

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

Health Benefits

The trifurcated system of providing health benefits has led to different plan designs, premiums, and employer and employee contribution rates. The table below compares health insurance plans for single coverage based on an income of \$41 thousand, the level 1 teacher starting salary.

FY22 Comparison of Annual Health Insurance Premium Costs

Based on Single Coverage and income of \$41 thousand

	NMPSIA-High Option	GSD-Blue Cross PPO	APS- BCBS 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: LFC Files

While the insurance plans are similar, the premiums are dramatically different. For example, a teacher on the NMPSIA plan may pay \$4.2 thousand for coverage through the Blue Cross Blue Shield (BCBS) network that is very similar to the BCBS PPO plan offered to state employees through GSD, but state employees pay less than half of the NMPSIA rate for the coverage.

The disparity in employer and employee contribution rates is largely due to statutory constraint and agency policy. Statute mandates higher employee cost sharing rates for NMPSIA than for GSD and is silent on rates for APS employees. Additionally, the NMPSIA and APS boards have made the policy decision to consistently increase rates to pay program costs and build a reserve while GSD rate increases have not kept pace with healthcare cost increases.

Impact of Covid Pandemic

While the global Covid pandemic has upended life for people worldwide, its impact on New Mexico's health insurers has been relatively muted. The Kaiser Family Foundation found that cancellation of elective procedures and reluctance of people to seek care resulted in a dramatic decline in health care spending; expenditures in April 2020 were 31.9 percent lower than a year prior, but by

AGENCY: General Services Department, New Mexico Public School Insurance Authority, Albuquerque Public Schools

DATE: August 25, 2021

PURPOSE OF HEARING:

Review of group health benefits programs

WITNESS: Duffy Rodriguez, Secretary, GSD; Richard Valerio, Director, NMPSIA; Valerie Atencio, Sr. Director, Benefits and Wellness, APS

PREPARED BY: Connor Jorgensen, Analyst, LFC

EXPECTED OUTCOME: Informational

APS Contributions		
Salary	Employee (EE)	Employer (ER)
< \$39.5K	20%	80%
<\$45K	30%	70%
\$45K+	40%	60%

NMPSIA Contributions		
Salary	EE	ER
< \$15K	25%	75%
< \$20K	30%	70%
< \$25K	35%	65%
\$25K +	40%	60%

GSD Contributions		
Salary	EE	ER
< \$50K	20%	80%
< \$60K	30%	70%
\$60K +	40%	60%

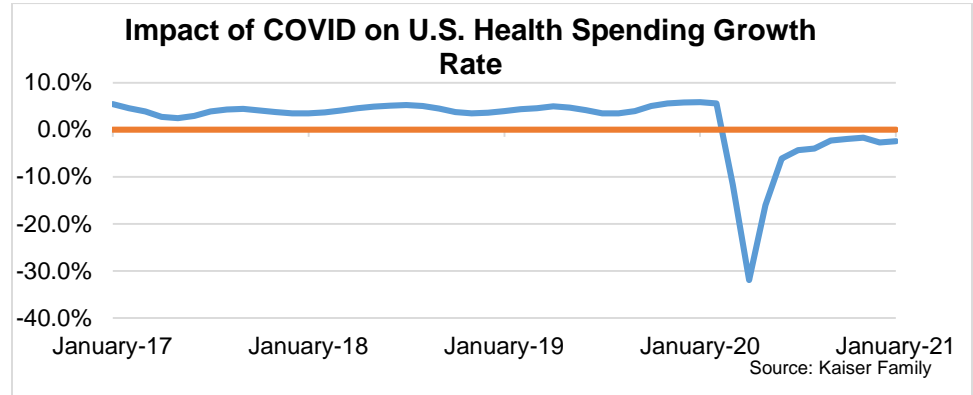
The disparities in insurance plan costs are driven by three primary factors:

Statute: Rates for NMPSIA-covered employees are higher than GSD-covered employees and no statutory rate is set for APS-covered employees.

Governance: The NMPSIA and APS boards set premium rates to reflect plan costs while GSD has not. GSD's health benefits fund faces a deficit because rates have consistently risen less than healthcare costs.

Pool Composition: The majority of GSD- and all of the APS-covered employees are in urban areas and able to receive lower care rates while the majority of NMPSIA-covered individuals are in rural areas subject to higher rates. Separate pools prevent higher rural costs from being balanced with lower urban costs.

January, 2021, expenditures were only 2.4 percent below January of the prior year. Health care spending levels have largely recovered as shown in the graph below.



Direct costs incurred for testing and treatment related to Covid totaled \$34 million across the three insurance providers.

Cost of COVID Testing and Treatment

	APS	GSD	NMPSIA	Total
Test Cost	\$1,336.0	\$4,899.2	\$4,184.5	\$10,419.7
Treatment Cost	\$1,529.0	\$9,572.7	\$12,498.5	\$23,600.2
Total Cost	\$2,865.0	\$14,471.9	\$16,683.0	\$34,019.9

Source: APS, GSD, NMPSIA

Direct costs for testing are reimbursable by the federal government and New Mexico has received \$262 million for this purpose. The executive has yet to determine whether federal funding will be used to pay these costs or if public employees should be made to pay these costs through increased premium assessments. New Mexico insurance plans have paid \$10.4 million for testing.

