
APPENDIX A

The Financial Impact of A Single Payer Model in New Mexico

Overview

- ◆ Description of the program
- ◆ Summary of financial impacts
- ◆ Detailed analysis of changes in health spending
 - Government
 - Employers
 - Households

The Tax Financed Model

- ◆ Covers all New Mexicans including Medicare beneficiaries
- ◆ The Medicare program would remain as is and Medicare beneficiaries would receive a wrap around benefit for prescription drugs and a limit of \$1,500 on out-of-pocket expenses
- ◆ The state would establish a rate regulated system
- ◆ The state would establish a global budget for covered health care services (would not go into effect until 1998)

Standard “Intermediate” Benefits Package

◆ Covered Services

- Inpatient hospitalization
- Outpatient services
- Lab and X-Ray
- Occupational, physical and speech therapy
- Case Management
- Prosthetics, durable medical equipment and supplies
- Family planning
- Physician services
- Preventive care (routine physical exams and well child care)
- Subacute care
- Prescription drugs
- Inpatient mental health services and substance abuse (up to 60 days)
- Outpatient mental health and substance abuse (up to 30 sessions - more at plan discretion)
- Dental care for children
- Eyeglasses for children
- Ambulance
- Long-term care and home health services
- Hospice services

Standard “Intermediate” Benefits Package (continued)

◆ Cost sharing:

- \$200/\$400 deductible
- 20 percent coinsurance
- \$1,500/\$3,000 out-of-pocket limit

Financing

- ◆ State and federal spending for Medicaid and the Indian Health Service
 - Projected federal Indian Health Service spending transferred to program
 - State and Federal funding for Medicaid transferred to program
- ◆ The cost of coverage for workers and dependents would be financed through a payroll tax
 - Employer tax rate: 6.34 percent
 - Employee tax rate: 1.58 percent
- ◆ A tax on personal taxable income of 2.08 percent would also be used to fund the balance of the program

Changes in Health Spending in New Mexico Under A Single-Payer Model

Lewin-VHI, Inc.

Table 1: Changes in Health Spending in New Mexico Under A Single Payer Model in 1998 (in millions)^a

		CHANGES IN SPENDING
CHANGES IN HEALTH SERVICES UTILIZATION		
Increase in Utilization Due to Expanded Coverage:		\$207.6
Utilization Increase for Previously Uninsured ^b	\$158.2	
Expanded Coverage for Those Already Insured ^c	\$49.4	
CHANGE IN ADMINISTRATIVE COST		
Insurer Administration (Includes Administration for Newly Insured) ^d		(\$181.3)
Provider Administrative Savings ^e		(\$211.7)
Administration of Cost Sharing Subsidies		\$33.6
Net Change in Administrative Costs		(\$359.4)
CHANGE IN PROVIDER REIMBURSEMENT		
Net Change in Provider Reimbursement^f		\$0.0
New Revenue for Previously Uncompensated Care	\$153.3	
Reduction in Cost Shift	(\$153.3)	
NET CHANGE IN HEALTH SPENDING		
Net Change in Health Spending		(\$151.8)

Table 1: Changes Health Spending in New Mexico Under A Single Payer Model in 1998 (continued)

- a Includes spending for acute care services only; excludes spending for long-term care, public health, research and construction.
- b Assumes that utilization of health services by previously uninsured persons will rise to the levels reported by insured persons with similar age, sex, income and health status characteristics.
- c Assumes that utilization of newly covered health services for insured persons whose coverage is upgraded (prescription drugs, etc.) will rise to the levels reported by persons who have such coverage.
- d Reflects the reduced insurer administrative cost of covering all persons under a single payer program.
- e Reflects the reduced provider administrative cost due to a single payer program.
- f Under a universal coverage program, hospitals and physicians will receive payments for care formerly provided as uncompensated care. We assume that provider payments are adjusted to eliminate provider windfalls for care already paid for through cost shifting.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 2: Changes in Health Spending in New Mexico Under A Single Payer Model in 1998 (in millions)^a

	Before Wage Effects		After Wage Effects	
CHANGES IN HEALTH SPENDING				
<i>Federal Government Health Spending</i>		(\$137.2)		(\$90.0)
Employee Benefits Costs	\$32.7		\$32.7	
CHAMPUS Program	(\$169.9)		(\$169.9)	
Tax Loss (Gain)	----		\$47.2	
<i>State Government Health Spending</i>		(\$8.2)		\$0.0
Total Program Costs	\$3,681.0		\$3,681.0	
Program Revenues	(\$3,689.2)		(\$3,689.2)	
Tax Loss (Gain)	----		\$8.2	
<i>County Government Health Spending</i>		(\$13.1)		(\$13.1)
Savings to Indigent Care Program	(\$29.2)		(\$29.2)	
Local Government Worker Health Benefits	\$16.1		\$16.1	
<i>Private Employer Health Spending (Net of Subsidies)</i>		\$131.0		(\$110.2)
Firms That Now Insure	(\$62.0)		----	
Workers and Dependents	\$48.2		----	
Retirees	(\$110.2)		(\$110.2)	
Firms That Do Not Now Insure	\$193.0		----	
<i>Household Health Spending</i>		(\$124.3)		\$61.5
Premium Payments	(\$649.4)		(\$649.4)	
Payroll Tax Payments	\$765.0		\$765.0	
Out-of-Pocket Payments	(\$239.9)		(\$239.9)	
After-Tax Wage Loss (Gain)	---		\$185.8	
NET CHANGE IN HEALTH SPENDING				
Net Change in Spending ^a		(\$151.8)		(\$151.8)

a See Table 1 for a detailed summary of changes in national health spending.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 3: Change in Health Services Utilization for Insured and Uninsured Persons Under A Single Payer Program in New Mexico in 1998 (in millions)

Type of Service	Uninsured Under Current Law			Insured Under Current Law		
	Current Law	Single Payer	Change from Current Law	Current Law	Single Payer	Change from Current Law
Hospital Inpatient	\$259.4	\$304.2	\$44.8	\$1,577.6	\$1,580.0	\$2.4
Hospital Outpatient	\$42.7	\$57.9	\$15.2	\$785.2	\$787.4	\$2.2
Physician	\$59.3	\$116.9	\$57.6	\$1,147.7	\$1,156.3	\$8.6
Dental	\$15.0	\$16.6	\$1.6	\$288.2	\$296.0	\$7.8
Other Professional	\$20.0	\$28.5	\$8.5	\$385.7	\$386.9	\$1.2
Prescription Drugs	\$35.1	\$58.1	\$23.0	\$531.5	\$558.5	\$27.0
Eyeglasses	\$8.8	\$16.3	\$7.5	\$153.4	\$153.6	\$0.2
Total	\$440.3	\$598.5	\$158.2	\$4,869.3	\$4,918.7	\$49.4

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Changes in Government Health Spending

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Table 4: New Mexico State Program Costs Under the Single Payer Model in 1998 (in millions)

PROGRAM COSTS		
New Program Costs ^a		\$2,692.7
Payments for Acute Care	\$2,964.0	
Administration	\$93.7	
Offsets		
Uncompensated Care Savings	(\$153.3)	
Provider Administrative Savings	(\$211.7)	
Wrap Around Benefit for Medicare Beneficiaries ^b		\$598.1
Supplement Services ^c		\$205.6
Cost Sharing Subsidies ^d		\$141.8
Subsidy Payments to Individuals	\$108.2	
Administration of Subsidies	\$33.6	
Tax Loss (Gain) Due to Payroll Tax ^e		\$8.2
State Employee Benefits ^f		\$42.8
Total Program Cost		\$3,689.2
PROGRAM FINANCING		
Funding for Current Medicaid (Acute Care Only) ^g		\$1,121.5
State Share	\$291.6	
Federal Share	\$829.9	
Payroll Tax		\$2,041.9
Employer Share	\$1,276.9	
Employee Share	\$318.0	
Personal Income Tax	\$447.0	
Federal Funding Transfer to Program ^h		\$336.9
State General Funding Transfer to Program		\$188.9
Total Program Funding		\$3,689.2
NET PROGRAM COSTS		
Net Revenue Requirement		(\$0.0)

Table 4: New Mexico State Program Costs Under the Single Payer Model in 1998 (continued)

- a Includes estimated provider payments and insurer administrative costs offset by: 1) the value of free care that becomes reimbursable which is currently paid for through the cost shift and 2) the value of provider administrative savings.
- b Medicare beneficiaries will receive a wrap around benefit that includes prescription drugs and a \$1,500 out-of-pocket limit.
- c Supplemental benefits will be provided to Medicaid recipients for currently covered services that are not covered under the standard benefits package.
- d Subsidies will be provided for out-of-pocket costs for persons below poverty.
- e The payroll tax will result in a net loss of wages with a corresponding reduction in state personal income tax revenues.
- f Reflects the net change in state employee health care costs resulting from a shift to the payroll tax.
- g Includes Medicaid funding for acute care services.
- h Includes funding for the Indian Health Service and other federal funds.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 5: Change in County Health Care Costs Under the Single Payer Model in New Mexico in 1998 (in millions)

	CHANGE IN COSTS
County Employee Health Benefits ^a	\$16.1
County Indigent Care Programs ^b	(\$29.2)
Net Change in County Health Spending	(\$13.1)

a Includes the reduction in employee and retiree health benefits offset by the payroll tax to finance the single payer program.

b County direct appropriations to hospitals are assumed to be reduced as coverage is extended to all persons in New Mexico.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 6: Change in Federal Health Spending in New Mexico Under the Single Payer Model in 1998 (in millions)

	CHANGE IN SPENDING
Federal Employee Health Spending ^a	\$32.7
CHAMPUS Program	(\$169.9)
Federal Tax Revenue Loss (Gain) ^b	\$47.2
Net Change in Federal Spending	(\$90.0)

a Includes the reduction in employee and retiree health benefits offset by the employer share of the payroll tax.

b Tax loss due to reduced wage levels resulting from higher employer costs.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Impact on Employer Health Spending

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Table 7: The Impact of A Single Payer Model on Private Employer Health Spending in New Mexico in 1998 (in millions)

