

ANALYSIS OF REFORM OPTIONS FOR EXTENDING HEALTH CARE COVERAGE IN NEW MEXICO

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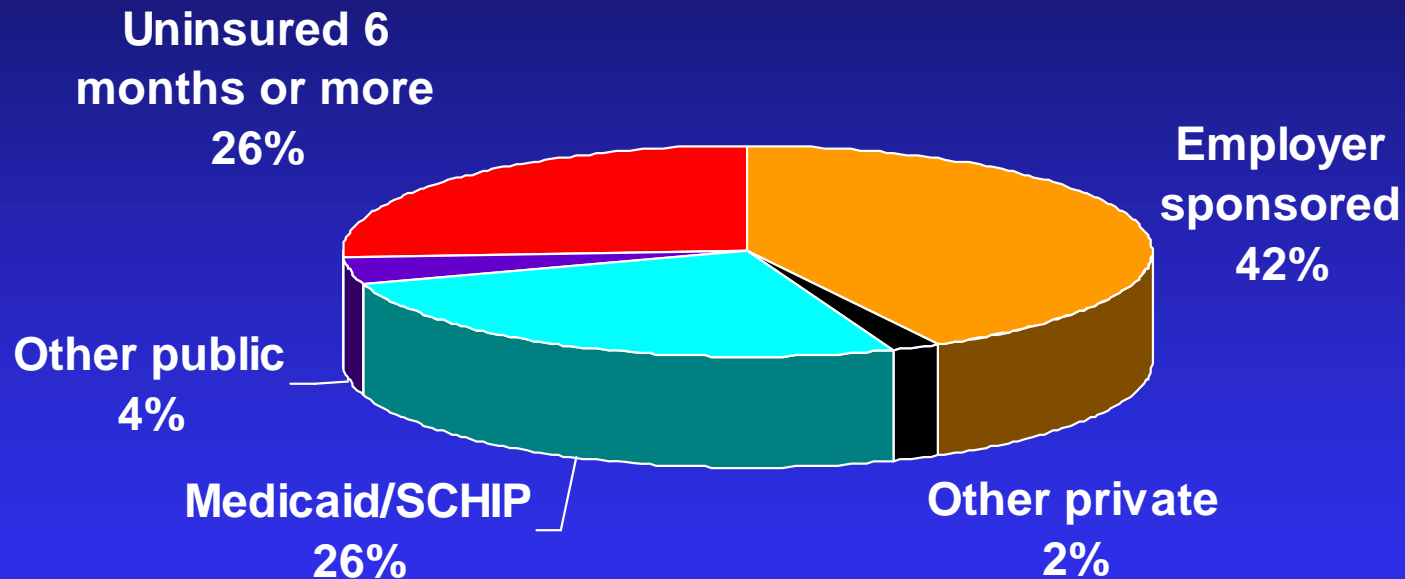
**Health Care Coverage for New Mexicans Committee
June 21, 2007**

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Policy Research, Inc.

