F I S C A L I M P A C T R E P O R T

SPONSOR Beffort **ORIGINAL DATE** 2/23/07 **LAST UPDATED** **HB**

SHORT TITLE Minimum Health Care Options for Public Employees **SB** 1005

ANALYST Propst

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Unknown			Recurring	Various

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Albuquerque Public Schools (APS)
Retiree Health Care Authority (RHCA)
General Services Department (GSD)
Public School Insurance Authority (PSIA)

SUMMARY

Synopsis of Bill

Senate Bill 1005 would amend the Healthcare Purchasing Act to mandate agencies of the Inter-Agency Benefits Advisory Committee (IBAC), New Mexico Public Schools Insurance Authority (PSIA), Albuquerque Public Schools (APS), New Mexico Retiree Health Care Authority (RHCA), and Risk Management Division, State of New Mexico (RMD) to provide minimum health care benefit options for public employees in the State. The proposed lower-cost health care plan options must provide coverage comparable to the existing State Coverage Insurance Plan design or the plan design required by the Minimum HealthCare Protection Act (MHCPA).

FISCAL IMPLICATIONS

GSD reports that there may be significant fiscal implications to the Risk Management Division. It is difficult to ascertain the financial impact of SB 1005 because the bill does not define lower-cost nor does the Minimum Healthcare Protection Act define deductible, coinsurance, and co-payment amounts. However, based on the following assumptions GSD predicts lower-cost benefit plans for employees and agencies: GSD/RMD is required to remain actuarially sound; the definition of lower-cost is lower-cost premiums than are currently being charged to

employees and agencies; deductibles, coinsurance and co-payments are designed to achieve a 15% reduction in premium costs; plan designs of the lower-cost plans meet with or are comparable to the Minimum Healthcare Protection Act; and the offering of such a lower-cost plan achieves a 10% employee migration to the low-cost plan. Approximately 80% of state employees contribute 20% towards the payment of their biweekly premium. State employees electing single coverage with Presbyterian would pay approximately $9.00 less per pay period than current premiums or $234.00 per year. The total estimated cost savings for this population for the State is approximately $800.0 per year. However, this number should be tempered with the knowledge that the vast majority of the employees electing to enroll in the low-cost plan are historically a younger and healthier population. Removing these employees from the high-cost plan may create adverse implications to the costs for the high-cost plan members. Premiums for high-cost plan members electing single coverage would need to be increased by approximately $3.00 per pay period.

The second component of SB 1005 allows or would require GSD/RMD to provide low-cost benefit plan options that provide coverage comparable with an existing state-sponsored health coverage plan under a federal health insurance Medicaid waiver that includes federal, state, employer and employee or individual premium contributions. Such existing state sponsored plans are referred to as SCI and Medicaid Salud. In these plan designs employees and dependents would have $3.00 co-payments for pharmacy benefits and $5.00 co-payments, which are significantly less than the co-payment structure in GSD/RMD's current plan designs. Based on the following assumptions GSD predicts that costs will increase in premiums for employees and state agencies: Low-cost is defined as low-cost to the consumer of the plan. Plan designs would mirror or be similar to the plan designs currently offered to SCI participants; eligibility for these plans would be based on Medicare Federal Poverty Level requirements; enrollment would result in approximately 2000 employees being made eligible for participation; premium for the benefit plan would be 15% less expensive than current premiums; GSD/RMD is required to remain actuarially sound; and the loss ratio experienced with the implementation of this plan and premium would be redistributed to or subsidized by the agencies and noneligible members of the low-cost plan. Employees eligible for the plan would pay approximately $9.00 per pay period in premium. The reduced premium and enriched benefit design of the low-cost plan would cost the state (employer) approximately $6,013.0 per year. The remaining 32,203 non eligible employees would absorb premium increases

SIGNIFICANT ISSUES

APS reports that effective December 1, 2005, APS implemented two plan options for medical coverage offering members a choice between a Low Option Plan and High Option Plan. The Low Option Plan has lower premiums, and includes a deductible and coinsurance for most In-Network and Out-of-Network benefits. APS pays 70% of the cost for Employee Only coverage under their Low Option Plans. The APS Low Option Plan rate is currently receiving a higher APS Employer subsidy than the High Option Plan.

