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FISCAL IMPACT REPORT

SPONSOR Ortiz y Pino/
Candelaria **ORIGINAL DATE** 2/7/19 **LAST UPDATED** 2/16/19 **HB** _____

SHORT TITLE Medicaid Buy-In Act **SB** 405/aSPAC

ANALYST Esquibel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$4,000.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Medicaid buy-in plan		\$27,000.0- \$81,000.0	\$27,000.0- \$81,000.0	\$81,000.0- \$243,000.0	Recurring	General Fund (GF), HCAAIF
HSD administration		Significant	Significant	Significant	Recurring	GF, HCAAIF
Total		\$27,000.0- \$81,000.0	\$27,000.0- \$81,000.0	\$81,000.0- \$243,000.0	Recurring	GF, HCAAIF

(Parenthesis () Indicate Expenditure Decreases)

Duplicates House Bill 416, Medicaid Buy-In Act.
Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

NM Attorney General (NMAG)
Office of Superintendent of Insurance (OSI)
NM Public School Insurance Authority (NMPSIA)
Retiree Health Care Authority (RHCA)
UNM Health Sciences Center (UNMHSC)

Response Not Received From

Human Services Department (HSD)

SUMMARY

Synopsis of SPAC Amendments

The Senate Public Affairs Committee (SPAC) amendments to Senate Bill 405 add that HSD may administer the Medicaid buy-in plan through other organizations that offered federally qualified health plans on the New Mexico Health Insurance Exchange as well as through Medicaid managed care organizations (MCOs).

The amendments specified that the Medicaid buy-in study shall include an assessment of the administrative design and structure of the Medicaid buy-in plan, and also the opportunity and viability of offering the Medicaid buy-in plan to more residents.

The SPAC amendments added that by December 31, 2019, HSD shall submit a report to the interim Legislative Health and Human Services Committee (LHHS) and Legislative Finance Committee (LFC) detailing the administrative design and structure of the Medicaid buy-in plan.

The SPAC amendments changed the first \$12 million general fund appropriation in FY20 to HSD to \$4 million for the implementation and administration of the Medicaid Buy-In Act and to conduct the expansion study. The amendments also struck the second \$12 million general fund appropriation to the proposed new health care affordability and access improvement fund.

Synopsis of Original Bill

Senate Bill 405 (SB405) would enact the Medicaid Buy-In Act, establishing a state public option to provide New Mexico residents with a high-quality, low-cost health insurance option. The plan would be available to residents non-eligible for Medicaid, Medicare, tax credits under the Affordable Care Act, or whose employer has not disenrolled them from company health plans.

The bill would prohibit employers from disenrolling or denying enrollment to a resident covered under the employer's sponsored health coverage on the basis that the employer believes that the resident would qualify for Medicaid buy-in plan coverage.

SB405 proposes reimbursement would be based on the Medicaid fee schedule in an effort to control costs, and the bill directs the Human Services Department (HSD) to develop a benefit plan that maximizes affordability with financial assistance on premiums offered to residents who income is below 200 percent of the federal poverty level (FPL). The plan could also include individuals and families who make more than 400 percent FPL, or more than \$48,560 for an individual. HSD, upon further study in coordination with the legislative health and human services committee, may expand eligibility to a broader group of applicants. The report is to be completed by September 30, 2020.

The plans offered by the Medicaid buy-in program would have to cover the essential health benefits required by the Affordable Care Act, including behavioral health services and maternity care.

The legislation would require coordination of enrollment with the New Mexico Health Insurance Exchange (NMHIX), and HSD and NMHIX together would be required to establish a system in which residents could enroll in Medicaid, the Medicaid buy-in plan, or a qualified health plan

offered by the exchange. They would also have to establish a program to assist residents with enrolling into the program.

SB405 would create an advisory council to advise HSD on implementation, plan affordability, marketing, enrollment, outreach and evaluation of health care access for residents enrolled in the Medicaid buy-in plan. The council would include the secretary of HSD, Superintendent of Insurance, CEO of the New Mexico Health Insurance Exchange, Executive Director of the New Mexico Medical Insurance Pool for high risk individuals, 5 consumer advocates, Native American representatives, 3 health care providers, a representative from a Medicaid managed care organization (MCO), and public health experts and researchers.

The bill would appropriate \$12 million from the general fund in FY20 to HSD and \$12 million from the general fund to the new nonreverting fund to carry out the purposes of the Act.

FISCAL IMPLICATIONS

SB405/aSPAC would appropriate \$4 million from the general fund in FY20 to the Human Services Department (HSD) for the implementation and administration of the Medicaid buy-in plan, and to conduct an expansion study. Any unexpended or unencumbered balance remaining at the end of FY20 would revert to the general fund.

SB405/aSPAC creates the Health Care Affordability and Access Improvement Fund as a nonreverting fund in the treasury and administered by HSD. HSD would be authorized to spend up to five percent of the fund annually on administrative costs.

