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FISCAL IMPACT REPORT

SPONSOR Griego DATE TYPED 3/12/05 HB _____

SHORT TITLE Health & Dental Insurance Claim Assignment SB 371/aSPAC/aSFI#1

ANALYST Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See Narrative		

Relates to SB 193

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)
 Public School Insurance Authority (PSIA)
 Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of SFI Amendment #1

The Senate Floor amendment # 1 to Senate Bill 371 removes the SPAC amendments and replaces the removed language with the requirement that an administrator for a dental insurer or an individual or group hospital or medical expense insurer that delivers or issues for delivery in this state a group health insurance policy that provides dental coverage shall be paid on the basis of assignment to the provider of the dental health care. No dental insurer may refuse to honor an assignment of a claim for payment of benefits. The provider may collect from the insured any co-payment, coinsurance, deductible or other amount that the insured is liable for under the dental health care plan.

Synopsis of SPAC Amendment

The Senate Public Affairs Committee amendment to Senate Bill 371 removes the “any willing provider” language. The bill also adds that claims paid by an administrator for an insurer shall be paid on the basis of assignment to the provider of the health care. No insurer may refuse to honor an assignment of a claim for payment of benefits. The provider may collect from the insured any co-payment, coinsurance, deductible or other amount that the insured is liable for under the

health care plan.

Synopsis of Original Bill

Senate Bill 371 requires nonprofit health care plans and prepaid dental plans to accept the assignment of health claim benefits when one of their insured assigns their benefits to the provider of the health care services.

This bill also prohibits plans exclusion of persons licensed under the Dental Health Care Act and prohibits discrimination in reimbursement levels.

Significant Issues

This bill has “any willing provide” language. If a dental plan negotiates a rate with a dentist, the plan must allow any qualified dentist to provide services to an insured at that rate.

Health plans including both the RHCA and PSIA claim this removes the incentives for providers to negotiate with plans for a lower rate. The main negotiating advantage plans have is to provide exclusivity in an area and volume.

The RHCA states that with the loss of negotiating power for the deepest discounts, on which plans heavily rely for financial success, plans would no longer have cause to create and maintain networks. No longer in competition with one another for business, providers could potentially engage in collective negotiations for reimbursement rates and render insurers helpless to hold down costs.

FISCAL IMPLICATIONS

The provisions of the bill will result in higher claims for dental insurance. This will cause the premiums to rise for the active state employees, the retirees and the public school employees.

This bill will require that insurers file new forms and rates with the PRC. While the fiscal impact of these increased filings is unknown, the PRC believes it will be minimal.

ADMINISTRATIVE IMPLICATIONS

There will be a one time filing by some insurers, but the PRC can manage it with existing staff.

RELATIONSHIP

SB 371 relates to SB 193, which places the requirement to accept assignment only on non-profit health care plans and pre-paid dental plans. SB 193 makes the refusal to accept assignment an unfair trade practice and applies it to all health insurance.

TECHNICAL ISSUES

The PSIA suggests on page 3, line 24, the language “on a service or indemnity basis” should be deleted since by definition a prepaid dental plan provides capitation for services and there is no indemnity reimbursement.