NEW MEXICO INSURANCE NOMINATING COMMITTEE

MEETING AGENDA
THURSDAY, JANUARY 4, 2019
10:00 A.M.
State Capitol Building, Room 321
409 Old Santa Fe Trail, Santa Fe, New Mexico

1. CALL TO ORDER - R. E. Thompson, Chairman

A meeting of the Insurance Nominating Committee was called to order on the above date at approximately 10:00 a.m. by Mr. Thompson, Chairman, at the State Capitol Building, Room 321, Santa Fe, New Mexico.

Introductions indicated the presence of a quorum as follows:

Members Present	**Members Absent**
R. E. Thompson, Chairman	Zach Cook
Michael Hawkes	Bill Kinyon
Tim Jennings	Brandon Fryar
Angela Romero	Frank Sayer
Scott Yurcic	
Tom Taylor [arriving later]	

Staff Present
John G. Franchini, Superintendent of Insurance
Bryan E. Brock, Deputy Superintendent of Insurance
Vicente Vargas, General Counsel
Melissa Martínez, General Counsel's Office

Others Present
Dick Mason, Health Action New Mexico

A. Introduction of Committee Members and Staff

- **Committee Members**

Chair Thompson noted there are two new members, Frank Sayer of Ruidoso and Brandon Fryar from Albuquerque. Neither were present.

Chair Thompson noted that quorum had been met.

- **Office of Superintendent of Insurance Staff**

Supt. Franchini asked Staff to introduce themselves and they did.

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Supt. Franchini thanked everyone for coming and being on the Committee. He explained the Committee is new in how they do things and manage them and responds to the needs of the government. He stated his appreciation for their support and thought this was working well and he was happy with the results.

B. Approval of the Agenda

Mr. Jennings asked to include a discussion on Legal on the agenda. He was informed that Mr. Vargas, General Counsel planned to talk about that.

The agenda was accepted by consensus as published.

C. Approval of Minutes

- **Regular Meeting Minutes of June 4, 2018**

Member Yurcic moved to approve the minutes of the June 4, 2018 meeting as presented. Mr. Jennings seconded the motion and it passed by unanimous voice vote.

2. SUPERINTENDENT'S UPDATE – Superintendent Franchini

Introduction of Bryan E. Brock, Deputy Superintendent

Supt. Franchini introduced his new Deputy Superintendent Bryan Brock. He was recently appointed so the Bureau could be better served and to spread the workload. They now have two Deputy Superintendents, Robert Doucette and Bryan Brock with the new appointment.

Bryan Brock's duties were identified as overseeing the Office of Staff Counsel, the Actuarial Division and Insurance Fraud Division, Property and Casualty and the Title Insurance. Mr. Brock's background was as a lawyer and a high level manager in State government for the last 25 years. He has served in New Mexico in different industries through appointments with the Highway Department and at the PRC as Transportation Director. He also served as Legal Counsel for three state agencies and has served as an insurance regulator for over 10 years.

Supt. Franchini expressed he was happy to have Mr. Brock join them.

Mr. Brock thanked the Committee for the opportunity. He said he appreciated Supt. Franchini's confidence and looked forward to working with them on a long-term basis.

3. 2019 Legislative Initiatives (General Counsel Vicente Vargas)

A. Budget: STERM to PERM

Supt. Franchini referenced page 5 in the packet and noted the Total Revenue Process in FY 18 was over $408 million and was an increase of $186 million from FY 14
when OSI became their own agency.

Supt. Franchini reviewed the Total Premium Tax increase from FY 2017in the amount of $26.7 million. He noted $50.5 million was collected from the premium tax audit underpayments due. They project average collections of premium taxes around $285 million annually and the ability to predict the tax is a huge step forward in accountability, credibility and acceptable processes.

Supt. Franchini stood for questions.

Member Yurcic clarified that FY 18 had increased because of the collection of the uncollected taxes. He asked if that remain at that level.

Supt. Franchini replied they expect around $285 million in spite of the extra influx of premiums because rates are increasing in all areas of insurance because of inflation. If that changes, he would let everyone know. He explained that LFC wanted to have a reasonable estimate to make projections and the OSI asked the external auditor for an idea of the amount.

