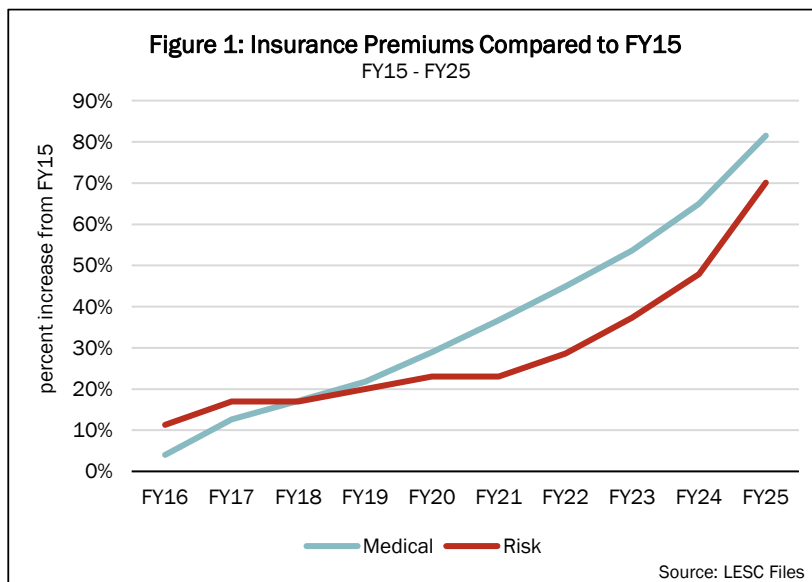


The costs of providing insurance coverage for public schools are significantly increasing throughout the United States. In New Mexico, public school employees have seen an 81 percent increase in health premiums since FY15, with an increase of 10 percent in FY25 alone. Premiums for property and liability coverage have also substantially increased in the last several years, placing financial pressure on school districts and charter schools.



Key Takeaways

- There has been a significant increase in medical and risk insurance premiums between FY15 and FY25 (*Page 1*).
- Despite the significant increase in insurance premiums, their share of program cost has stayed relatively consistent since FY19 (*Page 2*).
- The steep increases in premiums for FY25 were revised with the expectation a supplemental appropriation would be requested during the 2025 legislative session (*Page 3*).
- Part of the increase in premiums has been driven by chronic diseases and weather-related claims (*Page 4*).

Several factors are contributing to this growth in medical and risk premiums for New Mexico’s public schools, including variations in the costs of treating chronic conditions, changes in statutory regulation and consumer usage of prescription drugs, environmental impacts on facilities, and large losses occurring outside of the state. Large and unrecouped costs incurred during the Covid-19 pandemic by the state’s primary provider of public school insurance have also prompted the large increases in medical premiums.

As insurance premiums continue to increase across the United States, the primary goals of the Legislature should be ensuring those increased costs do not have an adverse impact on student’s educational experiences and the ability of public schools to recruit highly-qualified staff.

A Review of Public School Insurance

The New Mexico Public Schools Insurance Authority (NMPSIA) is 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. Throughout the fiscal year, NMPSIA collects premiums from both employees and employers, and places those premiums into a fund that is used to pay medical claims. As a self-insured benefits plan, NMPSIA must raise enough revenue to cover their claim

expenditures, 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.” Similar to its medical plan, NMPSIA collects risk coverage premiums from employers, which are placed into a fund that is subsequently used to pay claims. The agency also purchases excess risk coverage to reduce its exposure to large claims.

Of note, Albuquerque Public Schools (APS) does not provide employee health coverage through NMPSIA.

Funding for Public School Insurance

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). 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, the governing body of NMPSIA is not statutorily obligated to establish premium rates that reflect the Legislature’s appropriation to the SEG.

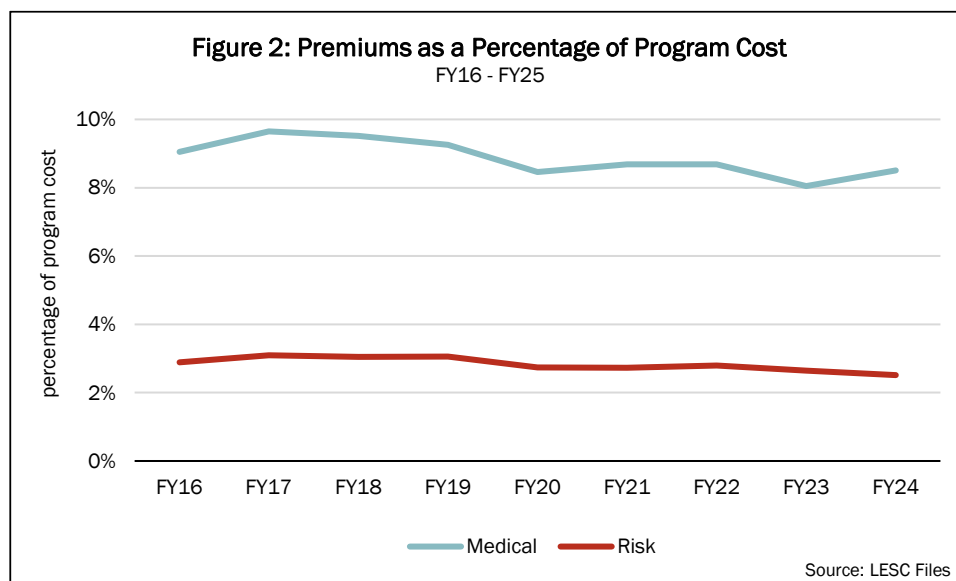
As shown in **Table 1: History of NMPSIA Premium Rate Increases**, NMPSIA has increased its medical premiums for high option plans each year since FY16, with an annual increase for risk each year except FY21. These increases have significantly increased the aggregate amount of premiums collected by NMPSIA from school districts and charter schools. However, these premiums have not increased as a proportion of program cost and have instead somewhat decreased as a proportion of program cost since FY16, as shown in **Figure 2: Premiums as a Percentage of Program Cost**. This is important to note as it indicates the significant increases in premiums may not be resulting in a subsequent constraint in the ability of LEAs to adequately serve students.

