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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/2/08

SPONSOR Ortiz y Pino LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Health Insurance Rulemaking and Disclosures SB 474/aSFL#1

ANALYST Earnest

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	FY09	FY10		
NFI	NFI	NFI		

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Regulation Commission (PRC)  
Human Services Department (HSD)  
Health Policy Commission (HPC)

### SUMMARY

#### Synopsis of Senate Floor Amendment

The Senate Floor Amendment to Senate Bill 474 removes the enactment language on Page 1, Line 15.

#### Synopsis of Original Bill

Senate Bill 474 would add a new section to the Insurance Code to require the insurance division to promulgate rules that require health insurers to make certain disclosures relating to health insurance policies to purchasers who request quotes for comprehensive major medical insurance. Under this bill, health insurers would be required to disclose

- commissions and other compensation that a broker or agent will receive contingent upon the policy being issued;
- the history of rate changes over the preceding 5 years for the type of policy being considered; and
- for each of the 5 preceding years, the medical loss ratio for a policy with a substantially similar experience rating as the policy offered to the purchaser.

**FISCAL IMPLICATIONS**

None identified.

**SIGNIFICANT ISSUES**

HPC notes that insurers in New Mexico currently have reporting requirements to the Insurance Division of the Public Regulation Commission. One of the reporting requirements is an annual statement to the Division of the financial position of the health plan. This is a public document. Insurers are also required under state law to generate reasonable profits rates and maintain adequate reserves, and adequate net worth.

HSD reports that SB474 defines “comprehensive major medical insurance” as any hospital or medical-expense-incurred policy, nonprofit health care plan service contract or coverage of services; or health maintenance organization subscriber contract or coverage of services. A “health insurer” means a person duly authorized to transact health insurance business. And a “purchaser” is a consumer, employer or other payer for health insurance or health care financing. The Medical Assistance Division administers the Salud managed care contracts for the Medicaid program. However, the Division of Insurance of the Public Regulation Commission does not have regulatory authority over the Salud contracts in the areas of sales and marketing.

**ADMINISTRATIVE IMPLICATIONS**

If enacted, the insurance division would be required to promulgate rules in accordance with the proposed legislation. This is a normal function of the division, and it is not expected that the requirements would increase needed personnel or expense.

The bill requires that the superintendent define what is meant by "a policy with a substantially similar experience rating," while the definition section includes what is meant by "medical loss ratio" and "health insurer" for purposes of this new Insurance Code section.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Relates to several health insurance bills, including:

<b>HOUSE</b>	
HB 37	Electronic Medical Records Act
HB147	Health Care Authority Act
<b>SENATE</b>	
SB3	HEALTH SECURITY ACT
SB39	HEALTH INSURANCE TAX CREDIT
SB129	Healthy New Mexico Task Force
SB185	STATEWIDE TEEN PREGNANCY PREVENTION

**TECHNICAL ISSUES**

PRC notes the following technical issues:

1. Section 1, paragraph A directs the "insurance division" to promulgate rules. Under the Insurance Code, NMSA 1978, §59A-2-9, it is the "superintendent" who has the authority

to promulgate rules, so a direction to the "superintendent" would be more consistent with current law.

2. Section a (B)(1), line 8, defines "comprehensive major medical insurance", in part, as "any hospital - or medical-expense-incurred policy," whereas insurers often define this form of coverage as a "form of health insurance that provides, in one policy, protection for both basic hospital expense and major medical expense coverages," which may better capture that type of coverage to which this bill is intended to cover.

## **OTHER SUBSTANTIVE ISSUES**

According to HPC:

New Mexico insurance rules differ by group versus individual and group size. For example, the applicability of SB474 may differ for a small group (greater than 2 and less than 50 eligible employees). For a small group, the group can be charged higher premiums, within limits, based on the health status of those in the group. Premiums also can vary, within limits, based on age, gender, geography, occupation, and smoking status. Consequently, a small group can be charged more depending on the group's health status.

It is important to ensure that any disclosure done for very small groups not compromise the identity or any medical information of an individual. The bill is silent on this issue.

New Mexico currently has limits regarding how much small group health plan policy premiums can be increased at renewal because of claims experiences. For groups with more than 50 workers, New Mexico does not limit premium variation or increases.

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