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FISCAL IMPACT REPORT

SPONSOR Aragon DATE TYPED 2/9/2004 HB _____

SHORT TITLE Third Party Insurer Risk Administration Fee SB 540

ANALYST Garcia

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
		Indeterminate		

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From

Public Regulation Commission, Insurance Division

SUMMARY

Synopsis of Bill

The bill adds a section to Chapter 59A, Article 12A NMSA 1978. of the Insurance Code dealing with insurance administrators. The bill proposes to impose a “risk administration fee” on “each third party administrator that performs services for any person that self insures against health risks.” As defined in statute, a third party administrator is a person who receives any form of administrative service or service fee, consideration, payment, premium, reimbursement or compensation for performing or providing any service or activity respecting insurance in any administrative or management capacity.

The bill imposes a fee, which is collected and administered by the Superintendent of Insurance, at the following rates:

- Ten dollars and forty cents (\$10.40) per month for each individual covered any day of that particular month under the single coverage portion of the self-insurance program.

- Twenty-four dollars and twenty-seven cents (\$24.27) per month for each couple covered any day of that particular month under the couple coverage portion of the self-insurance program.
- Twenty-eight dollars and seventy-seven cents (\$28.77) per month for each family covered any day of that particular month under the family coverage portion of the self-insurance program.

The bill also allows for increases in the rate imposed for the “risk administration fee” as determined by the consumer price index increase for medical care services published by the U.S. Department of Labor after FY05.

Significant Issues

1) Imposing a fee that is not currently levied on third party administrators will raise the fixed costs to the administrators. As a result, the “risk administration fee” will likely lead to premium increases or other cost increases to the consumer.

2) According to the Insurance Division, the “risk administration fee” may be in conflict with the “in lieu of” provision on the premium tax. Chapter 59A-6-6 of the NMSA 1978 states that “licenses and fees provided for in the Insurance Code shall be in lieu of all other taxes.” Consequently, amending the Insurance Code may be necessary to include “risk administrations fees.”

FISCAL IMPLICATIONS

According to the Insurance Division, the amount of revenue the new fee would generate is difficult to impossible to estimate. The Insurance Division simply does not know the amount of people or families covered by self-insurance. Third party administrators are not required to provide data on the number of people insured in this program.

ADMINISTRATIVE IMPLICATIONS

The creation of the “risk administration fee” will likely require some administrative adjustments by the Public Regulation Commission, Insurance Division. The Superintendent of Insurance would likely need the ability to hire some additional staff to process, collect, and monitor that administrators pay the proper amount in fees and in a timely manner.

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