	Firms That Now Offer Insurance	Firms That Do Not Now Offer Insurance	All Firms
SPENDING UNDER CURRENT POLICY			
Workers and Dependents	\$597.9	----	\$597.9
Retirees	\$128.5	----	\$128.5
Medical Component of Workers Compensation ^a	\$44.8	\$20.6	\$65.4
Current Spending	\$771.2	\$20.6	\$791.8
SPENDING UNDER REFORM			
Wrap Around Coverage for Workers and Dependents ^b	\$49.1	----	\$49.1
Wrap Around Coverage for Retirees	\$18.3	----	\$18.3
Payroll Tax ^b	\$639.6	\$212.6	\$852.2
Medical Component at Workers Compensation	\$2.2	\$1.0	\$3.2
Total	\$709.2	\$213.6	\$922.8
CHANGE IN EMPLOYER COSTS			
Net Change	(\$62.0)	\$193.0	\$131.0

- a Employers will see reduced workers compensation premiums as benefits previously covered under workers compensation become covered the single payer plan.
- b Employers will no longer provide primary coverage for workers, dependents, and retirees but will continue wrap-around benefits for services not covered under the standard benefits package, and for cost sharing.
- c Employers are required to pay a payroll tax equal to 80 percent of the cost of providing insurance to all workers and their dependents.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 8: Detailed Analysis of Changes in Spending Under A Single Payer Model for Private Firms in New Mexico That Now Offer Insurance in 1998 (in millions)

PROJECTED SPENDING UNDER CURRENT POLICY									
Total:	\$771.2	Workers:	\$308.0	Dependents:	\$334.7	Early Retirees:	\$67.0	Post-65 Retirees:	\$61.5

SAVINGS UNDER REFORM	
Premium Payments for Workers and Dependents ^a	\$548.8
Savings to Workers Compensation ^b	\$42.6
Retiree Premiums ^a	\$110.2
Total Savings	\$701.6

NEW COSTS UNDER REFORM	
Employer Share of Payroll Tax ^b	\$639.6
Total New Costs	\$639.6

→ Savings:	(\$701.6)
New Costs:	\$639.6
Net Change	(\$62.0)

PROJECTED SPENDING UNDER SINGLE PAYER MODEL											
Total:	\$709.2	Payroll Tax:	\$639.6	Workers:	\$30.6	Dependents:	\$20.7	Early Retirees:	\$9.5	Post-65 Retirees:	\$8.8

Table 8: Detailed Analysis of Changes in Spending Under A Single Payer Model for Private Firms in New Mexico That Now Offer Insurance in 1998 (continued)

- a Employers will no longer provide primary coverage for workers, dependents, and retirees but will continue wrap-around benefits for services not covered under the standard benefits package.
- b Employers will see reduced premiums for workers compensation as benefits previously covered by workers compensation are covered under the single payer plan.
- c Employers are required to pay a payroll tax equal to 80 percent of the cost of providing insurance to all workers and their dependents.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 9: Impact of an Single Payer Program on Private Employers in New Mexico by Firm Size in 1998

Firm Size	Net Change in Health Spending					
	Firms That Now Insure		Firms That Do Not Now Insure		All Firms	
	Total (millions)	Avg. Change Per Worker	Total (millions)	Avg. Change Per Worker	Total (millions)	Avg. Change Per Worker
PRIVATE EMPLOYERS BY FIRM SIZE						
1-9	\$37.8	\$633	\$126.5	\$1,071	\$164.3	\$924
10-24	\$9.6	\$343	\$25.8	\$1,010	\$35.4	\$662
25-99	\$18.6	\$365	\$21.8	\$1,091	\$40.4	\$570
100-499	(\$4.4)	(\$105)	\$6.1	\$910	\$1.7	\$35
500-999	(\$8.3)	(\$755)	\$1.3	\$930	(\$7.0)	(\$571)
1,000-5,000	(\$33.6)	(\$966)	\$11.5	\$1,024	(\$22.1)	(\$481)
5,000 or More	(\$81.7)	(\$1,178)	----	----	(\$81.7)	(\$1,178)
ALL PRIVATE EMPLOYERS						
All Firms	(\$62.0)	(\$210)	\$193.0	\$1,055	\$131.0	\$274

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 10: Net Change in Health Spending Under A Single Payer Model for Private Firms in New Mexico in Selected Industries in 1998

Industry	NET CHANGE IN HEALTH SPENDING					
	Firms That Now Insure		Firms That Do Not Now Insure		All Firms	
	Total (millions)	Average Change per Worker	Total (millions)	Average Change per Worker	Total (millions)	Average Change Per Worker
Construction	(\$4.8)	(\$260)	\$31.4	\$1,428	\$26.6	\$658
Manufacturing	(\$93.9)	(\$2,976)	\$12.2	\$932	(\$81.7)	(\$1,832)
Transportation, Communication and Utilities	(\$18.6)	(\$738)	\$10.0	\$1,545	(\$8.6)	(\$270)
Wholesale Trade	(\$9.1)	(\$1,068)	\$3.6	\$926	(\$5.5)	(\$448)
Retail Trade	\$33.2	\$489	\$42.0	\$824	\$75.2	\$632
Services	\$19.3	\$179	\$69.3	\$1,069	\$88.6	\$512
Finance	\$10.3	\$565	\$10.0	\$1,324	\$20.3	\$785
Other	\$1.6	\$93	\$14.5	\$1,029	\$16.1	\$517
Total Private	(\$62.0)	(\$210)	\$193.0	\$1,055	\$131.0	\$274

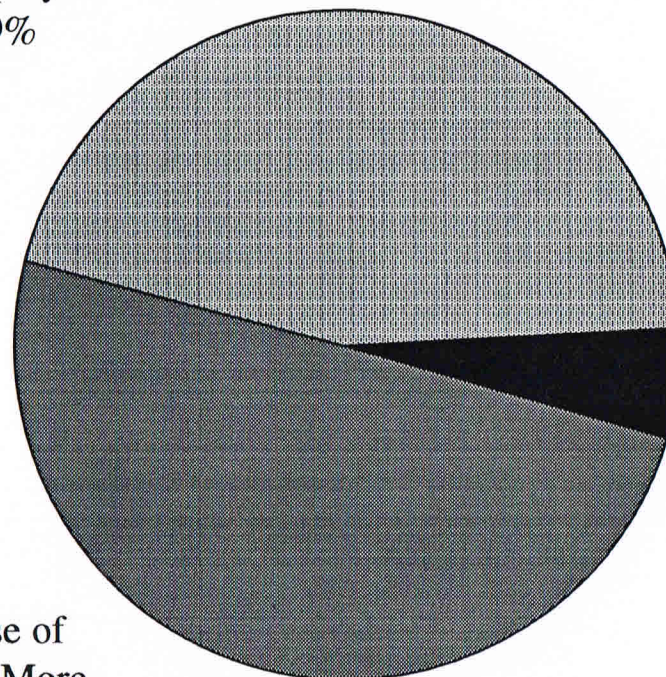
Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 11: Private Employers in New Mexico Who Now Offer Insurance by Change in Spending per Worker Under A Single Payer Model in 1998^a

Businesses Whose Spending Would Decrease By:	
\$2,500 or More	3.2%
\$1,000-\$2,500	20.4%
\$500-\$1,000	11.2%
\$250-\$500	5.7%
\$100-\$250	4.4%

Businesses Whose Spending Would Increase By:	
\$2,500 or More	8.7%
\$1,000-\$2,500	12.8%
\$500-\$1,000	13.1%
\$250-\$500	11.5%
\$100-\$250	3.6%

Decrease of \$100 or More
per Employee
44.9%



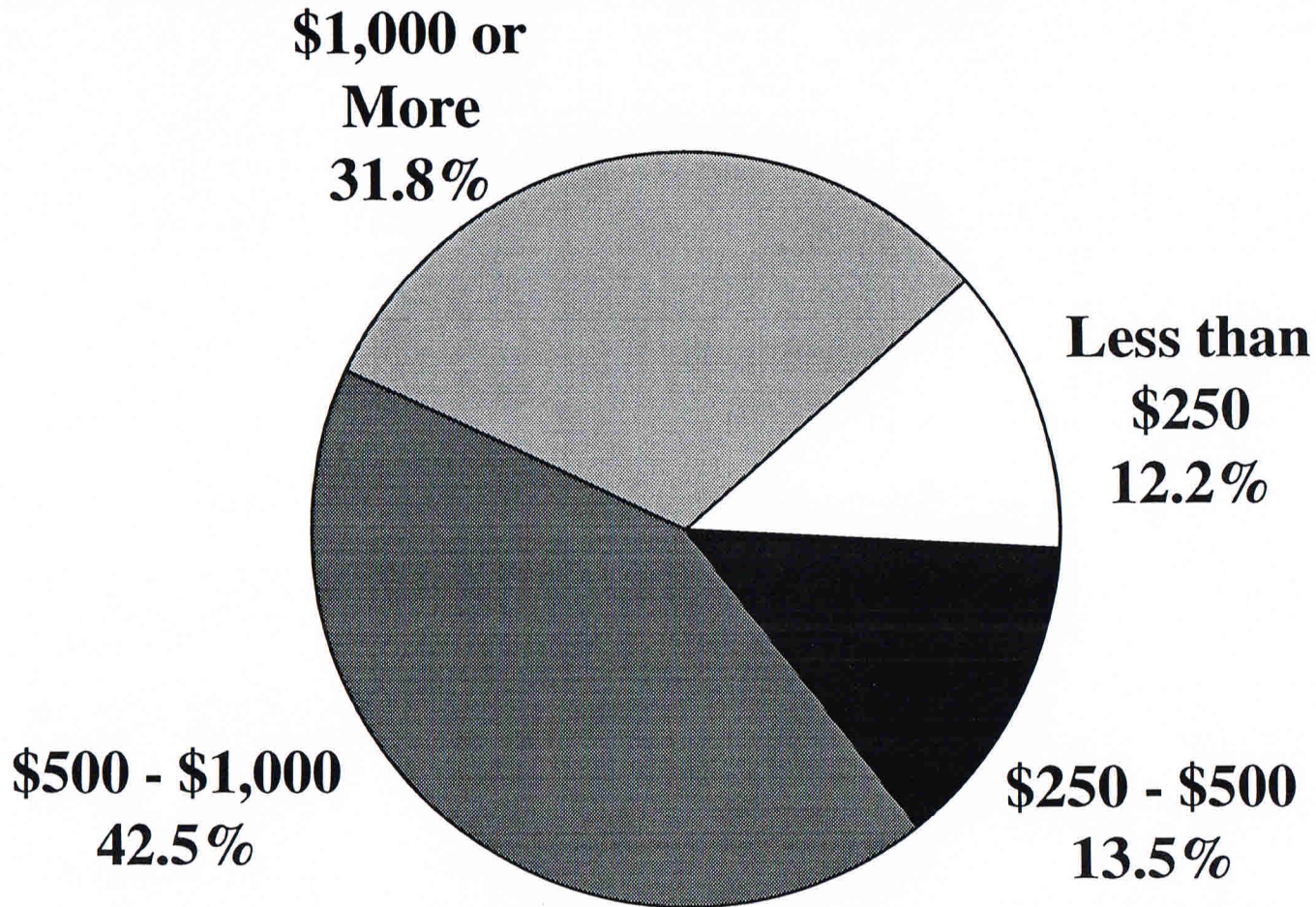
Change of
\$100 or Less
per Employee
5.4%

