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FISCAL IMPACT REPORT

ORIGINAL DATE 2/16/09
 SPONSOR SPAC LAST UPDATED 3/9/09 HB _____
 SHORT TITLE Premium Assistance For Low Income Households SB 161/SPACS
 ANALYST Lucero

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Indeterminate	Indeterminate	Indeterminate	Recurring	General Fund
		Indeterminate	Indeterminate	Indeterminate	Recurring	Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Aging and Long Term Services Department (ALTSD)
 Human Services Department (HSD)
 New Mexico Medical Insurance Pool (NMMIP)

SUMMARY

Synopsis of Bill

Senate Bill 161 amends Section 59A-54-19 NMSA 1978 of the New Mexico Medical Insurance Pool (NMMIP) Act regarding rates and standard risk. The bill proposes to define in statute the eligibility criteria and corresponding income levels for the pool's premium assistance program. The language sets the parameters of the premium assistance schedule to allow assistance to members with household income less than four hundred percent of the current federal poverty level guidelines.

Specifically the bill defines premiums for households with income of one hundred ninety-nine (199%) percent of the federal poverty level or lower; the premium reduction shall be seventy-five percent (75%). For households with income of two hundred to two-hundred ninety-nine percent (200% - 299%) of the federal poverty level, the premium reduction shall be fifty percent (50%).

For households with income of three hundred to three hundred ninety-nine percent (300% - 399%) of the federal poverty level, the premium reduction shall be twenty-five percent (25%) with the exception of those who were enrolled and receiving a fifty percent (50%) reduction in

premium prior to January 1, 2009 who shall be phased down to a twenty-five percent (25%) premium reduction over a two-year period, provided that they continue to re-qualify. To minimize the financial impact, those that will be moving into the 25% category, will have their premium reduction decreased in 5% increments, until the 25% premium reduction amount is met.

The incremental decreases for phase down from 50% to 25% are as follows:

January 1, 2009 – June 30, 2009	- 45% Premium Reduction
July 1, 2009 – December 31, 2009	- 40% Premium Reduction
January 1, 2010 – June 30, 2010	- 35% Premium Reduction
July 1, 2010 – December 31, 2010	- 30% Premium Reduction
January 1, 2011 – June 30, 2011	- 25% Premium Reduction

FISCAL IMPLICATIONS

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

The intent of this bill is to set in statute the same premium assistance schedule currently in place by authority of the NMMIP board. In addition to the premium assistance schedule, the NMMIP can regulate rising costs by adjusting the insurance rates and the benefit package. This bill would leave the NMMIP with authority to set insurance rates and adjust the benefit package should the need arise to control costs quickly.

The Human Services Department (HSD) estimates there may be an additional estimated impact to the budget of the New Mexico Medicaid program. Through its managed care programs such as Salud! and SCI, a large portion of the assessments to NMMIP are paid by HSD. Without statutory mandate, the NMMIP board can potentially mitigate the growth of assessments. The department estimates that there could be an impact to future operating budgets; if one assumes an overall growth rate in amounts assessed to insurance providers. Additional general fund for the Medicaid program may be needed in the event providers unilaterally raise insurance rates.

The purpose of NMMIP is to offer health care coverage to individuals who are unable to purchase comprehensive coverage in the private market and are ineligible for assistance through public or government sources. Individuals in the NMMIP have “high-risk” conditions, and therefore, have high medical costs. Premiums collected do not cover the cost of insuring NMMIP policyholders, resulting in yearly losses that are recouped through assessments to insurance carriers, along with state and federal funding. The NMMIP board considers losses when promulgating rules for the premium assistance programs. Losses impact insurance carriers and may have an indirect impact to those who are insured. Losses for the past few years include:

2003 - \$5,465,000
2004 - \$5,740,705
2005 - \$10,593,543
2006 - \$20,854,720
2007 – \$30,768,870

It is also unclear at this time whether NMMIP may be able to receive additional funding through

the federal stimulus package to help relieve losses or what role the NMMIP may plan in federal health reform. High risk pools have a significant role in providing insurance to individuals who are otherwise uninsurable. Federal health reform efforts could potentially expand the role and funding of high risk pools. As proposed in the “alternative/amendment” section, this bill could be approved with a “sunset” date to provide program stability until more information about federal initiatives is obtained.

