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FISCAL IMPACT REPORT

SPONSOR: Maes DATE TYPED: 03/06/01 HB _____
 SHORT TITLE: Minimum Health Care Protection Act SB 439/aSFL#1
 ANALYST: Valenzuela

APPROPRIATION

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

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Public Regulation Commission (PRC)
 Health Policy Commission (HPC)
 Attorney General's Office (AG)

SUMMARY

Synopsis of SFl#1 Amendment

SB439/aSFL#1 deletes the section of the bill that does not allow a carrier, agent or broker to enroll an individual or group member in the comprehensive insurance pool (CHIP) or the health insurance alliance if that person is eligible for a policy under the Minimum Healthcare Protection Act.

SB 439/aSFL#1 will allow a person who needs the higher level of health care benefits to acquire it if they can afford to do so.

Synopsis of Original Bill

SB 439 eliminates the six-month waiting period of the Minimum Healthcare Protection Act and clarifies the criteria to apply for small group rate and renewability.

SB 439 prohibits New Mexico insurance carriers, agents or brokers from allowing a group, or an individual, to enroll in an individual policy or plan through the NM Comprehensive Health Insurance Pool or NM Health Insurance Alliance if these people would be eligible under a group policy under this act.

SB 439 also does the following:

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- C Raises the maximum group size from 20 members to 50 members.
- C Removes the following criteria for eligibility: necessity to be without coverage for 6 months, a dependent who loses dependency qualifications, loss of healthcare coverage from employment change, death of a spouse, or divorce.
- C Adds coverage for 48 hours or more of inpatient care after a mastectomy and 24 hours following a lymph node dissection for treating breast cancer and allows the imposition of a deductible and co-insurance.
- C Includes the Minimum Healthcare Protection Act under provisions for policy issuance.
- C Removes limits of age, gender geographic area, place of employment and smoking status as the only factors allowable for determining first year premiums and rate charges. Subsequent year premiums and rate charge restrictions are also removed.
- C Excludes group policies issued under this act from falling under the Small Group Rate and Renewability Act.

Significant Issues

The industry supports SB 439 and claims that it will allow them to offer coverage to more consumers. The consumer groups claim that this bill will not affect the number of people who are uninsured, but will increase the number who are “under insured.”

RELATIONSHIP

Relates to HB275, Small Employers Catastrophic Group Health

OTHER SUBSTANTIVE ISSUES

The HPC provided the following:

- C Approximately 26 percent of New Mexicans are uninsured and 29 percent of non-elderly adults, most of whom are working, are uninsured. Affordability was the primary reason cited for lack of insurance coverage by adults followed by not being offered by employer. To the extent that this act opens up the market for minimal insurance and potential lowered premium costs, more individuals and employers may opt for coverage, particularly uninsured young adults.
- C New Mexico has in the period from 1996-1998 the lowest percentage of private health insurance in the non-elderly population (19-64) in the US at 59 percent and the highest 48 percent of low-income persons in that same age group.
- C Affordability is the primary reason 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. This can result in both decreased quality of life and lowered economic productivity for unhealthy individuals and increased health care costs to the state when emergency room care is substituted for routine health care.
- C NM workers contribute a higher percentage of their income to health insurance premiums than the national average. This is partly attributed to the nature of the New Mexico economy and the fact that New Mexico has more firms with low wages and less with unionized workers than the U.S.
- C Employers in New Mexico who do not offer health insurance claim that they cannot afford to subsidize health insurance for their employees. Most of the employers who had been offering health insurance cited increasing premium costs as the reason for dropping health insurance.

- C HB 439 provides 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, which may actually increase the number of small employers that offer health insurance to their employees.
- C 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.
- C 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 Department of Health breast and cervical cancer screening program.
- C 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.
- C 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.
- C Currently high deductible health insurance plans, which can be categorized as a form of minimal health insurance, will remain mandated by the same provisions as other health insurance. Small employers may remain unable to afford to offer health insurance, and healthy young adults may continue to be uninsured.

POSSIBLE QUESTIONS

Why does SB 439 not allow a group or an individual to enroll in a plan through the CHIPs or Alliance programs if they are eligible for a group policy under SB 439? The CHIPs and Alliance programs may be better coverage and more suited to the consumer's need.

MV/ar