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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
55th Legislature, 2nd Session, 2022

Bill Number SB101 **Sponsor** Pope
Tracking Number .221507.1 **Committee Referrals** SEC/SFC
Short Title School Group Insurance Contributions
Analyst Simon **Original Date** 1/28/2022
Last Updated _____

FOR THE LEGISLATIVE EDUCATION STUDY COMMITTEE

BILL SUMMARY

Synopsis of Bill

Senate Bill 101 (SB101) would increase the required employer contribution for group health insurance benefits for school districts, charter schools, and other entities covered by the Public School Insurance Authority (NMPSIA). Employers would be required to cover 80 percent of health insurance premiums for employees earning less than \$25 thousand, with lower amounts required for employees earning more. The bill includes a \$10.6 million appropriation to the state equalization guarantee distribution (SEG), the pool from which funds are distributed to schools through a formula.

The bill has an effective date of October 1, 2022, to coincide with the new plan year for NMPSIA health insurance plans.

FISCAL IMPACT

The bill would increase school district and charter school costs for employee health insurance but also would likely increase take-home pay for many public school employees. The bill would apply to all school districts, apart from Albuquerque Public Schools (APS), and all charter schools. Currently, school districts and charter schools covered by NMPSIA are required to pay for a share of the total health insurance premium that ranges from 60 to 75 percent of the total health insurance premium, although some school districts and charter school opt into a provision allowing the employer to cover 80 percent of premiums. Statutorily required employer contributions vary based on the employee's salary. Lower-paid employees receive a higher subsidy than higher paid

Statutory NMPSIA Contributions

Salary Tier	Current Law	SB101	Change
< \$15K	75%	80%	5%
\$15K - \$20K	70%	80%	10%
\$20K - \$25K	65%	80%	15%
\$25K - \$30K	60%	75%	15%
\$30K - \$35K	60%	70%	10%
\$35K - \$40K	60%	65%	5%
\$40K+	60%	60%	0%

Source: LESC Analysis

employees. SB101 would increase required employer contributions for those earning less than \$40 thousand.

Data from NMPSIA indicate total health insurance premiums of \$322.4 million per year. Employers are responsible for \$205.3 million, or 63.7 percent of total premiums. SB101 would increase that amount to \$212.3 million, an increase of \$7 million. Of that amount \$6.8 million would come from public school employers and \$185 thousand would come from higher education institutions. Other entities covered by NMPSIA generally pay at least 80 percent of health insurance premiums and would see negligible cost increases.

SB101 includes a \$10.6 million appropriation for distribution through the SEG to school districts and charter schools statewide. This amount was based on initial data from NMPSIA that was later revised downward. Because APS, which is not covered by NMPSIA, would receive about 25 percent of the funding allocated through the SEG, the \$7 million cost would necessitate an increase to the SEG of \$9 million for NMPSIA-covered entities to receive the total cost.

SUBSTANTIVE ISSUES

The Public School Insurance Authority Act was created to assist school districts statewide with procuring affordable health insurance benefits for employees, as well as property and liability insurance, at a time when many school districts struggled to find insurance coverage. The act’s definition of school district excludes any school district with a student enrollment of more than 60 thousand; consequently, APS is not bound by its provisions and maintains a separate, self-insured employee benefits program. All other school districts are covered by NMPSIA and subject to the provisions of the act, as are all charter schools, including state- and locally chartered charter schools in Albuquerque.

Under current law, there is significant inequity between public school employees and many other public employees in employer funding of health insurance benefits. Section 10-7-4 NMSA 1978 requires state agencies, boards, and commissions to pay more toward employee benefits than is required under the Public Schools Insurance Authority Act. In addition, APS currently covers 80 percent of the health insurance premiums for employees earning less than \$39,500, more than required by current law for NMPSIA-covered employees.

