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FISCAL IMPACT REPORT

SPONSOR Armstrong, D/Lujan ORIGINAL DATE 02/14/21
 LAST UPDATED _____ HB 203

SHORT TITLE Health Security Planning & Design Board Act SB _____

ANALYST Esquibel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY22	FY23		
\$600.0*		Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Consultant to conduct study		\$250.0	\$250.0	\$500.0	Nonrecurring	General Fund
Executive Director		\$100.0	\$60.0	\$160.0	Nonrecurring	General Fund
Board Staff		\$66.0	\$40.0	\$106.0	Nonrecurring	General Fund
Board Per Diem & Mileage		\$6.6	\$4.0	\$10.6	Nonrecurring	General Fund
OSI staffing		\$19.5		\$19.5	Nonrecurring	General Fund
Total		\$442.1	\$354.0	\$796.1	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB122, Health Insurance Premium Surtax; HB154, Prescription Drug Affordability Act; HB107, Mail-Order Pharmacy Insurance Parity
 Relates to Appropriations in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (NMAG)

General Services Department (GSD)

Human Services Department (HSD)
Office of Superintendent of Insurance (OSI)
Public Schools Insurance Authority (NMPSIA)
University of New Mexico Health Sciences Center (UNMHSC)

SUMMARY

Synopsis of Bill

House Bill 203 would create an 11-member Health Security Planning and Design Board administratively attached to the Office of the Superintendent of Insurance. The Board would be charged with the responsibility of making recommendations for a health security plan or program that would automatically provide guaranteed comprehensive health care coverage, including behavioral health, but omitting long-term care, to all New Mexico residents not exempted under federal law, and without regard to health, income level, or employment status.

The Board is directed to provide recommendations for the design of a health security plan that addresses: 1) provider payment systems; 2) global budgets for health care facilities; 3) bulk purchases of drugs, medical supplies and equipment; 4) information technology system requirements; 5) waiver and agreement options for federal programs, including Medicaid and Medicare; 6) financing options; 7) supplemental health coverage; and 8) any other components deemed appropriate by the Board.

The Health Security Planning and Design Board would be required to comply with the Open Meetings Act, Inspection of Public Records Act, Public Records Act, Financial Disclosure Act, Accountability in Government Act, Gift Act, and Governmental Conduct Act.

The Board shall provide its report and recommendations to the Legislative Finance Committee, Legislative Health and Human Services Committee, and Governor's office by September 1, 2023.

FISCAL IMPLICATIONS

House Bill 203 would appropriate \$600 thousand from the general fund in FY22 and FY23 to the Office of Superintendent of Insurance to fund the proposed Health Security Planning and Design Board's research into the design of a plan to create a system of comprehensive health coverage for state residents. Any unexpended or unencumbered balance remaining at the end of FY23 would revert to the general fund.

LFC 2019-2020 Health Security Act Plan Fiscal Analysis Costs

In 2019, the Legislative Finance Committee (LFC) released a request for proposals (RFP) that resulted in a contract issued for a consultant to conduct a fiscal analysis of the Health Security Act Plan as required by Laws 2019, Chapters 278 and 279, "HB2 junior bills." The consultant's cost for the study was \$381.2 thousand funded from the general fund in FY19 and FY20. The LFC contracted fiscal analysis had a smaller scope than the proposed legislation.

The cost of the LFC contracted study did not include any funding for the hundreds of hours required by LFC staff to write a 45-page RFP; manage and oversee the project; facilitate data gathering; conduct analytical review of complex research; and conduct public meetings and other modalities to gather public input continuously for over a year. At a minimum, the cost for 1 staff

person working part-time on this initial analysis was approximately 300 hours at \$65 an hour for salary and benefits, for a total of approximately \$19.5 thousand. Again, this was a much smaller scope of work than that of the proposed legislation.

OSI Cost Estimates

OSI reports given that this legislation would explore many of the same topics that were considered by the LFC in its KNG Health Consulting study, OSI estimates that the research portion of the HB203 would cost at least \$300 thousand. The LFC study cost almost \$400 thousand and had a smaller scope than the provisions of the bill.

OSI assumes the Executive Director would receive an annual salary of at least \$80 thousand plus benefits, which we assume will cost at least \$15 thousand, for a total of \$95 thousand per year. The appropriation lasts until June 30, 2023, for an estimated total 20 months of pay from November 2021 – June 2023. That would mean a total of approximately \$158 thousand for the Executive Director.

OSI indicates after accounting for the cost of the study and the Executive Director, the board would use the remainder to hire staff and fund per diem and mileage for the 11-member Board.