Mr. Doucette added this was the amount in arrears from a 12-year audit of an outside company and is why there was an influx of $55 million in the future. They predict the same amount of revenue in the future because they think the premium tax has peaked and stabilized around $285 million.

Mr. Yurcic asked if they thought OSI would lose federal monies for Medicaid.

Chair Thompson asked if the responsibility for collection next year would fall on Tax and Revenue. He was told that is the plan for 2020.

Mr. Tom Taylor arrived at 10:12.

Supt. Franchini noted on page six, a recent federal ruling out of Texas where a federal judge said the ACA would stay in effect until it goes through the appellate court.

The New Mexico Health Insurance market remains stable with over 45k applicants enrolled in health plans, on and off the Exchange. OSI issued a statement encouraging consumers to continue paying their premiums and using their benefits as needed.

Last year OSI worked with a national nonprofit to develop a consumer education tool that makes it easier and faster to compare health plans. They partnered with Well NM and saw an increase in people who use the tool and an increase of 40% of the use of the tool. OSI has facilitated discussions between Be Well NM and Consumer Checkbook because they are not able to fund the tool next year and appears New Mexicans will have the tool available again next year.

Supt. Franchini stood for questions. There were none.

Mr. Jennings pointed out there have been problems with the Pharmacy Benefit Managers on the increases with drugs. He cited an incident he had with an increase for insulin from $45 to $145 for his dog and a problem with his son's surgery in May not billed until February causing his Out of Pocket responsibility to be in a new year. His insurance company refused to pay the bill because the error was recognized after too much time had passed.

Mr. Jennings said even though he called repeatedly about the error, he was told he had to pay when the insurance company refused to pay.

Supt. Franchini explained the OSI Managed Health Care Department handles those claims well but the problem is informing the public about the Department. They had 5,000 complaints last year and the public should call them. The health system is broken and needs to be changed and those things should not happen.

Supt. Franchini and Mr. Jennings discussed problems they have experienced with increases in drug costs and in billing.

Mr. Jennings thought there should be oversight of Pharmacy Billing Managers, costs and the billing.

Supt. Franchini agreed there should be regulatory tools to protect the policy holders and noted the upcoming legislation to oversee all of the health care costs and procedures. OSI wants to copy Massachusetts and Maryland who have had oversight for many years and there are a lot of advocates in the industry to have the bill pass and have a separate oversight commission. They currently have to go to three different places.

Supt. Franchini explained OSI was given a Pharmacy Manager position four years ago by the former governor but it was without funding. Now they have a manager in place and the Act requires they register and license all of the pharmacy benefit managers. There are over 2,500 pharmacy managers working in New Mexico and only 1,000 are licensed. They have eliminated a lot of the abuse in the medical industry by asking that the managers become certified and that has eliminated about 20% of OSI's complaints.

He indicated in the past the Pharmacists had been afraid to complain and now that they are protected the issues are being resolved.

Supt. Franchini stated that New Mexico needs stronger laws than just for pharmacy benefit managers because the system is broken. Their biggest tool is the OSI Complaint Department in Managed Health Care which has helped them pursue incorrect charges and billing and the denial of benefits.

He wished there was more money to let schools and people know how OSI could help because they could do a lot and he hoped to have more money for outreach soon. The Office has gone from 130 FTEs to about 95 full time employees in five years, but they have become more efficient with the loss of staff with the new technology.

Chair Thompson indicated there had been a program about bad insulin causing a spike in prices.

Supt. Franchini replied that legislation now will demand pricing, etc. and he had provided staff to help write that bill.

Mr. Jennings thought every medical provider should be required to list the OSI Complaint Line phone number in their office.

Supt. Franchini said he would make note of that. The number is listed in all of their plans and booklets.

He directed members to page 8 on the Financial Audit comparison of 2016, 2017 and 2018.

He was proud of what OSI has accomplished and the positive news. He reminded the Committee that he had asked for a deep audit in 2016 because he knew there were problems and was happy with the outcome. There were 31 findings and the Department learned their computer system was not able to balance.

