



# How the Health Security Plan Benefits Businesses

Healthy employees are important to all businesses, and, big or small, all businesses are impacted by rising health care costs. The fewer the employees, however, the harder it is to offer affordable coverage. And if one person has an expensive illness, that raises the premium for everyone in the group.

The COVID-19 pandemic has exposed the many flaws of our current health care system. Our hospitals, especially in rural areas, are in financial trouble. Physicians are frustrated and tired of dealing with so many different health plans. The number of uninsured New Mexicans is increasing. And health costs, including for drugs, continue to rise. *These are systemic problems* that require a systemic solution.

In a state with a small population, it makes sense to create a self-insured plan that will cover most of our residents, simplify this complex system, control rising health care costs, and provide secure, comprehensive coverage. That is what the Health Security Plan will do.

## ***What is the Health Security Plan?***

The NM Health Security Plan will automatically cover almost all New Mexico residents.

*Exceptions:* Federal retirees, active-duty and retired military, and TRICARE recipients will continue with their federal plans. The tribes, as sovereign nations, may choose to join the Plan. Large-employer health plans covered under ERISA have the option of joining the Plan.

The Plan will provide comprehensive health care coverage (no less than the services offered to state employees), with freedom of choice of health care provider, including across state lines (no more networks!). This approach is similar to what large companies do when they self-insure. The plan, which is not government-run, will operate like a co-op. Employers may offer supplemental policies to employees, just as Medicare did when it was first established.

## ***How will it be paid for?***

Funding sources include federal and state monies spent on health care; individual premiums, based on income (with caps); and employer contributions, based on payroll and number of employees (with caps).

## **Insuring most New Mexicans in *one plan* reduces rising health care costs.**

A recent legislative-sponsored study concluded that the Health Security Plan will reduce rising health care costs, saving up to \$2.7 billion in a five-year period. This is the third New Mexico study that has come to this conclusion. And, virtually all New Mexicans will have insurance.

## ***Next step: the 2021 Health Security Planning and Design legislation***

There are lots of critical decisions to be made before this Plan can begin enrollment and pay health care providers. The bill creates a publicly accountable and transparent process that will address the many operational details. Prior to Plan implementation, the legislature and the governor must approve a cost analysis of the Plan ***as designed*** and how it will be funded **in real (not projected) dollars**.

***A go-slow process:*** *This careful planning and design phase is estimated to take four years. Such a major change will take time, with ample opportunity for public input.*

### ***Advantages for Businesses***

- **Reduces business administrative costs and time.** Businesses don't have to spend precious financial and personnel resources shopping for, administering, and monitoring health care plans.
- **Reduces other insurance costs.** The Plan requires reductions in premiums for other insurance policies that have health-related components, such as workers' compensation and automobile insurance policies.
- **Stabilizes health care costs.** With more than 1.7 million New Mexicans in the same insurance pool, risks are shared and costs are stabilized. Savings will enable businesses to invest in jobs and expansion.
- **Business participation.** Business owners have input into this publicly accountable plan. Ten business and consumer interests must be represented on the geographically representative 15-person commission that is responsible for administering the Plan.
- **Reduces employee absenteeism** due to illness. The Plan emphasizes preventive care.
- **Ability to attract and retain quality employees.** Since health coverage is now included, businesses of all sizes gain a recruitment and retention advantage.

### ***Patchwork solutions will not solve the rising health cost problem!***

We are all impacted by rising drug costs, by hospital financial challenges that reduce nursing staff, by physicians who are stressed and frustrated with a complex system that forces them to make decisions based on what is covered by a particular policy rather than what is best for the patient. Increasing health care costs impact our state budget. Controlling those costs will free up funds to invest in education and job creation.

***A great investment for New Mexico.*** The Health Security Plan offers a well-thought-out homegrown solution that is supported by over 170 organizations around the state. Creating one large health risk pool simply makes sense.

The pooling of risk is fundamental to the concept of insurance. A health insurance risk pool is a group of individuals whose medical costs are combined to calculate premiums. Pooling risks together allows the higher costs of the less healthy to be offset by the relatively lower costs of the healthy, either in a plan overall or within a premium rating category. In general, the larger the risk pool, the more predictable and stable the premiums can be.

– American Academy of Actuaries, July 2017