

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

SUMMARY AND IMPLEMENTATION ISSUES

Deborah Chollet

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MATHEMATICA
Policy Research, Inc.

Coverage

- **All reform models would expand Medicaid and SCHIP enrollment by 50 to 120 percent**
- **As intended, each of the reform models could enroll all New Mexicans, but affordability in the Health Coverage Plan could be a problem for some.**
- **Unexpected enrollment would not make any of the models infeasible, but all should anticipate a significant effect.**

Cost

- **Nonmedical costs in New Mexico are significant, and may relate to the apparent high rate of churning of coverage.**
- **A reduction in nonmedical costs could offset much or all of the increase in medical service expenditures under the reform models**
 - **Assuming current levels of provider payment, the Health Security Act would reduce total health care spending largely because of reduced nonmedical cost**
 - **The most costly reform models would layer administrative costs on private insurers' nonmedical costs with no method of constraining them**

Financing

- Use of pure community rating in a publicly-sponsored insurance program available to all New Mexicans would invite adverse selection
- This provision in the Health Security Act and NM Health Choices would force greater reliance on payroll tax financing in order to minimize premiums and adverse selection.
- Strong reliance on payroll tax financing could present problems with ERISA.
- There is some uncertainty about the use of Section 125 accounts to tax-shelter premiums paid into a public-sector health plan.

Economic Impacts

- **All of the reform models would have relatively modest net impacts on jobs and gross domestic product in New Mexico**
- **Sector impacts, especially in insurance and health care, would be greater and depend on the magnitude of changes in medical and nonmedical expenditure in the reform model selected.**

Issues for Further Consideration

- **Reform models that retain private insurance:**
 - **Must consider affordability for families with income above the usual public assistance standard**
 - **Should establish acceptable levels of nonmedical cost**
- **ERISA preemption is an significant concern**
- **An authoritative determination is needed regarding the tax status of individual contributions to a public insurance plan**

Issues, continued

- **Federal matching of Medicaid and SCHIP are critical to the feasibility of major reform.**
 - **It is unclear whether NM Health Choices could obtain waiver authority to include nondisabled adults without children in Medicaid, as proposed.**
 - **Elimination of the SCI program would mean loss of higher SCHIP matching on expenditures below \$100,000 per person under New Mexico's current waiver. Any reform model should consider options to retain these funds to help finance nondisabled adults without children.**