Continuing Appropriations

SB405/aSPAC would create a new fund and provide for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the Legislature to establish spending priorities.

HSD's Medicaid program budget request for FY20 includes a request for up to \$4 million from the general fund, not eligible for federal matching funds, to study and analyze a Medicaid buy-in plan.

The bill proposes HSD seek federal and other funding for programs offered under this Act.

The UNM Health Sciences Center (UNMHSC) notes based on the current inability to receive federal funding to help support the program proposed in the bill, it is likely the initial budget would have to be significantly increased over time based on the potential universe of uninsured New Mexicans.

House Memorial 9 (2018) and Senate Memorial 3 (2018) directed the Legislative Health and Human Services Committee (LHHS) to explore a Medicaid buy-in plan, and the study was conducted by Manatt Health, a health policy consulting firm. Manatt estimated that from 10,050 to 29,100 individuals would enroll in a targeted Medicaid buy-in plan, costing from approximately \$27 million to \$81 million in state funds.

Manatt did not estimate the costs to upgrade the Medicaid program's eligibility and finance IT systems to implement a buy-in plan; nor did Manatt estimate the cost of staffing oversight, compliance, performance, quality, consumer assistance, fraud, and other HSD administrative services for Medicaid buy-in, which would be significant.

SIGNIFICANT ISSUES

After federal Medicaid expansion in 2014, fewer than 9 percent of New Mexicans lack health insurance coverage.

The LHHS study conducted by Manatt estimated New Mexico has approximately 180,000 residents who remain uninsured, and the number of New Mexicans eligible for a targeted buy-in totals to an estimated 80,000. Manatt estimated 25,000 are part of the "family glitch" where families do not receive advance premium tax credits because they are offered employer-based coverage where the premium cost is affordable for the individual employee but not affordable for dependents. Manatt further estimated approximately 17,000 do not have coverage due to immigration status, and up to 36,000 have incomes above 400 percent of the federal poverty level (FPL), or more than \$48,560 for an individual.

PERFORMANCE IMPLICATIONS

UNMHSC notes access to healthcare providers is currently an issue for almost all healthcare services in New Mexico, and the addition of a large newly covered population would likely create increased demand for healthcare services that are already severely stressed.

ADMINISTRATIVE IMPLICATIONS

Section 5 of the bill outlines how the Human Services Department would manage the program. Subsection C (1) authorizes the Human Services Department to administer the program through the managed care organizations under contract with the state to provide Medicaid services and benefits. The SPAC amendments added the HSD would also administer the program through other organizations that offered federally qualified health plans on the New Mexico Health Insurance Exchange.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The legislation would grant HSD administrative oversight of the plans and the regulatory tools to make the coverage affordable. This potentially conflicts with OSI's regulatory authority.

Duplicates House Bill 416, Medicaid Buy-In Act.

TECHNICAL ISSUES

NMAG indicates the bill does not clarify whether the Medicaid Fraud Control Division of the New Mexico Office of the Attorney General would have jurisdiction for fraudulent conduct perpetrated by providers or consumers that are enrolled in the Medicaid buy-in plan.

UNMHSC notes although the bill does have some language around disenrollment from employer coverage being a disqualifier, there needs to be significant protection from individuals with

current healthcare coverage migrating to this plan because of potentially lower costs to enrollees. A significant migration to the plan could significantly alter the reimbursement and payer mix for providers depending on the number of lives covered under this program.

NMPSIA indicates that its members and their dependents could migrate to the plan resulting in less revenue for NMPSIA to run its self-insured program.

OTHER SUBSTANTIVE ISSUES

UNMHSC indicates the premium and copayment structure should be as simple as possible with the consideration of waiving these entirely for individuals under 138 percent of the federal poverty level (FPL), or the population that would otherwise qualify for regular Medicaid coverage.

Based on the September 30, 2018 UNM Hospitals (UNMH) report to Bernalillo County, in the three months preceding the report, UNMH had 10,000 encounters with uninsured patients from Bernalillo County, and provided \$5 million in uninsured care and \$7 million in charity care in Bernalillo County. Statewide for that same three month period, UNMH provided \$9 million in charity care and an additional \$8 million in uninsured care, for a total of \$17 million in uncompensated care for that one quarter. <https://hsc.unm.edu/health/about/financial-reports/doc/bernalillo-county-trend-2019-09.pdf>.

ALTERNATIVES

The New Mexico Public Schools Insurance Authority, New Mexico Retiree Health Care Authority, Albuquerque Public Schools, certain local government employees, and state employees are part of the Interagency Benefits Advisory Committee (IBAC) which covers over 150,000 lives and uses its bargaining position to negotiate lower rates with health care organizations and pharmacy benefits managers.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

UNMHSC notes, if this bill is not enacted, a portion of the New Mexico population will remain uninsured but currently receiving their healthcare via hospital indigent programs for emergent and urgent issues, but not having access to reliable primary and preventative healthcare.

RAE/al/gb/al