Supt. Franchini explained he requested the audit to learn how to fix the issues but instead they received a lot of criticism. The department received the opposite from the legislature of what they expected. The audit in 2016 gave them an outline of areas that needed to be improved that three prior audits had not.

In 2017, although OSI made progress on previous years findings they still had financial disclaimers. There were 28 findings, many of which they argued about because they were false. However this year after dedication and hard work and a new auditor, the financial disclaimer was removed and OSI is able to balance their own books and they had 8 findings, 6 repeated from prior years.

He indicated they are making progress toward resolution and some issues are endemic with the system and the process and they are working to resolve those. One new claim was related to the PCS renewal premiums and OSI is working with the DFA to correct the issue. The other new finding was a financial restatement of a miscalculation discovered by the CFO, not the auditor.

Chair Thompson asked if Supt. Franchini was able to comment on proposed findings before they are issued.

Supt. Franchini replied they do respond before the findings are issued. He pointed out that many findings in the past were due to two people involved in the audit who were bankers. They did not understand that the insurance industry risk assumption is much different than the banking and OSI could not convince them.

He said he is confident going forward and the department has learned a lot and improved and they are better at what they do.

B. Own Risk Solvency Act

Supt. Franchini asked Mr. Vargas to discuss the Legislative update.

Mr. Vargas indicated the Legislative package contained two bills that they were aware of and a couple of new bills. The first bill is budget related on page 10 and is regarding four positions currently funded through ACA federal grants. They have requested funding the last two years and were asked by the Legislature and former Governor to keep using federal funding.

They had argued that the federal funding was not guaranteed and with the change in administration it was made less clear. People had left the agency because of the instability and they were down to 4 positions from 7 the previous year.

The positions for a Healthcare Policy Manager, Healthcare Attorney, IT Developer and a support staff member were presented to the LFC. Federal funding will expire this year and should carry the positions to the first half of the new fiscal year. This legislation would carry them through the balance of FY 2020 and they would request full funding for the fiscal year. The Health Care funding will remain.

Mr. Vargas indicated the budget request is a priority for the agency because they are down to the bone and the staff that help manage the ACA regulatory responsibilities and overall is down.

From a policy standpoint on page 11, the OSI is asking for ORSA (Own Risk Solvency Act) Legislation which died in committee in 2017 and was re-introduced and was deemed non-germane. New Mexico is the only state that does not have ORSA legislation and the Act requires insurance companies that write high levels of premiums to self -assess their risk and the risk in their future business plans.

Mr. Vargas explained as a regulator OSI is able to then request the assessment. They can evaluate the information to determine whether the company's plans are appropriate for the public and should continue doing business in New Mexico. They have reached out to stakeholders to start discussions with legislative leadership and members of the Senate Judiciary Committee where the bill met with problems two years ago.

Mr. Jennings asked if this was a result of issues with life insurance going into foreign ownership.

Mr. Vargas explained that could be a genesis but ORSA is a national model within the insurance industry and the National Association of Insurance Commissioners helped to develop the model. The genesis was the financial collapse of AIG as an insurer and that might be connected with foreign activities. But if AIG had been required to file an ORSA, State regulators would have seen the risky investments and business deals that were being done.

Supt. Franchini added that no one knew that AIG had invested in mortgage backed securities because it was not regulated by the insurance department and the ORSA bill could have prevented some of the problems. He noted the accounting laws are not sophisticated enough to catch that.

He stated the bill is important because without it OSI will have to ask Texas, Arizona or Colorado to do the ORSA assessment for New Mexico companies doing over $5 million in sales. Then OSI would need to get permission from Texas, Colorado, etc. to give back to New Mexico and he did not want that. The states argue enough with worker's comp rates.

Mr. Vargas agreed with Supt. Franchini regarding other state regulators and noted that the Illinois regulator has ORSA giving them the ability to request information from Blue Cross Blue Shield. Since New Mexico has not passed ORSA they cannot look at the ORSA Blue Cross Blue Shield they file in Illinois. This legislation would allow reciprocity of information and is important because the level of proprietary information in the ORSA files is in-depth and detailed.