SIGNIFICANT ISSUES

The New Mexico Medical Insurance Pool (the “Pool”) is a state-created entity whose purpose is to provide access to health insurance coverage to residents of New Mexico who are denied adequate coverage due to pre-existing health conditions and are thus considered uninsurable. Premiums are currently set at about 125% of the “standard risk rate” or what an otherwise healthy individual might expect to pay for insurance in the private market. The Low Income Premium Program (LIPP) is an important component of the NMMIP’s plan offerings, since health care costs can become prohibitive to persons with significant needs and often the persons who need it the most are those who can least afford it. Even with the deeply discounted premiums offered by NMMIP, many individuals do not enroll or subsequently drop their coverage and become uninsured because they cannot afford premiums, deductibles and coinsurance.

Differences in premium assistance affect the membership numbers in the Pool. After premium assistance was approved and provided through legislation, membership in the Pool increased dramatically, although the total Pool membership is relatively small, when compared to the total number of uninsured in the state. The board evaluates the membership characteristics throughout the year, so that the board can then determine whether the premium assistance program is effective in providing a means for low-income individuals to obtain needed health care coverage.

Total premiums (full and discounted combined) cover approximately 25% of the costs of NMMIP. To fully fund the program, the losses incurred are assessed to all the health insurer carriers in the state. The insurers, in turn, receive a premium tax credit equivalent to approximately 55% of their assessment. Thus, the greater the growth in the LIPP or the amount of discount, the greater the losses assessed and premium tax credit received. In 2008, assessments to the insurers totaled \$49 million.

The amendment to the Act defines the NMMIP low-income premium schedule by statute. This would eliminate the Board’s ability to structure the LIPP. It would limit the Board’s ability to react to fluctuating revenue and would limit their flexibility to adjust programs and rates in the face of financial challenges. Currently, the Board sets the structure with the Superintendent of the Department of Insurance’s approval. The NMMIP currently offers premium assistance to those with household income less than four hundred percent of the current federal poverty guidelines as proposed by the amended language.

ADMINISTRATIVE IMPLICATIONS

Currently, the NMMIP board can control rising medical costs, or conversely pool losses, by adjusting the premium assistance schedule, changing the insurance rates, or altering the benefit package. This bill proposes to shift the authority to adjust the premium assistance schedule from the board to the Legislature. The bill would in effect establish a fixed formula for premium

assistance, maintaining the original legislative intent of NMMIP, to provide lower cost health care coverage for individuals who are not insurable. The bill may add additional stability to the premium assistance program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to the General Appropriations Act

OTHER SUBSTANTIVE ISSUES

NMMIP transitioned from a 2-tier discount of 75% (up to 199% FPL) and 50% (200-399% FPL) in January of 2009 to a 3-tier discount of 75% (up to 199% FPL – no change), 50% (200-299% FPL – no change) and 25% (300-399% FPL). However, to soften the increase to current members and avoid doubling the premium for persons in the highest tier, the NMMIP board decided to phase-in members over a 2-year time period, decreasing their discount by 5% every 6 months. Thus, starting January 1, 2009 persons in the 300-399% tier (who had been enrolled in 2008) will be reduced from 50% premium assistance to 25%; and new enrollees in the same category receive a 25% discount.

Attached below is the current 3-tier discount income limit. **NOTE: The 25% discount applies to new enrollees only.** Individuals who were enrolled in 2008, receiving a 50% discount and whose income fits within the limits of the 25% discount category in the chart below are currently receiving a 45% discount.

Household Size	75% Premium Reduction Income Limit	50% Premium Reduction Income Limit	25% New/ Phase-in Premium Reduction Income Limit
1	\$20,696	\$31,096	\$41,496
2	\$27,860	\$41,860	\$55,860
3	\$35,024	\$52,624	\$70,224
4	\$42,188	\$63,388	\$84,588
5	\$49,352	\$74,152	\$98,952
6	\$56,516	\$84,916	\$113,316
7	\$63,680	\$95,680	\$127,680
8	\$70,844	\$106,444	\$142,044

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Board would continue to have authority over the premium assistance schedule with approval of the Superintendent of Insurance.

ALTERNATIVES/AMENDMENTS

The bill could be amended to incorporate a “sunset” provision three years from the date the bill becomes or effective, or July 1, 2013. This would provide stability to the program for three years, while leaving the board with authority over insurance rates, the benefit package including copayment levels and coverage level, etc.

Leading up to the “sunset” date, the NMMIP board could report annually to the appropriate

Legislative committee or committees, the Public Regulation Commission, the Department of Finance and Administration (DFA), and the Human Services Department (HSD) on the number enrolled, utilization, NMMIP losses, and the general fund credit insurance providers received.

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