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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
57th Legislature, 1st Session, 2025

Bill Number	<u>HM44</u>	Sponsor	<u>Lara</u>
Tracking Number	<u>.230177.1</u>	Committee Referrals	<u>HEC</u>
Short Title	<u>School Employee Insurance Premium Work Group</u>		
Analyst	<u>Estupiñan</u>	Original Date	<u>3/6/2025</u>
		Last Updated	<u></u>

BILL SUMMARY

Synopsis of Memorial

House Memorial 44 (HM44) requests the LESC convene a working group during the 2025 interim to study rising insurance premiums for school employees and the group insurance contributions provided for in the Public School Insurance Authority Act.

FISCAL IMPACT

Legislative memorials do not contain appropriations.

SUBSTANTIVE ISSUES

Background of Insurance Programs for Public School Personnel. The New Mexico Public Schools Insurance Authority (NMPSIA) provides a self-insured health plan that provides participating public school employees with medical, dental, vision, and prescription drug coverage. Self-funded plans are typically preferred by large employers that have the scale to spread risk among a larger insured population, with the intention of covering the costs of medical care, contracting with external entities for access to their coverage networks, and paying for third-party administrative services. NMPSIA collects premiums from employees and employers throughout the fiscal year and uses those premiums to pay medical claims. As a self-insured benefits plan, NMPSIA must raise enough revenue to cover their claims, while taking into consideration the need to provide a competitive benefits plan that supports public schools in recruiting and retaining qualified staff.

NMPSIA also provides coverage for worker's compensation, property, liability, unemployment, and other risks faced by public employers, hereafter referred to as "risk coverage." Like its medical plan, NMPSIA collects risk coverage premiums from employers, which are subsequently used to pay claims. The agency also purchases excess risk coverage to reduce its exposure to large claims.

Albuquerque Public Schools (APS) is the only school district in New Mexico that does not provide employee health coverage through NMPSIA.

Establishment of Premiums. Each year, the governing board of NMPSIA uses cost trends as a guiding indicator in establishing premium rates for the following fiscal year. To assist local educational agencies (LEAs) in paying their assessed medical and risk premiums, NMPSIA requests the Legislature appropriate a specific amount of additional funding to the state equalization guarantee (SEG), the public school funding formula. If the requested funding is appropriated to the SEG, it is then distributed to school districts and charter schools through the formula, primarily based on the characteristics of students in each LEA. It is important to note, however, that the governing body of NMPSIA is not statutorily obligated to establish premium rates that reflect the Legislature’s appropriation to the SEG.

In its initial establishment of premium rates for FY25, the NMPSIA board increased medical premiums by 15.25 percent, compared to the 6.5 percent increase included in the Legislature’s appropriation for public school support. NMPSIA noted this significant increase in health premiums was driven by a 14.6 percent increase in prescription drug costs, several legislative changes to health coverage requirements that will cost NMPSIA approximately \$5.7 million in FY25, and a migration of public school employees to lower cost plans. At the same time, NMPSIA also increased its risk coverage premiums by 31.9 percent, primarily due to large claims from wind and hail damage, as well as sexual abuse and molestation claims.

Cost Trends. Much of the [increased costs](#) for NMPSIA in recent years have been driven by a relatively small proportion of its enrolled members, where 15 percent of NMPSIA’s enrolled members are responsible for approximately 83 percent of the agencies’ total paid medical claims. Those with chronic conditions are among the highest per-capita contributors to NMPSIA’s medical claims, including members who have been diagnosed with diabetes, hypertension, asthma, and cancer. This concentration of cost is so pronounced that just 267 enrolled members accounted for \$60.5 million in paid medical claims in 2023.

Risk premiums have been influenced by both regional and national trends, including inflationary pressures, natural catastrophes, geopolitical conflict, and costs from the Covid-19 pandemic.

NMPSIA has also indicated a significant source of financial pressure in the last several years has been the increasing costs of settling [sexual abuse and molestation cases in public schools](#). Because these cases of sexual abuse often take place over several years and may involve multiple victims, the resulting financial liability for public schools may be substantial when the abuse is ultimately discovered. The excess insurance purchased by NMPSIA has limited its exposure to the high cost of these claims, but the large claims have increased rates and made securing coverage more difficult.

ADMINISTRATIVE IMPLICATIONS

Participation in the working group would be requested from the Public Education Department, the Department of Finance and Administration, the General Services Department, NMPSIA, school districts, and charter schools.

SOURCES OF INFORMATION

- LESC Files

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