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FISCAL IMPACT REPORT

ORIGINAL DATE 02/03/09

SPONSOR Ryan LAST UPDATED HB

SHORT TITLE Limit Index Rate For Certain Health Plans SB 246

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APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Companion to: HB 109, HB 110 and HB 111

SOURCES OF INFORMATION

LFC Files

Responses Received From

Human Services Department (HSD)

Health Policy Commission (HPC)

Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Senate Bill 246 amends the Insurance Code, Section 59A-23C-5 NMSA 1978, of the Small Group and Renewability Act, by gradually limiting the premium rate calculations for health insurance for small employers.

The bill gradually lowers the percentage by which the index rate for any class of business may not exceed the index rate for any other class of business from 20 percent to 10 percent, reducing it by two percentage points each year from 2010 to 2014.

The bill also gradually lowers the premium rate charged to small employers within a class of business, with similar case characteristics for the same or similar coverage, from 20 percent to 10 percent, reducing it by two percentage points each year from 2010 to 2014.

FISCAL IMPLICATIONS

The bill could impact profits over time for insurers as a result of lower premiums.

PRC notes that state regulations requiring guaranteed issue and community rating in the small group market have likely helped to ensure access to insurance for high risk/high cost groups. However, such regulations have not been highly effective at decreasing the overall rate of uninsured in the small group market.

Over half of the businesses covered through the Health Insurance Alliance (HIA) are self-employed business owners unable to obtain affordable insurance through the commercial market or the state's high risk pool. The amount of assessments paid by insurance carriers to the HIA and the NM Medical Insurance Pool might be lowered as self-employed individuals have greater coverage choices.

SIGNIFICANT ISSUES

The intent of the bill is to hold down cost increases for small employers by restricting the amount by which carriers can increase rates for a particular group due to its claims experience.

The bill revises the definition of small employer from one employee (previously two) to 50 employees, thereby allowing self-employed individuals to obtain coverage from any NM insurance carrier the same as other small employers.

PERFORMANCE IMPLICATIONS

The federal Health Insurance Portability and Accountability Act (HIPAA) provides small employer groups with the protection of guaranteed issue and policy renewability subject to an insurance carrier's participation and contribution requirements.

In New Mexico, small groups must be accepted by insurance carriers for a group health plan if they agree to abide by the policies and pay the premium of a carrier's small group health plan. Carriers can "rate up" (or lower the amount of premium charged) based on the health status of one or more members of the small group.

ADMINISTRATIVE IMPLICATIONS

Certain health plans may need to revise rate-setting practices.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 246 is related to the Governor's health reform agenda intended to increase access to health insurance coverage through reforms of the individual and small group health insurance market: HB 109, Employer Pre-Tax Health Coverage Options; HB110, Health Insurer Direct Services Reimbursement; and HB111, Health Insurer Direct Services Reimbursement.

OTHER SUBSTANTIVE ISSUES

PRC reports that in New Mexico as of 2005, only 34.6 percent of firms in the small group market (2-50 employees) offered health insurance coverage, compared to 92.7 percent of firms with over 50 employees. From 2004 through 2007, participation in New Mexico's small group market decreased by 4 percent, while the U.S. saw a less than 1 percent decrease.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Cost increases based on claims experience in the small business health insurance market will continue to be subject to the limitations set forth in state law.

QUESTIONS

Could an individual register a trade name just to qualify for small group coverage?

AHO/svb