

# Ideas in Action

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## New Mexico Considers Universal Health Care Coverage, But Will Universal Also Mean Quality and Affordable?

Governor Bill Richardson handily won his election in 2003, returning the state to Democratic rule after eight years under a Republican governor. Richardson campaigned on universal health care, promising health care coverage to every New Mexican within four years. He also championed reducing taxes as a way to stimulate the economy. Since taking office, Richardson has outlined some new ideas to provide coverage to all New Mexicans. But, he also decided to implement his predecessor's Medicaid waiver establishing a premium assistance program to help adults buy bare-bones insurance. Recently, he proposed to cut more than \$70 million for Medicaid. While his health care task force continues to meet and a formal plan has not yet been developed, Richardson's embrace of the Medicaid waiver and his cuts to Medicaid have advocates concerned that his vision of universal health care is significantly different than theirs.

### Overview of proposal

In June 2003, New Mexico Governor Bill Richardson proposed an overhaul of the health care system to cover the state's 400,000 uninsured. Described as a "middle-ground" approach that rejects both single-payer and the elimination of government's role in health care, his laundry list of ideas includes business and individual tax credits or other subsidies, an individual mandate with a penalty for failing to obtain health insurance, and the establishment of a state-sponsored insurance pool. The Governor also intends to implement the Medicaid waiver sought by his predecessor, which uses unspent CHIP funds to provide premium assistance for adults earning less than 200 percent of the federal poverty line. In order to receive the premium assistance, a person must have an employer who will pay the monthly premium of \$75 or the person must pay both the employer's and the individual portion (\$20 to \$35 per month) of the premium. People can use the premium assistance to buy a reduced benefits package from companies that contract with the state.

One of the Governor's central ideas is to establish a state insurance pool that he hopes will enable the state to increase its buying power and hold down costs. While details of the pool are still in formation, the basic idea is that the pool would offer different insurance plans for different populations, including a catastrophic plan that all individuals

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would be required to purchase if they did not have any other health care coverage and were not eligible for Medicaid. The pool would provide insurance to workers in small businesses, workers without access to employer-sponsored health insurance, employers, and state and local public employees. Premiums from those participating in the pool, a tax on private sector employers who fail to provide health insurance coverage (equal to 75 percent of the costs they would have incurred had they provided insurance to their employees), county indigent health funds, assessments on insurance companies that want to offer plans, and hospital bad debt savings would provide the funds for the insurance pool.

The proposal would also make a number of changes to the tax code. Employers who offered health insurance coverage with benefits defined by the state would be eligible for tax credits. Individuals who would otherwise be eligible for Medicaid but obtained other health insurance would be eligible for tax credits or rebates. Caregivers providing care to someone who would otherwise be eligible for Medicaid would also receive a tax credit. The proposal would also impose a 3 percent tax on HMO premiums.

Many specific details of the proposal have not yet been determined, and the plan is not yet final. After the Governor's task force makes recommendations on October 15, the legislature will need to consider and adopt the proposed changes. A special session is scheduled to begin on October 27, but health care is not currently on the agenda.

## **Supporters/Opponents**

***Insurance companies:*** Presbyterian Health Plan, New Mexico's largest health care provider, initially praised the Governor's proposal as "talking about the right principles." However, its president raised concerns about how the plan would be funded. Presbyterian is a non-profit health care plan that also provides coverage to 120,000 Medicaid enrollees. The now for-profit (since 2001) Blue Cross Blue Shield of New Mexico reacted more negatively — questioning if it was wise to "radically revamp" the health care system with an untested model and raising concerns about the funding. Its president said that the state should focus on only one aspect of the proposal — enrolling all eligible children in Medicaid.

***Business groups:*** The Chamber of Commerce reacted negatively, saying that the employer play or pay mandate will not go over well with business. Its president said, "I can't imagine employers willingly supporting that type of policy change unless they got something of equal value in return." He also said small employers might be forced to cut staff or wages if forced to pay for health care costs.

***Low-income advocacy groups:*** The New Mexico Human Needs Coordinating Council, which names health care as its top priority, is still in the process of assessing the proposal. They have participated in the public forums about the proposal by pointing to their principles as guidelines for any health care changes. They believe that the waiver program is too expensive for people with the lowest incomes and not an effective way to increase coverage and access. The New Mexico Center on Law and Poverty provided written comments to the plan and expressed concern

that a bare-bone plans will leave many without meaningful health insurance. A number of advocacy and religious groups shared their concerns about the waiver program with the health and human services committee in August and called the plan “fundamentally flawed.”

**Labor:** Labor has not been an active player in the health care debate, although the AFL-CIO has endorsed universal coverage principles. A representative from AFSCME participates in the Governor’s task force.

## **Key messages**

Promoters of the plan have stressed that all the ideas were taken from public meetings of stakeholders around the state and that they are trying to build a consensus. They describe the health care problem in New Mexico as one of insurance and access: there are people who have insurance but no access to health services, and there are people who don’t have insurance but do have access. A key provision of the proposal is the individual mandate, which the Governor’s aides have described as similar to mandatory auto insurance.

Supporters are using the term “universal health care” and opponents have attacked this language, saying that it means single-payer health care. Supporters have been careful to say that this proposal is not a single-payer proposal because it would then be “killed in a heartbeat,” although Human Services Secretary Pamela Hyde did say that she thought that this proposal would evolve into a single-payer system in the distant future. This conflicts with the Governor’s 2003 state of the state address in which he explicitly said that he did not support single-payer health care. In later comments, he has said that single-payer is too expensive.

The proposal in its current state is broad and vague. Supporters acknowledge that it needs refinement and that some of it is contradictory. Supporters are avoiding attaching themselves to specific components to allow them to later disassociate themselves from specific aspects if they become politically untenable. They emphasize that they want to build consensus before creating anything more concrete.

## **Assessment of current status**

The Governor’s staff continues to hold governor’s task force meetings to discuss the proposal. A special legislative session is scheduled to begin October 27, although it is unclear if the proposal will be considered.

## **Funding for the proposal**

A full cost estimate has not yet been completed, although one estimate put the proposal at \$1 billion. The main funding comes from premiums from employees participating in the state pool, participating employers, and the federal Medicaid match. Insurance companies would pay a tax on premiums equal to 3 percent, rather than the current 1 percent (apparently, this is merely a clarification of existing law).

## How the proposal measures up

● Good (Medicaid or better)    ▲ Okay, but needs improvement    ⊗ Poor, unacceptable

<b>Comprehensive benefits</b>	⊗	Different populations are eligible for different benefits packages. While children up to 300% FPL will receive full CHIP benefits, others will be covered only with a catastrophic benefits package. Adults will be provided with a limited benefits package that will not meet the state-mandated minimum benefits for insurance coverage.
<b>Equal benefits</b>	⊗	Different groups of people will receive difference benefit packages based on their age and income.
<b>Affordability</b>	⊗	Adults under the poverty line will be expected to pay co-payments, those only slightly above poverty will be expected to pay premiums of at least \$20 a month in addition to co-payments.
<b>Continuous</b>	⊗	As a household income changes or children grow older, the benefit package will change.
<b>Portability</b>	⊗	As a person's employment status changes, so will eligibility for the different benefit packages.
<b>Scalability</b>	●	The proposals could easily be expanded to other states or nationwide.
<b>Winability</b>	●	Although the proposal includes a play or pay employer mandate, it does not fundamentally alter the private insurance market, making it palatable to those interests.
<b>Universal</b>	▲	While supporters claim this is universal coverage, it provides a guarantee of only catastrophic coverage.