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FISCAL IMPACT REPORT

SPONSOR Lara/Romero,
GA/Allison/Figueroa/ Madrid ORIGINAL DATE 1/22/22
 LAST UPDATED 1/26/22 HB 59

SHORT TITLE School Group Insurance Contributions SB _____

ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY22	FY23		
	\$52,200.0	Recurring	General

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$55,677.9	\$58,239.1	\$113,917.0	Recurring	Public Schools and Higher Education

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with Senate Bill 101

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

Public Schools Insurance Authority (PSIA)

SUMMARY

Synopsis of Bill

House Bill 59 (HB59) removes the current employer contribution rates for employees receiving medical insurance coverage through the Public Schools Insurance Authority (PSIA) and replaces them with a minimum employer contribution rate of 80 percent regardless of employee income. HB59 includes an appropriation of \$52.2 million to cover increased costs to participating employers.

FISCAL IMPLICATIONS

The appropriation of \$52.2 million is a recurring expense to the general fund.

PSIA estimates the cost of increasing employer contributions to 80 percent will be \$53.2 million based on FY22 program participation. The cost to increase for public and higher education entities are shown in the table below:

FY22 Cost to Increase Employer Health Insurance Contribution to 80 Percent Based on Current Contribution Rate

(in thousands)

Entity	Current Subsidy Rate				Total
	60%-65%	65%-70%	70%-75%	75%+	
Public Schools	41,779.6	5,660.2	2,249.8	241.9	49,931.5
Higher Ed	2,347.1	874.6	66.6	9.7	3,297.9
Total	44,126.7	6,534.7	2,316.4	251.6	53,229.4

LFC’s estimate of the budget impact is based on application of a 4.6 percent annual increased medical insurance costs so that the FY23 cost would be \$55,677.9 thousand and the FY24 cost would be \$58,239.1 thousand as shown in the estimate of the additional operating budget table.

PED notes:

Staff estimate the cost of increasing the employer insurance contribution rate for all employees to 80 percent would cost school districts and charter schools \$56.6 million in FY23... resulting in an estimated unfunded fiscal impact of \$4.4 million on school district and charter school operating budgets.

PED staff estimate a 5 percent inflation rate in FY24 will increase this overall impact from \$56.6 million to \$59.9 million. The bill does not create a recurring funding source to ensure these costs will be covered in FY24; if HB59 passes, the Legislature will need to include funding in the General Appropriation Act of 2023 to prevent a full unfunded impact of \$59.9 million on school district and charter school operating budgets.

LFC’s estimate is based on the PSIA estimate of FY22 plan costs. However, the different cost estimates from PED and PSIA illustrate a level of uncertainty around costs of HB59.

SIGNIFICANT ISSUES

Public employee health benefits are provided through three agencies: General Services Department (GSD) for state employees; Albuquerque Public Schools (APS) for all employees of the Albuquerque school district; and Public Schools Insurance Authority (PSIA) for all non-APS educational employees. In the case of APS and PSIA, health benefit rates are set by their respective boards while ultimate discretion for GSD rates resides with the Governor.

PSIA-affiliated employers pay the lowest employer contributions of the three plans as a result of both statutory constraint and local school board policy. Statute sets a minimum employer contribution that PSIA-affiliated employers must pay, but does not set a maximum rate. This

differs from the statutory requirements for GSD which set a maximum amount of employer contributions that must be paid. Statute is silent on APS leaving the school board in sole control of the benefit offered. Generally speaking, PSIA-affiliated employers have opted to contribute the minimum amount required by statute to employees’ health insurance while GSD-affiliated employers have contributed the maximum amount allowed.

Comparison of Employer (ER) and Employee (EE) Health Insurance Contributions by Plan Sponsor

PSIA			APS			GSD		
Income	ER	EE	Income	ER	EE	Income	ER	EE
<\$15K	75%	25%	<\$39.5K	80%	20%	<\$50K	80%	20%
<\$20K	70%	30%	<\$45K	70%	30%	<\$60K	70%	30%
<\$25K	65%	35%	\$45K+	60%	40%	\$60K+	60%	40%
\$25K+	60%	40%						

Under the provisions of HB59, PSIA-affiliated employer health insurance contribution rates would become the highest in the state.

The \$52.2 million appropriation is made to PED “to distribute to school districts, charter schools and participating entities in the public school insurance authority to pay for increased employer contributions for group health insurance.” It is unclear if this is meant to include higher education institutions.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB56 conflicts with Senate Bill 101 which would appropriate \$10.6 million to adjust employer contribution rates for PSIA-affiliated employers.

OTHER SUBSTANTIVE ISSUES

Membership in the PSIA health insurance pool has been shrinking for several years while costs continue to increase. The state and local governments covered under GSD and APS have also experienced membership declines. Between FY17 and FY21, total enrolment in the three health insurance plans declined by 6.5 percent while costs per member increased by 14.3 percent. It is unclear what impact declining health insurance enrolment and small coverage pools are having on plan sponsor’s ability to control costs, but it is likely the trifurcated benefit system is not creating cost savings for public employees.

PED suggests the following:

The Legislature may wish to consider amending the appropriation in HB59 to be made to the SEG, ensuring the funding becomes a recurring funding source that is automatically via the public school funding formula.