Mr. Taylor asked if true that Washington, D.C. also does not have ORSA.

Mr. Vargas explained they are in the process and may have already passed that.

C. Updates to Insurance Code

Mr. Vargas pointed out legislation on page 12 that comes about every other year and is a "clean-up bill" because the industry is ever evolving and their regulatory oversight evolves as well. This bill makes the needed changes to stay current in the Insurance Code.

Mr. Vargas stated that the hope is for OSI to be pulled out of the oversight of the Administrative Procedures Act (APA). Every other agency within the State government has its own set of hearing procedures and OSI has requested that the APA statute not apply. They are ready with the rules and rulemaking and a hearing procedure for the rules to justify not being part of the APA.

Chair Thompson asked if the rules and procedure would be published on the web site.

Mr. Vargas replied they are and there would be a public hearing on the rules, the NOPR would be on the website and codified into the administrative code and made public and available.

He noted that OSI has requested consistency in references in the statute language for insurance producers opposed to insurance *agents*. The bill will be large with about 30-40 pages.

Mr. Vargas added they have also asked to extend the amount of days in some instances to conduct hearings on a grievance when someone says that an action by the Superintendent would adversely affect them. Currently they have 30 days to conduct a hearing but they have asked for 180 day extension.

Mr. Vargas stood for questions.

Mr. Taylor asked what a non-emergent issue is on the 180-day timeframe.

Mr. Vargas provided an example of an individual that said that OSI's Licensing office action to revoke the person's license would affect them and they request a hearing. The Superintendent, or the district court, could request that the action be suspended until the hearing and the producer could continue to operate until the hearing is conducted. There is no emergency in that case.

Chair Thompson noted that a person would be in a state of uncertainty until the issue is resolved and 180 days seemed long. He thought 90 days more appropriate.

Mr. Vargas agreed.

D. Surprise Billing

He noted on page 13 there were two bills OSI would support; one for surprise billing and another for legislation for short-term and limited benefit plans. He explained they have worked on surprise billing for over a year and consumers are stuck in the middle. They want to find a compromise for a structure that allows a provider to be appropriately reimbursed where they provided services not covered by the insurance.

An example was given of a patient who is covered by insurance for their surgery, hospital stay and the surgeon, but only a small portion of charges of the anesthesiologist are covered. When the insurance company denies the payment the hospital often goes after the patient.

Mr. Vargas said OSI feels the patient should not be in the middle of the dispute and is looking at options that could be codified into statute to allow appropriate reimbursement to the provider. The options have to be one where there is agreement when an insurer/provider would be reimbursed and one of the options is at 150% of the Medicare reimbursement.

Mr. Vargas noted the concern that providers may be dissuaded from establishing themselves in New Mexico and OSI does not want that. They have legislation now in final draft they think is a good compromise.

Chair Thompson indicated there is a federal statute effective January 1 that requires providers to state their standard fees for certain procedures. He suggested they look at what is currently required in terms of the charges.

Mr. Vargas agreed. He added in many cases it is an issue that happens in emergency situations and that makes it difficult.

Supt. Franchini stated the new legislation would drive transparency for hospitals and require them to post their charges nationwide. The Commission they hope to form in July would rate and grade each hospital and it would be an opportunity to make changes. The legislation would be good for the public's understanding as well as the doctors and hospitals and make them more accountable.

He noted that the lack of transparency has cost them stress, legal litigation and bad faith.

Mr. Jennings thought the pharmacies would be excluded from the transparency and they could post charges but when a patient is flown from one city to another the cost is very different.

He thought there should be certain standards of care the hospitals have to provide and standards should be developed about what would be provided if the city hospital has an emergency room. And they should know how much of their care is given by a local doctor.

Supt. Franchini agreed that could be a problem. He noted OSI could only regulate the insurance company and the contract for fairness and the medical side - the quality of hospitals, doctors etc. - is not OSI's job. The Department of Health (DOH) is supposed do that, but he has never seen them get involved when there is a crisis.