Increase of
\$100 or More
per Employee
49.7%

^a Includes the wrap around benefits, reduced workers compensation costs and payroll taxes. Counts based upon number of employers so that each employer holds the same weight in this analysis regardless of the number of employees in each firm.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 12: Private Employers in New Mexico That Do Not Now Offer Insurance by Increase in Spending Per Employee in 1998



Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 13: Potential Job Loss in New Mexico Under A Single Payer Model by Industry and Firm Size

Potential Job Loss: 343 - 860

Industry	Percent Distribution
Construction	2.1%
Manufacturing	4.7%
Transportation	2.5%
Wholesale Trade	0.8%
Retail Trade	30.8%
Services	31.2%
Finance	0.7%
Government	21.1%
Other	6.1%
Total	100.0%

Firm Size	Percent Distribution
Less than 10	34.6%
10 - 24	10.3%
25-99	14.3%
100-499	7.3%
500-999	1.3%
1,000-4,999	5.4%
5,000 and above	5.7%
Government	21.1%
Total	100.0%

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM)

Changes in Household Health Spending

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Table 14: Impact of A Single Payer Model on Households in New Mexico in 1998 (in millions)

		IMPACT ON HOUSEHOLDS
PRIVATE PREMIUM PAYMENTS		
Family Premium Payments		(\$649.4)
TAX PAYMENTS		
Tax Payments		\$765.0
Employee Share of Payroll Tax	\$318.0	
Personal Income Tax	\$447.0	
DIRECT PAYMENTS FOR CARE		
Direct Payments ^a		(\$239.9)
AFTER TAX WAGE EFFECTS		
After-Tax Wage Loss Due to Payroll Tax ^b		\$185.8
NET CHANGE IN HOUSEHOLD SPENDING		
Net Impact on Household Spending		\$61.5

a Family out-of-pocket payments for health services will be reduced under the program due to: 1) elimination of patient cost-sharing requirements for covered services; and 2) expanded coverage for services often excluded under existing plans.

b Employers are assumed to pass-on the cost of increased payroll tax payments for insurance in the form of reduced wages.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 15: Change in Average Household Spending on Health Care in New Mexico Under A Single Payer Model in 1998^a

	Number of Families (in thousands)	Average Household Spending Under Current Policy ^b	Average Change in Household Spending ^c	With Wage Effects
AGE OF HEAD				
Under 24	32.1	\$1,175	\$466	\$846
25-34	124.8	\$1,492	\$380	\$550
34-44	127.3	\$2,309	\$481	\$927
45-54	110.0	\$2,920	\$101	\$543
55-64	98.0	\$2,894	(\$459)	(\$277)
65 and over	126.9	\$4,227	(\$1,673)	(\$1,645)
MARITAL STATUS				
Married	332.5	\$3,546	(\$331)	\$40
Single	286.5	\$1,698	(\$53)	\$76
Male	81.6	\$1,150	\$463	\$794
Female	204.9	\$1,916	(\$258)	(\$209)
INCOME				
Less Than \$10,000	132.0	\$1,059	(\$336)	(\$389)
\$10,000-14,999	60.0	\$2,081	(\$540)	(\$530)
\$15,000-19,999	45.0	\$2,769	(\$512)	(\$482)
\$20,000-29,999	96.5	\$2,633	(\$276)	(\$284)
\$30,000-39,999	60.5	\$3,113	(\$358)	(\$293)
\$40,000-49,999	49.7	\$3,390	(\$328)	(\$234)
\$50,000-74,999	95.9	\$3,561	(\$198)	\$64
\$75,000-99,999	38.1	\$3,852	\$273	\$940
\$100,000 or More	41.3	\$4,237	\$1,235	\$3,756
POVERTY LEVEL				
Below Poverty	137.6	\$994	(\$325)	(\$368)
100-149%	66.9	\$2,295	(\$391)	(\$374)
150-199%	61.8	\$2,726	(\$300)	(\$241)
200-249%	50.3	\$3,070	(\$512)	(\$524)
250-299%	49.4	\$3,008	(\$334)	(\$312)
300% or More	253.0	\$3,560	\$27	\$663
CURRENT OUT-OF-POCKET COSTS^d				
Less Than \$500	272.3	\$1,014	\$563	\$763
\$500-999	104.4	\$2,453	\$153	\$435
\$1,000-2,499	147.2	\$3,570	(\$323)	(\$14)
\$2,500-4,999	69.2	\$5,446	(\$1,720)	(\$1,505)
\$5,000-9,999	20.9	\$9,731	(\$4,792)	(\$4,256)
\$10,000 or More	5.0	\$19,010	(\$12,952)	(\$11,506)
TOTAL	618.9	\$2,684	(\$200)	\$99

a Excludes institutionalized persons.

b Includes health insurance premiums and direct payments for acute care services only.

c Includes changes in premiums, out-of-pocket expenses and taxes earmarked to fund health reform.

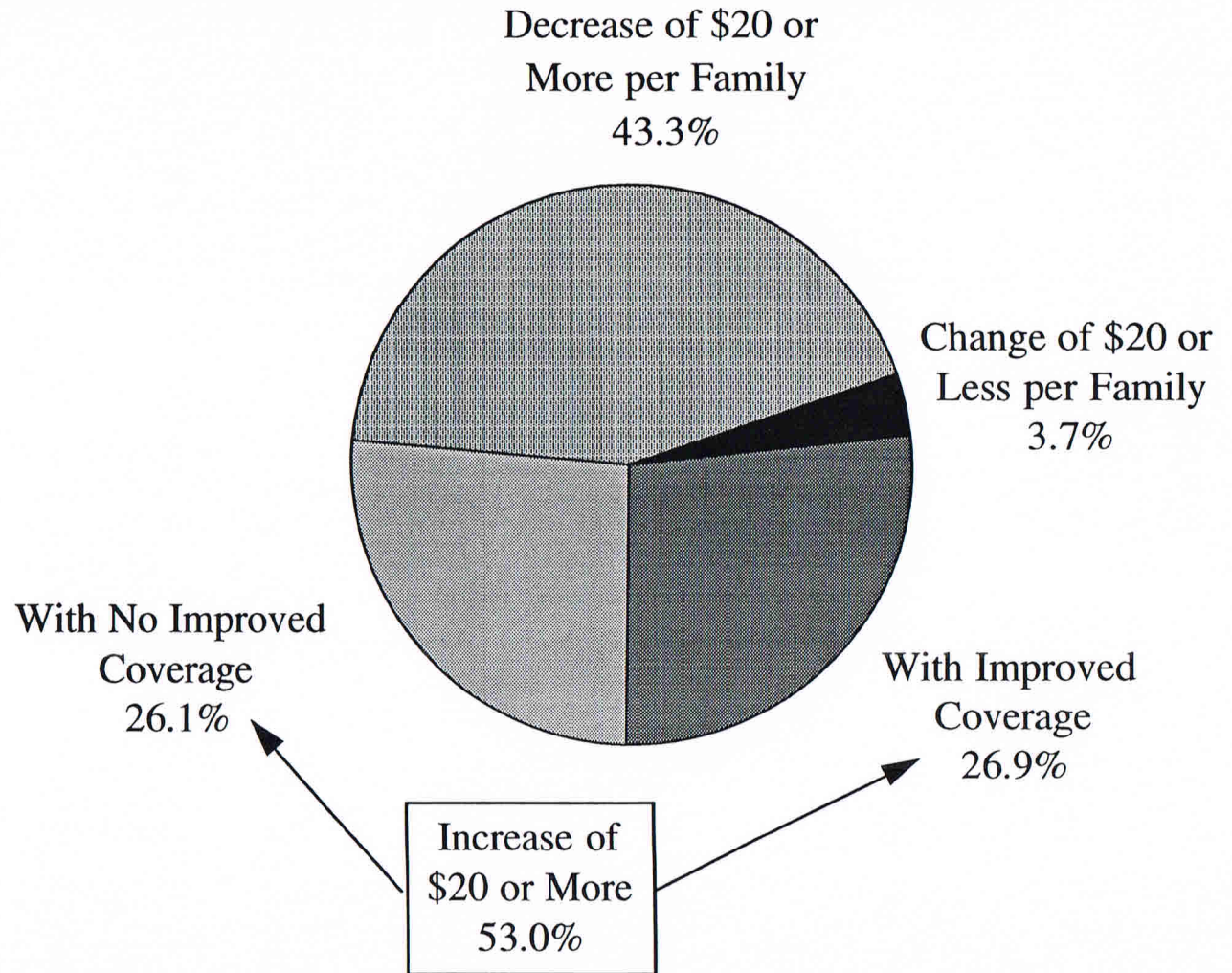
d The average exceeds the range because health spending includes premiums while the range is defined by out-of-pocket costs.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 16: Distribution of Families in New Mexico by Change in Household Health Spending Under A Single Payer Model in 1998^a

Families Whose Spending Would Decrease By:	
\$1,000 or More	28.3%
\$500-\$1,000	7.7%
\$250-\$500	3.5%
\$100-\$250	2.4%
\$20-\$100	1.4%

Families Whose Spending Would Increase By:	
\$1,000 or More	30.0%
\$500-\$1,000	11.1%
\$250-\$500	5.7%
\$100-\$250	3.8%
\$20-\$100	2.4%



^a Includes changes in premiums, out-of-pocket expenses, taxes earmarked to fund health reform and wage effects. Excludes institutionalized persons. Includes acute care services only.

