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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/22/07

SPONSOR Gonzales LAST UPDATED \_\_\_\_\_ HB 1222

SHORT TITLE Health Security Act SB \_\_\_\_\_

ANALYST Hanika Ortiz

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	\$0.1 (see narrative)		Recurring	Health Security Plan Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$.1 (see narrative)			Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates SB 720; Relates to SB 721

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Human Services Department (HSD)  
 Department of Health (DOH)  
 Attorney General's Office (AGO)  
 Corrections Department (CD)  
 Public Education Department (PED)  
 Public Regulation Commission (PRC)  
 Health Security for New Mexicans Campaign

## SUMMARY

### Synopsis of Bill

House Bill 1222 enacts the Health Security Act to provide a mandatory comprehensive statewide health care plan through a combination of public and private financing; control of health care costs; and, by providing preventative health care for all New Mexicans. The Act outlines procedures for the implementation of a citizens' commission of 15 members reflecting the geographic diversity of the state tasked with establishing the entity for the Health Security Act by 11/01/08. The commission will have a two-year development period to work with state agencies and the public; and, collect, review and analyze pertinent health care data to see whether the plan is financially feasible. The bill requires financing recommendations made by the LFC be approved by the legislature in 2008 before this plan goes into effect.

The bill excludes military, military retirees, TRICARE recipients and federal retirees. Nothing in the Act is to affect coverage pursuant to the federal Employee Retirement Act. Tribes and plans covered under ERISA may opt to join.

Specific provisions of the bill include:

1. A twelve member Health Care Commission and its employees;
2. The adoption of a five year plan by the new commission which will:
  - a. implement the provisions of the act;
  - b. establish compensation for health care providers;
  - c. establish capital budgets for health care facilities;
  - d. negotiate reciprocity agreements with other states;
  - e. develop claims procedures;
  - f. health care data collection;
  - g. adopt rules and appoint a committee governing prescription drugs and medical devices;
  - h. study health care in New Mexico;
  - i. provide for coverage of most health care services (with the exception of cosmetic surgery, life insurance and litigation medical examinations and reports, and orthodontic and cosmetic dental services);
  - j. provide for phasing in of beneficiaries;
  - k. provide for long-term care;
  - l. provide for mental and behavioral health coverage; and
  - m. become effective contingent upon approval by the 48<sup>th</sup> legislature, and if so approved, be implemented by July 1, 2010.
3. Granting the commission the authority to:
  - a. appoint advisory boards;
  - b. adopt rules;
  - c. establish health care delivery regions
  - d. establish a comprehensive claims review procedure;
  - e. establish a quality review program;
  - f. develop an annual budget;
  - g. develop payment plans for providers;
  - h. disqualify health care providers from receiving payments under the health care plan;

- i. establish budgets for health care providers and health care facilities;
  - j. regulate major capital expenditures by health care providers and health care facilities (with certain exemptions);
  - k. perform unannounced and announced audits of health care providers and health care facilities;
  - l. develop standard claims forms;
  - m. require health care providers and health care facilities to participate in its computerized system;
  - n. require health care providers and health care facilities to submit certain reports; establish a consumer complaint system;
  - o. apply for waivers and federal law changes and exemptions allowing the maximum contribution of federal money to the “Health Security Plan Fund”;
4. Providing that beneficiaries may obtain health care covered by the plan out-of-state, but providing that the services will be paid at the same rate as if provided in New Mexico unless the commission has negotiated a reciprocity or other agreement with the out-of-state health care provider;
  5. Providing for subrogation rights;
  6. Prohibiting the sale of private health care insurance in New Mexico to any eligible beneficiary after the date the health care plan is operating, except for supplemental benefits and certain retiree health care plans;
  7. Establishing a “Health Security Plan Fund” and giving the commission the responsibility for the collection of premiums from eligible beneficiaries, employers, state and federal agencies and other entities;
  8. Requiring the Superintendent of Insurance to ensure that workers' compensation and automobile insurance premiums on insurance policies written in New Mexico reflect a lower rate to account for the medical payment component to be assumed by the health security plan;
  9. Requiring educational institutions to provide coverage under the plan for nonresident students;
  10. Requiring the Legislative Finance Committee (LFC) to determine financing options for the health security plan; and
  11. Providing for a transition period for those covered by existing health plans.