Average Annual Cost of Single Coverage Insurance Premium, 2019*		
U.S. Average		
Payer	Cost	Split
EE	\$1,489	21%
ER	\$5,483	79%
Total	\$6,972	
New Mexico Average		
Payer	Cost	Split
EE	\$1,729	26%
ER	\$4,967	74%
Total	\$6,696	

Source: Kaiser Family Foundation

EE=Employee

ER=Employer

*Most recent year for which data are available.

State Insurance Plan Comparison

According to data provided by the Kaiser Family Foundation, the average total cost of health insurance plans for New Mexico workers is \$6.7 thousand per year, slightly less than the national average. New Mexico employees paid an average \$1,729 for coverage, significantly less than the \$3,896 paid by those covered under NMPSIA and the \$2,007 paid by APS, but higher than the \$1,500 paid by GSD employees making less than \$50 thousand annually.

LFC analysis finds that, of the seven surrounding states, New Mexico is the only state to provide health insurance contributions that vary based on income. Other states use a single rate schedule to assess premiums regardless of employee income level. Additionally, New Mexico does not offer a wide variety of types of insurance coverage. GSD, NMPSIA, and APS all offer plans that are relatively similar in terms of deductible, maximum out of pocket, and copay with NMPSIA being the only sponsor to offer a high deductible plan.

Other states provide a wider array of insurance options. For example, the states of Colorado and Arizona offer employees over \$700 per year in a health savings account if they choose to opt into a high-deductible health plan while the State of Oklahoma offers a set subsidy amount for each plan type and allows employees to choose the plan that best suits them, and offers \$150 per month in either a health

savings account or a taxable salary increase for those who opt out of insurance coverage. The fixed subsidy is determined by family size and is sufficient to cover the entire cost of the most basic plan, but is not sufficient to cover higher cost options.

Strategies such as those pursued by Oklahoma, Arizona, and Colorado are unlikely to be successful in New Mexico due to statutory restriction and agency practice. Because New Mexico employers pay a majority of the health insurance costs, most of the savings from employees transitioning to high deductible plans would accrue to the employer rather than the employee, reducing the incentive to change plans.

Benefit Cost and Trends

A self-insured benefits plan must match health expenditures with program revenue raised through premiums assessed on members. This is measured by a program’s loss ratio, which divides program costs by program revenue; a ratio of less than 100 percent means the program raises more revenue than it expends while a program with a ratio over 100 percent spends more than it brings in. Because a self-insured program does not need to make a profit, the program should try to set premiums as close to a loss ratio of 100 percent as possible.

Loss Ratio and Premium Increase by Plan

Agency	Metric	FY19	FY20	FY21	FY22*	FY23*
GSD	Loss Ratio	98%	98%*	105%	108%	TBD
	Premium Increase	4%	5%	0%	0%	0%
NMPSIA	Loss Ratio	92%	98%	100%	104%	103%
	Premium Increase	3.6%	5.6%	5.5%	5.6%	9.7%
APS	Loss Ratio	100.0%	98.6%	102.7%	98.3%	99.3%
	Premium Increase	6.8%	4.5%	6.0%	5.7%	5.9%

*Projected

Source: APS, GSD, NMPSIA

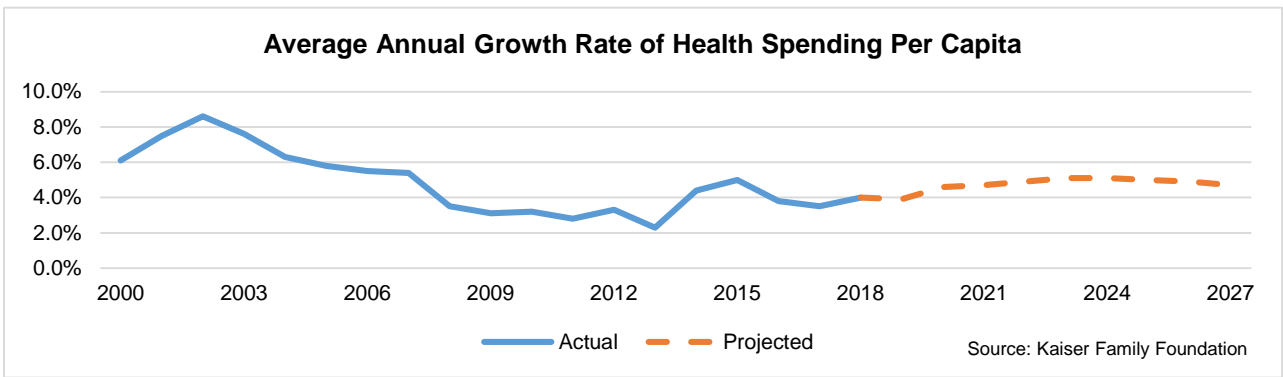
Of the three plans, GSD is in the most precarious financial position. The program’s loss ratio is consistently over 100 percent, resulting in an increasing deficit faced by the program. This is largely driven by the lack of consistent premium increases needed to keep pace with medical and prescription cost increases.

