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FISCAL IMPACT REPORT

ORIGINAL DATE 02/24/21
 SPONSOR HHHC LAST UPDATED 03/15/21 HB 272/HHHCS/aSHPAC

SHORT TITLE Health Easy Enrollment Program SB _____

ANALYST Esquibel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Increase in Medicaid Enrollment (State Share)	\$0.0	\$5,305.5	\$10,611.1	\$15,916.6	Recurring	Medicaid General Fund
HSD FTE (State Share)	\$0.0	\$34.2	\$0.0	\$34.2	Nonrecurring	General Fund
HSD IT Costs (State Share)	\$0.0	\$395.6	\$0.0	\$395.6	Nonrecurring	General Fund
HSD Increase in Medicaid Enrollment (Federal Share)	\$0.0	\$43,575.1	\$87,150.1	\$130,725.2	Recurring	Federal Medicaid Matching Funds
HSD FTE (Federal Share)	\$0.0	\$34.3	\$0.0	\$34.3	Nonrecurring	Federal Medicaid Matching Funds
HSD IT Costs (Federal Share)	\$0.0	\$1,186.9	\$0.0	\$1,186.9	Nonrecurring	Federal Medicaid Matching Funds
TRD IT Costs		\$15.5		\$15.5	Nonrecurring	General Fund
NMHIX Costs	\$264.0	\$264.0	\$264.0	\$792.0	Recurring	Medicaid General Fund
NMHIX Costs	\$936.0	\$936.0	\$936.0	\$2,808.0	Recurring	Federal Medicaid Matching Funds
Total	\$1,200.0	\$51,747.1	\$98,961.2	\$151,908.3		

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with HB124 and SB75

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)
New Mexico Health Insurance Exchange (NMHIX)
Office of Superintendent of Insurance (OSI)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SHPAC Amendment

The Senate Health and Public Affairs Committee amendments to the House Health and Human Services Committee substitute for House Bill 272 specify that *adjusted gross income and other types of reported income used to assess eligibility for health coverage programs* will be used as "insurance-relevant information" pertaining to the insurance enrollment status of a taxpayer or members of a taxpayer's household and that is derived or obtained from the taxpayer's state income tax return.

The SHPAC amendment also corrects spelling errors.

Synopsis of Original Bill

The House Health and Human Services Committee substitute for House Bill 272 (HB272/HHHCS) would enact the Easy Enrollment Act and establish the Easy Enrollment Program to reach individuals who do not have health insurance by giving them the option to report their insurance status and request enrollment assistance from the New Mexico Health Insurance Exchange (NMHIX).

The bill would require the Taxation and Revenue Department (TRD) to add a check box to the state income tax form that would initiate enrollment into Medicaid or private health insurance plans on the New Mexico Health Insurance Exchange. Taxpayers would have to give consent to TRD in order for the agency to send "insurance-relevant information" to NMHIX. The Exchange would be responsible for facilitating enrollment into coverage using the information provided by TRD and provide the individual with information about which types of coverage for which the taxpayer and their dependents are most likely to qualify.

Under the provisions of HB272/HHHCS, if the individual qualifies for Exchange coverage, NMHIX would create a special enrollment period to allow the individual to sign up for a plan outside of normal window of enrollment. The Exchange would be required to provide regular reminders to individuals who enroll about matters related to their coverage. The Exchange may create a process to enroll individual or dependents who qualify into a no-premium plan if the individual does not select a plan during the special enrollment period. If the Exchange enacts such a process, TRD must add a box to the state tax form to allow individuals to opt into the enrollment process.

Under the provisions of the bill, if a person does not appear to qualify for health care coverage through the Exchange, the Exchange must notify the taxpayer that they qualify for coverage through Medicaid or the New Mexico Medical Insurance Pool.

The would provide TRD the authority to share health-insurance-relevant information with the Exchange. This would include “modified gross income, household size, claimed dependents, and contact information and identifying information necessary to assess health care coverage program eligibility and used to match against relevant third-party data sources.”

FISCAL IMPLICATIONS

The bill does not include an appropriation.

