



Summary of Recommendations to Governor Bill Richardson

As directed by Governor Richardson's Executive Order, the goals of the *Insure New Mexico!* Council are: 1) to reduce the number of people in New Mexico without health insurance; and 2) to increase the number of small employers, including nonprofits, offering health insurance to their employees. The objectives of the Council are to recommend mechanisms to hold down the increasing costs of health insurance so more employers will offer insurance for their employees and more individuals will be able to afford health insurance; to recommend approaches for increasing knowledge of individuals and small employers about how to get health insurance for employees; and to recommend ways to reduce the "hassle factor" for employers in accessing health insurance for their employees.

The Council recognizes that in order to address these issues, a multi-layered approach is necessary to provide a web of options for employers and individuals. The Governor's Health Care Coverage and Access Task Force in 2003 recommended the continuation of a group to work on insurance and access issues. The *Insure New Mexico!* Council recommends and is committed to continuing to explore additional ideas, to implement these recommendations, and to assess the effects of the package of recommendations on usage and behavioral patterns of employers and individuals while considering the positive effects of increasing health insurance take-up and utilization and reducing costs.

Given these considerations, the Council makes the following 29 recommendations, along with five recommendations for revenue-generating ideas to pay for these approaches. With the implementation of these recommendations, the Council believes New Mexico can reduce the number of uninsured individuals significantly and can begin to move toward full coverage for all New Mexicans.

Recommendations to Hold Down the Trend of Increasing Cost of Insurance for Employers and Individuals/Families

A. Increase Insurance Options for Small Employers and Individuals/Families

1. Implement the State Coverage Initiative (SCI) beginning in FY 2006 to insure up to 7,800 adults below 200 percent of the federal poverty level (FPL); explore expansion possibilities for as much of the eligible population as possible in future years. Continue to seek county funds to expand this program further.

Cost: \$3 million general fund annually for SCI (generates \$12 million in federal funds and up to \$8 million in private funds), and \$267,000 general fund annually (generates \$333,000 in federal funds) for the Human Services Department (HSD) to administer and expand this program.

2. Allow buy-in to the General Services Department/Risk Management Division (GSD) health plans for small employers with 50 or less employees that have not offered health insurance for at least 12 months. This option should be fully funded by small employers who buy in to GSD, and assumes GSD functions are actuarially sound and operating within regular budget levels.

Cost: \$500,000 in non-recurring general fund to begin the development of and to administer the program; initial and on-going costs will be paid by employers buying in when the program is up and running.

3. Expand the role of the Health Insurance Alliance (HIA) and reduce the cost of the premiums of HIA-offered health insurance plans by revising the HIA rate structure set in statute.
4. Amend the state law applicable to individual health insurance plans such that individuals ages 19-24 can stay on their parents' health insurance even if they are not students. (This amendment was passed last year for group health insurance plans.)
5. Require insurers to offer domestic partner health insurance benefits to employers of any size who want to provide this coverage.
6. Require insurers to offer health insurance to employees working 20 hours or more. Currently, some insurers do not offer insurance for employees working less than 30 hours.
7. Provide more catastrophic or specialty health insurance plan options for targeted groups (e.g., young healthy adults) through commercial insurers and the Health Insurance Alliance (HIA).
8. Create a short-term task force of insurers and the Division of Insurance (DOI) as a subgroup of the *Insure New Mexico!* Council to explore barriers to flexible, inexpensive limited insurance plans.
9. Explore requiring all carriers to offer a limited essential benefits plan with reduced state mandates (e.g., Maine, Massachusetts, New York).
10. Strongly consider a state-subsidized reinsurance plan similar to the HealthyNY model.
11. Explore allowing employers to put high-risk employees in the New Mexico Medical Insurance Pool (NMMIP), the state's high-risk pool.

B. Provide Tax Incentives for Small Employers

1. Provide a tax credit for all businesses that provide health insurance for part-time employees working at least 20 hours a week. This credit is estimated to benefit 7,000 part-time employees (a total of 10,000 individuals, with families).

Cost: \$15 million in general fund annually.

2. Provide a graduated tax credit for small businesses (25 employees or less) that offer health insurance for their employees. Small businesses currently offering health insurance would receive a five percent tax credit, while small businesses not currently offering health insurance would receive a 10 percent tax credit declining to five percent in the second year. This tax credit is designed to entice small businesses to begin and continue to offer health insurance for employees. This tax credit is estimated to benefit 5,000 employees (a total of 7,500 individuals, with families).

Cost: \$9 million in general fund annually.

3. Explore mechanisms such as financial or tax incentives to encourage employers to pay a higher proportion of health insurance premiums for lower paid employees.

C. Use Medicaid for Targeted Populations

1. Establish a state policy that moves toward increasing Medicaid coverage (thereby maximizing federal financial participation) for all adults up to 100 percent of the federal poverty level (FPL) as resources allow, by developing a limited benefit plan for such adults with appropriate cost-sharing and beginning in FY 2006 for uninsured adults with children at the lowest poverty levels. This recommendation would cover approximately 19,200 individuals.

