

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

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Overview

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

The Reform Models

Health Security Act

- Automatic enrollment in state-operated program
- Insurers to not bear risk
- Premiums scaled to income
- Payroll tax financed; employers exempt for enrolled workers

Health Choices v.1

- Individual enrollment in state-operated purchasing pool
- Insurers bear risk, self-financed risk adjustment or reinsurance
- Payroll tax, no exemptions
- State administers income-scaled vouchers

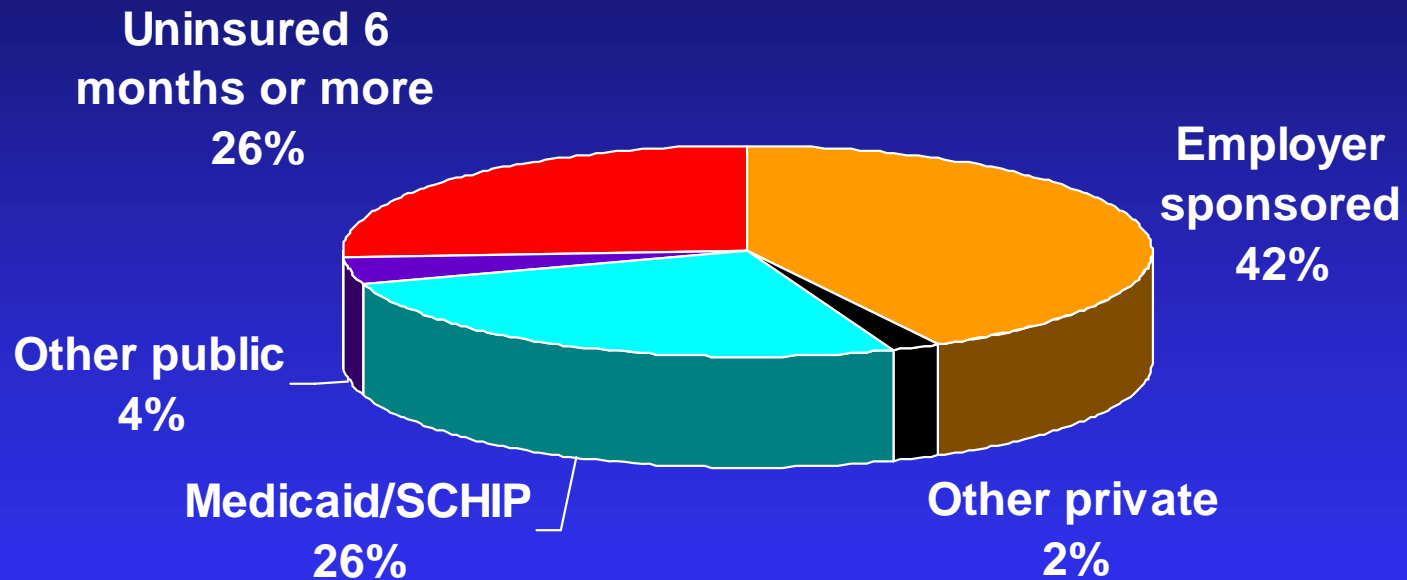
Health Choices v.2

- Individual enrollment in state-operated purchasing pool
- Insurers bear risk, self-financed risk adjustment or reinsurance
- State administers income-scaled vouchers
- Premiums for families with income above 400% FPL, capped at 6% of family income
- Payroll tax, exempt if offer and enroll workers in coverage

Health Coverage Plan

- No change in employer or insurer roles
- Expansion of SCI eligibility to 300% FPL
- Employers make “fair share” payment for each worker they do not insure

