

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

F I S C A L I M P A C T R E P O R T

SPONSOR: Ingle DATE TYPED: 02/07/01 HB

SHORT TITLE: Medical Insurance Pool Act SB 375

ANALYST: Valenzuela

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	See Narrative		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB275, HB406, SB209, SB344, and SB911

SOURCES OF INFORMATION

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

SUMMARY

Synopsis of Bill

SB 375 changes the Comprehensive Health Insurance Pool's name to the Medical Insurance Pool.
SB 375 also does the following:

- 1) expands interim assessment authority of the board,
- 2) increases the premium tax offset to 50% from 30%,
- 3) permits coverage supplemental to Medicare,
- 4) provides for a low-income premium subsidy that could exceed 25% of the standard risk rate,
- 5) eliminates the low-income subsidy for third party payers, and
- 6) makes dumping an unfair trade practice.

Significant Issues

CHIP's anachronism is often confused with a federal program, the Children's Health Insurance Program, and a name change would eliminate this confusion. The assessment language is needed to clarify existing law.

Senate Bill 375 -- Page 2

Persons eligible for Medicare due to disability are generally ineligible for commercial Medicare supplement policies. SB 375 permits MIP to issue supplemental or “carve-out” coverage. Additionally, SB 375 gives more flexibility to the board to set the low-income subsidy. The board would be permitted to set the rate at an appropriate level. Increasing the premium tax offset would provide relief to the MIP’s members to offset the additional cost of including Medicare recipients and providing a greater low-income subsidy.

Finally SB375 eliminates the low-income subsidy for third party payers and makes dumping an unfair trade practice.

FISCAL IMPLICATIONS

SB 375 increases the offset against premium taxes of commercial insurers and thereby reduces revenues to the general fund. The offset is increased from 30 percent to 50 percent, but the PRC cannot estimate how much of a negative impact this will have on revenues. SB 375 also increases eligibility which will increase costs causing further negative impacts on revenues.

RELATIONSHIP

Relates to other health insurance bills:

SB 209 and HB 406, Enacting the Self-Insured Healthcare Act,
HB 275 Small Employer Catastrophic Group Health,
SB 334, Amend the Health Insurance Alliance Act
SB 911, Health Care Act

OTHER SUBSTANTIVE ISSUES

- \$ The CHIP was established in 1987 for New Mexicans who have been denied health insurance because of their health status. Participants may choose four types of coverage, which range from a high premium, low deductible to a low premium with a high out-of-pocket costs. The program is funded by a combination of premiums and insurer assessments. No State funds support the Pool, but a partial tax credit to insurers covers some of the programs costs.
- \$ To be eligible to participate, an individual must be a resident of NM, must have been denied insurance coverage, receive a notice that their insurance rate will exceed the \$500 deductible in the Pool plan, or receive notification that their insurance will be substantially reduced or limited.
- \$ The purchaser must have exhausted COBRA coverage or been involuntarily terminated by a carrier because coverage was ended in NM.
- \$ In 1999, the Pool had less than 1000 participants. The coverage is largely funded by members. However, premiums do not cover all medical claims or administrative costs. Losses are covered by all insurers licensed by the State of NM. In 1998, losses were \$2.2 million.
- \$ Premium costs in the current CHIP are often not affordable for high risk, low income people who then remain uninsured. These people can place added burden on hospitals, community health centers, and public facilities.
- SB 375 may enable the individual Pool members to endure periods of high claims and may

improve cash flow during these periods. The Bill also appears, at the Board's discretion, to increase the eligibility pool for low-income persons and allows the Board to subjectively adopt a low-income premium schedule for eligible people. This appears to give the Board some flexibility in balancing the financial health of the Pool with the needs of low-income, high-risk uninsured. The Bill also attempts to prevent employers from dumping high risk persons or dependents into the CHIP (NM Medical Insurance Pool). This measure will help the Pool to reduce its risk and improve its financial viability.

- New Mexico has among the poorest populations in the US, with a poverty rate of about 21%.
- The population of NM also includes about 26% of the population as uninsured. Affordability is the primary reason cited for lack of insurance coverage. New Mexicans without health insurance coverage do not generally receive the benefits of medical care for the treatment of treatable or chronic illnesses. This results in the delay of treatment until progression of the illness or results in treatment at emergency facilities.
- According to the HPC 2000 Employer Survey, 58 % of NM establishments offer health insurance, with only 52% offering outside of the Albuquerque area. The current study and past studies found that New Mexico workers contribute a higher percentage of their income to health insurance premiums than the national average.

POSSIBLE QUESTIONS

Why isn't there a clarification in SB 375 about the issue of whether or not the Salud program is included in assessing the managed health care organizations for their CHIPs assessment? The current legislation is ambiguous and has been the cause of much dissention. This may be an opportunity to clarify the legislative intent.

MV/sb/njw