Mr. Yurcic asked regarding the example of the anesthesiologist, if the legislation proposed could be to a legislative medical fee schedule for reimbursement indexed to Medicare.

Mr. Vargas replied that is one option; there are three options to reimburse the provider and that is the highest of the three.

Mr. Yurcic asked about the surprise billing and if it would trigger a reimbursement, or how that would be determined.

Mr. Vargas explained the process would be triggered when a consumer complaint is received, but the process is a question. The ultimate goal is to remove the consumer from the dispute. There is an appeals process within the insurance industry and once exhausted, OSI also has an appeals process, but he was not sure of the process to determine emergent /nonemergent etc.

Supt. Franchini noted that the goal is to eliminate surprise billing and he is optimistic that would be resolved if the legislation passed.

Mr. Yurcic asked if someone out of network was put into a healthcare situation creating a surprise billing, whether the insurance company could claim their contract disclosed all of the in-network/out of network costs. They could say it was not their fault and there is no such thing as surprise billing.

Supt. Franchini explained the legislation would have regulations but the problem would be with those who do not fit into the puzzle. They would make it predictable through the legislation.

Mr. Yurcic confirmed they were actually looking for a reduction on the elimination. There would still be those who do not know operational procedures or who make a mistake and miscode, but with legislation the hope is to reduce that.

Supt. Franchini agreed and noted there are up to 20,000 medical codes.

Mr. Vargas explained a situation where an out-of-network procedure was done that was not an emergency would fall on the patient to cover the balance of the bill. The legislation is not intended to circumvent going out of network and is mostly the emergency situations when there is no choice. In the situations where someone feels they should not have to pay a balance, then they would still have a process.

Mr. Hawkes asked if there would be a baseline and if it fell in the gray area, who would make the determination.

Mr. Vargas replied that would be worked out by the insurance industry. Of course someone who went

in for a procedure they thought would be covered but was denied, would be able to go through the appeals process.

Mr. Jennings thought writing the legislation to make it work would be difficult and he was not clear how this could be done across state lines. A board-certified specialist is sometimes only available in another state. He added that the trial lawyers are the best place to get the ratings.

Mr. Vargas agreed.

Mr. Hawkes asked if the surrounding states have similar legislation.

Mr. Vargas explained his statement about three levels was for the provider to receive reimbursement and the provider would be compensated at the highest of the levels. That will only happen in certain situations, mostly in an emergency situation.

Mr. Hawkes questioned what would stop an ER doctor from moving to Dallas if he is limited in his earnings.

Mr. Vargas replied that is what providers say, but the flip side is how much of the providers' business is predicated on that type of emergency service. That is why OSI feels the three levels would adequately reimburse for their service.

Mr. Vargas stated another perspective is the providers currently do not pursue reimbursement from insurance companies, they pursue reimbursement from the patient, who probably does not have the ability to pay. Then providers typically sell that debt to a collection agency for pennies. This legislation provides them the certainty in that situation of knowing the reimbursement rate they would receive.

He noted however, that Mr. Hawkes's concern was valid.

E. Short Term & Limited Benefit Plans

Mr. Vargas said currently the short-term and limited policies are becoming more popular and OSI has limited authority over them. They have seen deceptive practices in selling the product to consumers and consumers are not aware of the limitations in benefits until in a surprise billing situation.

OSI requested more authority to regulate these to protect consumers and legislation would define short-term billing as coverage for 90 days. The consumer would have to proactively renew the product and there would be no automatic renewal. That also helps protect consumers from solicitors.

The short-term plan definitely has a market and can provide health care between jobs, but if people start to rely on them OSI wants to be sure consumers are aware.

Mr. Vargas stated he had reviewed all of the legislative initiatives and all are geared toward more consumer-directed types of legislation.

Chair Thompson asked about the ACA. He knew there were 45k still buying the coverage.

Supt. Franchini explained people no longer have to buy insurance and there is no penalty not to and there is no tax credit, but the Exchange this year would have 46,000 people compared to 51,000 two years ago. He thought the 5,000 who did not renew were people who now have a job that provides insurance; some have reached age 65 and are on Medicare and a few with low income have qualified for Medicaid.