## **FISCAL IMPLICATIONS**

The plan attempts to put most New Mexicans under one risk pool as a way to leverage purchasing power and simplify the multiple payor system of health insurance coverage; realize cost savings from the elimination of duplicative administration; and, protect the State and consumer from rising health care costs. Health care spending in the United States has grown rapidly since the 1960's at an average rate of 10% per year.

The bill requires the LFC develop financing recommendations for the plan and provide such to the legislature for approval or modification before 12/15/07 for consideration by the 2008 Legislature. The LFC is to be guided by the costs of health care coverage afforded state employees; and, options may set beneficiary income based premium payments, sliding scale premium payments and Medicare credits and employer contributions. The financing recommendations are expected before the commission's plan for coverage is known.

If the Legislature approves implementation and financing of the health security plan, the health security plan shall be operational by July 1, 2010; however, if the legislature fails to approve of it, the health security plan shall not become effective. There appears to be no appropriation within a companion bill to assist the LFC with these efforts as there is in SB 720; with its Companion of SB 721.

PRC reports the plan will begin July 1, 2010 if approved, and during the fiscal year preceding that date, the commission will become operational with support of appropriations from the general fund during FY10. Beginning in FY11 private insurance will be replaced by the health security plan for those covered by the plan. The private health insurance industry currently pays premium taxes and premium tax surcharges which are revenues for the general fund. Those insurers who collect over \$2.5 billion dollars in premiums pay approximately \$90 million in premium taxes and premium tax surcharges. A substantial portion of those premium taxes could be eliminated.

This bill creates a new Health Security Plan Fund to receive all premiums from eligible beneficiaries, employers, state and federal agencies, and other state appropriations and mandates maintenance of the Fund in an actuarially sound manner. However, the LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

#### **SIGNIFICANT ISSUE**

The bill will effectively subject all existing health care facilities and health care providers in New Mexico to state control. It will require mandatory participation in the health care plan by most state residents other than persons covered by federal health plans, military personnel, and members of Indian tribes covered by federal health plans. It will prohibit the sale of health insurance in New Mexico for health care that is covered by the health security plan except for retiree health insurance plans that do not enter into contracts with the health security plan. The bill will effectively require most, if not all, health care providers and facilities in New Mexico to comply with the rules of the commission and provisions of the health care plan.

#### **ADMINISTRATIVE IMPLICATIONS**

Agencies report redistribution on an administrative and staffing level will occur as roles and responsibilities are repositioned to support the Act.

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

Duplicates SB 720; Relates to SB 721

#### **OTHER SUBSTANTIVE ISSUES**

The commission may find it difficult to bring in certain insured persons or groups accustomed to a certain level of benefit coverage if the state's coverage provided is less.

Socioeconomic disparities exist with respect to access to health care. In 2005, 20.4% of New Mexicans were without health insurance, compared to 15.9% for the US.

24 counties and cities have passed resolutions requesting the legislature pass the Health Security Act.

### **ALTERNATIVES**

The Health Coverage for New Mexicans Committee (HCNMC) was created by the Legislature and the Governor to study three models of universal health coverage. The HCNMC has charged a consulting firm with costing out three different approaches to universal coverage in New Mexico. The Health Security Act is currently one of the models that are part of the cost study being conducted. The Health Security Act provides for freedom of choice of provider, a comprehensive benefit package, and contains cost containment/quality of care provisions. Other approaches currently being considered include expansion of the current private and government health insurance system with a series of tax incentives and subsidies to those who cannot afford health insurance. Still other approaches suggest mandating individual coverage and establishing connectors or exchanges to assist individuals in purchasing health insurance. The HCNMC report is due June 2007.

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

There will be no new statewide Health Care Commission to oversee a new health care system.

### **QUESTIONS**

How will the proposed plan affect supplemental coverage for Medicare participants?

How will the proposed plan affect reimbursement for small rural providers?

AHO/nt