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## FISCAL IMPACT REPORT

SPONSOR <u>HHHC</u>	LAST UPDATED <u>3/6/23</u> ORIGINAL DATE <u>2/8/23</u>
SHORT TITLE <u>Life and Health Insurance Guaranty Assoc.</u>	BILL <u>CS/House Bill</u> NUMBER <u>291/HHHCS</u>
ANALYST <u>J. Torres</u>	

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

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent version of this legislation.

### Sources of Information

LFC Files

Responses Received From (For Original Bill\*)  
 Office of the Superintendent of Insurance (OSI)  
 New Mexico Attorney General (NMAG)  
 Department of Finance and Administration (DFA)

No Response Received  
 State Personnel Office (SPO)

\*Because of the short timeframe between the introduction of this substitute and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

## SUMMARY

### Synopsis of HHC Substitute for House Bill 291

The House Health and Human Services Committee substitute amends the Life and Health Insurance Guaranty Association Act based upon the current model developed by the National Association of Insurance Commissioners (NAIC). The bill: expands membership and coverage to include HMOs, subscribers and providers; changes the method for assessing long-term care insurer insolvencies; increases the number of directors; adds rate-increase powers; and repeals an HMO section regarding replacement coverage for insolvency.

The bill substitute includes a definition of “health benefit plan” under Section 59A-42-3(K) NMSA 1978, which reads as follows:

any hospital or medical expense policy or certificate or health maintenance organization subscriber contract or any other similar health contract. "Health benefit plan" does not include: (1) accident-only insurance; (2) credit insurance; (3) dental-only insurance; (4)

vision-only insurance; (5) Medicare supplement insurance; (6) benefits for long-term care, home health care, community-based care or any combination thereof; (7) disability income insurance; (8) coverage for on-site medical clinics; or (9) specified disease, hospital confinement indemnity or limited benefit health insurance if the health benefit plans do not provide coordination of benefits and are provided under separate policies or contracts.

The term “policy holder” is added to the definition of “owner.”

A definition for the term “structured settlement factoring transaction” is added as Section 59A-42-3(W) NMSA 1978.

Section 59A-42-4(A)(1) NMSA 1978 now states that coverage is to include: “health care providers rendering services covered by health insurance policies or certificates.” Section 59A-42-4(A)(2)(b) NMSA 1978 now requires that coverage be provided to specified member insurers or HMOs.

Section 59A-42-4(E)(3) NMSA 1978 clarifies that: “any portion of a policy or contract, including a rider, that provides long-term care or any other health insurance benefit” will not be excluded from coverage. Sections 59A-42-4(E)(13) and (14) NMSA 1978 exclude Medicare, Medicaid and “structured settlement annuity benefits” from coverage.

Section 59A-42-4(F)(2)(b) NMSA 1978 modifies the language pertaining to “health insurance benefits” that “the association may become obligated to cover.”

Section 59A-42-4(G)(1) NMSA 1978 substitutes the term “health benefit plans” for language in the prior bill.

Section 59A-42-4(J) NMSA 1978 adds the following language: “For purposes of the Life and Health Insurance Guaranty Association Act, benefits provided by a long-term care rider to a life insurance policy or annuity contract shall be considered the same type of benefit as the base life insurance policy or annuity contract to which it relates.”

Section 59A-42-5(A) NMSA 1978 now includes language referring to an HMO.

Section 59A-42-7(L)(9) NMSA 1978 includes the following language pertaining to association rights and powers: “unless prohibited by law, in accordance with the terms and conditions of the policy or contract, file for an actuarially justified rate or premium increase for a policy or contract for which it provides coverage under the Life and Health Insurance Guaranty Association Act.”

Section 59A-42-8(C) NMSA 1978 modifies the language pertaining to class A and B assessments. Section 59A-42-8(D) NMSA 1978 adds the following language: “The amount of the class B assessment for long-term care insurance written by the impaired or insolvent insurer shall be allocated according to a methodology included in the plan of operation and approved by the superintendent. The methodology shall provide for fifty percent of the assessment to be allocated to accident and health member insurers and fifty percent to be allocated to life and annuity member insurers.”

As noted, there are several modifications to the existing bill and statute. These appear to further explain the nature, function and purpose of the bill and enhance its effectiveness.

The effective date of this bill is January 1, 2024.

## **FISCAL IMPLICATIONS**

OSI stated:

Any fiscal implications of the proposed bill would likely be positive for the state. As set forth below, the inclusion of HMOs in the Guaranty Association will reduce the administrative burden on the Office of the Superintendent of Insurance, potentially resulting in savings.

There are no stated fiscal implications for NMAG or DFA.

## **SIGNIFICANT ISSUES**

DFA stated, “The bill includes and defines a ‘structured settlement factoring transaction’ to ensure that such transactions are protected under the Act.”

## **ADMINISTRATIVE IMPLICATIONS**

OSI stated:

This bill has the potential to reduce the administrative burden on the Superintendent who currently is fully responsible for finding replacement insurance for members of an insolvent HMO on OSI. As noted above, the bill would repeal this Section, because adding HMOs to the Guaranty Association would render it unnecessary.

JT/ne