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FISCAL IMPACT REPORT

SPONSOR: Russell DATE TYPED: 02/26/01 HB 275/aHBIC

SHORT TITLE: Small Employer Catastrophic Group Health SB _____

ANALYST: Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		NFI			

(Parenthesis () Indicate Expenditure Decreases)

Relates to Senate Bill 209

SOURCES OF INFORMATION

Public Regulation Commission (PRC)
Health Policy Commission (HPC)

SUMMARY

Synopsis of HBIC Amendment

HB 275/aHBIC authorizes basic group health insurance policies to be issued to small employers. The amendment changes the offering from “catastrophic” to “basic” health insurance which more accurately describes the offering. The definition of small employer is changed from two to fifty employees to one to fifty.

Synopsis of Original Bill

HB 275 amends the insurance code to permit the sale of a catastrophic plan to small employer groups. This catastrophic plan would not offer certain mandated benefits and would have at least a \$600 individual calendar year deductible (\$1200 per family).

Significant Issues

The intent of the bill is to provide a lower cost health insurance option for small employers.

Proponents believe that mandated benefits unnecessarily increase the cost of health insurance to small employers. Those who oppose this legislation believe this plan’s stripped down benefits will leave insureds without necessary coverage in certain key areas.

CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

Relates to SB 209, the Self-Insured Healthcare Act

OTHER SUBSTANTIVE ISSUES

The Health Policy Commission provided the following comments:

Mandatory benefits may be associated with increased insurance premium costs. However, New Mexico employer premiums are among the lowest in the nation although employees pay one of the largest shares of premium cost in the US proportionate to their incomes.

Approximately 26% of New Mexicans are uninsured and 29% of non-elderly adults, most of whom are working, are uninsured. In a 1999 HPC Household Survey, affordability was the primary reason cited for lack of insurance coverage by adults, followed by not being offered by the employer. To the extent that a plan as proposed in HB 275 lowered premium costs, more individuals/employers may opt for coverage, particularly uninsured young adults.

The new section (Small Employer Option – Catastrophic Group Health Insurance) appears as an opportunity for small employer groups to be more equitable with self-insured groups (ERISA). Self-insured, ERISA plans are exempted from state regulation, and as such state imposed mandatory benefits do not have to be provided. The new law would provide small employers with a health insurance policy option in lieu of small group health insurance policies containing those provisions currently mandated by the Insurance Code. This may actually increase the number of small employers that offer health insurance to their employees.

There are a large number of group insurance plans available in the marketplace with annual deductibles between \$600 and \$1,500, which means these plans could all be re-categorized by insurance companies as “catastrophic group health insurance policies” and avoid mandatory benefits. With such a low deductible requirement, benefits and dependent coverage in many group health insurance plans could be scaled back to meet the minimum guideline requirements of “catastrophic group health insurance policies.”

Because of HIPAA (Health Insurance Portability and Accountability Act), diabetes and pregnancies can not be categorized as pre-existing conditions for small employer groups (2 – 50 employees) so the exclusion of diabetes related services and placing limits on maternity benefits could conflict with current federal law.

There are group health insurance plans in the marketplace that offer high deductibles, manage to maintain a quality level of benefits and offer affordable premiums. For example, the New Mexico Health Insurance Alliance offers a \$5,000 deductible plan with a premium around \$55 for a male employee under 30 years old.

Mandatory benefits were enacted to provide protection for individuals, because they are cost-effective, and for public good. There may be a tendency for insurers to drop these benefits, resulting in a longer term health care costs for the health system as a whole. There may also be a tendency to transfer these services and associated costs to government, for example: immunizations through public health offices, PAP smears and mammograms through the breast and cervical cancer screening program.

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Medical savings accounts (MSA's) are designed to provide for individual decisions regarding many of the mandatory routine preventive care services (PAP smears, mammograms, immunizations, etc.) while protecting from large claims. The deductible for MSA's however are \$1,500/individual and \$3,000/family.

The exclusion of so many mandated benefits covered under the group health insurance code could restrict access to health care services for a fairly large population in New Mexico who consider themselves protected by law and unknowingly purchase a catastrophic plan with reduced services. Additionally, many small employers lack technical understanding of what is 'standard' benefits and what is not being covered under the plan. HB 275 does not provide for informed purchase and full disclosure of what is being omitted prior to purchase.

This bill could open liability for insurance companies, health insurance agents and other related entities because they may also presume that current group health insurance code applies to all group health insurance.

DW/njw:ar