to the insurers, passing them on directly to the consumers, or investing the money in systems to further lower health care costs and improve quality of care in the state." (P 5) *The research question really should have focused on whether the Exchange can be self-sustaining. Fees, and premium assessments are only some of the ways to collect revenue but will there be revenue that does not come from the general fund that is sufficient to pay for the administrative costs? Will any insurance fees imposed actually end up shifting the cost to consumers?*