Overview

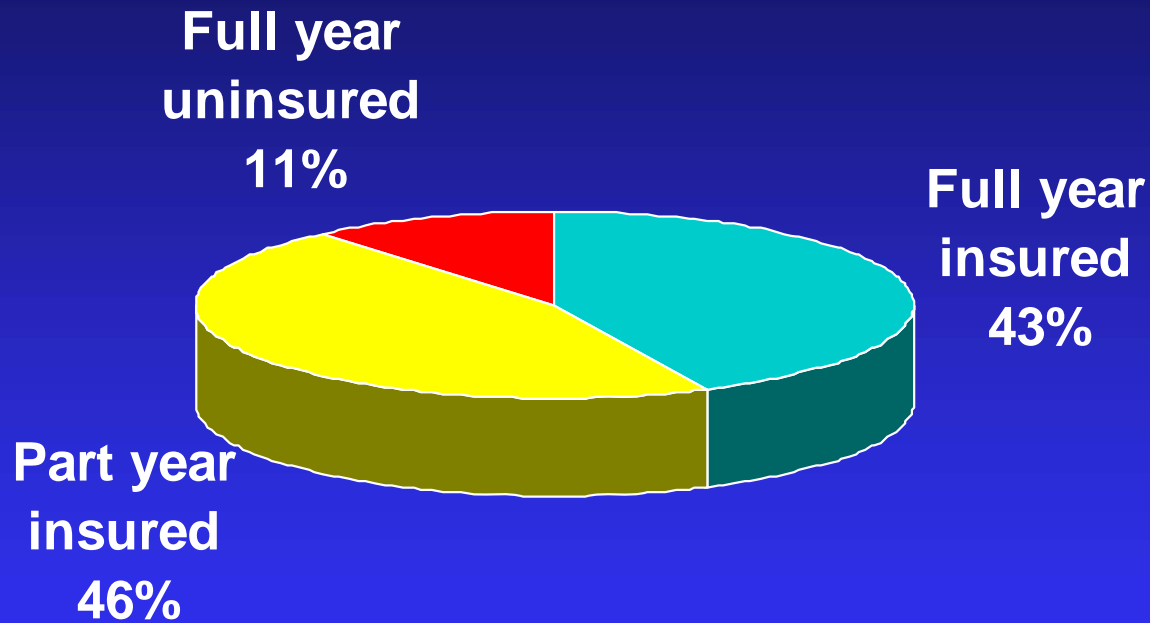
- **Understanding coverage and cost in the current case**
- **Coverage under the reform models**
- **Cost of the reform models**
- **Projected cost**
- **Financing**

New Mexicans by Predominant Source of Coverage



Source: Mathematica Policy Research

Most New Mexicans < Age 65 Are Uninsured Part or All of the Year



Coverage in New Mexico is Dynamic

- **Most part-year uninsured are children 6-18 and adults under age 30**
- **Churning increases administrative cost and may compromise access and quality**
- **Half of New Mexicans who are uninsured 6 months or more during the year are (now) Medicaid/SCHIP eligible**

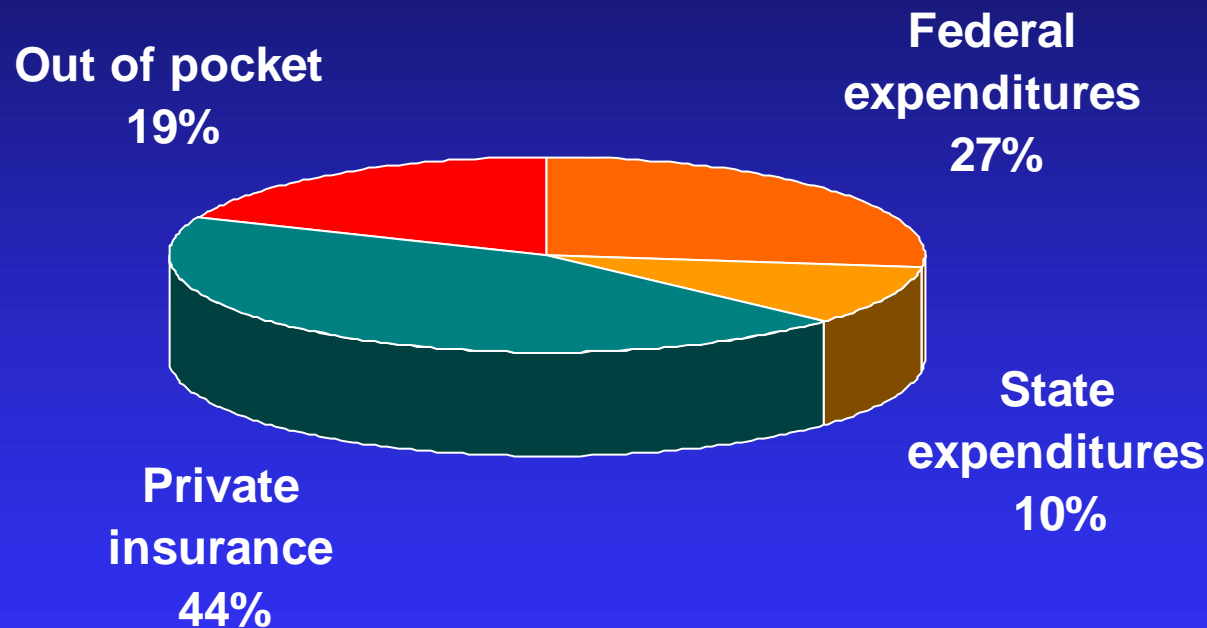
New Mexico is a Small *and* Large Employer State

