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## FISCAL IMPACT REPORT

SPONSOR Komadina      DATE TYPED 3/01/05      HB \_\_\_\_\_

SHORT TITLE School Employee Health Insurance Contribution      SB 606

ANALYST Geisler

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$43,042.3	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Public Schools Insurance Authority (PSIA)

Albuquerque Public Schools (APS)

### SUMMARY

#### Synopsis of Bill

Senate Bill 606 changes the state contribution percentage towards group insurance for member school districts, charter schools, and other educational entities participating in the Public School Insurance Authority and Albuquerque Public Schools to 80%.

#### Significant Issues

Senate Bill 606 seeks to reduce the erosion in take home pay from increased health insurance premiums. However, there is no appropriation contained in the bill.

The chart below, provide by PSIA, illustrates the reduction in employee's payroll deductions for medical.

	Employee's Current Monthly Deduction for Medical – High Option BCBS	Monthly Deduction with 80% employer payment - High Option BCBS
Employee earning \$10,000	\$90 single; \$229 family	\$72 single; \$183 family
Employee earning \$18,000	\$108 single; \$275 family	\$72 single; \$183 family
Employee earning \$22,000	\$126 single; \$321 family	\$72 single; \$183 family
Employee earning \$40,000	\$144 single; \$366 family	\$72 single; \$183 family

Note: there is no appropriation contained in the bill. In the 2004 session, PSIA entities were given authority to increase their contributions up to 80%, "within available revenues". No appropriation was given in 2004. Two PSIA entities out of 147 entities made slight increases in the contributions.

### **PERFORMANCE IMPLICATIONS**

Growth in covered lives will likely occur. PSIA would need to consider a special enrollment for those who previously declined coverage or have coverage under a spouse's plan.

### **FISCAL IMPLICATIONS**

This would change the contribution levels for medical, dental, vision, and long-term disability coverage through PSIA and APS. Based on current premiums, January 2005 enrollment, and the current brackets, the monthly state share for medical insurance only is \$9,687, 396. This is an average contribution of 63%. At an 80% contribution level, this increases to \$12,245,858 per month, or an increase of 26%. On an annualized basis, for all plans (medical, dental, vision, long term disability) a 26% increase in contributions equates to an additional \$35 million needed by the PSIA entities.

The monthly share for APS would increase by approximately \$670,195 if the contribution level increased to 80%. The district currently averages a 68% contribution level. This includes medical, dental, vision, life and long-term disability. The annual amount translates to \$8,042,343.

### **ADMINISTRATIVE IMPLICATIONS**

The effective date is July 1, 2005. School districts cut their summer payroll checks in May. It would be a huge administrative burden for each school district/entity to change the deductions for the summer checks, and then change deductions again when the October 1 premium changes take effect. See suggested amendment below.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?**

Continued erosion of educational employees' take-home pay due to insurance increases.

### **AMENDMENTS**

PSIA suggests:

1. Insert October 1, 2005 as an effective date for PSIA and December 1, 2005 as an effective

date for APS.

2. Page two, line three – suggest the language read “institutions of higher education not participating in the Public School Insurance Authority”. Some higher ed institutions participate in PSIA and the current language would cause a conflict with the proposed PSIA change.
3. Page four, line eight – reference to ‘public schools . . . with twenty-five employees or fewer’. PSIA has charter schools with fewer than twenty-five employees. This would limit them to a maximum 60% contribution, which conflicts with the proposed PSIA change.
4. Page five, paragraph “I”. Suggest deleting this paragraph as it conflicts with the proposed mandatory 80% contribution.
5. For clarification, page five, line 16 – suggest changing language to “the cost of the insurance of an employee, including any dependent coverage elected”.

GGG/yr