Each year, rates must be adjusted to reflect changes in healthcare costs known as medical trend. GSD anticipates the lowest FY22 medical and prescription cost increase trend at 4% while NMPSIA and APS anticipate 6.7 percent and 5.7 percent increases respectively. The conservative assumptions used by NMPSIA and APS may result in the agencies increasing premiums faster than medical and prescription expenses increase. Should the assumption be too conservative, the programs will have increased cash balances which may allow them to limit premium increases in future years. GSD is in the opposite situation; should actual medical and prescription costs increase at a rate over 4 percent, the program deficit will exceed projections resulting in a need for a larger future premium increases, plan design changes, or additional state funding.

The Kaiser Family Foundation estimates that health insurance costs increased at approximately 4.8 percent annually since the year 2000, though the rate of growth slowed to around 4.1 percent from 2014 to 2018, the last year for which data are available. Kaiser projects increases in 2021 and 2022 will be 4.6 percent and 4.7 percent respectively and will average 4.7 percent between 2020 and 2027.

Estimated Medical and Prescription Cost Trend Increase

Agency	FY22	FY23
APS	5.7%	5.9%
GSD	4.0%	5.0%
NMPSIA	6.7%	7.4%



The Center for Medicare and Medicaid Services (CMS) estimates health spending will grow at an average rate of 5.4 percent per year from 2019 to 2028 and that health spending will likely grow 1.1 percent faster than gross domestic product over this period.

Nationally, rising benefit costs mean wages are accounting for a smaller share of compensation. The Kaiser Family Foundation reports between 2014 and 2019, health insurance premiums increased by 22 percent while wages increased 14 percent. The rapid growth in health insurance costs forces employers to pay for benefits at the expense of salary increases. Data from the Bureau of Labor Statistics show the average compensation package is comprised of 67 percent salary and 33 percent benefits. New Mexico’s salary to benefits mix mirrors public workers nationwide at 58 percent salary and 42 percent benefits.

The rapid growth in health insurance costs forces employers to pay for benefits at the expense of salary increases.

Review of Agency Plans

New Mexico public employee health plans have lost members over the past five years as government employment shrunk, though costs continued to climb; in FY21, the state spent \$686.8 million on medical and prescription coverage, up 6.9 percent from FY17. However, the pool size shrunk by 6.5 percent resulting in a 14.3 percent increase in the cost per member over this period. The cost increase was driven primarily by an increase in medical costs which increased by 14.1 percent per member while prescription costs increased 4.1 percent.

GSD, NMPSIA, and APS Claims Cost Trend for Medical/Rx

(in thousands)

	FY17	FY18	FY19	FY20	FY21	Change (FY17-FY21)
Covered lives	126,666	121,192	120,421	120,627	118,479	-6.5%
Medical costs	\$543,570	\$545,129	\$554,225	\$568,212	\$587,471	8.1%
Costs per member	\$12,511	\$13,099	\$13,423	\$13,799	\$14,271	14.1%
Prescription costs	\$98,684	\$93,256	\$82,371	\$99,161	\$99,343	0.7%
Costs per member	\$2,400	\$2,303	\$2,109	\$2,359	\$2,497	4.1%
Total medical/drug costs	\$642,255	\$638,385	\$636,596	\$667,373	\$686,814	6.9%
Total costs per member	\$5,070	\$5,268	\$5,286	\$5,533	\$5,797	14.3%

Source: LFC Files

Budgeting for Health Insurance. GSD rates are built into base budget requests of agencies prior to the appropriations process while NMPSIA requests funding to be included in the public school support (PSS) budget for distribution to districts. The NMPSIA board is empowered to set insurance rates assessed to districts regardless of whether funding was included in the PSS budget. APS receives 25 percent of the state equalization guarantee funding available for insurance in the PSS budget regardless of claims experience.

While the boards of NMPSIA and APS have prioritized fully-funding the needs of their health benefits program, GSD has not. The failure of the state to match premium increases to program costs has led the program into an increasing deficit and has effectively subsidized coverage for state and local government employees while not providing the same benefit to education employees.

Benefit Eligibility. APS requires a 30-hour work week to qualify for benefits; GSD has a 20-hour minimum and has not proposed increasing eligibility; and NMPSIA has a 20-hour minimum but will allow coverage for 15 hours if requested by a school board. NMPSIA has discussed with schools increasing eligibility to 30 hours to meet the federal minimum requirement for employers under the ACA, achieving savings for schools. Some schools have changed their eligibility to require a longer work week. It is likely that employees losing coverage due to imposition of a 30-hour work requirement would qualify for Medicaid.