Staff costs are estimated at two-thirds of the Executive Director's salary for an approximate total of \$106 thousand. Per diem and mileage are estimated at \$120 per 11 members for 6 quarterly meetings and an organizational and final meeting for a total of \$10.6 thousand.

At a minimum, OSI would require staffing time to oversee the administrative work of the project until an Executive Director is hired. The minimum cost is projected at an amount similar to the LFC staffing detailed above totaling \$19.5 thousand.

UNM Health Sciences Center Cost Estimates

The UNM Health Sciences Center indicates the proposed appropriation of \$600 thousand may be inadequate to fund the bill's proposed executive director, other staff, per diem for the board members, and independent consultants to complete the proposed study.

SIGNIFICANT ISSUES

Findings from the 2020 Fiscal Analysis of the Health Security Act Plan

On July 15, 2020, KNG Health Consulting released "Fiscal Analysis of New Mexico's Health Security Plan: Final Report," which included a report and a technical supplement providing a comprehensive fiscal analysis of the New Mexico Health Security Act Plan (HSP) as proposed in the 2019 Health Security Act (HSA). The report was submitted on June 30, 2020 to the New Mexico Legislative Finance Committee (LFC), and was designed to be used by the New Mexico Legislature and others as they consider developing a state health plan.

Since fall 2019, KNG Health Consulting led a team of consultants to support the state of New Mexico by performing a fiscal analysis of the Health Security Act Plan (HSP). The KNG Health team collaborated with LFC staff to develop alternative HSP modeling scenarios. The team used the KNG Health Reform Model, a microsimulation model that uses data from the American Community Survey and other data sources, to assess the impact of health reform proposals. On March 3, 2020, the team released a preliminary report for public comment. After reviewing public

comments, the team made a number of changes and additions to the analysis and the report. In addition, the team made available a technical supplement on the construction of the analytic database.

The team analyzed four primary scenarios for structuring the Health Security Act Plan. The first two scenarios (1 and 2) assumed premiums and cost sharing similar to typical employer-sponsored insurance (ESI) health plans (ESI-Comparable Scenarios), while the remaining scenarios (3 and 4) assumed health insurance premiums and cost sharing similar to requirements under the federal Affordable Care Act (ACA) (ACA-Comparable Scenarios). In some scenarios (1 and 3), the researchers assumed that health care provider and health facility reimbursement rates grow at the same rate as the Consumer Price Index for Medical Care (CPI-M), while in other scenarios (2 and 4), the researchers assumed that reimbursement rates grow at a slower rate.

The study found that most of the cost of the Health Security Act Plan could be financed by redirecting public funding from what would be duplicative health programs if the Health Security Act was enacted. The cost of funding the Health Security Act Plan would also require significant contributions from employers not offering health insurance coverage to their employees. Lastly, to cover the cost of the Health Security Act Plan would also require enrollees to pay if they had the means to pay a portion of their own premium costs.

Key Findings from the 2020 Fiscal Analysis of the Health Security Act Plan

Key findings from the report included:

- Under the Health Security Act Plan (HSP), the state's uninsured rate would likely fall below 1 percent and the majority of the population would receive coverage through a public insurance program.
- Total state health care spending would be lower than under current law across all scenarios, because of an assumption of low HSP administrative costs (i.e., the analysis made an assumption that administrative costs would be low because the language in the Health Security Act assumes administrative costs savings, although this assumption has not been stress tested).
- However, the study found current revenue sources would not be sufficient to fully fund the Health Security Act Plan (HSP).
- Under scenarios 1, 2 and 3, the study projected state budget shortfalls ranging from \$5.8 billion (scenario 1) to \$868 million (scenario 3) over the initial five years of implementation of the Health Security Act Plan (HSP).
- The researchers found that no additional state funding would be required for scenario 4 as employers and enrollees would cover more of the cost.

The 126-page final report and the 26-page technical supplement are available here: <https://www.knghealth.com/fiscal-analysis-of-the-new-mexico-health-security-act-plan/>.

In addition, KNG Health Consulting and team's June 2020 presentation to the Legislative Finance Committee can be found here <https://www.nmlegis.gov/handouts/ALFC%20061020%20Item%203%20TAB%20-%20C3.pdf>. KNG Health Consulting also presented in September 2020 to the Legislative Health and Human Services Committee.

ADMINISTRATIVE IMPLICATIONS

HSD indicates Section 7 of the indicates the proposed Board shall obtain and direct research that may include Medicaid waiver and agreement options for federal programs. This could have a substantial administrative and cost impact. More than 40 percent of New Mexicans are currently covered by Medicaid, according to HSD. The bill would require the Board to study whether waivers should be sought in order to include this population, as well as those on Medicare, in the Health Security Plan. Waivers for the Health Insurance Marketplace are not specifically mentioned but would not be precluded from the Board’s consideration.

