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## Economist Says Health Care Law a Net Gain

■ *State's increased Medicaid cost would be made up, she says*

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**BY WINTHROP QUIGLEY**  
Journal Staff Writer

New federal spending required by the controversial health care law passed last year will produce more than enough state taxes to pay for increased Medicaid spending, an Albuquerque economist on

Friday told the Legislature's interim Revenue Stabilization and Tax Policy Committee.

Kelly O'Donnell, former state Regulation and Licensing Department superintendent, said that between 2014 and 2020 the federal Affordable Care Act will require New Mexico to spend between \$496 million and \$797 million on people that the act will make eligible for Medicaid for the first time. Premium and gross receipts taxes generated by Medicaid spending and new

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## Health Care Law Could Be Net Gain

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federal subsidies designed to lower insurance premiums for consumers and small business will put between \$888 million and \$1.2 billion into the state's general fund, O'Donnell said.

A consultant on economic issues, she studied the tax implications of the law, for New Mexico Voices for Children. Bill Jordan, the group's policy director, told the committee that Voices for Children is studying the tax and economic implications of the law to disprove the perception that Medicaid spending in New Mexico is not sustainable.

Jordan said federal government spending required by the law is expected to bring between \$10.5 billion and \$13.3 billion to New Mexico.

Rep. Tom Taylor, R-Farmington, did not dispute the report's findings, but he argued that the law contin-

ues the state's unhealthy dependence on federal spending, when what New Mexico needs is more private-sector employment and production. Federal spending "destroys our self-reliance," Taylor said.

O'Donnell said the Affordable Care Act requires states to provide Medicaid to adults earning up to 138 percent of the federal poverty level. Few adults, other than low-income elderly and disabled people, qualify for Medicaid benefits today.

Most Medicaid benefits are provided through managed care companies, which will have to pay a 4 percent premium tax to the state on new federal money they receive, she said. Some of the services bought with Medicaid dollars are also subject to gross receipts tax.

About 25,000 small businesses in New Mexico and people earning from 138 percent to 400 percent of the federal poverty level are eligible for federal help paying for private insurance. Those subsidies are paid to the insurance companies, which will have to pay premium tax to the state on the new federal money, O'Donnell said.



**O'DONNELL:**  
**Says health care bill will help state**