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FISCAL IMPACT REPORT

ORIGINAL DATE 02/04/13

SPONSOR Trujillo, CH LAST UPDATED _____ HB 311

SHORT TITLE Health Coverage Affordability Analysis SB _____

ANALYST Geisler

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
	\$50.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to: Senate Bill 148

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

Human Services Department (HSD)

SUMMARY

Synopsis of Bill

House Bill 311 appropriates \$50,000 to fund an actuarial study of: (1) the affordability of health coverage obtained through the upcoming Health Insurance Exchange and (2) the feasibility of offering coverage to low income New Mexicans who are not eligible for Medicaid through a “basic health program” pursuant to the federal Affordable Care Act.

FISCAL IMPLICATIONS

The \$50 thousand provided in the bill is the estimated cost of contract actuarial services needed to perform this analysis. Any unexpended balance remaining at the end of FY14 shall revert to the general fund.

SIGNIFICANT ISSUES

Implementation of Medicaid expansion in 2014 only impacts adults up to the 138 percent of poverty level (about \$31.8 thousand of income for a family of four). The majority of other adults without insurance are expected to purchase coverage at the New Mexico health insurance

exchange starting on January 1, 2014. Affordability concerns about the cost of insurance that will be offered through the Health Insurance Exchange starting in 2014, combined with the reduction of disruptive movement between Medicaid and health exchange plans due to client income changes impacting eligibility were key considerations behind creation of the BHP option at the federal level. Some national studies have projected that a BHP could save both the state and low-income adults money, but no New Mexico specific study has been completed. Senate Memorial 54 and House Memorial 38 from the 2012 session requested the Legislative Finance Committee to complete a study on the feasibility of a Basic Health Plan for New Mexico. However, due to a lack of federal guidance on basic health plans and a lack of funding for actuarial services it was not possible to complete a comprehensive cost benefit analysis in 2012.

HSD notes that federal rules on the BHP have not been issued yet. It could be argued that this appropriation is premature because of a lack of federal guidance and because New Mexico specific actuarial data from the health insurance exchange and expanded Medicaid coverage for low-income adults will not be available until mid-FY14.

HSD notes that the ACA gives states the option to create a BHP, under the auspices of the state's Medicaid program, 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. In states that implement a BHP, individuals with incomes up to about \$22,300 per year, would be required to participate in this Medicaid-like program instead of choosing coverage on the Exchange.

A BHP must provide at least the 10 broad categories of essential health benefits specified in the ACA, and ensure that eligible individuals do not pay more in premiums than they would have paid in the health insurance exchange. The BHP would also limit cost-sharing for enrolled individuals, based on their income level. States choosing the BHP option will receive 95 percent of the federal 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 health insurance exchange.

TECHNICAL ISSUES

There may not be enough data available for a study to be completed before the funds expire on July 1, 2014. If the appropriation was amended to be valid through June 30, 2015, there should be ample time to gather data needed to complete the study.

RELATIONSHIP

Relates to Senate Bill 148, which provides \$50 thousand to analyze the costs and benefits of implementing a basic health plan in New Mexico.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Additional resources for professional actuarial services will not be available, possibly hampering the completion of analysis on the affordability of insurance available on the health insurance exchange and of the costs and benefits of a BHP for the citizens of New Mexico.