New Mexicans by Predominant Source of Coverage



Source: Mathematica Policy Research

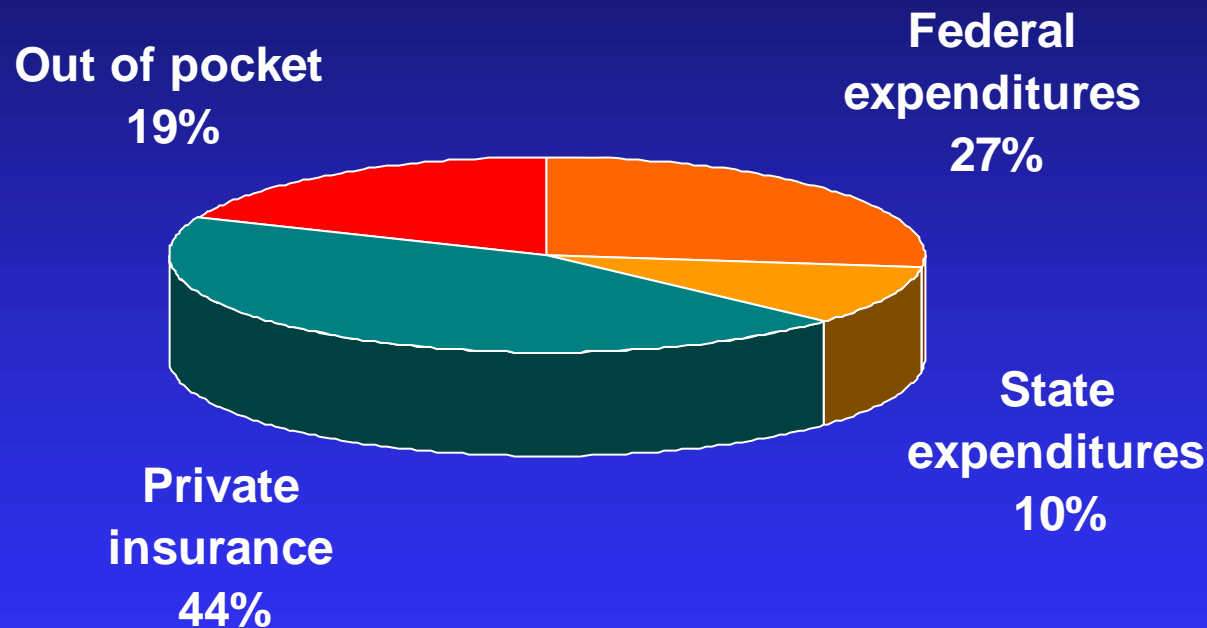
New Mexico is a Small *and* Large Employer State

- **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

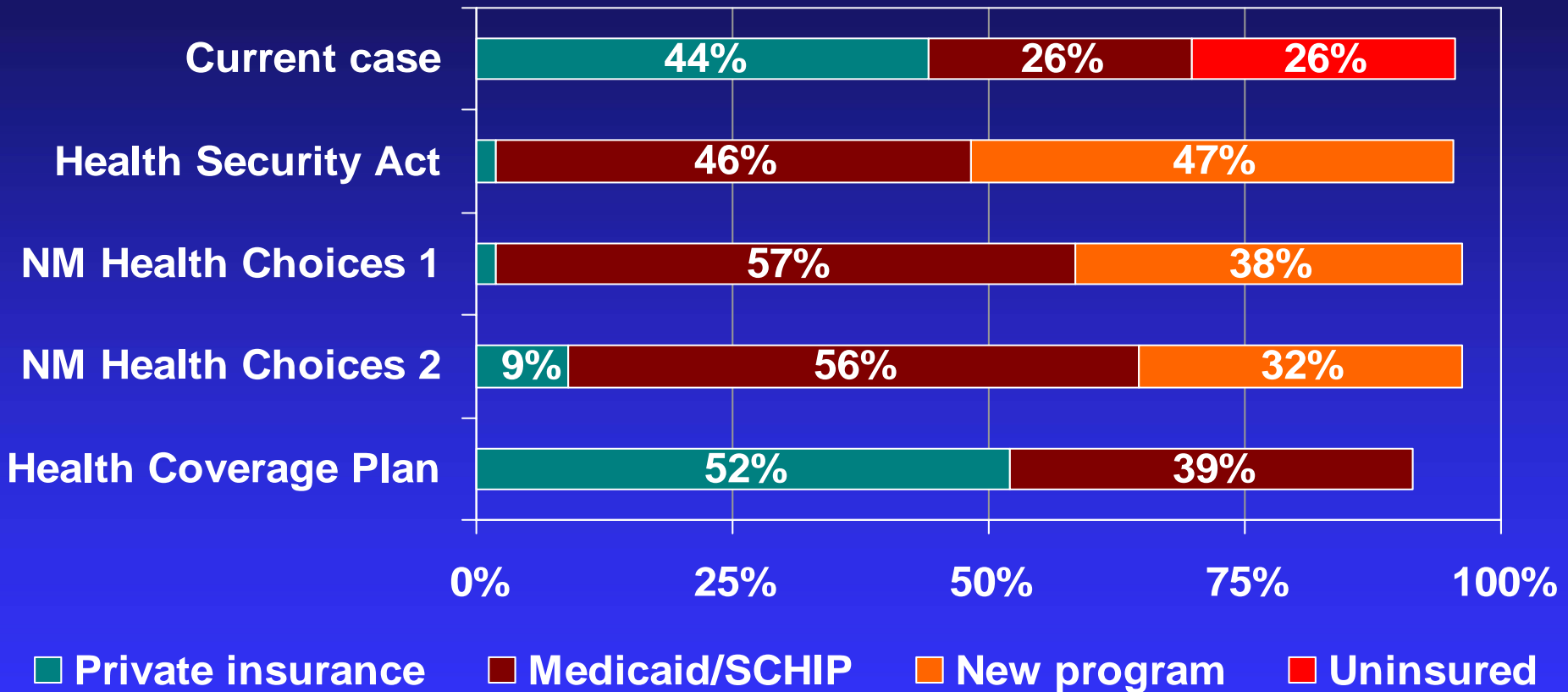
- **Noninstitutionalized civilian New Mexicans under age 65 will spend \$6.3b in medical and nonmedical cost in 2007**
- **Nonmedical costs account for 18 percent of expenditures**
 - **Claims processing and provider relations**
 - **Eligibility determination**
 - **Enrollment, and disenrollment**
 -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