He indicated they would know the exact figures in a couple of months. He thought they would find an increase of about 5,000 people in the state that were not previously insured.

Chair Thompson confirmed that the coverage through the Exchange complied with the ACA.

Supt. Franchini replied there were many large group plans that have adopted the 10 essential benefits; the State government did. Having an insurance plan is good guarantee that a person would not be destroyed financially if they have a catastrophic illness.

Supt. Franchini thought next year if the ACA is still in place, there could be two or three more companies writing business in the Exchange. The businesses have found a way to live on 15% of the premium and 85% went to pay the claims and that changed the dynamics in health care and why he is an optimist about individual enterprise. They figured out a way to make a profit.

4. BUSINESS FROM THE FLOOR

Mr. Jennings asked the status of the PCF lawsuit.

Mr. Vargas explained OSI was sued by medical providers for allowing hospitals to be members of the Patient Compensation Fund. Medical providers claimed OSI did not follow proper hearings. OSI's position was they had followed the PCF statute that does not require hearings. The judge in district court ruled against OSI saying there should have been some type of procedure.

The first hospital was allowed in 11 years ago and raised no concern until this lawsuit and OSI thought it made sense that hospitals or doctors should be allowed in the fund.

Mr. Vargas explained the crux of the matter is whether the ruling will be prospective or retrospective. If prospective they will take members in on an annual basis and if retrospective, there are claims going back 10 years that have been settled and payments are in place and injured parties are receiving medicals. That could be disrupted.

There is also the question of what would happen to the payments in the fund. Whether OSI appeals or not would depend on the court and the decision to be prospective or retrospective.

Mr. Vargas indicated the initial decision was no concern to him but the problem would be if retrospective.

Mr. Jennings commented that many of the doctors felt they had been robbed because the doctors had put most of the money in the fund.

A person in the audience addressed Mr. Jennings saying that the doctors were wrong. He noted the fund currently has $38 million because the hospitals participated and two years ago only had $11.6 million contributed by the doctors. The doctor membership fell from 4,000 members in the fund to 1,200 and that was only independent doctors.

Medicine has changed and has evolved into medical groups etc. and doctors were not participating even though the law since 1977 stated hospitals would be covered first and doctors second. Only Christus St. Vincent joined until Alan Seely, the actuary, got involved.

Mr. Seeley had a process and anyone brought in had to have an audit by an approved actuary and then be approved by the State Actuary. That was done two years ago in two public meetings in which doctors were present and the procedure followed the statute.

The trial bar has ignored the statute stating OSI did not follow the procedures code.

He was bothered by that because they followed the laws of the statute and have helped the plan to be solvent. In addition, an excess liability policy was purchased to take care of the hospitals because unlike the doctors, there was no limit on claims. The irony is that in the past there were 1200 doctors in the plan and now 4100 doctors are paying.

Mr. Vargas commented that much of the financial pressure on the PCS was a result of negligent practice by doctors and OSI has no authority to go after them. Doctor's licenses should be regulated because when they commit negligent acts they continue to practice.

He stated it was not the that exposed OSI to PCF, it was the doctors.

Mr. Jennings pointed out Albuquerque has a lot of doctors that were hired by hospitals but that was not true for the rest of state. Doctors with Managed Care would come into town and buy contracts and pressure the local doctors to put more patients in the hospital and see more people for less money. That drives every doctor out of the community. Multiple legislation had to be passed on fair trade.

Supt. Franchini replied in the last five or six years there were three acts that had been committed by doctors and if they had been attorneys, they would have been disbarred and possibly charged with a felony. Those doctors are still out there practicing.

He agreed medicine had changed and had abandoned rural areas.

Mr. Jennings said things need to change and more money should be put into doctors in rural areas so people do not have to drive so far. The Elks Club raised $50,000 to transport veterans to the VA Hospital.

Supt. Franchini agreed. He added that the Patient Compensation Fund by law allows both doctors and hospitals. His goal is to get them back together because it is better for them to work together on the same

level playing field for liability. When one has a $2 million limit and one is unlimited that causes huge stress on the system.