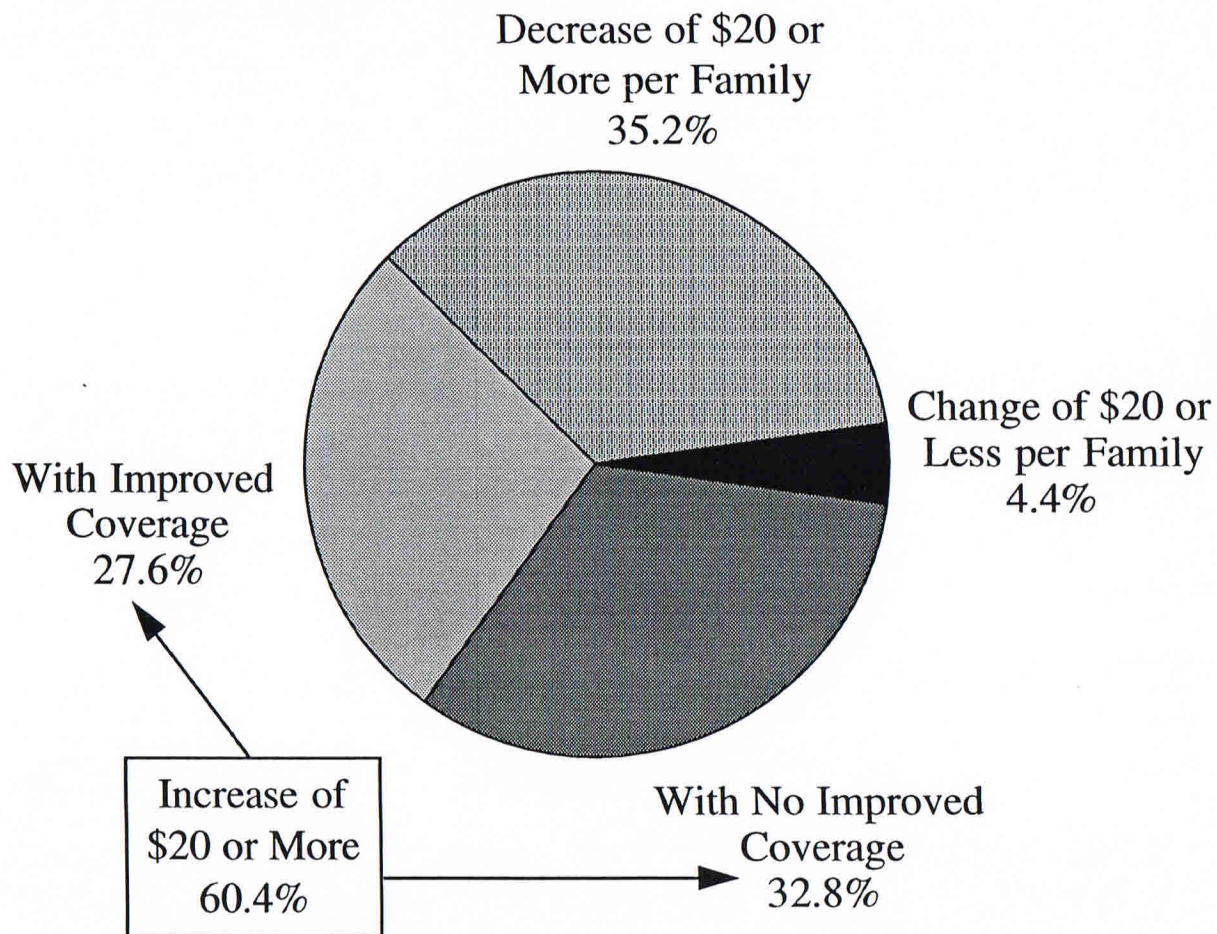
Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 17: Distribution of Families in New Mexico by Change in Household Health Spending Under A Single Payer Model in 1998 by Age of Household Head^a

Household Head Under Age 65

Families Whose Spending Would Decrease By:	
\$1,000 or More	22.1%
\$500-\$1,000	6.6%
\$250-\$500	3.0%
\$100-\$250	2.3%
\$20-\$100	1.2%

Families Whose Spending Would Increase By:	
\$1,000 or More	35.6%
\$500-\$1,000	12.3%
\$250-\$500	6.1%
\$100-\$250	4.0%
\$20-\$100	2.4%



^a Includes changes in premiums, out-of-pocket expenses, taxes earmarked to fund health reform and wage effects. Excludes institutionalized persons. Includes acute care services only.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

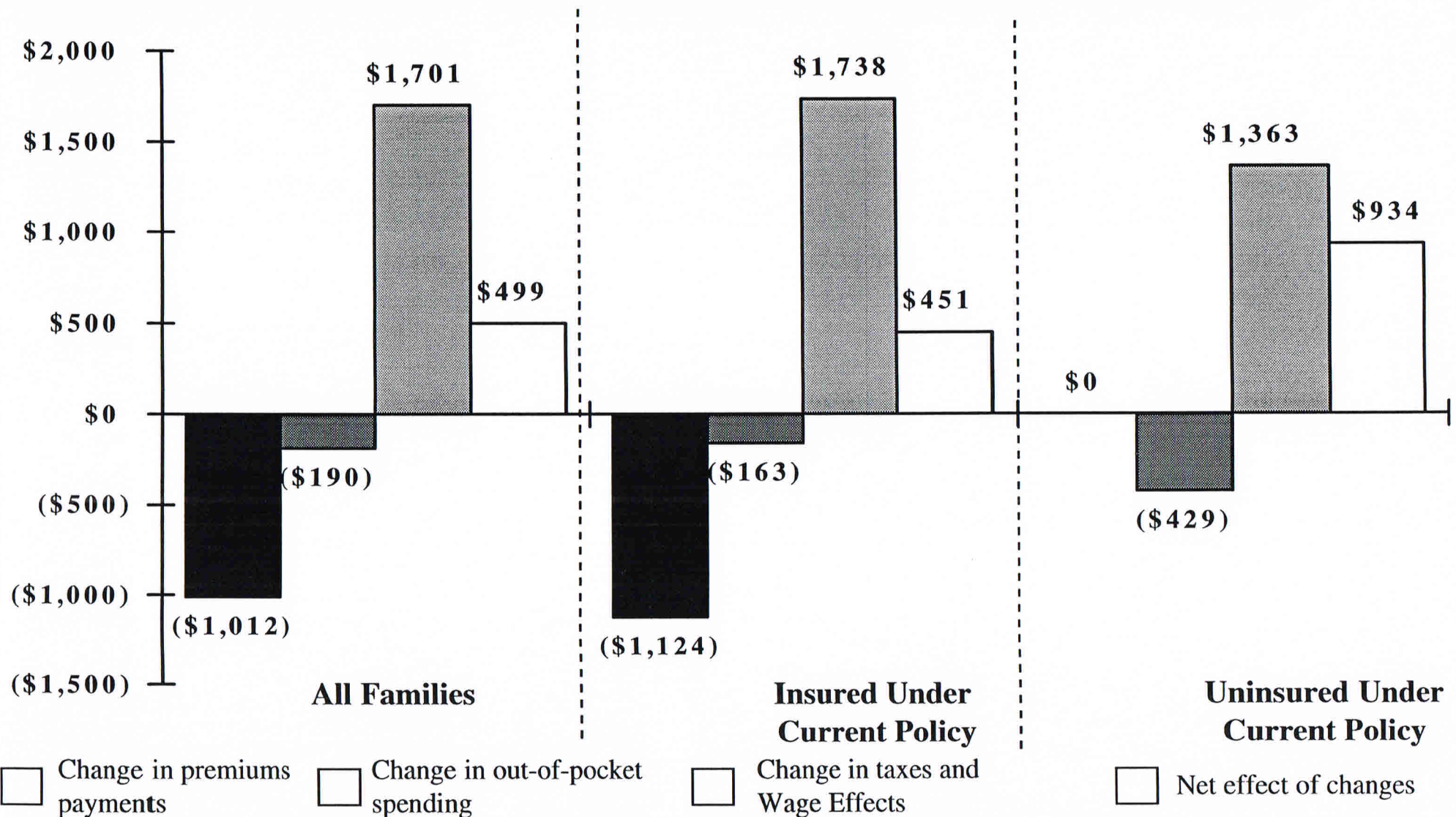
Table 18: Distribution of Families in New Mexico by Change in Household Spending Under A Single Payer Model in 1998^a

Family Income	All Families (in thousands)	INCREASE IN FAMILY HEALTH COSTS					Change of Less Than \$20	REDUCTION IN FAMILY HEALTH COSTS				
		\$1,000+	\$500- \$999	\$250- \$499	\$100- \$249	\$20-\$99		\$20-\$99	\$100- \$249	\$250- \$499	\$500- \$999	\$1,000+
Less than \$10,000	132.0	10.5%	16.7%	8.1%	7.2%	4.0%	15.6%	1.7%	3.1%	3.8%	6.7%	22.5%
\$10,000-\$14,999	60.0	20.9%	13.1%	8.8%	3.9%	2.5%	2.3%	1.2%	2.5%	3.7%	9.8%	31.3%
\$15,000-\$19,999	45.0	25.9%	11.2%	5.2%	5.7%	2.1%	1.0%	1.8%	2.1%	4.9%	8.1%	32.1%
\$20,000-\$29,999	96.5	30.8%	9.7%	5.7%	2.4%	3.4%	0.5%	0.8%	2.6%	3.1%	8.7%	32.3%
\$30,000-\$39,000	60.5	30.1%	9.7%	4.2%	2.6%	1.1%	0.7%	0.1%	3.0%	4.5%	8.7%	34.3%
\$40,000-\$49,000	49.7	29.7%	11.1%	4.6%	2.5%	1.8%	1.0%	1.9%	2.0%	3.7%	7.2%	34.5%
\$50,000-\$74,000	95.9	38.7%	9.0%	5.3%	2.3%	1.4%	0.5%	1.3%	1.7%	3.4%	8.1%	28.3%
\$75,000-\$99,999	38.1	51.5%	7.0%	2.2%	2.1%	1.2%	0.5%	1.7%	1.9%	2.2%	4.9%	24.9%
More than \$100,000	41.3	67.8%	4.4%	1.6%	1.4%	0.4%	0.0%	0.9%	1.0%	1.5%	5.4%	15.4%
TOTAL	619.0	30.0%	11.1%	5.7%	3.8%	2.4%	3.7%	1.4%	2.4%	3.5%	7.7%	28.3%

a Includes changes in premiums, out-of-pocket expenses, taxes earmarked to fund health reform and wage effects. Excludes institutionalized persons. Includes acute care services only.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 19: Change in Health Spending for Non-Aged Families in New Mexico by Current Insured Status (Families Headed by An Individual Under Age 65)



Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

APPENDIX B

The Financial Impact of a Managed Competition Plan in New Mexico

Overview

- ◆ Description of the program
- ◆ Summary of financial impacts
- ◆ Detailed analysis of changes in health spending
 - Government
 - Employers
 - Households

Employer Coverage Requirements

- ◆ All employers must provide insurance coverage for workers employed more than 20 hours per week
- ◆ Employer must pay 80 percent of the cost of a standard premium based on weighted average cost of coverage in the region
 - Firms could contribute more than 80 percent
- ◆ Employee pays 20 percent of standard premium plus any additional amount if a more expensive plan is selected

Employer Subsidies

- ◆ Employers eligible for subsidies based on cap on required spending for premiums in excess of 7.9 percent of average payroll
- ◆ Employers would not be subsidized for coverage more expensive than the average

Family Premium Subsidies

- ◆ Non-working individuals except Medicare beneficiaries are required to purchase coverage
- ◆ Individuals purchasing coverage are eligible for premium subsidies up to the cost of a “standard” plan
 - 100 percent subsidy to persons with incomes below 100 percent of poverty
 - Sliding scale subsidies up to 200 percent of poverty
- ◆ Individuals with incomes up to 100 percent of poverty would also be eligible for cost sharing subsidies

Standard “Intermediate” Benefits Package

◆ Covered Services

- Inpatient hospitalization
- Outpatient services
- Lab and X-Ray
- Occupational, physical and speech therapy
- Case Management
- Prosthetics, durable medical equipment and supplies
- Family planning
- Physician services
- Preventive care (routine physical exams and well child care)
- Subacute care
- Prescription drugs
- Inpatient mental health services and substance abuse (up to 60 days)
- Outpatient mental health and substance abuse (up to 30 sessions - more at plan discretion)
- Dental care for children
- Eyeglasses for children
- Ambulance
- Long-term care and home health services
- Hospice services

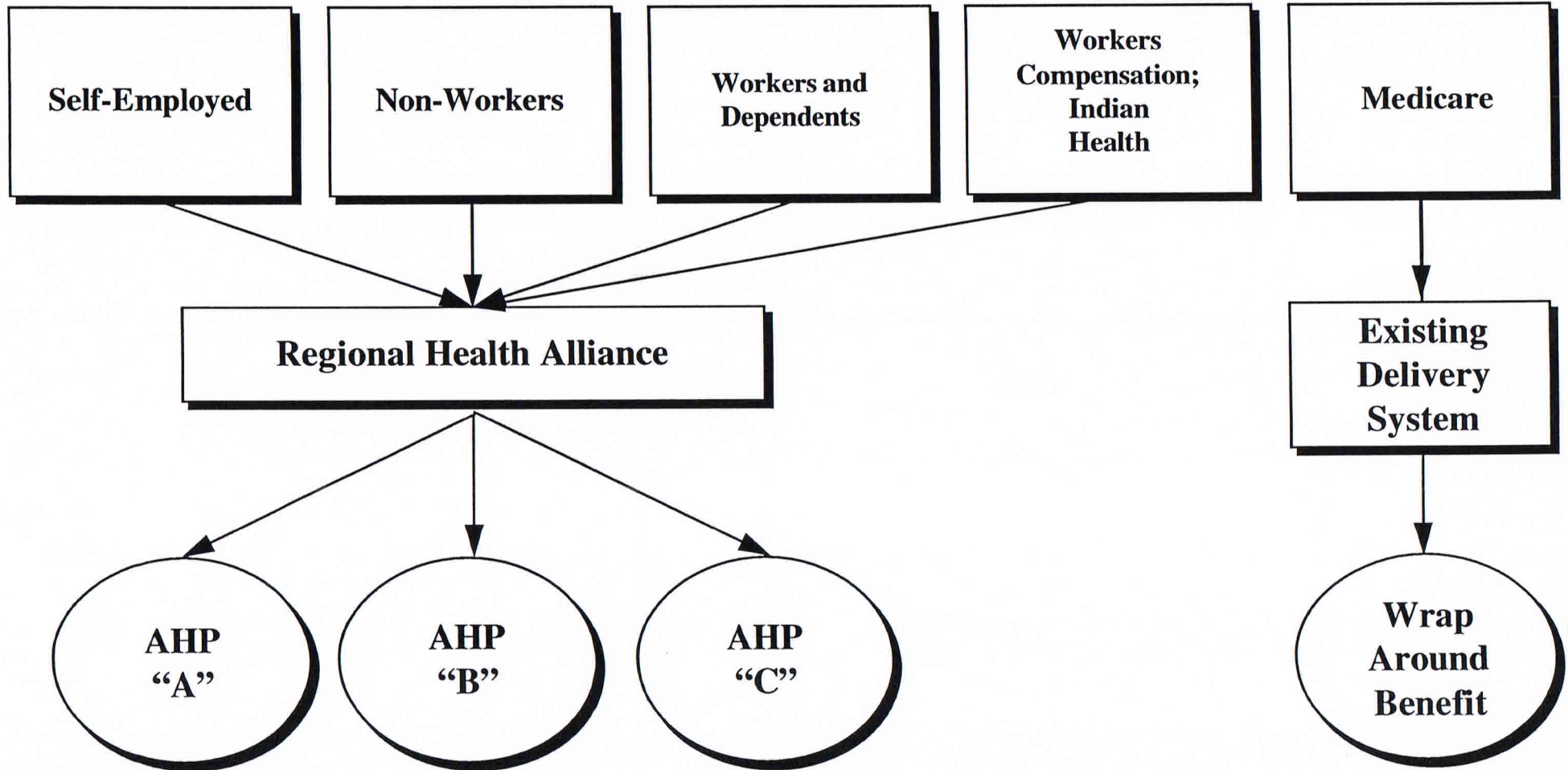
Standard “Intermediate” Benefits Package (continued)

- ◆ Cost sharing:
 - \$200/\$400 deductible
 - 20 percent coinsurance
 - \$1,500/\$3,000 out-of-pocket limit

Medicare Wrap Around Benefit

- ◆ Medicare beneficiaries will be eligible for a wrap around benefit:
 - Prescription drug benefit
 - \$1,500 out-of-pocket limit on covered service

Managed Competition: Consumers Choose from Several Competing Health Plans



Financing

- ◆ State and Federal spending for Medicaid and the Indian Health Service
 - Projected Federal Indian Health Service spending transferred to program
 - State and Federal spending for Medicaid acute care services transferred to program
- ◆ A tax on personal taxable income at 2.78 percent would be used to fund the balance of the program

Changes in Health Spending in New Mexico

Lewin-VHI, Inc.

Table 1: Changes in Health Spending in New Mexico Under Managed Competition in 1998 (in millions)^a

		CHANGES IN SPENDING
CHANGES IN HEALTH SERVICES UTILIZATION		
Increase in Utilization Due to Expanded Coverage:		(\$49.0)
Utilization Increase for Previously Uninsured ^b	\$158.2	
Expanded Coverage for Those Already Insured ^c	\$49.4	
Managed Care Savings	(\$256.6)	
CHANGE IN ADMINISTRATIVE COST		
Insurer Administration (Includes Administration for Newly Insured) ^d		\$47.3
Provider Administrative Savings ^e		(\$11.0)
Administration of Premium Subsidies		\$56.4
Net Change in Administrative Costs		\$92.7
CHANGE IN PROVIDER REIMBURSEMENT		
Net Change in Provider Reimbursement^f		\$0.0
New Revenue for Previously Uncompensated Care	\$153.3	
Reduction in Cost Shift	(\$153.3)	
NET CHANGE IN HEALTH SPENDING		
Net Change in Health Spending		\$43.7

Table 1: Changes Health Spending in New Mexico Under Managed Competition in 1998 (continued)

- a Includes spending for acute care only; excludes spending for long-term care, public health, research and construction.
- b Assumes that utilization of health services by previously uninsured persons will rise to the levels reported by insured persons with similar age, sex, income and health status characteristics.
- c Assumes that utilization of newly covered health services for insured persons whose coverage is upgraded (prescription drugs, etc.) will rise to the levels reported by persons who have such coverage.
- d These estimates are largely based upon administrative cost data provided by Hay/Huggins as presented in: Congressional Research Service, “Cost and Effects of Extending Health Insurance Coverage,” Library of Congress, October 1988. Reflects increased cost of administering coverage for newly uninsured persons offset by administration savings.
- e Assumes that provider claims processing expenses and claims adjudication expenses are reduced in proportion to the reduction in insurer claims processing costs. We assume that providers return half of these savings to consumers in the form of reduced charges.
- f Under a universal coverage program, hospitals and physicians will receive payments for care formerly provided as uncompensated care. The total increase in reimbursement will be passed-on to consumers as reduced cost shifting resulting in lower provider charges.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 2: Changes in Health Spending in New Mexico Under Managed Competition in 1998 (in millions)^a

	Before Wage Effects		After Wage Effects	
CHANGES IN HEALTH SPENDING				
<i>Federal Government Health Spending</i>		(\$180.3)		(\$127.3)
Change in CHAMPUS Funding	(\$169.9)		(\$169.9)	
Employee Benefits Costs	(\$10.4)		(\$10.4)	
Tax Loss (Gain)	----		\$53.0	
<i>State Government Health Spending</i>		(\$6.1)		\$0.0
Total Program Costs	\$2,222.6		\$2,222.6	
Program Revenues	(\$2,228.7)		(\$2,228.7)	
Tax Loss (Gain)	----		\$6.1	
<i>Local Government Health Spending</i>		(\$21.2)		(\$21.2)
Savings to Indigent Care Programs	(\$29.2)		(\$29.2)	
Local Government Worker Health Benefits	\$8.0		\$8.0	
<i>Private Employer Health Spending (Net of Subsidies)</i>		\$95.7		(\$107.7)
Firms That Now Insure	(\$65.8)		(\$107.7)	
Workers & Dependents	\$41.9		----	
Retirees	(\$107.7)		(\$107.7)	
Firms That Do Not Now Insure	\$161.5		---	
<i>Household Health Spending</i>		\$155.6		\$299.9
Premiums Payments	(\$85.0)		(\$85.0)	
Out-of-Pocket Payments	(\$340.8)		(\$340.8)	
Personal Income Tax	\$581.4		\$581.4	
After-Tax Wage Loss	---		\$144.3	
NET CHANGE IN HEALTH SPENDING				
Net Change in Health Spending ^a		\$43.7		\$43.7

a See Table 1 for a detailed summary of changes in aggregate state health spending.
Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 3: Change in Health Services Utilization for Insured and Uninsured Persons Under Managed Competition in New Mexico in 1998 (in millions)