General Services Department

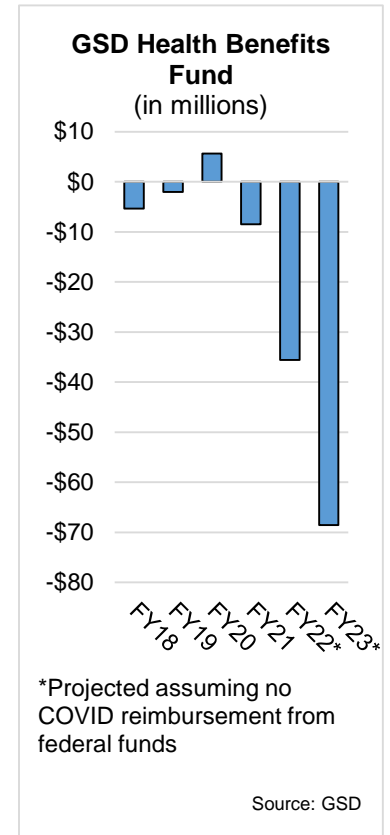
Program revenue raised through premiums has not kept pace with medical cost increases and the program has been in a deficit since 2018. The Legislature provided supplemental and special appropriations in the 2020 and 2021 General Appropriations Acts totaling \$17.6 million. Despite the shortfalls, the executive did not increase premiums in FY21, FY22, or FY23 and the program is now expected to end FY22 with a deficit of \$35.5 million and \$68.6 million in FY23. The deficit does not include allowance for claims that are incurred but not reported (IBNR). IBNR is typically 4 to 6 weeks’ worth of claims cost. GSD estimates that IBNR costs are approximately \$36 million.

GSD Health Benefits Enrollment

	Employee	Dependents	Total
State Government	17,632	19,980	37,612
Local Government	9,585	9,777	19,362
Total	27,217	29,757	56,974

Source: GSD

GSD provides insurance coverage to both state and local government employees and local governments are charged the same premiums that are charged for state employees. Because the program premium revenues are less than program costs, the state is effectively subsidizing health coverage for non-state employees. Approximately one third of the GSD health benefits program enrollment is comprised of local government employees and their dependents so that approximately \$23.3 million of the anticipated \$68.5 million FY23 shortfall is attributable to local governments. Health benefits plan enrollment has fallen despite the addition of local government employees as the New Mexico Municipal League discontinued its insurance program. In FY20, 800 local government workers and their dependents were added to the state insurance pool.



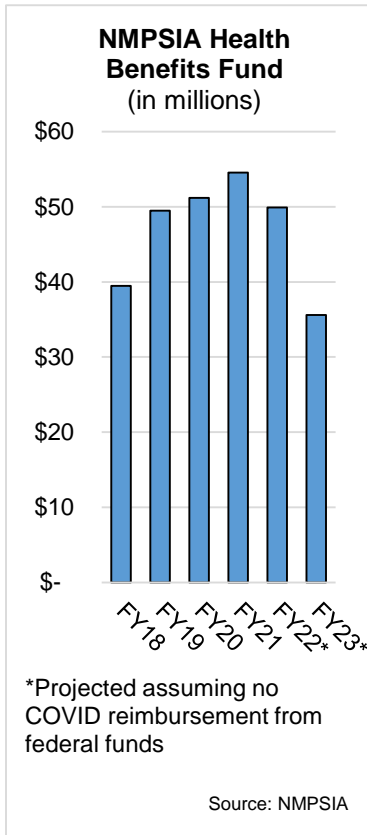
GSD Trends. Over the past five years, total medical and prescription drug costs increased by 13.1 percent while the number of total covered lives fell by 4.3 percent resulting in costs increasing by 18.1 percent on a per member basis between FY17 and FY21.

Though GSD reports \$14.5 million in Covid-related medical costs that are reimbursable through the use of federal funds, the executive has yet to allow for these funds to be directed to the program. If federal funds are not used to reimburse the cost of Covid testing and treatment, those costs will fall on plan members.

GSD Claims Cost Trend for Medical/RX
(dollars in thousands)

	FY17	FY18	FY19	FY20	FY21	Change (FY17-FY21)
Covered Lives	59,530	58,063	57,377	57,466	56,974	-4.3%
Medical costs	\$254,292	\$264,317	\$273,692	\$274,173	\$288,757	13.6%
Costs per member	\$4,217	\$4,552	\$4,770	\$4,771	\$5,068	20.2%
Prescription costs	\$41,512	\$46,146	\$40,302	\$47,425	\$45,686	10.1%
Costs per member	\$697	\$794	\$702	\$825	\$802	15.0%
Total medical/drug costs	\$295,804	\$310,463	\$313,994	\$321,598	\$334,443	13.1%
Total costs per member	\$4,969	\$5,347	\$5,472	\$5,596	\$5,870	18.1%

Source: GSD



For FY23, GSD will hold benefit premiums flat for the third consecutive year despite a mounting deficit in the health benefits fund. Without additional premium revenues, the program will be forced to either seek additional funding from the state or dramatically reduce benefits. Benefit reductions such as increased deductibles and copays will disproportionately affect members with higher health care utilization such as individuals with chronic conditions, older individuals, and those facing high-cost events such as child birth.

