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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Hickey **ORIGINAL DATE** 2/22/23

BILL

SHORT TITLE Life and Health Insurance Guaranty Assoc. **NUMBER** Senate Bill 444

ANALYST J. Torres

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*

(dollars in thousands)

| | FY23 | FY24 | FY25 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--|------------------|------------------|------------------|-------------------|---------------------------|---------------|
| | No fiscal impact | No fiscal impact | No fiscal impact | | | |

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent version of this legislation.

Duplicates House Bill 291

Sources of Information

LFC Files

Responses Received From

Office of the Superintendent of Insurance (OSI)
 New Mexico Attorney General (NMAG)

SUMMARY

Synopsis of Senate Bill 444

This bill amends the Life and Health Insurance Guaranty Association Act based upon the current model developed by the National Association of Insurance Commissioners (NAIC). The bill: expands membership and coverage to include HMOs, subscribers and providers; changes the method for assessing long term care insurer insolvencies; increases the number of directors; adds rate-increase powers; and repeals an HMO section regarding replacement coverage for insolvency.

Section 1. Amends Section 59A-42-3 NMSA 1978 definitions to: redefine “health benefit plan;” add HMOs to the “member insurer” definition; and redefine “structured settlement factoring transaction.”

Section 2. Amends Section 59A-42-4 NMSA 1978 to: add health care providers rendering services as “persons covered;” exclude factored transactions from coverage; and exclude Medicaid from coverage.

Section 3: Amends Section 59A-42-5 NMSA 1978 to: recognize HMO’s as association members.

Section 4: Amends Section 59A-42-6 NMSA 1978 to: increase the number of directors by two.

Section 5: Amends Section 59A-42-7 NMSA 1978 to: clarify the association's authority to reissue contracts; add rate-increase powers; and amend provisions regarding HMO members.

Section 6: Amends Section 59A-42-8 NMSA 1978 to: eliminate the \$300 cap on non-pro rata Class A assessments; and change the Class B assessment for Long Term Care Insurance from 100 percent health insurance industry support to 50 percent life insurance industry and 50 percent health insurance industry.

Sections 7 through 10: Amend Sections 59A-42-10, 59A-42-11, 59A-42-13 and 59A-42-17 to: incorporate HMOs as association members and include other relevant modifications.

Section 11: Repeals Section 59A-46-15 NMSA 1978 regarding the insolvency process pertaining to HMOs. As association members, HMOs will be covered by the Guaranty Association and the insolvency process will no longer be required.

This bill essentially duplicates House Bill 291, with conforming edits.

The effective date of this bill is January 1, 2024.

FISCAL IMPLICATIONS

OSI states:

Any fiscal implications of the proposed bill would likely be positive for the state. As set forth below, the inclusion of HMOs in the Guaranty Association will reduce the administrative burden on the Office of the Superintendent of Insurance, potentially resulting in savings.

There are no stated fiscal implications for NMAG.

ADMINISTRATIVE IMPLICATIONS

OSI states:

This bill has the potential to reduce the administrative burden on the Superintendent who currently is fully responsible for finding replacement insurance for members of an insolvent HMO on OSI. As noted above, the bill would repeal this Section, because adding HMOs to the Guaranty Association would render it unnecessary.

JT/al/ne