Type of Service	Uninsured Under Current Law			Insured Under Current Law		
	Current Law	Employer Mandate	Change from Current Law	Current Law	Employer Mandate	Change from Current Law
Hospital Inpatient	\$259.4	\$304.2	\$44.8	\$1,577.6	\$1,580.0	\$2.4
Hospital Outpatient	\$42.7	\$57.9	\$15.2	\$785.2	\$787.4	\$2.2
Physician	\$59.3	\$116.9	\$57.6	\$1,147.7	\$1,156.3	\$8.6
Dental	\$15.0	\$16.6	\$1.6	\$288.2	\$296.0	\$7.8
Other Professional	\$20.0	\$28.5	\$8.5	\$385.7	\$386.9	\$1.2
Prescription Drugs	\$35.1	\$58.1	\$23.0	\$531.5	\$558.5	\$27.0
Eyeglasses	\$8.8	\$16.3	\$7.5	\$153.4	\$153.6	\$0.2
Total	\$440.3	\$598.5	\$158.2	\$4,869.3	\$4,918.7	\$49.4

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Changes in Government Health Spending

Lewin-VHI, Inc.

Table 4: New Mexico State Program Costs Under Managed Competition in 1998 (in millions)

PROGRAM COSTS		
Family Subsidies		\$1,132.8
Premium Subsidies ^a	\$1,024.6	
Cost-Sharing Subsidies ^b	\$108.2	
Medicare Wrap Around Benefit		\$598.1
Employer Premium Subsidies ^c		\$158.3
New State Employee Health Benefits ^d		\$40.8
Supplemental Benefits ^e		\$236.2
Tax Loss(Gain) Due to Mandate ^f		\$6.1
Premium Subsidies Administration		\$56.4
Total Program Costs		\$2,228.7
PROGRAM FINANCING		
Funding for Current Medicaid		\$1,121.5
State Share	\$291.6	
Federal Share	\$829.9	
Federal Funding Transferred to Program ^g		\$336.9
State General Funding Transferred to Program		\$188.9
Personal Income Tax Revenue		\$581.4
Total Program Funding		\$2,228.7
NET PROGRAM COSTS		
Net Revenue Requirement		(\$0.0)

Table 5: New Mexico State Program Costs Under Managed Competition in 1998 (continued)

- a Premium subsidies are provided for families through 200 percent of poverty.
- b Cost sharing subsidies are provided for families below 100 percent of poverty.
- c Employer premium payments are capped not to exceed 7.9 percent of employee payroll.
- d Includes the cost of upgrading state employee benefits and premium contributions to the minimum standard and the cost of insuring workers who are currently excluded from coverage under the program offset by cost shift and other savings.
- e Benefits currently provided to Medicaid recipients that are not covered under the basic benefits package will continue as supplemental benefits.
- f The employer mandate will result in a net loss of wages with a corresponding reduction in state personal income tax revenues.
- g Includes funding for Indian Health Service and other Federal spending for personal health care in the state.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 6: Change in County Health Care Costs Under Managed Competition in New Mexico in 1998
(in millions)

	CHANGE IN COSTS
County Employee Health Benefits ^a	\$8.0
County Indigent Care Programs ^b	(\$29.2)
Net Change in County Health Spending	(\$21.2)

a Includes the cost of upgrading county employee benefits and premium contributions to the minimum standard and the cost of insuring workers who are currently excluded from coverage under the program offset by cost shift and other savings.

b County direct appropriations to hospitals are assumed to be reduced as coverage is extended to all persons in New Mexico.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

**Table 7: Change in Federal Health Spending in New Mexico Under Managed Competition in 1998
(in millions)**

	CHANGE IN SPENDING
Federal Employee Health Spending ^a	(\$10.4)
Savings to CHAMPUS/Military Program	(\$169.9)
Federal Tax Revenue Loss(Gain) ^b	\$53.0
Net Change in Federal Spending	(\$127.3)

a Includes the cost of upgrading Federal employee benefits and premium contributions to the minimum standard and the cost of insuring workers who are currently excluded from coverage under the program offset by cost shift and other savings.

b Tax loss due to reduced wage levels under the mandate.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Impact on Employer Health Spending

Lewin-VHI, Inc.

Table 8: The Impact of Managed Competition on Private Employer Health Spending in New Mexico in 1998 (in millions)

	Firms That Now Offer Insurance	Firms That Do Not Now Offer Insurance	All Firms
SPENDING UNDER CURRENT POLICY			
Workers and Dependents	\$597.9	----	\$597.9
Retirees	\$128.5	----	\$128.5
Medical Component of Workers Compensation	\$44.8	\$20.6	\$65.4
Current Spending	\$771.2	\$20.6	\$791.8
SPENDING UNDER REFORM			
Service Costs for Workers and Dependents ^a	\$759.0	\$262.8	\$1,021.8
Retiree Benefits	\$20.8	----	\$20.8
Employer Premium Subsidies ^b	(\$76.6)	(\$81.7)	(\$158.3)
Medical Component of Worker's Compensation ^c	\$2.2	\$1.0	\$3.2
Total	\$705.4	\$182.1	\$887.5
CHANGE IN EMPLOYER COSTS			
Net Change	(\$65.8)	\$161.5	\$95.7

a Includes the cost of care provided to workers and dependents. Reflects managed care and cost shift savings as well as savings from the premium cap and the requirement that employers share the cost of family coverage in two-worker families.

b Employers will be subsidized for premiums in excess of 7.9 percent of payroll.

c Employers will see reduced worker's compensation premiums as services become covered under the program.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 9: Detailed Analysis of Changes in Spending Under Managed Competition for Private Firms in New Mexico That Now Offer Insurance in 1998 (in millions)

PROJECTED SPENDING UNDER CURRENT POLICY

Total: \$771.2 Workers: \$308.0 Dependents: \$334.7 Early Retirees: \$67.0 Post-65 Retirees: \$61.5

SAVINGS UNDER REFORM

Administrative Savings ^a	\$24.5
Working Dependent Benefits ^b	\$115.7
Cost Shift Savings ^c	\$93.1
Managed Care Savings ^d	\$55.9
Premium Subsidies ^e	\$76.6
Savings to Workers Compensation	\$42.6
Savings to Retiree Benefits	\$107.7
Total Savings	\$516.1

NEW COSTS UNDER REFORM

Cover Ineligible Workers ^f	\$149.1
Cover Persons Who Decline Coverage ^g	\$65.6
Improve Benefits to Minimum Standard ^h	\$193.0
Includes Workers Comp in Health Plan ^h	\$42.6
Total New Costs	\$450.3

Savings:	(\$516.1)
<u>New Costs:</u>	<u>\$450.3</u>
Net Change:	(\$65.8)

PROJECTED SPENDING UNDER THE EMPLOYER MANDATE

Total: \$705.4 Workers: \$347.3 Dependents: \$337.3 Early Retirees: \$10.8 Post-65 Retirees: \$10.0

Table 10: Detailed Analysis of Changes in Spending Under Managed Competition for Private Firms in New Mexico That Now Offer Insurance in 1998 (continued)

- a The program results in reduced insurer administrative costs for small firms in particular.
- b Employers will share in the cost of covering two-worker families resulting in savings to firms that now cover working dependents.
- c There will be a reduction in provider cost-shifting due to a reduction in uncompensated care.
- d Includes savings due to increased use of managed care.
- e Employers will be subsidized for premiums in excess of 7.9 percent of payroll.
- f Employers will be required to cover temporary and part-time workers now excluded from coverage under the plan.
- g Individuals who have declined coverage will also be required to take coverage on their own job. Also, individuals with dependents will be required to take family coverage.
- h Employer plans will be required to improve their benefits to the minimum standard required under the program. The employer premium contribution will also be increased to 80 percent for both individual and family coverage.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 11: Impact of Managed Competition on Private Employers in New Mexico by Firm Size in 1998

Firm Size	Net Change in Health Spending					
	Firms That Now Insure		Firms That Do Not Now Insure		All Firms	
	Total (millions)	Avg. Change Per Worker	Total (millions)	Avg. Change Per Worker	Total (millions)	Avg. Change Per Worker
PRIVATE EMPLOYERS BY FIRM SIZE						
1-9	(\$32.7)	(\$547)	\$93.0	\$788	\$60.3	\$339
10-24	(\$2.3)	(\$83)	\$34.6	\$1,353	\$32.3	\$603
25-99	\$14.3	\$280	\$17.5	\$878	\$31.8	\$448
100-499	\$42.7	\$1,024	\$8.1	\$1,206	\$50.8	\$1,050
500-999	(\$9.0)	(\$822)	\$0.3	\$166	(\$8.7)	(\$715)
1,000-5,000	(\$18.7)	(\$538)	\$8.0	\$716	(\$10.7)	(\$232)
5,000 or More	(\$60.1)	(\$864)	----	----	(\$60.1)	(\$864)
ALL PRIVATE EMPLOYERS						
All Firms	(\$65.8)	(\$222)	\$161.5	\$883	\$95.7	\$200

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 12: Net Change in Health Spending Under Managed Competition for Private Firms in New Mexico in Selected Industries in 1998

Industry	NET CHANGE IN HEALTH SPENDING					
	Firms That Now Insure		Firms Than Do Not Now Insure		All Firms	
	Total (billions)	Average Change per Worker	Total (billions)	Average Change per Worker	Total (Billions)	Average Change Per Worker
Construction	(\$9.5)	(\$517)	\$16.5	\$751	\$7.0	\$173
Manufacturing	(\$47.4)	(\$1,503)	\$24.4	\$1,869	(\$23.0)	(\$517)
Transportation, Communication and Utilities	(\$13.4)	(\$531)	\$15.1	\$2,330	\$1.7	\$55
Wholesale Trade	(\$8.6)	(\$1,005)	\$4.0	\$1,052	(\$4.6)	(\$365)
Retail Trade	\$8.6	\$127	\$38.6	\$757	\$47.2	\$397
Services	\$11.4	\$105	\$42.2	\$650	\$53.6	\$309
Finance	(\$1.2)	(\$51)	\$5.9	\$780	\$4.7	\$190
Other	(\$5.7)	(\$333)	\$14.8	\$1,045	\$9.1	\$291
Total Private	(\$65.8)	(\$222)	\$161.5	\$883	\$95.7	\$200