- **57% of workers are employed in firms with 100 or more employees**
- **Most full-year and part-year insured workers are employed in large firms (100 or more)**
- **38% of private-employer insured workers are in self-insured plans**

The Cost of Health Care

- **Noninstitutionalized civilian New Mexicans under age 65 will spend \$6.3b in medical and nonmedical cost in 2007**
- **Nonmedical costs account for 18 percent of expenditures**
 - **Claims processing and provider relations**
 - **Eligibility determination**
 - **Enrollment, and disenrollment**
 - **General administration and overhead**
 - **Marketing**
 - **Private insurer surplus and profit**

Distribution of Total Expenditure by Source of Funds 2007

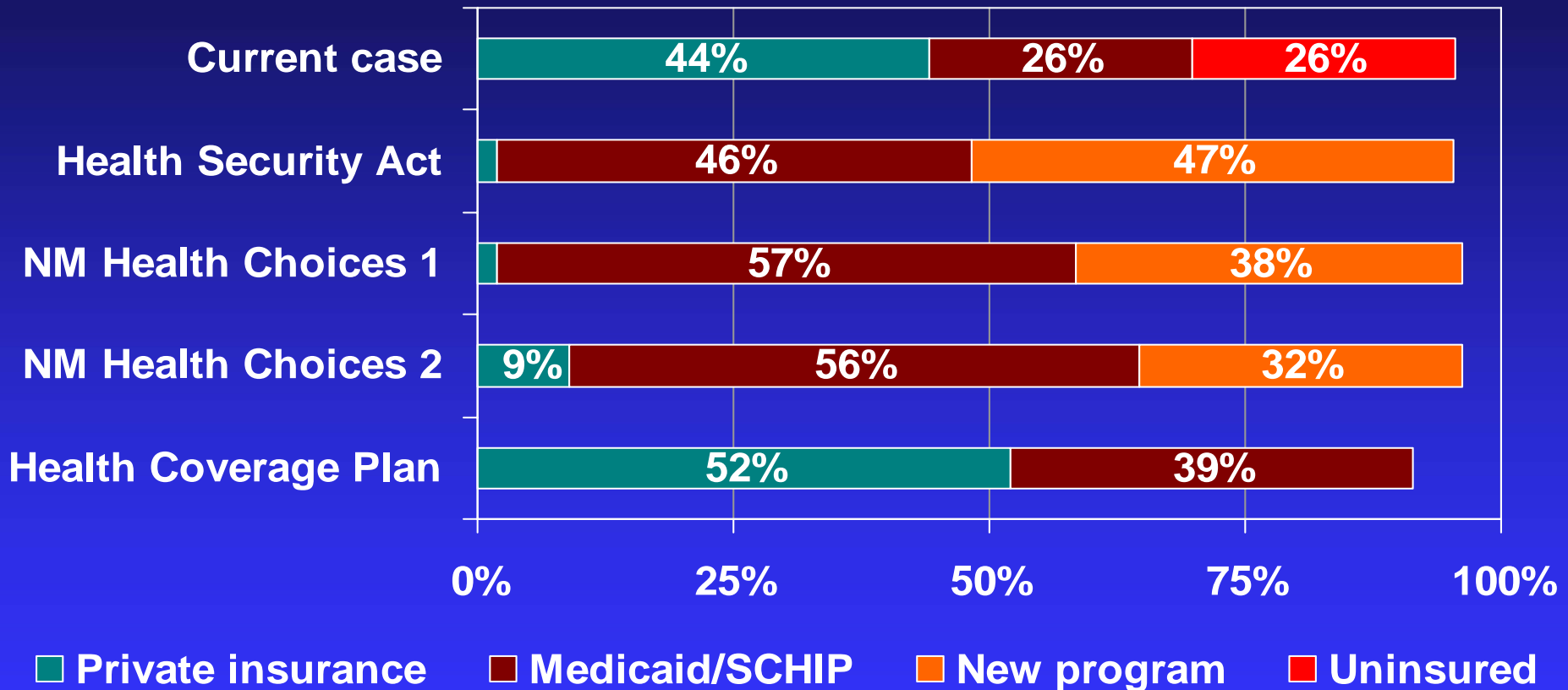


Source: Mathematica Policy Research

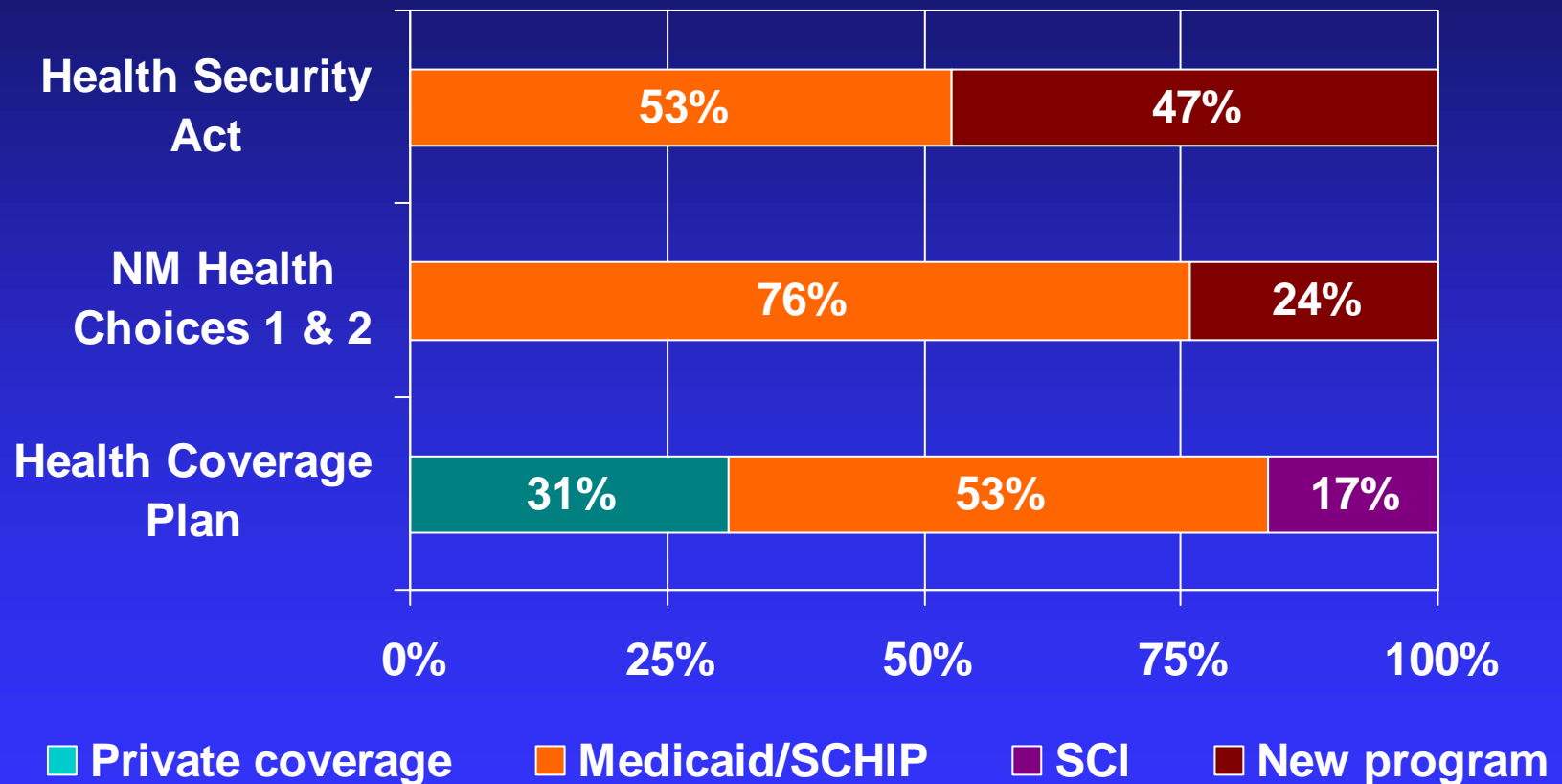
Coverage and Cost in the Reform Models

- **Assumptions:**