New Mexico Public School Insurance Authority

NMPSIA provides medical and prescription benefits to teachers in public and charter schools outside of APS and to employees of certain higher education institutions. Because APS employees are not included, approximately 85 percent of NMPSIA’s membership is located in rural areas of the state. The highly rural nature of the membership contributes to increased healthcare costs because of a lack of providers and limited competition in rural areas.

NMPSIA Health Benefits Enrollment

	Employee	Dependents	Total
School District	17,363	20,496	37,859
Charter School	1,801	1,805	3,606
Higher Education	1,851	1,633	3,484
Other	443	415	858
Total	21,458	24,349	45,807

Source: NMPSIA

Total costs increased 2 percent between FY17 and FY21. Over this same time period, the number of total covered lives fell by 10 percent resulting in costs increasing by 13 percent on a per member basis. A large portion of the membership decrease of 5,086 members between FY17 and FY21 is attributable to Central New Mexico Community College exiting NMPSIA in FY18.

NMPSIA Claims Cost Trend for Medical/Rx

(in thousands)

	FY17	FY18	FY19	FY20	FY21	Change (FY17-FY21)
Covered lives	50,896	47,058	47,235	47,285	45,807	-10.0%
Medical costs	\$227,032	\$217,846	\$216,038	\$226,885	\$234,684	3.4%
Costs per member	\$4,461	\$4,629	\$4,574	\$4,798	\$5,123	14.8%
Prescription costs	\$43,329	\$34,696	\$29,802	\$41,229	\$41,144	-5.0%
Costs per member	\$851	\$737	\$631	\$872	\$898	5.5%
Total medical/drug costs	\$270,361	\$252,542	\$245,840	\$268,114	\$275,828	2.0%
Total costs per member	\$5,312	\$5,367	\$5,205	\$5,670	\$6,021	13.3%

Source: NMPSIA

The NMPSIA health benefits program has maintained a loss ratio of under 100 percent in FY18 and FY19 in an effort to increase fund balance to \$5 million over the estimated incurred but not reported (IBNR) cost. Increasing fund balance over IBNR will allow NMPSIA to weather financial shocks without the need for large year-over-year premium increases. For FY23, NMPSIA plans to increase health insurance rates by 9.7 percent at a cost of \$26.2 million. NMPSIA rates will be finalized in February.

APS provides health benefits to all employees of the district and plans are governed by a seven-member elected school board that meets monthly.

Albuquerque Public Schools.

For 2022, APS will increase medical insurance rates by 5.7 percent and anticipates a 5.9 percent increase in 2023.

APS Health Benefits Enrollment

	Employee	Dependents	Total
School District	7,711	7,984	15,695

Source: APS

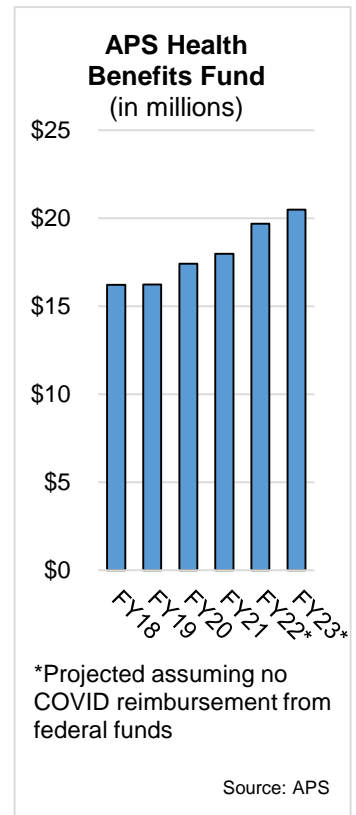
Between FY17 and FY21, total costs increased 0.6 percent. Over this same time period, the number of total covered lives fell by 3.4 percent resulting in total costs per member increasing by 4.1 percent.

APS Claims Cost Trend for Medical/Rx

(in thousands)

	FY17	FY18	FY19	FY20	FY21	Change (FY17-FY21)
Covered lives	16,240	16,071	15,809	15,876	15,695	-3.4%
Medical costs	\$62,246	\$62,966	\$64,495	\$67,154	\$64,030	2.9%
Costs per member	\$3,833	\$3,918	\$4,080	\$4,230	\$4,080	6.4%
Prescription costs	\$13,843	\$12,414	\$12,267	\$10,507	\$12,513	-9.6%
Costs per member	\$852	\$772	\$776	\$662	\$797	-6.4%
Total medical/drug costs	\$76,090	\$75,380	\$76,762	\$77,661	\$76,543	0.6%
Total costs per member	\$4,685	\$4,691	\$4,856	\$4,892	\$4,877	4.1%

Source: APS



Risk Insurance Programs

In addition to providing health benefits, the General Services Department (GSD), New Mexico Public School Insurance Authority (NMPSIA), and Albuquerque Public Schools (APS) provide coverages for workers' compensation, property, liability, unemployment, and other risks faced by public employers. These agencies manage risk through both self-insurance and insurance purchasing.

