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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/27/07

SPONSOR Chasey LAST UPDATED 3/14/07 HB 1270/aHBIC

SHORT TITLE Medical Insurance Pool Administrators SB \_\_\_\_\_

ANALYST Earnest

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	(\$7,700.0)	(\$12,400.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates the tax credit in SB317 and relates to SB1180, SB565, and HB1164

### SOURCES OF INFORMATION

LFC Files  
NM Medical Insurance Pool

Responses Received From  
Human Services Department (HSD)

### SUMMARY

#### Synopsis of HBIC Amendment

The House Business and Industry Committee (HBIC) amendment increases the premium tax credit to 50% of the assessed amount for most members and 75% of the assessed amount attributable to Pool policy holders that receive premiums through the federal Ryan White CARE Act, the Ted R. Montoya hemophilia program at the University of New Mexico health sciences center, the Children's Medical Services bureau of the Public Health Division of the Department of Health or other programs receive state funding or assistance. Currently, health insurers who pay these assessments get a credit equal to 30% - 50% of the amount paid.

The amendment also adds Subsection E to allow the Pool's board to adopt a credit or rebate for the assessment to third party administrators who do not pay a premium tax.

The amendment adds Section 4, which specifies that the increased credit is available for assessments made on or after July 1, 2007.

The amendment carries a significant fiscal impact. See revised Fiscal Implications section below.

### Synopsis of Original Bill

House Bill 1270 would amend the Medical Insurance Pool act to allow the NM Medical Insurance Pool (NMMIP) to assess, among the other health insurers, reinsurers and third party administrators for its losses.

### **FISCAL IMPLICATIONS**

Insurance premium taxes are collected by the Public Regulation Commission for the benefit of the general fund. Thus, premium tax credits reduce the amount of premium tax revenue to the general fund. NMMIP has projected future assessments to grow from more than \$20 million in 2006 to more than \$50 million in 2009.

The increased premium tax credit proposed in the amendment is duplicated in Senate Bill 317. If SB317, or a similar bill, and this bill pass, the fiscal impact will not be doubled.

Under current law, the 30% and 50% tax credits result in a \$14.6 million revenue loss for the general fund for FY08. Under projections provided by NMMIP, the 50% and 75% tax credits proposed in the amendment result in a \$22.3 million general fund revenue loss – a \$7.7 million difference in FY08.

Under current law, and assuming the same rate of growth in the 2008 assessment, the revenue impact of the 30% and 50% credits for FY09 is \$32.5 million. The 50% and 75% tax credits proposed in this amendment result in a \$44.9 million general fund revenue loss – a \$12.4 million difference.

The projections assume the same growth rate in the tax credit for the 2008 assessment as in the 2007 assessment. This near doubling rate of growth is not expected in future years as the Pool reaches its saturation point.

As proposed in the original bill, more insurers, including third party administrators, would be assessed for the Pool's losses. This provision does not carry an additional impact to the state. The amendment requires the Pool's board to adopt a credit or rebate against the assessment for those third party administrators that do not pay a premium tax. The credit or rebate should be substantially equivalent to the 50% and 75% credits against the premium tax. Thus, the amendment reduces the spread of the assessment proposed in the original bill.

### **SIGNIFICANT ISSUES**

The Medical Insurance Pool, established by Chapter 54 of the Insurance Code, is a non-profit corporation operating a high-risk health insurance pool. The premiums charged to members are not sufficient to cover the costs of the Pool, and this shortfall is assessed to health insurance industry. Assessed insurers then receive a 30 % premium tax credit for full premium plan losses

and a 50 % premium tax credit for reduced premium plan losses.

By adding reinsurers and third party administrators to the definition of health insurers, the bill will reduce the amount of the assessment to each insurer. HSD notes that this reduction could theoretically reduce costs to the small group insurance market, thus promoting insurance uptake among this group, which is consistent with *Insure New Mexico*'s goals. On the other hand, and not noted by HSD, the assessment will raise the cost of insurance for the self insured market.

The Pool is projecting increases in the assessments that are being levied on the health insurance industry. The growth in these assessments is primarily the result of increased membership in the pool and expansion of the reduced premium plan, which is available to persons with low incomes. The projected growth is also from the executive's *Insure New Mexico* initiatives.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

House Bill 1270 is duplicated by Senate Bill 1180 and is related to Senate 565 and House Bill 1164, which increase the premium tax credit.

BE/mt