HSD Fiscal Issues

HSD reports roughly 57,000 New Mexicans are eligible for Medicaid but unenrolled. Assuming a 25 percent uptake, HSD estimates that at least 14,250 individuals could get enrolled by the implementation of the “Easy Enrollment program” resulting in increased costs to the Medicaid program for the new enrollees. For the second half of FY22 that HB272 would be in effect, Medicaid’s budget would increase by \$48.9 million, with a general fund cost of \$5.3 million (federal share of \$43.6 million). In FY23 Medicaid’s budget would increase by \$97.8 million with a general fund cost of \$10.6 million (federal share of \$87.2 million).

HB272 proposes the “department” conduct outreach to uninsured taxpayers to facilitate enrollment in a free or low-cost health insurance. Costs associated with such outreach should also be considered with the implementation of the Easy Enrollment program.

A change to the integrated eligibility system (ASPEN) is needed to process the TRD tax information to make eligibility determinations. HSD anticipates that the TRD tax information would be processed in similar fashion to online application processing with real-time eligibility (RTE) determinations. This change would cost \$1.58 million and would require changes to existing notices and new reports that need to be generated.

HSD/Medical Assistance Division would need to dedicate the equivalent of one full time individual for one year to meet the January 2022 requirements of HB272 to coordinate the required ASPEN changes, conduct outreach, and make state verification plan and potential rule changes. Assuming the equivalent of one full time individual for FY22 the total cost would be \$68,520, with a 50 percent federal match, the state share would be \$34,260.

TRD Fiscal Issues

TRD reports implementation of the bill’s proposals would require TRD to change the personal income tax (PIT) forms and instructions. These changes would need to be incorporated into GenTax and the Taxpayer Access Point (TAP) IT systems. For TRD’s Information Technology Division (ITD), this would require approximately 300 hours of effort, or approximately 2 months, for an estimated \$15,492 of staff workload costs. In addition, ITD will oversee any data file transfer exchanges with HSD and NMHIE. The proposed changes for PIT would be included in the annual tax year changes for tax year 2021.

As the timeline requires MOUs and process definitions, decisions would need to be made before October 2021 to ensure proper review and inclusion of the taxpayer consent in the 2021 PIT return and instructions. More resources may be needed by TRD and dedicated to the process if this timeline shifts.

New Mexico Health Insurance Exchange (NMHIX) Fiscal Issues

NMHIX reports its operating revenue is generated through an assessment on health insurance plans in New Mexico. Based on health plan revenue, approximately 80 percent of the assessment is made to the Medicaid managed care organizations, which results in increased costs in the Medicaid budget. The remaining 20 percent is assessed to commercial health plans. OSI estimates an operating impact of \$1.5 million cost that would result in a \$1.2 million increase to HSD’s total Medicaid budget. Of that amount, approximately \$936 thousand (78 percent) would come from federal funds and \$264 thousand (22 percent) would come from the general fund.

SIGNIFICANT ISSUES

According to the Kaiser Family Foundation, 16,855 uninsured New Mexicans are currently eligible for a federally subsidized “bronze” health insurance plan on the Exchange. OSI reports Native Americans can obtain a bronze plan with no out-of-pocket costs up to 300 percent of the federal poverty level (FPL).

The number of New Mexicans enrolled through the Health Insurance Exchange has been declining since 2017 from 54,653 to 42,714 in 2020. For comparison, the New Mexico Medicaid program currently enrolls 925,387 individuals.

ADMINISTRATIVE IMPLICATIONS

HSD reports HB272 would require modifications to the Medicaid ASPEN integrated eligibility system to exchange relevant data with TRD, determine eligibility for Medicaid using Real Time Eligibility (RTE) processes in ASPEN and the Yes New Mexico Web portal (YesNM), and exchange information as necessary with NMHIX. The estimated cost for this work is \$1.58 million and is estimated to take 29 weeks to complete. With current information technology projects scheduled through the end of 2021, HSD could begin this work in 2022.