GSD and APS are primarily self-insured, but carry excess coverage insurance for larger claims while NMPSIA relies on a more robust excess insurance program to manage risk. Each entity covers different risks and exposures and carries different lines of coverage and self-insured amounts. For example, NMPSIA and APS do not have prisons, railroads, or hospitals to cover like GSD. NMPSIA has many schools in rural areas with limited access to fire or life safety services while the majority of APS schools are very accessible to fire and life safety services. For FY21, appropriations to the three agencies totaled \$195 million, to pay claims, cover in-house and out-sourced claims management, loss control services, and maintain adequate reserves. Actual expenditures for FY21 totaled \$165 million.

GSD and NMPSIA request budgets from the legislature each year through the regular appropriations process while APS receives its funding through a set proportion of the insurance allocation made in the public school support budget. GSD and NMPSIA construct their risk budgets by estimating the potential amount of payments for damages that will be made in a year and request that amount from the Legislature. In the case of GSD, premium revenue is raised by assessments on agencies that are built into the budget request while the NMPSIA board determines the rates paid by school districts and charter schools. This appropriations request is therefore a request for expenditure authority rather than a request for an appropriation.

Review of Risk Management Programs

For the coming fiscal year, there is a trend of increasing property insurance rates affecting all agencies. The property insurance market is national, so rates are influenced by losses occurring outside of the state. For example, fires in California or hurricanes in Florida create losses for property insurers and those losses are passed to ratepayers nationwide. However, some risks are unique to New Mexico.

The recently passed New Mexico Civil Rights Act (NMCRA) allows claims of violations of New Mexico constitutional rights to be brought in state court and increases damage awards, will likely increase risk exposure of public entities. Additionally, the NMCRA allows for award of attorney fees which could significantly increase the cost of claims. However, because the provisions of the NMCRA only took effect in July, 2021, there is no claims history to assess the potential impact on agency budgets going forward and agencies did not assume increases in FY23 rates resulting from NMCRA.

General Services Department

The Risk Management Division (RMD) of the GSD sets rates to reflect an agency's five-year loss history and exposure to losses with regards to a particular line of

coverage. Each spring, RMD collects exposure data from agencies to determine the cost drivers for each line of coverage, for example, payroll, equipment, number of employees, hospital beds, buildings, vehicles, etc. Surveys are important because excess coverage insurers may limit or deny coverage for undocumented exposures.

RMD Total Budgeted Appropriations

(in thousands)

	FY18	FY19	FY20	FY21	FY22
Budgeted Appropriations	\$86,987	\$78,038	\$82,538	\$83,752	\$96,928
Payments from GSD Funds	\$64,299	\$63,533	\$68,611	\$77,073	TBD

Source: GSD

RMD purchases excess property and fine arts coverage for catastrophic losses. RMD has a self-insured retention, similar to a deductible, for property losses of up to \$500 thousand. For FY21, the program paid \$4.5 million in excess insurance premiums to cover \$8.6 billion in assets.

GSD Property Value and Excess Insurance Coverage

(in thousands)

	FY19	FY20	FY21	FY22
Excess Insurance Premium	\$3,188	\$3,859	\$4,554	\$5,061.8
Excess Insurance Recoveries	\$3,161	\$0	\$0	TBD
Total Property Claims Paid	\$11,169	\$10,948	\$5,476	TBD
Covered Property Value	\$8,435,603	\$8,624,673	\$8,624,673	\$8,624,673
Self-Insured Retention	\$500	\$500	\$500	\$500

Source: GSD

RMD self-insures all liability and workers' compensation losses. GSD provides workers' compensation coverage for a total payroll of \$3.4 billion as well as providing liability coverage for state and local government entities.

GSD Workers' Compensation and Liability Payments by Year

(in thousands)

	FY18	FY19	FY20	FY21
Total WC Claims Paid	\$14,135	\$15,392	\$12,222	\$11,240
Total Liability Claims Paid	\$22,161	\$18,427	\$24,869	\$29,751

Source: GSD

Rates for FY23. The Department of Finance and Administration published rates for covered entities to incorporate into the FY23 appropriation requests. The proposed rates reflect an overall increase of 25 percent from FY22, increasing premium revenues for workers' compensation, liability, property, transportation, and unemployment coverage by \$13.6 million. Just over half of the requested increase will come from general fund revenues. The rates were apportioned based on experience and exposure so agencies may see premiums increase or decrease accordingly.

Risk Management Advisory Board Membership

Russell Toal, Superintendent of Insurance- President

Hector Balderas, Attorney General

Raul Burciaga, Director, Legislative Council Services

Debbie Romero, Secretary, Department of Finance and Administration

Tami Coleman, CFO, Albuquerque Public Schools

Quinn Lopez, Attorney

Teresa Ann Constantinidis, CFO, UNM

Anita Mullins Schwing, CFO, New Mexico Health Insurance Exchange

Michael Byrd, Insurance Agent

GSD Agency Assessed Premiums, FY23

(in thousands)

Coverage	FY22	FY23	Difference
WC	\$16,095	\$20,774	29%
Liability	\$27,799	\$35,690	28%
Transportation	\$1,435	\$1,782	24%
Property	\$7,606	\$10,655	40%
Unemployment	\$2,391	-	-100%
Total	\$55,326	\$68,901	25%