State Agency Share of Health Insurance Premiums

Salary Range	Employer Share
Less than \$50,000	80%
\$50,000 to \$59,999	70%
\$60,000 or more	60%

Source: LESC

Albuquerque Public Schools Share of Health Insurance

Salary Range	Employer Share
Less than \$39,500	80%
\$39,500 to \$44,999	70%
\$45,000 or more	60%

Source: LESC

Total health insurance premiums are also higher for NMPSIA. For example, a Blue Cross and Blue Shield preferred provider organization (PPO) plan with single coverage has a total premium of \$6,528 per year for APS employees, \$7,484 per month for a state employee, and \$10,571 for NMPSIA-covered employees. While coverage levels of the plans differ—APS plans have higher deductibles and out-of-pocket costs—NMPSIA also faces higher cost of healthcare because more of its members live in rural areas, where medical costs are higher.

FY22 Comparison Annual Health Insurance Premium Costs
Based on Single Coverage and Income of \$41 Thousand

	NMPSIA High Option	State Blue Cross PPO	APS Blue Cross Preferred
Deductible	\$750	\$500	\$1,000
Max Out of Pocket	\$3,750	\$4,000	\$5,000
State Cost	\$6,348	\$5,984	\$4,570
Member Cost	\$4,223	\$1,500	\$1,958
Total Premium	\$10,571	\$7,484	\$6,528

Source: Legislative Finance Committee

OTHER SIGNIFICANT ISSUES

Prior to FY05, state agencies covered the same percentage of health insurance premiums as public school employers but Laws 2004, Chapter 82, phased in an increase to the minimum percentage for state agencies. Fiscal impact reports for that bill note the legislation was pursuant to a collective bargaining agreement between the American Federation of State, County and Municipal Employees and the state. That law did not increase the employer contribution for public school employees, but it amended the Public Schools Insurance Authority Act to provide that school districts, charter schools, and participating entities in NMPSIA could contribute up to 80 percent of the cost of insurance if the entity had sufficient revenue to do so.

Educator Compensation. Group health insurance benefits are an important component of total compensation for public school educators. While requiring employers to cover a larger share of health insurance premiums will help to increase take-home pay for school district and charter school employees, there is little evidence an increase in compensation related to health insurance plans is more effective than providing an equivalent increase in employee salary.

Anecdotally, some school districts have reported school districts in other states, particularly in southwest Texas, have effectively recruited new teachers to their school by increasing cash compensation, sometimes by offering signing bonuses. These school districts often provide relatively meager subsidies for health insurance, and some teachers in these school systems have complained that, as health insurance costs rise, they face reduced paychecks due to higher insurance costs. In New Mexico, school employees are partially shielded from such increases because school districts and charter schools are required to pay a percentage of the total cost, rather than a set dollar amount. Increasing benefits-related compensation could lead some employees to believe school districts that skew compensation more toward salary and less toward benefits offer more attractive employment terms, even if the costs of total compensation are the same.

ALTERNATIVES

Program evaluations from the Legislative Finance Committee (LFC) have noted the state has failed to take full advantage of possible costs savings from the Health Care Purchasing Act of 1997, which created the Interagency Benefits Advisory Council (IBAC) to combine the purchasing power of public employers, including NMPSIA, APS, the General Services Department, and the

Retiree Health Care Authority. These evaluations note potential for cost savings through combining the IBAC entities.

FY22 budget recommendation guidelines from LFC note continued division in purchasing employee health insurance leads to both increased costs as well as disparities in the costs of insurance coverage based on employer. The committee has said analysts will examine the possibility of reducing health insurance costs by increasing insurance pool size.

RELATED BILLS

The LFC recommendation includes a \$15 million in federal funds from the American Rescue Plan Act to NMPSIA for the costs of Covid-19 testing and treatment, which would prevent a premium increase to cover those costs.

SB101 conflicts with House Bill 59, which would increase employer contributions to 80 percent for all employees.

SOURCES OF INFORMATION

- LESC Files
- Public School Insurance Authority

JS/mb