Distribution of Total Expenditure by Source of Funds 2007

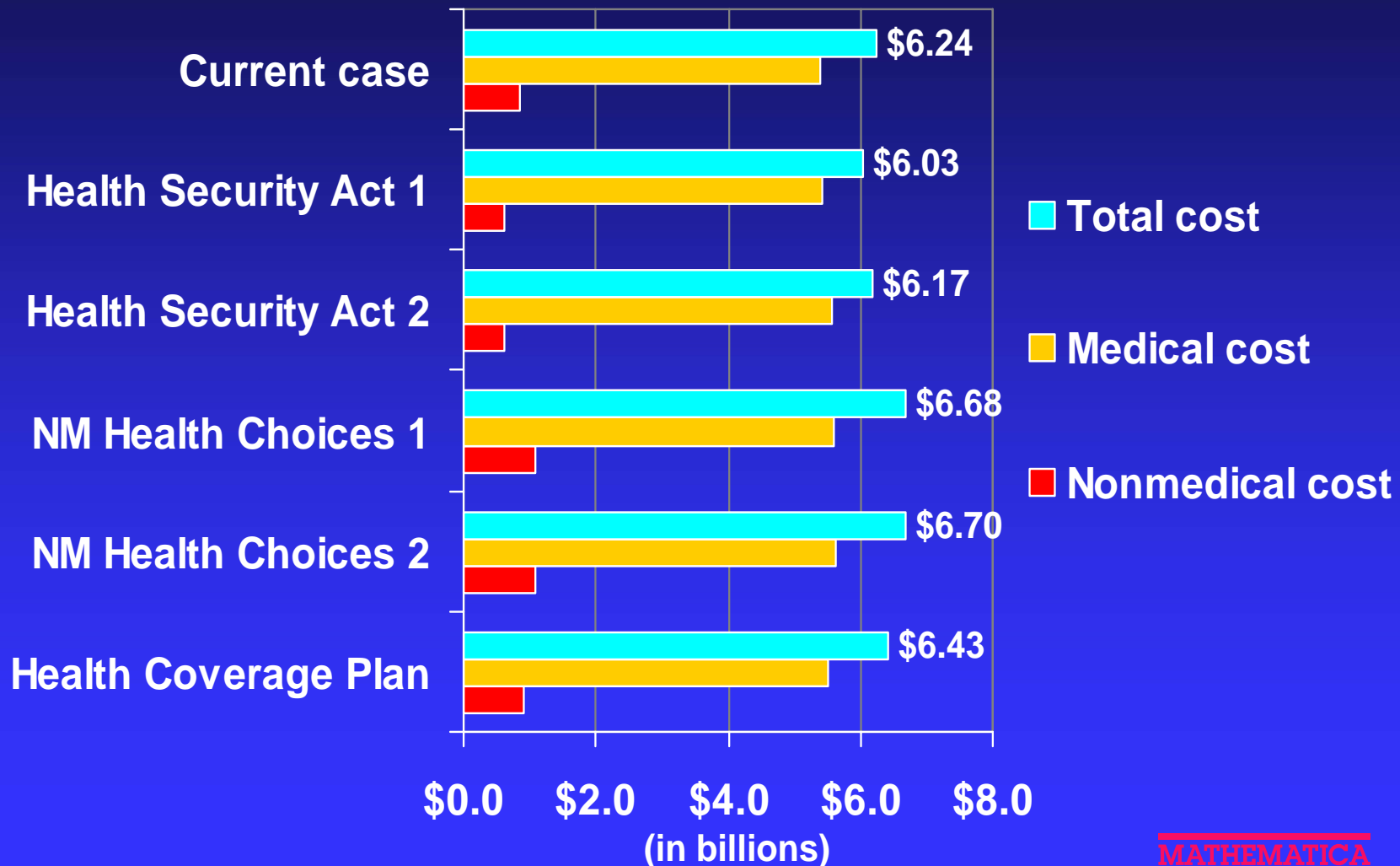


Source: Mathematica Policy Research

Major Sources of Coverage: Current Case and Reform Models



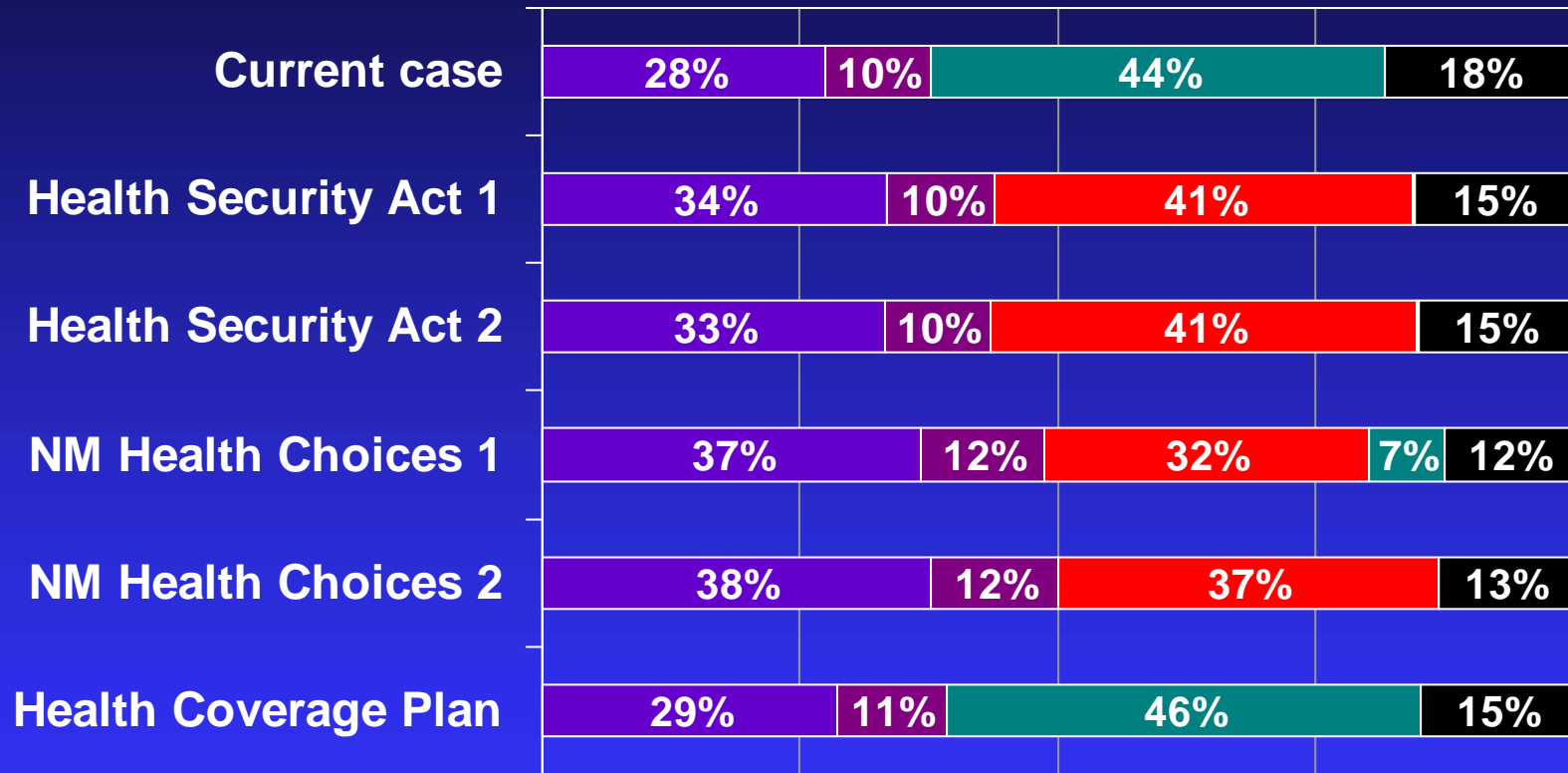
Est. Total Expenditures in Reform Models Vary from \$6.03b to \$6.7b in 2007



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% |

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 |

Economic Effects

- **Small, positive net economic effects**
- **Industry effects**
 - **Health care services**
 - **Insurance services**
- **Larger effects in rural areas**

Fiscal Effects

- Payroll tax and fair share payments (+)
- Revenue from current sources
 - Premium tax (- or +)
 - Personal income tax (-)
- Increase in economic activity (+)
- Net revenue effect: \$1.4b to \$1.8b