Under the provisions of the bill, TRD, HSD, and NMHIX would need to develop memoranda of understanding (MOUs) to detail the data to be shared, and define processes and timelines to exchange data securely. These discussions will define how the PIT return will be modified to request taxpayer consent and clearly define what taxpayer information will be shared with HSD and NMHIX.

RELATIONSHIP

The Office of Superintendent of Insurance reports there is a possible conflict between this bill, which requires the exchange of personally identifying information between state agencies, and HB124, State Agency Sensitive Info, and SB75, State Agency Disclosure of Sensitive Info, which both may prohibit the exchange of such information between state agencies.

TECHNICAL ISSUES

TRD Technical Issues

TRD indicates the bill specifies the easy enrollment program should be established no later than January 1, 2022. TRD envisions the intent is for the easy enrollment option to be included in the PIT forms for tax year 2021, which are filed in spring 2022. TRD suggests clarifying which taxable year this enrollment program would be applied to.

TRD suggests consistent language to refer to “health-insurance relevant information” as opposed to “insurance-relevant information” throughout the bill and to update the definitions to say, “health-insurance relevant information.”

Under the definitions, subsection I, an “advance premium tax credit” is described but is not referenced again or created in statute by the remainder of the bill language. TRD suggests this may be a drafting error and to consider deleting this reference.

TRD notes the bill specifies a “taxpayer” is any individual subject to the tax imposed by the Income Tax Act. By this definition, this would include individuals that are not residents of New Mexico. Taxpayers who are residents of other states may indicate consent on their tax form to share relevant data. In addition, certain populations of the state may not file a PIT return if they meet certain income or eligibility definitions. This includes members of Indian nations, tribes or pueblos where the entirety of their income was earned on their lands.

The New Mexico health insurance exchange (NMHIX) may be excluded as a recipient of tax return data under Section 7-1-8.8 NMSA 1978, “Information that may be revealed to other state agencies.” The New Mexico health insurance exchange is considered a quasi-governmental entity and is subject to the Governmental Conduct Act, Open Meetings Act, Inspection of Public Records Act, Financial Disclosure Act, Gift Act, Whistleblower Protection Act, and the Procurement Code. NMHIX is not subject to the Personnel Act or Accountability in Government Act. TRD wants to ensure oversight of sensitive data being shared between TRD and NMHIX as proposed in the bill, and secure the rights of taxpayers under Section 7-1-4.2 NMSA 1978, “New Mexico taxpayer bill of rights.”

HSD Technical Issues

HSD notes the following technical issues with the bill:

- There might be tax filers who would benefit from this process who are above 400 percent of the federal poverty level and are thus, not eligible for tax credits. It is helpful to specify between those who are eligible for tax credits and those who are not.

OSI Technical Issues

The bill refers to “taxpayers” as the individuals who would qualify for this program. However, there are individuals who may not pay state income tax who fill out state taxes to qualify for various tax credits who would benefit from the Easy Enrollment program. Many Medicaid eligible individuals would fall into this category. Instead, “tax filers” may be a more appropriate term.

The bill would allow TRD to share various “health-insurance-relevant information” with state agencies for the purpose of facilitating enrollment into coverage. “Taxable income” is one of the types of information that HB272 would allow TRD to share with other agencies. However, modified adjusted gross income is the relevant tax information to use for determining eligibility for coverage through Medicaid and the Exchange. OSI writes HB272/HHHCS allows TRD to share “modified gross income” (page 2, line 21) with the Exchange. However, in order to assess eligibility for Medicaid or the Exchange, the Exchange uses modified adjusted gross income. OSI recommends that this be amended to read “adjusted gross income and other types of reported income used to assess eligibility for health coverage programs.”

OTHER SUBSTANTIVE ISSUES

OSI reports Maryland enacted a similar program in 2020, and as of July 2020, 5,000 people checked the box during the tax filing season and at least 3,700 successfully enrolled in coverage. There is evidence that health insurance exchanges open enrollment period, which typically lasts from November to mid-December, takes place at a time when families are less financially stable and have less “decision-making bandwidth,” due the holidays. HB272 could help reach families at a time when they are in a better position to purchase health coverage.

RAE/sb/rl/al