Table 1: History of NMPSIA Premium Rate Increases

FY17-FY25

Fiscal Year	Medical	Risk
FY16	4.00%	11.28%
FY17	8.30%	5.14%
FY18	3.98%	0.02%
FY19	4.00%	2.53%
FY20	5.90%	2.53%
FY21	6.00%	0.00%
FY22	6.00%	4.57%
FY23	6.00%	6.73%
FY24	7.24%	7.73%
FY25	10.00%	14.99%

Source: LESC Files



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 as shown in **Table 2: Impact of Recent Legislation on NMPSIA**, 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, largely due to large claims from wind and hail damage, as well as sexual abuse and molestation claims.

Table 2: Impact of Recent Legislation on NMPSIA

Bill Number	Title	FY24 Impact	FY25 Impact
HB27	Breast Exam Health Coverage	\$72,000	\$157,000
HB53	Delivery of Necessary Diabetic Resources	\$637,000	\$1,352,000
HB73	Biomarker Testing Insurance Requirements	\$750,000	\$1,500,000
HB131	Prosthetic and Custom Orthotic Device Coverage	\$75,000	\$250,000
SB51	Cost-Sharing Contributions for Prescriptions	\$800,000	\$1,600,000
SB132	STI Prevention and Treatment	\$65,000	\$185,000
SB273	Health Insurance Mental Health Coverage	\$330,000	\$680,000
TOTAL TWO-YEAR IMPACT		\$2,729,000	\$5,724,000

Source: LESC Files

Legislative staff estimated these increases in premiums would result in an additional \$41.9 million in costs for LEAs, far exceeding the increase of \$25.7 million included in the Legislature’s appropriation for public school support. After discussions with LESC, Legislative Finance Committee (LFC), Department of Finance and Administration (DFA), and Public Education Department (PED) staff, NMPSIA revised its premium increases to 10 percent for medical and 15 percent for risk coverage, with the expectation NMPSIA would also request a supplemental appropriation during the 2025 regular session.

For FY26, NMPSIA may consider a premium increase of approximately 10 percent for medical and 17 percent for risk, with a fiscal impact to LEAs of \$39.7 million.

Cost Trends

The growth of NMPSIA’s medical premiums has outpaced those of APS or state employee coverage provided through the Health Care Authority, with NMPSIA establishing a cumulative rate increase of 43 percent since 2018. School districts and charter schools have been significantly impacted by these increases, as they typically pay most of the premiums assessed for participating employees. For some public school employees, these changes in rates have somewhat constrained the competitiveness of compensation packages. However, the enactment of [Laws 2023, Chapter 83 \(HB533\)](#) has limited the impact of increased premiums for some public school employees, with a Level I licensed teacher now paying \$773 each month for a high-option family plan, compared to \$734 for the same plan in FY20. For those earning above \$60 thousand, however, they are now paying \$1,031 each month for a high-option family plan, compared to \$734 in FY20.

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. As shown in **Table 3: High-Cost Claimants by Condition**, those

with certain 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 only 267 enrolled members accounted for \$60.5 million in paid medical claims in 2023.

Risk premiums have been influenced by factors in New Mexico and by trends from around the nation. Some of the national trends cited by NMPSIA in its FY26 budget request were inflationary pressures, natural catastrophes, geopolitical conflict, and costs from the Covid-19 pandemic. In New Mexico, the agency cites hail damage as a primary contributor to the increase in risk premiums.

The agency 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 often 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.

**Table 3: High-Cost Claimants
by Condition**
2023 Calendar Year

Chronic Condition	PMPY
COPD	\$290,340
Colon Cancer	\$273,177
Breast Cancer	\$272,529
CAD	\$238,752
Hypertension	\$230,400
Diabetes	\$217,078
CHF	\$212,795
Asthma	\$198,449
Prostate Cancer	\$153,531

Source: LESC Files

NMPSIA’s Expenditures During the Covid-19 Pandemic

During the Covid-19 pandemic, the federal government required insurance companies and group health plans to fully cover the cost of providing each enrolled member with up to eight Covid-19 at-home tests each month. Complying with this federal requirement, along with paying the costs of treatment and vaccines, was a significant financial burden on NMPSIA that contributed to a drawdown in NMPSIA’s fund balance. Historically, the agency has strived to maintain a minimum of one month of claims in its fund balances and the drawdown from the Covid-19 expenditures is one factor the agency has considered in its recent increases to medical premiums.

In 2022, NMPSIA requested reimbursement of approximately \$19.9 million in Covid-19 expenditures from FEMA, but the request was denied on the basis it would be considered a duplication of benefits.

Policy and Budget Considerations

Providing public schools with access to affordable medical and risk coverage is a critical component in retaining high-quality staff and ensuring students are receiving an adequate public education. As the costs of health care and repairing damaged facilities continue to rise, there may be a need for the Legislature to consider comprehensive strategies for realizing savings through greater economies of scale. In the short term, however, the Legislature should consider targeted investments in alleviating the impact of premium increases on public school personnel and the educational experiences of students.

The Legislature should consider:

- A non-recurring appropriation to NMPSIA for costs related to the Covid-19 pandemic.
- An adequate appropriation to the SEG for expected increases in premiums.