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FISCAL IMPACT REPORT

ORIGINAL DATE 01/26/12

SPONSOR Ortiz y Pino LAST UPDATED _____ HB _____

SHORT TITLE Low Income Health Program Study SJM 6

ANALYST Geisler

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY12	FY13	FY14	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Minimal, see fiscal impact		Minimal, see fiscal impact	Nonrecurring	Federal, General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 6 & SB 7

SOURCES OF INFORMATION

LFC Files

Responses Received From
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Joint Memorial 6 for the Health and Human Services Committee requests that the governor and the secretary of the New Mexico Human Services Department (HSD) work with stakeholders, small employers and interested health maintenance organizations to undertake a study to determine the feasibility and potential benefits of implementing a Basic Health Program (BHP) in the state to cover low-income individuals who do not qualify for Medicaid. SJM 6 would request that the study include consideration of New Mexico's options for making BHP coverage contiguous with Medicaid coverage to ensure a seamless transfer for individuals who move between Medicaid and BHP coverage; and that it include estimates of the potential effect of a BHP on the health care workforce and any health insurance exchange operating in the state.

FISCAL IMPLICATIONS

HSD notes that SJM 6 does not include an appropriation to pay for HSD staff time or resources that would be needed to complete the requested study. HSD estimates that completion of the study would cost approximately \$50,000 in staff time and other resources, such as printing, telecommunications and in-state travel costs. Work could be performed by existing HSD staff in the Office of Health Care Reform and Medical Assistance Division.

SIGNIFICANT ISSUES

The federal Patient Protection and Affordable Care Act (ACA) gives the option to create a Basic Health Plan (BHP) for uninsured individuals with incomes between 133 percent and 200 percent of the federal poverty level (FPL) who would otherwise be eligible to receive premium tax subsidies to purchase coverage in the health insurance exchange. BHP coverage must provide at least the essential health benefits and ensure that eligible individuals do not pay more in premiums than they would have paid in the exchange. The ACA also includes limitations on cost-sharing for individuals enrolled in the BHP, based on their income level. States choosing the BHP option will receive 95 percent of the funds that would have been paid as federal premium and cost-sharing subsidies for eligible individuals; therefore, individuals who are eligible for BHP coverage will not receive tax subsidies to purchase coverage in the exchange. According to advocates, a basic health plan's premiums and co-pays should be lower than an equivalent health insurance plan purchased through an exchange.

Under a basic health plan (BHP), Medicaid eligibility expands to 200% FPL, thereby changing the income level at which individuals purchase a health plan through the Exchange. The Human Services Department would negotiate the BHP benefit package and plan design, based on federal rules, just as it does for Medicaid Salud! and SCI. Recipients could choose among the MCOs contracted by the state to manage the program. However, health insurers would not compete in any significant way on benefit or plan design, unlike offerings on the Exchange.

In addition, the BHP would substantially reduce the number of purchasers (qualified individuals) on the Exchange, making it more difficult for the exchange to be self-sustaining because the anticipated risk pools would likely be smaller and administrative costs higher since they would be spread across fewer enrollees. By shrinking the size of the group purchasing on the Exchange, the BHP would also reduce the Exchange's leverage in the marketplace. The converse is also true: the state Medicaid program would gain leverage, since it would be purchasing for more people.

An Urban Institute presentation to the New Mexico Legislature's Health and Human Services Committee noted that if implemented to build on existing Medicaid and Children's Health Insurance Plan (CHIP) models, a BHP could greatly improve the affordability of health insurance for low-income consumers. Also, a BHP offers the state Medicaid savings without imposing major cost increases on Medicaid beneficiaries.

RELATIONSHIP

SJM 6 relates to SB 6, which would enact the New Mexico Health Insurance Exchange Act and create the New Mexico Health Insurance Exchange; and to SB 7, which would require HSD to implement a BHP.

GG/svb