 - Every New Mexican becomes insured
 - Immediate full implementation
 - Maximum enrollment in Medicaid/SCHIP
 - “Crowd out” may occur
 - Self-insured employer decisions are driven by premiums
 - Individual choices are driven by premiums
 - Family coverage is preferred when available
 - Young adults first seek coverage on their own

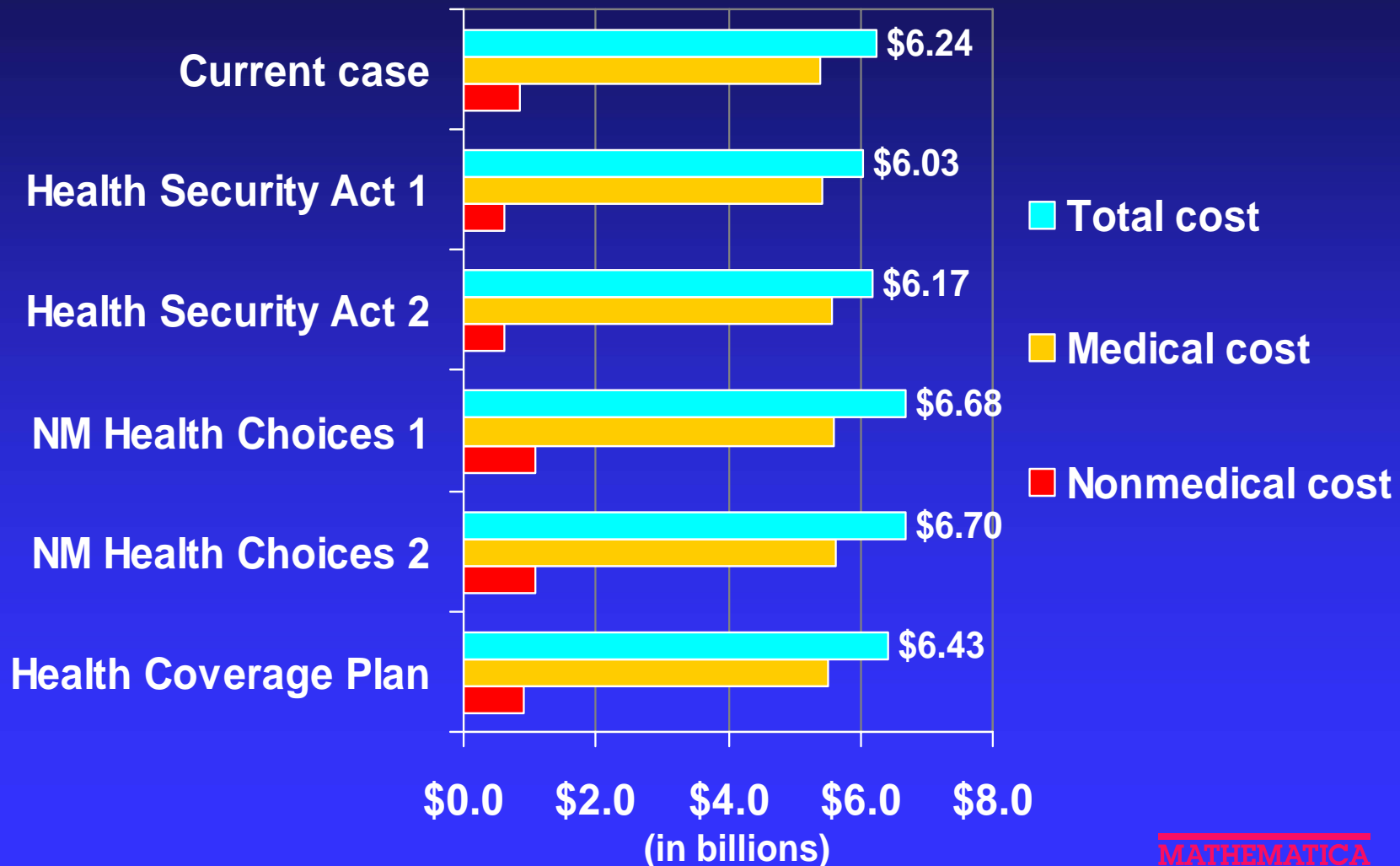
Major Sources of Coverage: Current Case and Reform Models