Cost: \$17.8 million in general fund annually (assuming 50 percent take-up rate); generates \$46.6 million in federal funds.

2. In FY 2006, create a limited benefit plan within Medicaid for adults with children up to 50 percent of the federal poverty level. Currently, only adults with children up to approximately 33 percent of the federal poverty level are covered through the TANF program. This recommendation would insure approximately 5,487 new individuals (assuming a 50 percent take-up rate).

Cost: Estimated \$5.1 million general fund annually; generates approximately \$13 million in federal funds.

3. In FY 2006, conduct enhanced outreach targeted toward Native American and Hispanic children currently eligible for Medicaid. This recommendation will cover approximately 3,800 children.

Cost: Approximately \$2 million in general fund annually; generates up to \$8 million in federal funds.

4. Move toward expanding Medicaid eligibility for prenatal care for individuals up to 235 percent of the federal poverty level (currently at 185%), and for infants and toddlers up to 300 percent of the federal poverty level (currently at 235%), with appropriate cost sharing by covered individuals. This recommendation targets the most preventive interventions for young children and will help prevent more expensive care later. These program changes could impact over 11,500 mothers and children (assuming a 50 percent take-up rate).

Cost: Up to \$7.2 million in general fund annually; generates up to \$26.8 million in federal funds.

5. Establish a state policy utilizing limited or reduced benefit packages as the state strives to maintain or potentially expand the Medicaid program in an effort to maximize the number of individuals covered by the Medicaid program.

D. Use New Mexico Clout to Keep Rising Costs to a Minimum and Increase Insurance Offerings

1. Expand the use of federally-qualified health centers (FQHCs) and primary care clinics by maintaining and expanding the rural primary healthcare network and conducting additional targeted outreach, especially to those who could use such clinics but who currently use emergency rooms for primary care.

Cost: \$2 million in general fund annually.

2. Encourage New Mexico healthcare payers to assist providers to submit claims electronically by providing equipment, training, capacity building and technical assistance. A cooperative partnership between payers and providers is encouraged to increase the use of technology and telehealth practices that decrease costs and improve health outcomes, thereby minimizing the rising costs of health insurance.
3. Design the health infrastructure and develop in-state healthcare capacity in New Mexico so fewer dollars are spent out-of-state and are instead redirected towards in-state providers.
4. Give preference in doing business with the state to companies who offer health insurance for their employees. The Governor should call on New Mexico businesses to give preference to vendors, contractors and suppliers that offer health insurance for their employees.

Recommendations to Increase Knowledge of Health Insurance Options

1. Task the Department of Health (DOH) to educate the public regarding prevention and wellness and the link to reducing the cost of health insurance premiums.
2. Charge HIA with creating a website and other mechanisms to educate targeted populations about the value of health insurance and options to obtain it, with the population targets to be based on the findings of the Household Survey.

3. Educate 19-24-year-olds and their parents regarding the importance of health insurance and the value of staying on their parents' health insurance plans, using HIA, DOH, insurance brokers and commercial insurance outreach efforts.
4. Partner with the Association of Independent Insurance Agents to add to its continuing education units (CEUs) opportunities to educate and encourage insurance brokers regarding insurance options such as SCHIP (Medicaid for children), SCI (public-private partnership for employers and low-income adults), NMMIP (pool for individuals with high risk who otherwise find it difficult to obtain insurance), HIA (for small businesses who have difficulty finding insurance), GSD (for small businesses and nonprofits), and commercial flexible benefits plans.

Recommendations to Reduce the "Hassle Factor"

1. Create a collaboration between the Health Insurance Alliance (HIA) and insurance providers to build an insurance technical assistance, outreach and ombudsman capacity for small employers; conduct outreach for small employers providing information and assistance with tax incentives, insurance options and plan selection; and build and market the "business and economic development" case for offering health insurance.

Cost: Approximately \$500,000 in general fund annually, beginning in FY 2006 for this recommendation, along with the recommendation above to create a public education capacity within HIA.

2. Strongly encourage and support the insurance industry's efforts to simplify underwriting guidelines and increase customer service for small employers.

Recommendations to Increase Revenue to Pay for These Recommendations

1. Generate revenue earmarked for decreasing the number of uninsured by closing the tax loophole for smokeless tobacco products. A tax increase on smokeless tobacco products from 25 percent to 40 percent would generate an estimated \$2.3 million.
2. Generate revenue earmarked for decreasing the number of uninsured by increasing the liquor excise tax. A tax increase on liquor from five cents a drink to 15 cents a drink would generate an estimated \$72 million.
3. Use part of any uncompensated care savings to pay for the health insurance of low-income populations after the insurance options are implemented (e.g., ME model).
4. Assure that individuals and employers participate appropriately in the cost of insurance made available through these recommendations (e.g., appropriate co-pays, premiums based on income, etc.).
5. Maximize federal revenue through use of Medicaid for low-income and targeted populations.