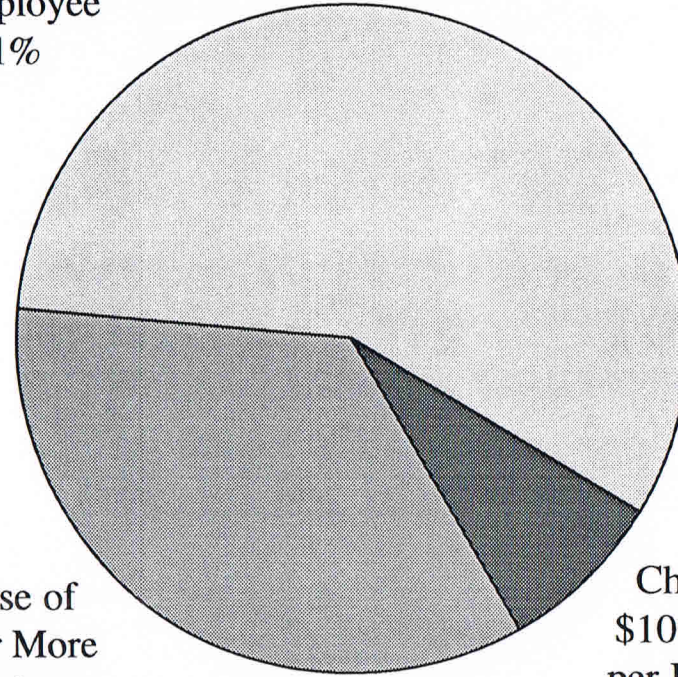
Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 13: Private Employers in New Mexico Who Now Offer Insurance by Change in Spending per Worker Under Managed Competition in 1998^a

Businesses Whose Spending Would Decrease By:	
\$2,500 or More	4.2%
\$1,000-\$2,500	20.4%
\$500-\$1,000	14.2%
\$250-\$500	14.2%
\$100-\$250	4.1%

Businesses Whose Spending Would Increase By:	
\$2,500 or More	0.4%
\$1,000-\$2,500	4.3%
\$500-\$1,000	12.4%
\$250-\$500	8.1%
\$100-\$250	9.6%

Decrease of \$100 or More
per Employee
57.1%



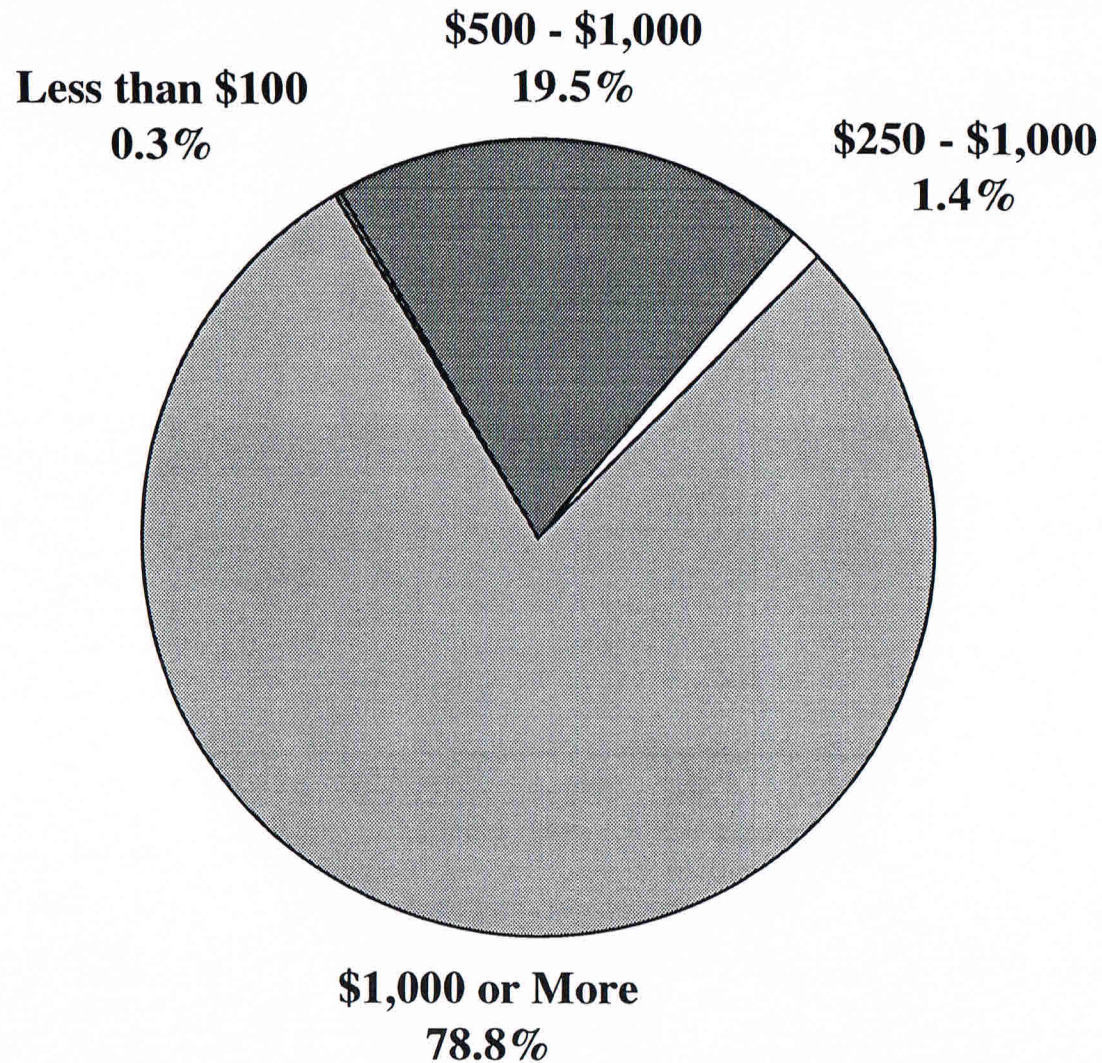
Increase of
\$100 or More
per Employee
34.8%

Change of
\$100 or Less
per Employee
8.1%

^a Includes the impact of premium subsidies. Counts based upon number of employers so that each employer holds the same weight in this analysis regardless of the number of employees in each firm.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 14: Private Employers in New Mexico That Do Not Now Offer Insurance by Increase in Spending Per Employee in 1998



Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 15: Potential Job Loss in New Mexico Under Managed Competition by Industry and Firm Size

Potential Job Loss: 2,208 - 5,219

Industry	Percent Distribution
Construction	4.0%
Manufacturing	5.9%
Transportation	6.1%
Wholesale Trade	0.7%
Retail Trade	27.9%
Services	26.0%
Finance	0.7%
Government	23.2%
Other	5.5%
Total	100.0 %

Firm Size	Percent Distribution
Less than 10	28.1%
10 - 24	13.3%
25-99	12.2%
100-499	6.2%
500-999	1.0%
1,000-4,999	7.0%
5,000 and above	9.0%
Government	23.2%
Total	100.0 %

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM)

Changes in Household Health Spending

Lewin-VHI, Inc.

Table 16: Impact of Managed Competition on Households in New Mexico in 1998 (in millions)

	IMPACT ON HOUSEHOLDS	
PRIVATE PREMIUM PAYMENTS		
Family Premium Payments		(\$85.0)
Current Family Premium Payments ^a	(\$737.6)	
Premium Obligations Under Act	\$1,677.2	
Premium Subsidies ^b	(\$1,024.6)	
DIRECT PAYMENTS FOR CARE		
Direct Payments ^c		(\$340.8)
AFTER TAX WAGE EFFECTS		
After-Tax Wage Loss Under of Mandate (counted as added household cost) ^d		\$144.3
PERSONAL INCOME TAX		
Personal Income Tax		\$581.4
NET CHANGE IN HOUSEHOLD SPENDING		
Net Impact on Household Spending		\$299.9

a Includes employee premium contributions and premiums for individually purchased non-group coverage.

b Premium subsidies are provided to individuals below 200 percent of poverty.

c Family out-of-pocket payments for health services will be reduced under the program due to: 1) reduced patient cost-sharing requirements under the plan; 2) expanded coverage for services often excluded under existing plans; and 3) cost sharing subsidies for persons below poverty.

d Employers are assumed to pass-on the cost of insurance in the form of reduced wages.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 17: Change in Average Household Spending on Health Care in New Mexico Under the Managed Competition Model in 1998^a

	Number of Families (in thousands)	Average Household Spending Under Current Policy ^b	Average Change in Household Spending ^c	With Wage Effects
AGE OF HEAD				
Under 24	32.1	\$1,175	\$636	\$1,034
25-34	124.8	\$1,492	\$612	\$926
34-44	127.3	\$2,309	\$905	\$1,275
45-54	110.0	\$2,920	\$883	\$1,164
55-64	98.0	\$2,894	\$311	\$352
65 and over	126.9	\$4,227	(\$1,418)	(\$1,425)
MARITAL STATUS				
Married	332.5	\$3,546	\$283	\$539
Single	286.5	\$1,698	\$223	\$391
Male	81.6	\$1,150	\$935	\$1,078
Female	204.9	\$1,916	(\$60)	\$118
INCOME				
Less Than \$10,000	132.0	\$1,059	(\$676)	(\$650)
\$10,000-14,999	60.0	\$2,081	(\$810)	(\$512)
\$15,000-19,999	45.0	\$2,769	(\$362)	(\$21)
\$20,000-29,999	96.5	\$2,633	\$265	\$518
\$30,000-39,999	60.5	\$3,113	\$463	\$726
\$40,000-49,999	49.7	\$3,390	\$456	\$726
\$50,000-74,999	95.9	\$3,561	\$681	\$909
\$75,000-99,999	38.1	\$3,852	\$1,356	\$1,626
\$100,000 or More	41.3	\$4,237	\$2,903	\$3,159
POVERTY LEVEL				
Below Poverty	137.6	\$994	(\$668)	(\$594)
100-149%	66.9	\$2,295	(\$574)	(\$226)
150-199%	61.8	\$2,726	\$310	\$693
200-249%	50.3	\$3,070	\$489	\$759
250-299%	49.4	\$3,008	\$413	\$651
300% or More	253.0	\$3,560	\$888	\$1,088
CURRENT OUT-OF-POCKET COSTS^d				
Less Than \$500	272.3	\$1,014	\$912	\$1,151
\$500-999	104.4	\$2,453	\$683	\$953
\$1,000-2,499	147.2	\$3,570	\$161	\$335
\$2,500-4,999	69.2	\$5,446	(\$1,128)	(\$946)
\$5,000-9,999	20.9	\$9,731	(\$3,975)	(\$3,833)
\$10,000 or More	5.0	\$19,010	(\$11,554)	(\$11,357)
TOTAL	618.9	\$2,684	\$251	\$484

a Excludes institutionalized persons.

b Includes health insurance premiums and direct payments for acute care services only.

c Includes changes in premiums, out-of-pocket expenses and taxes earmarked to fund health reform.