Sources of Coverage for New Mexicans Now Uninsured 6 Months or More



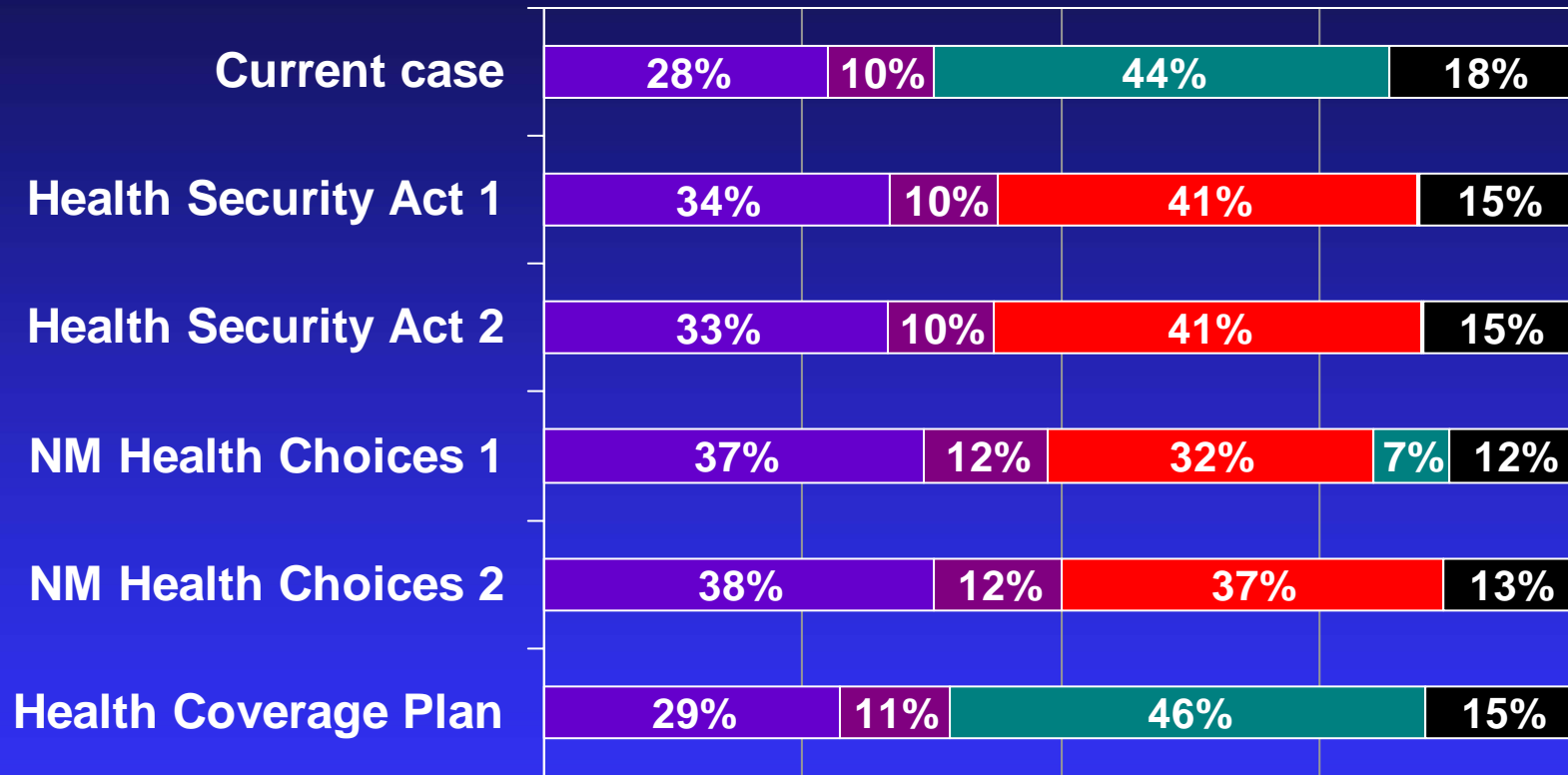
Est. Total Expenditures in Reform Models Vary from \$6.03b to \$6.7b in 2007