Source: GSD

NMPSIA's Oversight Board

Al Park, President- Governor
Appointee

Chris Parrino, Vice-President-
Association of School Business
Officials

K.T. Manis, Secretary- Public
Education Commission

Denise Balderas- Governor
Appointee

Tim Crone- American Federation
of Teachers

Pauline Jaramillo- School
Boards Association

David Martinez- National
Education Association of New
Mexico

Bethany Jarrell- National
Education Association of New
Mexico

Sammy Quintana- Governor
Appointee

Ricky Williams- New Mexico
Superintendent Association

Trish Ruiz- Educational
Institutions at Large

Public School Insurance Authority

Section 22-29-2 NMSA 1978 created NMPSIA to provide group health and risk coverage and due process reimbursement with the exception of coverage provided by RMD. All K-12 school districts (except APS), charter schools (including those in Albuquerque), students, employees, volunteers, and contracted bus drivers are covered under policies administered by NMPSIA. The total value of insured property assets is \$27 billion.

NMPSIA's risk program self-insures property and liability losses up to \$1 million and buys excess coverage for larger claims. In FY22, the program paid \$48.2 million for excess liability, property, and workers compensation premiums. Premiums continue to increase as property insurance markets face increased risk due to climate-related damages such as wild fires and hurricanes nationally, and liability rates increase primarily due to sexual assault claims against educational employees in New Mexico.

NMPSIA Budgeted Appropriations

(in thousands)

	FY17	FY18	FY19	FY20	FY21	FY22
Budgeted Appropriations	\$73,205	\$70,799	\$75,078	\$70,081	\$83,087	\$83,080
Payments From Risk Funds	\$73,318	\$75,011	\$81,329	\$86,548	\$78,054	TBD

NMPSIA Property Value and Excess Insurance Coverage

(in thousands)

	FY19	FY20	FY21	FY22
Excess Insurance Premium	\$22,991.3	\$24,889.7	\$25,373.3	\$28,232.1
Excess Insurance Recoveries	\$2,779.8	\$2,205.1	\$743.6	TBD
Total Property Claims Paid	\$10,569.7	\$8,437.2	\$9,457.5	\$9,359.5
Covered Property Value	\$24,179,232	\$25,146,401	\$26,152,226	\$27,290,575
Self-Insured Retention	\$1,000.0	\$1,000.0	\$1,000.0	\$1,000.0

Source: NMPSIA

Excess insurance recoveries are realized over a long period of time as claims are adjusted. Data indicate that between FY09 and FY18 the NMPSIA program received 71 cents back for every dollar spent on excess coverage insurance. NMPSIA will begin reporting on excess insurance recoveries on an annual basis.

NMPSIA Workers Compensation Claims and Excess Coverage Insurance

(in thousands)

	FY19	FY20	FY21	FY22
WC Excess Insurance Premium	\$596.4	\$586.8	\$593.2	\$466.7
WC Excess Insurance Recoveries	\$269.1	\$472.1	\$81.6	TBD
Total WC Claims Paid	\$11,202.3	\$9,871.5	\$7,547.2	\$11,258.0
Covered Payroll WC	\$1,750,411	\$1,655,812	\$1,713,765	\$1,707,825
WC Self-Insured Retention	\$1,000.0	\$1,000.0	\$1,000.0	\$2,500.0

Source: NMPSIA

NMPSIA maintains an excess coverage insurance policy to cover workers' compensation losses over \$2.5 million. This coverage insulates the agency from potentially large claims which could result in a need to significantly increase premiums year-over-year.

NMPSIA Liability Claims and Excess Insurance Premiums

(in thousands)

	FY19	FY20	FY21	FY22
Liability Excess Insurance Premium	\$13,604.8	\$15,898.1	\$17,246.9	\$19,475.0
Liability Excess Insurance Recoveries	\$1,822.8	\$5,953.1	\$1,306.4	TBD
Total Liability Claims Paid	\$15,791.1	\$26,101.7	\$17,122.1	\$14,601.7
Liability Self-Insured Retention	\$1,000.0	\$1,000.0	\$1,000.0	\$1,000.0

Source: NMPSIA

NMPSIA has paid an increasing amount to settle sexual abuse and molestation cases in recent years. Child sex abuse cases often affect multiple victims over many years which can result in huge liabilities when the abuse is brought to light. The excess insurance purchased by NMPSIA has limited the exposure of NMPSIA to many of these claims, but the large losses experienced by insurers has driven up rates and made securing coverage more difficult.

Rates for FY23. PSIA will request an increase for the risk program of 4.57 percent which is anticipated to increase program revenue by \$4 million. In FY21, the risk program's largest costs were \$26.7 million paid for claims expenses, \$43.8 million for excess coverage insurance, and \$6.7 million in fees for total FY21 expenditures of \$77.2 million compared with revenues totaling \$85.5 million. The increase will further bolster the risk program's assets, valued at \$105.6 million as of May 31, 2021.

