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## FISCAL IMPACT REPORT

SPONSOR: Gorham DATE TYPED: 03/04/01 HB \_\_\_\_\_  
 SHORT TITLE: Catastrophic Health Insurance SB 478/aSPAC  
 ANALYST: Wilson

### APPROPRIATION

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

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

Health Policy Commission (HPC)  
 Public Regulatory Commission (PRC)  
 General Services Department (GSD)  
 Attorney General's Office (AG)

### SUMMARY

#### Synopsis of SPAC Amendment

SB 478/aSPAC (Senate Public Affairs Committee) changes the word "catastrophic" to "basic" when referring to the health insurance policies that the bill allows insurers to sell to individuals and small employer groups. The new word more accurately reflects the nature of the policies under consideration in SB 478.

#### Synopsis of Original Bill

SB 478 amends the insurance code to permit the sale of a catastrophic plan to individuals and 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 individuals and small employers.

The PRC notes that proponents believe that mandated benefits unnecessarily increase the cost of health insurance to individuals and small employers. Those who oppose this legislation believe this plan's stripped down benefits will leave insureds without necessary coverage in certain key areas.

## ADMINISTRATIVE IMPLICATIONS

The PRC does not need additional FTEs to process the filings that may result from the provision of SB 478.

## CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

Relates to:

HB 275, Small Employer Catastrophic Group Health  
SB 209, Self-insured Health Care Act

## OTHER SUBSTANTIVE ISSUES

The HPC has provided the following:

- C SB478 extends the opportunity for catastrophic coverage to individuals as is done with groups in the proposed HB275 (2001). This is important because there is a very limited insurance individual insurance market in New Mexico.
- C 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.
- 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 a plan as proposed in SB478 lowered premium costs, more individuals and employers may opt for coverage, particularly uninsured young adults.
- C SB 478 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, which may actually increase the number of small employers that offer health insurance to their employees.
- C 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 the 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.”
- C Because of Health Insurance Portability and Accountability Act (HIPAA), 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.

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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 individual and 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 individuals and small employers lack technical understanding of what are 'standard' benefits and what are not being covered under the plan. HB 478 does not provide for informed purchase and full disclosure of what is being omitted prior to purchase.

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

DW/ar