The New Mexico Public School Insurance Authority (NMPSIA) reports depending on the ultimate recommendations of the bill’s proposed health security planning and design board, there may be some long-term impact to NMPSIA. If the bill passes and this board is established, NMPSIA would monitor accordingly.

The UNM Health Sciences Center reports that the final recommendations of the proposed board could have a significant impact on the UNM health systems requiring investment of administrative staff to follow the work of the proposed board.

RELATIONSHIP

House Bill 203 relates to

- HB154 creating a Prescription Drug Affordability Board to protect New Mexico residents and other stakeholders within the health care system from the high cost of prescription drug products;
- Relates to HB107 concerning parity of access and payment for prescription drug benefits offered under group health coverage plans;
- Relates to HB122 which would increase the health insurance premium surtax to further subsidize the cost of health insurance premiums and costs for individuals on the New Mexico health insurance exchange; and
- Relates to the over \$7 billion used to fund the state’s Medicaid program included in the General Appropriation Act of 2021, as well as the state cost to fund health insurance coverage for its public employees in state and local governments through the Risk Management Program of the General Services Department, Retiree Health Care Authority, Public School Insurance Authority, and Albuquerque Public Schools, also known as the Interagency Benefits Advisory Council (IBAC).

TECHNICAL ISSUES

Attorney General’s Office Technical Issues

The Attorney General’s Office questions the need to create a board in statute when its stated mission would be completed in two years.

NMAG reports several of the “issues” (*see*, Section 7(A) at pages 5 and 6 of HB 203) the Health Security Planning and Design Board would be charged with addressing in its recommendations for a health security plan (or program) pertain to matters currently under the authority of state agencies under present law: the Health Care Purchasing Act, Chapter 13, Article 7 NMSA 1978;

the Health Maintenance Organization Law, Chapter 59A, Article 46 NMSA 1978, the Nonprofit Health Care Plan Law, Chapter 59A, Article 47 NMSA 1978, and the Pharmacy Benefits Manager Regulation Act, Chapter 59A, Article 61 NMSA 1978.

General Services Department’s Technical Issues

GSD suggests reports that page 4, lines 12 through 15, provide that “The board shall establish an electronic mail system for use by members in the conduct of board business. Board business shall be exclusively conducted on the board’s electronic mail system.” Under the provisions of the bill, the board would be subject to the Open Meetings Act [Sections 10-15-1, et seq. NMSA 1978]. It is unclear how the public would view and otherwise have access to board business or the Board would meet the communication requirements under the Act, if that business is “exclusively conducted” on the electronic mail system.

UNM Health Sciences Center Technical Issues

UNM Health Sciences Center suggests adding a representative from UNM health systems to the board to provide the board with insight into how its recommendations may impact the UNM health system and the care that it provides for more than 200,000 New Mexicans annually.

OTHER SUBSTANTIVE ISSUES

The Human Services Department reports HSD contracted with the Urban Institute to do a demographic study of New Mexico’s uninsured populations and to study policy options aimed at boosting enrollment and affordability of health care coverage (see [Updated Estimates of the New Mexico Uninsured and Health Care Reform Options to Expand Marketplace Coverage and Improve Affordability](#)). According to the updated analysis, there were 214,000 uninsured New Mexicans (under age 65) in 2020. Of those uninsured, 27 percent (57 thousand New Mexicans) are eligible but unenrolled in Medicaid. An additional 26 percent, or 56 thousand New Mexicans, are uninsured but eligible for premium assistance through the health insurance exchange. The remaining roughly 100 thousand New Mexicans, under age 65, are uninsured but ineligible for Medicaid or assistance through the exchange because of: 1) immigration status; 2) an offer of affordable employer-sponsored coverage; or 3) their household income is above 400 percent of the federal poverty level.

ALTERNATIVES

The Attorney General’s Office writes:

The [proposed] Health Security Planning and Design Board’s sole statutory purpose would be to prepare a report for presentation to the Legislative Finance Committee, the Interim Legislative Health and Human Services Committee, and the Governor that would provide recommendations for a health security plan (or program), and propose enabling legislation to facilitate the establishment of such a plan. After the Board had presented its report (by September 1, 2023), there would be no continuing purpose for its legal existence, unlike other Boards created by statute. It would appear that a report making recommendations for a health security plan could be prepared without creating a statutory Board....