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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/17/13

SPONSOR Dodge LAST UPDATED \_\_\_\_\_ HB 343

SHORT TITLE Health Group Benefits For Nonprofits SB \_\_\_\_\_

ANALYST Hanika-Ortiz

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		See Fiscal Impact				OSF

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Administrative Office of the Courts (AOC)  
 General Services Department (GSD)  
 Public Regulation Commission (PRC)  
 Attorney General's Office (AGO)  
 Economic Development Department (EDD)

### SUMMARY

#### Synopsis of Bill

House Bill 343 (HB 343) amends the Group Benefits Act (GBA) Section 10-7B-6 NMSA 1978 to allow eligible non-profit entities to participate in the health, dental, vision, disability and life group benefits plans established for governmental employees.

### FISCAL IMPLICATIONS

The bill requires GSD's Risk Management Division (RMD) to establish an experience rating plan for those groups participating in the group benefits plans including eligible nonprofit entities, which is to be used to establish rates for the participating entities. The experience rating plan may provide separate rates for individual participating entities.

The experience rating approach uses a group's historic data as a proxy for future risk, and the RMD would adjust and set insurance premiums accordingly. The bill provides that insurance premiums may not exceed the percentage provided by law for similar group plans.

## **SIGNIFICANT ISSUES**

The bill defines “eligible nonprofit entities” to limit participation to entities designated as a nonprofit pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986 or which receive at least 50 percent of its annual operating budget from federal, state or local government funds.

## **PERFORMANCE IMPLICATIONS**

The AOC reports it is unknown if the bill falls within the anti-donation clause exemption for the care and maintenance of sick persons. The AGO did not reference this law as an issue.

## **ADMINISTRATIVE IMPLICATIONS**

The GSD reports that the bill has the potential to increase administrative costs for the plans and to include a group of less than 15 to 25 employees would not be cost effective.

## **OTHER SUBSTANTIVE ISSUES**

According to the U.S. Department of Health & Human Services, small businesses pay about 18 percent more than large firms for the same health insurance policy. The new health care law provides tax credits and soon the ability to shop for insurance in exchanges that should help close this gap. Under the new health care law:

- If a business has 25 employees or less, pays average annual wages below \$50,000 and provides health insurance, they may qualify for a small business tax credit of up to 35 percent (up to 25 percent for non-profits) to offset the cost of insurance.
- In 2014, the small business tax credit will go up to 50 percent for qualifying businesses (up to 35 percent for non-profits).
- In 2014, small businesses with fewer than 100 employees can shop in an insurance exchange, which will offer plans that meet certain benefits and cost standards.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Employees of such non-profit entities would continue to be excluded from participating in group benefit plans provided to state and local governmental employees.

## **AMENDMENTS**

Amend Section 10-7B-5 to provide authority for the RMD director to assess administrative costs to participating eligible nonprofit entities and their employees.

Amend Section 10-7B-7(D)(1) to authorize the RMD to use money in the group self-insurance fund to purchase health, dental, vision, disability and life insurance for employees of these entities, complimenting authority to do so for other state and local public body employees.

Replace the term “this section” with “the Group Benefits Act” on page 5, line 11.

AHO/blm