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

**ORIGINAL DATE** 02/19/09
**SPONSOR** HHGAC **LAST UPDATED** 03/11/09 **HB** CS/239/HFl#1

**SHORT TITLE** Health Savings Accounts **SB**

**ANALYST** Archuleta

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

| | FY08 | FY09 | FY10 | 3 Year Total Cost | Recurring or Non-Rec | Fund Affected |
|---|---|---|---|---|---|---|
| **Total** | | | $30.0 | $30.0* | Nonrecurring | PSIA/GSD Health Benefits Funds |

(Parenthesis ( ) Indicate Expenditure Decreases)
*Estimate provided by PSIA. Please see administrative implications.

**SOURCES OF INFORMATION**
LFC Files

Responses Received From
Public School Insurance Authority (PSIA)
General Services Department (GSD)

**SUMMARY**

Synopsis of HFl Amendment #1

House Floor Amendment #1 for House Health and Government Affairs Committee Substitute for House Bill 239 indicates that a Medical Care Savings Account will be offered during the open enrollment period for the 2011 plan year.

*Please see significant issues.

Synopsis of HHGAC substitute

House Health and Government Affairs Committee substitute for House Bill 239 removes the appropriation of $1 million to GSD and PED contained in House Bill 239. The bill requires GSD and PSIA to offer a high deductible medical plan in conjunction with a medical in conjunction with a medical care savings account (MSA). The substitute adds language regarding contribution amounts toward the Medical Care Savings Accounts (MSA) plan to equal the contribution amount paid toward the least rich benefit option otherwise offered to GSD and PSIA members.

## FISCAL IMPLICATIONS

According to GSD, it is likely that the new plan would appear most attractive to young healthy people, shifting the more expensive users of medical care to the remaining plans resulting in a substantial increase in premiums for individuals who remain in the traditional plans.

According to PSIA, the introduction of such a program on a voluntary basis could result in less certainty in projecting overall cost of our medical programs as a result of adverse selection which may occur if only healthy individuals select the new option.

## SIGNIFICANT ISSUES

*Page three, line 6 suggest the language be changed to "Beginning with the <u>switch enrollment period for</u>".

PSIA currently offers a "Low Option" medical plan and only 1 percent of eligible members participate. PSIA indicates that the Low Options plan can be modified to meet the statutory definition of a qualified higher deductible plan.

The MSA act requires the employer to make a contribution to the employee's MSA. PSIA is not an "employer", but PSIA assumes this bill will allow PSIA to make a contribution on behalf of its subscribers. Group Insurance Contributions (22-29-10) are set by statute and PSIA would have to be sure that its contribution plus the employer's contribution do not exceed the maximum contribution level of 80% towards insurance. In the private sector, employers offering MSA's usually increase their contribution towards the cost of the plan and expect the employee to put the savings into the MSA. With the current contribution language, PSIA would not be permitted to vary the contribution by plan, so this strategy is not available.

Most qualified high deductible health plans paired with a medical savings account on a voluntary enrollment basis see an initial enrollment between 1% and 10% depending on the level of employer contribution to the medical savings account and employee contribution required for the alternative health plans.

It is likely the majority of employees will find the new option confusing, and that some employees who sign up for the program will be dissatisfied subsequent to election, but will be locked in until the next switch enrollment due to rules under Section 125 of the Internal Revenue Code.

Significant conflicts between the New Mexico Medical Savings Account Act and the Federal HSA rules will need to be resolved and will add complexity to the design, communication and implementation of the new plan. In addition, certain requirement of the New Mexico Medical Savings Account Act may convert the plan to an ERISA plan and create fiduciary responsibilities for PSIA that it does not currently have under the current options.

## PERFORMANCE IMPLICATIONS

GSD's previous analysis of House Bill 239 suggested that it would be nearly impossible to implement in the FY2010 plan year as it would require a substantial administrative undertaking to include plan design, request for proposal preparation, contract awards, education and training for human resource officers, computer systems configurations.

## ADMINISTRATIVE IMPLICATIONS

An RFP, issued jointly with GSD under the terms of the Health Care Purchasing Act would be needed to secure the services of an MSA administrator. PSIA utilized a consultant to assist in the procurement process. This cost is estimated to be $30,000. Assuming we know that this bill has passed by April 1, it will be a very tight deadline to issue an RFP, select an administrator and implement by October 1. If July 1, 2009 is GSD's deadline, that will be even more difficult.

In order to meet the deadline of availability by switch enrollment (October 1, 2009 or January 1, 2010, depending on school group), rush printing charges would be incurred.

## TECHNICAL ISSUES

PSIA does not have an annual open enrollment. Enrollment into the plan may occur at any time and switch enrollment between plans is allowed for an October 1 or January 1 effective date, depending on which date was selected by the PSIA member group.

## OTHER SUBSTANTIVE ISSUES

PSIA receives revenue via insurance costs built into the Public School Support figure. This money is given to the schools and is used by the schools to pay PSIA's monthly insurance bill.

PSIA does not cover Albuquerque Public Schools, so this bill does not require an MSA option for APS.

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

Participants in the Employee Group Health Benefits Program of GSD and the Group Health Program at PSIA would continue to have the current options available.

DA/mt:mc:svb