

**Comments to the Legislative Health & Human Services Committee**  
**Richard Mason, League of Women Voters of New Mexico**  
**July 1, 2013**

New Mexico opted to use the federal platform for its individual health insurance exchange. Because of this, the federal government was going to impose a 3.5% assessment on the plans offered on the Exchange to cover the costs of operations. The federal government recently agreed to waive that assessment. At the New Mexico Health Insurance Exchange Board meeting on June 28<sup>th</sup> the Board voted to return that money to the insurance companies. Advocates feel this is a mistake.

The operating costs of the Exchange are covered by the federal government for the first year (maybe for the first two years), but then has to be self-sustaining. What isn't funded by the federal government is funding for navigators. I urge the Exchange Board to develop a budget for navigators and to assess all companies allowed under the New Mexico Health Insurance Exchange Act (NMHIEA) to cover the cost of those navigators.

There is an additional reason to retain the 3.5 percent assessment and maybe even consider increasing it. The budgets for the years after the federal support of the Exchange expires show a considerable shortfall. It would be wise for the Exchange to accumulate funds from the beginning so as to offset any losses in the future. If they don't do this they could be coming back to the Legislature for funding or cutting back on the services offered to New Mexicans.

The New Mexico Health Insurance Exchange Act (NMHIEA) (SB221/589) said the following on the Board's power to assess insurance companies for the operation of the Health Insurance Exchange:

**B. generate funding, including charging assessments or fees, to support its operations in accordance with provisions of the New Mexico Health Insurance Exchange Act solely for the reasonable administrative costs of the exchange; provided that no assessment or user fee shall be imposed upon a carrier that exclusively offers policies, plans or contracts outside the exchange intended to supplement major medical coverage, including medicare supplement, long-term care, disability income, specified disease, accident- only, hospital indemnity or other limited-benefit health insurance policy;**

Both the Health Insurance Alliance and the New Mexico Medical Insurance Pool assess a broad range of insurance companies for the cost of operating those entities. Those assessments will be eliminated or be phased out over the first year of the operation of the Exchange. That revenue should be captured by the Exchange.

All of the above are consistent with the recommendations of the Financial Sustainability Work Group that advised the Health Insurance Exchange Advisory Task Force - they are attached.

One final point, the Board members representing insurance companies were allowed to participate in the vote to return the 3.5 percent assessment to the insurance companies. This was a clear violation of the Exchange Board's conflict of interest policy.

## Financial Sustainability

The Financial Sustainability Work Group met four times between December 6, 2012, and January 10, 2013. Their goal was to develop recommendations that would create a financially solvent exchange for New Mexico, as required by ACA. At the Work Group's initial meeting, members asked for budget estimates from the HIA, including operating costs, fixed costs, one-time expenditures, and plans for allocation of grant money. The Work Group expressed concern with the lack of firm cost and enrollment estimates for New Mexico's exchange. Mr. Nuñez of the HIA provided information on HIA's current funding and costs, and returned to a later meeting to provide estimated operating costs for the Exchange. Work Group members were

particularly interested in the portion of the insurance market that bears the brunt of current HIA assessments. Ms. Armstrong of New Mexico's High Risk Pool provided the group with information regarding the funding, premiums, claims, and costs of the High Risk Pool, its purpose in providing high-risk populations with continual coverage, and the projected effects of transitioning clients from the Pool to the Exchange. Estimated exchange operating costs from other states were provided for comparison purposes, as were types of mechanisms considered in other states (flat fees, to employers, percentage charges to insurers both on and off exchanges) to reach exchange viability by 2015. The various methods of funding were discussed and debated, including funding for navigators, assisters, and cost-sharing proposals. There were lively debates among the group's members and audience representing the insurance plans, providers, hospitals, and consumers.

At the January 23, 2013 Advisory Task Force Meeting, the Financial Sustainability Work Group made the following recommendations:

### Enrollment and Consumer Assistance

Hospital staff should be allowed to enroll people to the extent the law allows.

There should be sufficient assisters and navigators funded, trained, and in place for the first six months of the operation of the Exchange. Because the state is prohibited from using federal establishment funds to compensate Navigators, Navigators should be funded through the state General Fund, and assisters should be funded through a federal grant.

### Assessments

A mechanism should be devised to assess self-insured plans to contribute to the operating costs of the Exchange.

Assessments against insurance companies participating in the Exchange should be based on a percentage of lives covered by those companies. Other insurers offering products in New Mexico supervised by the Department of Insurance (health, life, dental, vision), but not offering products on the Exchange, should also pay an assessment to participate in the operational expenses of the Exchange. This global assessment will remove a potential disincentive for Exchange participants because if only those plans in the Exchange are assessed, it may make the Exchange a less attractive marketplace for plans to sell to consumers.

If/when the High Risk Pool and the HIA are absorbed into the Exchange, allow the assessments currently levied against plans for their support be transferred to support the Exchange

### Funding

Maximize federal funding in whatever capacity available.