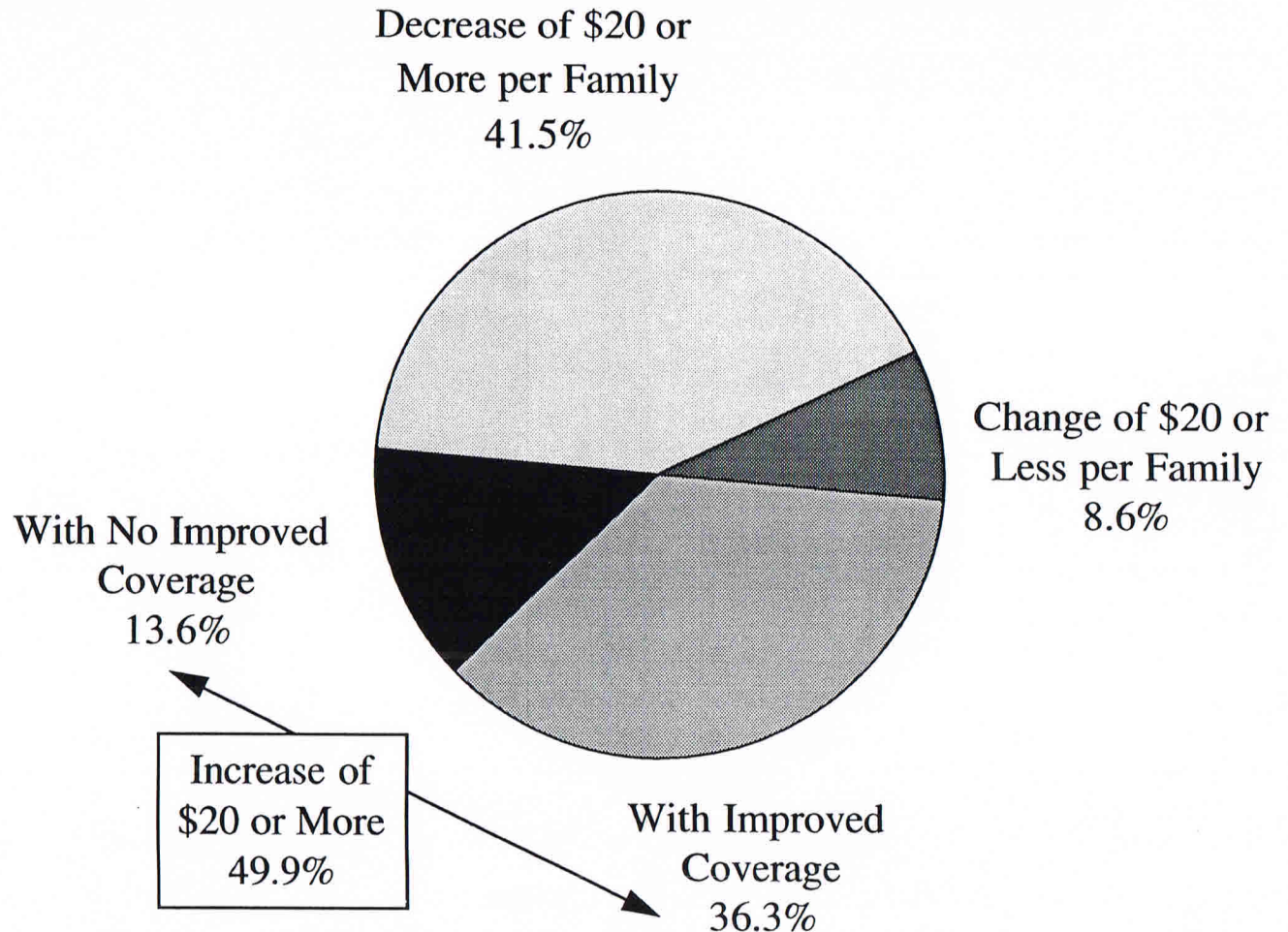
d The average exceeds the range because health spending includes premiums while the range is defined by out-of-pocket costs.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 18: Distribution of Families in New Mexico by Change in Household Health Spending Under Managed Competition in 1998^a

Families Whose Spending Would Decrease By:	
\$1,000 or More	25.8%
\$500-\$1,000	7.5%
\$250-\$500	4.0%
\$100-\$250	2.4%
\$20-\$100	1.8%

Families Whose Spending Would Increase By:	
\$1,000 or More	31.5%
\$500-\$1,000	8.2%
\$250-\$500	4.5%
\$100-\$250	3.2%
\$20-\$100	2.5%



^a Includes changes in premiums, out-of-pocket expenses, taxes earmarked to fund health reform and wage effects. Excludes institutionalized persons. Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 19: Distribution of Families in New Mexico by Change in Household Health Spending Under Managed Competition in 1998 by Age of Household Head^a

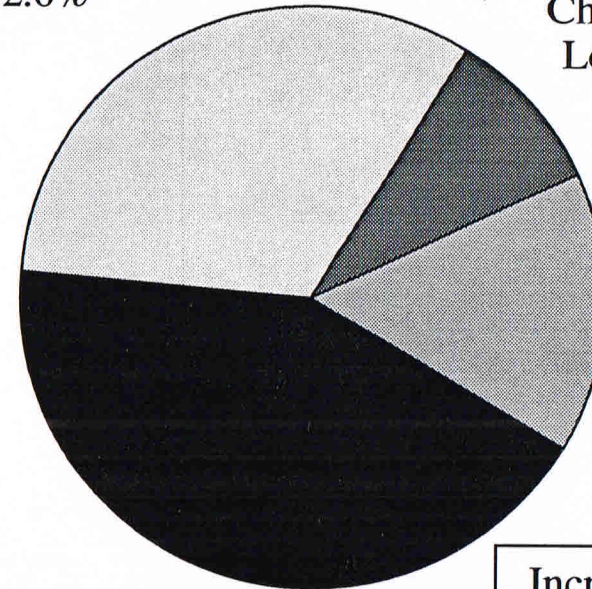
Household Head Under Age 65

Families Whose Spending Would Decrease By:	
\$1,000 or More	18.3%
\$500-\$1,000	6.0%
\$250-\$500	3.9%
\$100-\$250	2.6%
\$20-\$100	1.8%

Families Whose Spending Would Increase By:	
\$1,000 or More	36.7%
\$500-\$1,000	9.8%
\$250-\$500	5.2%
\$100-\$250	3.7%
\$20-\$100	2.9%

Decrease of \$20 or More per Family
32.6%

Change of \$20 or Less per Family
9.1%



With Improved Coverage
42.9%

Increase of \$20 or More
58.3%

With No Improved Coverage
15.4%

^a Includes changes in premiums, out-of-pocket expenses, taxes earmarked to fund health reform and wage effects. Excludes institutionalized persons. Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 20: Distribution of Families in New Mexico by Change in Household Spending Under Managed Competition in 1998^a

Family Income	All Families (in thousands)	INCREASE IN FAMILY HEALTH COSTS					Change of Less Than \$20	REDUCTION IN FAMILY HEALTH COSTS				
		\$1,000+	\$500- \$999	\$250- \$499	\$100- \$249	\$20-\$99		\$20-\$99	\$100- \$249	\$250- \$499	\$500- \$999	\$1,000+
Less than \$10,000	132.0	3.4%	3.1%	1.8%	3.4%	5.6%	36.0%	2.5%	2.7%	4.4%	9.3%	27.7%
\$10,000-\$14,999	60.0	24.8%	8.6%	2.9%	5.8%	2.6%	3.3%	2.0%	1.9%	4.5%	9.7%	34.0%
\$15,000-\$19,999	45.0	34.6%	10.0%	3.3%	2.4%	1.5%	1.9%	1.3%	1.3%	3.3%	8.3%	32.1%
\$20,000-\$29,999	96.5	34.2%	8.0%	8.2%	2.9%	1.9%	1.2%	1.7%	2.7%	3.0%	7.4%	28.7%
\$30,000-\$39,000	60.5	35.5%	10.0%	6.2%	2.6%	1.7%	0.4%	1.5%	2.3%	4.5%	7.3%	28.1%
\$40,000-\$49,000	49.7	35.6%	11.1%	4.5%	4.0%	1.8%	0.8%	1.4%	1.9%	5.5%	8.3%	25.2%
\$50,000-\$74,000	95.9	38.2%	12.8%	6.0%	3.8%	1.6%	0.6%	1.8%	3.5%	4.9%	6.4%	20.5%
\$75,000-\$99,999	38.1	55.3%	9.4%	4.1%	1.0%	0.9%	0.4%	1.3%	2.4%	2.9%	5.1%	17.2%
More than \$100,000	41.3	72.9%	5.4%	3.1%	0.6%	0.6%	0.6%	0.9%	1.2%	0.9%	2.7%	11.1%
TOTAL	619.0	31.5%	8.2%	4.5%	3.2%	2.5%	8.6%	1.8%	2.4%	4.0%	7.5%	25.8%

a Includes changes in premiums, out-of-pocket expenses, taxes earmarked to fund health reform and wage effects. Excludes institutionalized persons.

Source: Lewin-VHI estimates using the New Mexico version of the Health Benefits Simulation Model (HBSM).

Table 21: Change in Health Spending for Non-Aged Families in New Mexico by Current Insured Status (Families Headed by An Individual Under Age 65)