Factors that Drive Differences in Cost among the Reform Models

- Reduced provider payments in Health Security Act 1
- Differences in Medicaid/SCHIP enrollment with low cost-sharing
- Differences in nonmedical cost
 - Determining eligibility for subsidies and/or Medicaid/SCHIP
 - Use of private insurers

Sources of Funds in the Current Case and Reform Models



■ Federal
 ■ State
 ■ New program
 ■ Private insurance
 ■ Out of pocket

Projected Cost Growth in the Current Case and Reform Models

	Projected average annual growth 2007-2011	Projected difference from the current case by 2011
Current case	8.9%	--
Health Security Act 1 and 2	6.9%	-8 to -10%
NM Health Choices 1 and 2	8.1%	+ 4%
Health Coverage Plan	8.3%	+ 1%

Proposed Financing of the Reform Models

	Premiums	Payroll tax	Fair share assessment
Health Security Act	Capped	Yes	No
NM Health Choices 1	No	Yes	No
NM Health Choices 2	Capped	Yes	No
Health Coverage Plan	Extended SCI	No	\$300

Financing Issues for Health Security Act and NM Health Choices

- **Adverse selection from self-insured employer plans**
 - Pure community rating in Health Security Plan and Health Choices Alliance
 - Self-insured employer cost varies by health status, demographics, location
- **ERISA concerns**
- **Strategy for Health Security Act and NM Health Choices:**
 - Minimize premiums and adverse selection
 - Rely more heavily on payroll tax

Estimated Levels of Financing

	Premiums or Fair Share	Estimated payroll tax	Unfunded state obligation
Health Security Act 1	\$1.07 b	4.4%	no
Health Security Act 2	\$2.0 b	4.6%	no
NM Health Choices 1	no	8.0%	no
NM Health Choices 2	\$600 m	5.2%	no
Health Coverage Plan	\$110 m	no	\$33.6 m

Additional Concerns about Financing

- **Affordability of private insurance and compliance under the Health Coverage Plan**
 - **No subsidy above 300% FPL**
 - **As many as 20% might pay more than 6% of family income in premiums**
- **“Worst case” impact of undocumented persons**
 - **Increase required payroll tax rates by as much as 0.5 to 0.7 percentage points**
 - **Draw down 20% of the Health Coverage Plan’s fair share fund**