The main goal of the Patient Compensation Fund was for the hospitals to have the same rules as doctors.

Mr. Jennings stated there needs to be a lot of change and if they want to grow New Mexico, that cannot happen without healthcare and the state cannot compete in a market that sends everyone to Texas for their healthcare.

Supt. Franchini pointed out that without the fund the 14 or 16 hospitals in the fund two years ago would not have had the financial ability to fund exposures outside of the fund. They could not afford the coverage and would have had to close hospitals. They are trying to get stability into rural areas to protect the public.

Mr. Taylor pointed out the problem is not just with hospitals, it is with any business. The rules and regulations are written for the big guys and the little guys have to follow those even when not affordable. Small businesses have to fight big chains where the liability is based on a different revenue stream.

Supt. Franchini agreed. OSI has conducted 4 seminars to discuss costs because the public is angry about them. What would have cost $55 years ago would today cost hospitals $1,200 just to fill out forms and send to agencies about a patient. Someone has to pay for that.

5. CALENDAR NEXT MEETING - Chairman R. E. Thompson

Supt. Franchini thought it would be good to have a meeting at the end of March or first of April.

Chair Thompson suggested they choose a date the first two weeks of May.

Public Comment

Mr. Dick Mason, Chair of the Policy Committee, said the Committee had been involved in some of the surprise bill legislation and support all of the legislation. He complemented Staff on doing a great job and noted that the four positions requested are very important for consumer protection.

He added that he also wanted to raise the Revenue Stabilization and the Tax Policy Committee would propose an Omnibus funding bill. Part of the legislation would take away 30 exemptions from the GRT, one is for the high risk pool. Particularly with the ACA up in the air, that could disrupt if the high risk pool is threatened. Not only will it be a threat to people getting services, it will throw the entire insurance market into disruption.

Mr. Mason indicated he was not sure people understood the implications of taking away the exemption. He thought people need to speak up. He pointed out that Chairman Trujillo said he wants to hear people's concerns about the bills in the packet and this is one of the biggest threats to the insurance market.

Mr. Jennings stated the high risk pool has about 2400 people and their healthcare costs $8 million a year because of dialysis, children with problems , etc. They pay about $10 million in premiums that in a small individual market would cause it to break.

The Governor wanted to do away with the pool but the Republican logic about making money on the pool was that the money went to run the cost of the program. The pool was used as a political ploy.

Mr. Jennings talked about Governor Johnson who privatized Medicaid with the State receiving 2% premium tax on the Medicaid business. That was how they put the income levels in the high risk pool so lower income people could afford it. He said that worked well. The pool dropped from 12,000 to about 2600 when Obama care came but is still working fine. They just have to find a place to put those 2600 people.

Supt. Franchini pointed out covering those people would be only about 30 some million dollars because the insurance companies pay 50 percent. He said they will take care of them and in this way they will be compensated.

Mr. Jennings mentioned that many of the uncompensated carriers go to Albuquerque hospitals because they are the only hospitals that could provide the care.

Supt. Franchini said after studying the oil and gas industry extensively he realized that Texas, Oklahoma, Alaska, etc. - all of the oil producing states - have a more extensive workers comp rating for the oil and gas industry. New Mexico has only one classification no matter what work is done and last year he demanded the system be checked and they met in Hobbs. Most of the insurance handlers for oil and gas were there and they presented different classifications and now instead of only one classification there are twelve.

Supt. Franchini stated they would have another hearing after writing up the classifications, probably in June, and after their buy-in the rates would be fair. Insurance agencies will lose about 30% of their premium revenue, but this will be more transparent and save the industry about 3.5 cents per hundred dollars of revenue generated.

Chair Thompson agreed everyone was satisfied.

Mr. Jennings suggested they should live in the area they rate because there is a big difference being in the industry in Farmington than in Carlsbad. Out of the accidents that happen in southeastern New Mexico 99% are not related to the industry. They are related to poor roads.

He commented on the poor roads and the resulting situations.

The Committee briefly discussed bill tracking during the session.

6. ADJOURNMENT

The meeting was adjourned at 12:15 p.m.