APS participation in the Low Option Plans currently offered is only 1.09% of the more than 7,900 covered under the medical plans.

Effective December 1, 2006, APS increased the Employer Matching Contribution to 80% for Employees earning less than $20,000 per year for medical, dental, vision and voluntary life insurance coverage A comparison of the Minimum Health Care Protection Act (MHCPA) and

the APS Low Option Plan Design is illustrated below:

Benefits	**MHCPA Plan**	**APS Low Option Plan**
Lifetime Maximum	$50,000 annual maximum benefit	Unlimited (certain services subject to Calendar Year and/or lifetime maximums or are limited per condition)
In-Patient Hospitalization	25-Day Limit	20% Coinsurance In-network, 40% Out-of-Network
Office Visit	Limited to 7 Office Visits Per Calendar Year	20% Coinsurance In-Network, 40% Out-of-Network, No limit for number of visits
Prescription Drug Coverage	Not covered	Generic – 20% Min. $8, Max. $20, Preferred Drug – 30%, Min. $20, Max. $50, Non-Preferred Drug – 40%, Min. $40, Max. $100

Applying current APS Low Option Plan features to the MHCPA plan design, the estimated value of the MHCPA plan design is approximately 40% less than the current APS High Option Plan on a purely plan to plan basis. Based on 2006-2007 Plan Funding, the difference in monthly deductions ranges from:

- $36 to $74 for Single Coverage
- $77 to $163 for Double Coverage
- $106 to $225 for Family Coverage

If participation in the plan is made available to those eligible employees currently waiving coverage, the estimated annual cost to APS is $367,000 to $392,000 for every 100 new participants in the plan in 2006-2007 dollars in addition to performance and administrative implications outlined below.

ADMINISTRATIVE IMPLICATIONS

APS would incur additional administrative expense in providing communications and enrollment documents to add additional plan options. Consulting and actuarial fees would increase to include additional plan analysis and cost projections each year.

GSD/RMD would be required to change and distribute enrollment materials for approximately 35,000 employees with an additional 5,000 units for new hires and loss. The cost for these materials is approximately $100.0.

OTHER SUBSTANTIVE ISSUES

PSIA reports that in 2005, PSIA began offering two plan options: a Low Option plan and a High Option Plan. The Low Option has a high deductible with in and out of network coverage with an unlimited lifetime maximum and a premium differential of approximately 16% less than the PSIA comprehensive High Option plan. Enrollment in the Low Option plan is less than 1% of the 25,000+ employees in PSIA medical plans.

MHCPA is a general frame work but not detailed plan design so PSIA in its modeling assumed the current Low Option Plan features with:
- $50,000 annual maximum benefit
- 25 day limit on IP Hospitalization
- 7 Office Visit max
- No Rx coverage

This value of this plan design compared to PSIA's comprehensive High Option would be approximately 70% less. Expressed as a monthly deduction, this means a range of $30 - $50 for single coverage (depending on salary bracket) and a range of $77- $123 for family coverage.

The SCI plan design, due to the low co pays, is a premium differential of approximately 5%, even taking into account the $100,000 cap. This plan design would not accomplish the bill's intent of a "lower cost" option.

Any plan offered by PSIA provides comprehensive coverage. Offering a plan along the lines of the Minimum Health Care Protection Act or the SCI with a limited lifetime maximum of $50.0 or $100.0 does not provide protection against major catastrophic losses.

RHCA notes that the cost to the agency of providing health care benefits as set forth in the Minimum Healthcare Protection Act to a population that would be paying reduced premium and co-pays may be detrimental RHCA. RHCA does not receive General Fund monies to provide health care benefits to eligible retirees and their dependents. Therefore, to provide reduced cost healthcare coverage at even more deeply discounted rates could have an overall negative fiscal impact on NMRHCA.

WEP/nt