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## FISCAL IMPACT REPORT

SPONSOR Feldman DATE TYPED 03/01/05 HB \_\_\_\_\_

SHORT TITLE Wellness Program Health Insurance Incentives SB 745

ANALYST Geisler

### APPROPRIATION

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

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to: SJM 10

### SOURCES OF INFORMATION

LFC Files

### Responses Received From

Public Regulation Commission (PRC)  
 Department of Health (DOH)  
 Health Policy Commission (HPC)

### SUMMARY

#### Synopsis of Bill

SB 745 amends adjusted community rating to permit insurers to offer discounts or credits when qualified wellness and disease management programs are provided as a part of coverage. This applies to individual and small employer group health insurance.

The qualified program shall: 1) meet federal requirements under HIPPA, 2) provide financial incentives to covered individuals and 3) provide reasonable alternatives to non-participants. The rating factors may take into consideration: 1) anticipated participation, 2) anticipated incentives, 3) historical participation, 4) expected success rates, 5) clinical studies and 6) the insurer's experience.

#### Significant Issues

Investment in wellness and disease management programs can reduce future health care costs. If

insurers could recognize these savings in determination of premiums, lower premiums could be an incentive to involve more people in wellness and disease management programs. Without amendment, insurers cannot anticipate these cost savings under adjusted community rating. Such savings would be passed along to the consumer only as they are realized.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB 745 relates to SJM 10 (Study Health Insurance Discounts), which would require the Department of Health, in conjunction with the insurance division of the Public Regulation Commission (PRC), to conduct a study to explore the benefits and feasibility of requiring health insurance companies to offer discounted premiums for enrollees who participate in approved health promotion activities or wellness programs.

### **OTHER SUBSTANTIVE ISSUES**

Carriers would develop and oversee the programs using “in-house” resources or contract for such programs through an outside organization to offer wellness and disease management programs. If insurers decide to use the rating factor allowed by SB 745, the result may be more insured individuals participating in covered wellness or disease management programs. Wellness programs generally focus on the primary prevention of chronic diseases that result from tobacco use, physical inactivity, suboptimal diet, or stress. Worksite wellness programs have been shown to increase levels of fitness and reduce risk factors for coronary heart disease. They have also resulted in lower health care costs, reduced absenteeism and lower turnover in companies with comprehensive health promotion programs. (“Employee fitness and Wellness programs in the Workplace”, Am Psychol Feb 1990)

Disease management programs provide secondary prevention to covered individuals who already have chronic diseases, including asthma, congestive heart failure, and diabetes, amongst others. Disease management programs show early results in decreasing hospitalizations and emergency department visits. (“Measuring DM’s Net Effect is Harder Than You Might Think”, Managed Care June 2003) Depending on the quality and intensity of such programs, varying degrees of improved health outcomes and associated potential savings in health care expenditures may be realized.

### **WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

If SB 745 is not enacted, insurers would not be able to develop rating factors that incorporate wellness or disease management programs.

### **AMENDMENTS**

HPC suggests that the key elements of the bill should be defined such as “qualified wellness program” and “disease management program” since these terms may have different meanings for different people. For example, the term “wellness program” is very broad in its meaning and could be as exclusive of a gym membership or an educational program devoted to meditation.