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FISCAL IMPACT REPORT

ORIGINAL DATE 2/14/19
 SPONSOR Figueroa LAST UPDATED 3/08/19 HB 511/aHEC/aHSEIC
 SHORT TITLE Group Insurance Salary Amounts SB _____
 ANALYST Jorgensen

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$3,500.0	\$3,500.0	\$7,000.0	Recurring	General Fund State Equalization Guarantee

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Public School Insurance Authority (PSIA)

SUMMARY

Synopsis of HSEIC Amendment

The House State Government, Elections and Indian Affairs Committee Amendment to House Bill 511 strikes all House Education Committee amendments which strikes the \$3.5 million appropriation.

Synopsis of HEC Amendment

The House Education Committee Amendment to House Bill 511 includes an appropriation of \$3.5 million to fund the employer contribution rate increase for health care benefits.

Synopsis of Original Bill

House Bill 511 alters the required employer contribution rates to group health insurance. Educational employers pay contributions to employees' health care benefits based on income of the employee. The employer contribution rate falls as incomes rise. The current employer contribution rates proposed in HB511 are shown in the table below:

Employer Contribution by Income Level

Employer Contribution	Current		HB511	
	Min. Income	Max. Income	Min. Income	Max. Income
75%	\$ -	\$ 15,000	\$ -	\$ 20,000
70%	\$ 15,000	\$ 20,000	\$ 20,000	\$ 25,000
65%	\$ 20,000	\$ 25,000	\$ 25,000	\$ 30,000
60%	\$ 25,000		\$ 30,000	

FISCAL IMPLICATIONS

Increasing the income thresholds as proposed in HB511 will shift some health insurance costs from employees to school districts. Increasing the income thresholds will result in school districts paying up to 5 percent more for employees who earn between \$15,000 and \$30,000. For example, currently an employer would pay 70 percent of the total cost of health insurance for an employee making between \$15,000 and \$20,000. Under the provisions of HB511, the employer would have to pay 75 percent of the cost.

PSIA reports there are 3,963 PSIA-covered employees making between \$15,000 and \$30,000. The cost of increasing employer contributions as prescribed in HB511 is \$3.5 million per year as shown in the estimated additional operating budget impact table. Because there is no appropriation in HB511, these additional costs would have to be absorbed by school districts.

SIGNIFICANT ISSUES

The New Mexico Public Schools Insurance Authority (PSIA) has the lowest salary thresholds in the state. The table below shows the employer contributions by income level for state employees covered by the General Services Department (GSD), employees of Albuquerque Public Schools (APS), and PSIA:

Comparison of Employer Contribution by Income thresholds

Employer Contribution	NMPSIA	Employer Contribution	APS	GSD
75%	<\$15,000	80%	<\$34,500	<\$50,000
70%	<\$20,000	70%	<\$40,000	<\$60,000
65%	<\$25,000	60%	\$40,000+	\$60,000+
60%	\$25,000+			

Educational employees covered under PSIA have a lower maximum employer contribution and much lower income thresholds than either APS or state employees. Educational employees at APS receive the maximum subsidy of 80 percent of health plan cost until their income surpasses \$34,500 while state employees receive an 80 percent subsidy until their income surpasses \$50,000. PSIA employees receive the maximum subsidy of 75 percent only for incomes under \$15,000.

Medical Premium Options
(in dollars, for earning less than \$50
thousand)

Single	GSD	APS	PSIA
Employee	98	192	220
Employer	393	287	331
Total	491	479	551
Family			
Employee	298	518	618
Employer	1,159	776	926
Total	1,457	1,294	1,544

GSD employees making less than \$50,000 pay \$98 per month for single coverage and \$298 per month for family coverage while APS employees pay \$192 and \$518 respectively for this coverage. PSIA employees pay \$220 for single coverage and \$618 for employee coverage, almost double the premium paid by state employees.

CJ/sb