Albuquerque Public Schools

APS is the only school district not covered by NMPSIA. APS pays up to \$650 thousand for workers' compensation and \$350 thousand for liability exposure and carries excess coverage for large claims. Before FY12, claims were handled by third-party administrators. From FY12 to FY16, claims were handled internally and costs increased. In FY17, APS hired a third-party administrator for workers' compensation services and continued in-house claims management for property and liability.

NMPSIA Sexual Abuse Claim Payments

(in thousands)

Year	Total Payments	Avg. per Case
2012	\$416.9	\$104.2
2013	\$933.8	\$71.8
2014	\$1,847.4	\$108.7
2015	\$1,105.1	\$78.9
2016	\$997.0	\$110.8
2017	\$4,583.5	\$509.3
2018	\$970.4	\$64.7
2019	\$5,324.3	\$280.2
2020	\$8,686.4	\$457.2
2021	\$8,715.3	\$396.2
Total	\$33,580.1	\$238.2

Source: NMPSIA

Payments from APS Risk Fund

(in thousands)

Coverage	FY17	FY18	FY19	FY20	FY21	Change FY17-FY21
Workers' Comp	\$4,902	\$4,425	\$4,693	\$4,834	\$3,580	-27%
Property and Liability	\$2,834	\$3,173	\$4,757	\$4,995	\$2,393	-16%
Excess Insurance	\$2,499	\$2,724	\$2,837	\$2,934	\$3,481	39%
Total	\$10,409	\$9,546	\$12,287	\$12,763	\$9,454	-9%

Source: APS

APS Property Value and Excess Insurance Coverage

(in thousands)

	FY19	FY20	FY21	FY22
Excess Insurance Premium	\$950.58	\$1,149.21	\$1,807.68	\$1,340.4
Excess Insurance Recoveries	\$0.00	\$0.00	\$0.00	\$0.00
Total Property Claims Paid	\$2,617.15	\$895.59	\$1,241.44	\$1,341.60
Covered Property Value	\$2,424,617.2	\$2,931,329.4	\$3,028,463.9	\$3,119,317.8
Self-Insured Retention	\$250.00	\$250.00	\$250.00	\$250.00

Source: APS

APS Workers' Compensation Claims and Excess Insurance Premiums

(in thousands)

	FY19	FY20	FY21	FY22
WC Excess Insurance Premium	\$229.88	\$184.44	\$189.78	\$233.75
WC Excess Insurance Recoveries	\$0.00	\$0.00	\$0.00	\$0.00
Total WC Claims Paid	\$5,593.98	\$3,322.34	\$4,105.79	\$3,580.15
Covered Payroll WC	\$457,926.53	\$377,618.47	\$557,600.00	\$418.00
WC Self-Insured Retention	\$650.00	\$650.00	\$650.00	\$650.00

Source: APS

APS Liability Claims and Excess Insurance Premiums

(in thousands)

	FY19	FY20	FY21	FY22
Liability Excess Insurance Premium	\$1,155.06	\$1,150.46	\$1,207.98	\$1,439.64
Liability Excess Insurance Recoveries	\$0.00	\$0.00	\$0.00	\$1,367.85
Total Liability Claims Paid	\$1,131.03	\$1,627.21	\$1,919.07	\$1,151.88
Liability Self-Insured Retention	\$350.00	\$350.00	\$350.00	\$350.00

Source: APS

Rates for FY23. APS anticipates excess coverage insurance rate increases of 39 percent for property, 3 percent for liability, and 3 percent for workers' compensation. These increases will cost the district a combined total of \$572 thousand and bring total spending on excess coverage insurance to \$3.6 million.

APS's Oversight Board
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 Peggy Muller-Aragón, Finance
 Barbara Petersen, Policy and Instruction
 Candelaria Patterson, District Equity and Engagement
 Elizabeth Armijo, Capital Outlay, Property, and Technology

APPENDIX A

DoIT SHARE Subscription

Fiscal Year	Rate per FTE	% change
2015	\$350	-
2016	\$350	-
2017	\$350	-
2018	\$385	10.0%
2019	\$385	-
2020	\$415	7.8%
2021	\$415	-
2022	\$365	-
2023	\$360	-1.4%

Source: DoIT

Department of Information Technology FY23 Enterprise Service Rates

DoIT estimates \$52.7 million in enterprise revenue for FY23, an increase of 2.4 percent or \$1.2 million compared to FY22. Overall rates decreased for FY23, primarily due to over-recovery in FY21, for an average decrease of about 19.4 percent. DoIT's FY23 SHARE subscription fee is \$9.4 million, or 1.4 percent, over FY22 revenue.

The SHARE subscription cost decreased from \$365 to \$360 per FTE. Rates charged to agencies for desktop support through the agency's Help Desk will be eliminated and will continue to be provided at no cost to customers starting in FY23. The agency added two new rates for Office 365 advanced (\$36.59 per license per month) and Office 365 basic (\$9.50 per license per month) licenses. Over 17,400 licenses are already migrated for the advanced version in FY22, and another 2,200 are migrated for use of the basic service.