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FISCAL IMPACT REPORT

ORIGINAL DATE 2/9/2020

SPONSOR Stewart LAST UPDATED _____ HB _____

SHORT TITLE Group Health Insurance Employer Contributions SB 254

ANALYST Jorgensen

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY20	FY21		
	\$3,644.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$3,644.0	\$3,644.0	\$7,288.0	Recurring	School Districts/Charter Schools

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with HB84

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Public Schools Insurance Authority (NMPSIA)

SUMMARY

Synopsis of Bill

Senate Bill 254 increases employer contributions for NMPSIA-provided health insurance by 5 percent for employees earning less than \$40 thousand. SB254 also changes income thresholds as follows:

Income Threshold	Current	SB254
Less than \$15,000	75%	80%
\$15,000-\$20,000	70%	75%
\$20,000-\$25,000	65%	Tier Discontinued
\$20,000-\$40,000*	N/A	70%
Over \$25,000	60%	Tier Discontinued
Over \$40,000*	N/A	60%
*Tier created by SB254		

SB254 increases employer contributions to employee health insurance by 5 percent for all employees making less than \$40 thousand per year. For individuals earning over \$40 thousand, the employer health insurance contribution will remain at 60 percent.

FISCAL IMPLICATIONS

The appropriation of \$3.6 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 21 shall revert to the general fund.

SB254 increases employer health insurance contributions and makes an appropriation to the Public Education Department for distribution to school districts, charter schools, and participating entities to offset the increased costs in the first year of implementation. Beginning in FY22, it is assumed this amount will be contained in the state equalization guarantee.

SIGNIFICANT ISSUES

State and school employees are provided health insurance coverage under one of three agencies: NMPSIA, the General Services Department (GSD), or Albuquerque Public Schools (APS). LFC analysis finds significant cost differences among the three insurance providing agencies:

Comparison of Health Insurance Costs
Based on Single Coverage and income of \$41 thousand

	NMPSIA-High Option	GSD-Blue Cross PPO	APS- BCBS Preferred
Deductible	\$ 750	\$ 500	\$ 500
Max Out of Pocket	\$ 3,750	\$ 4,000	\$ 1,500
State Cost	\$ 5,201	\$ 5,998	\$ 7,045
Member Cost	\$ 3,468	\$ 1,500	\$ 2,818
Total Cost	\$ 8,669	\$ 7,498	\$ 9,863

Source: LFC Files

Much of the difference is due to employer and employee contribution rates. NMPSIA requires higher employee contributions at a lower income than any other health insurance provider. The disparity in contribution rates results in NMPSIA-covered employees paying more than double the GSD-covered employee cost for health insurance and 23 percent more than an APS-covered employee.

Comparison of Employee and Employee Health Insurance Contributions
(Income in thousands)

APS Contributions			GSD Contributions			NMPSIA Contributions		
Income	EE	ER	Income	EE	ER	Income	EE	ER
<\$34.5	20%	80%	<\$50	20%	80%	<\$15	25%	75%
\$34.5-\$40	30%	70%	\$50-\$60	30%	70%	\$15-\$20	30%	70%
>\$40	40%	60%	>\$60	40%	60%	\$20-\$25	35%	65%
						>\$25	40%	60%

EE=employee contribution, ER=employer contribution

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB254 conflicts with HB84, Group Health Insurance Employer Contribution, which would increase the minimum percentage employers are required to pay for employee health insurance benefits.

OTHER SUBSTANTIVE ISSUES

SB254 makes an appropriation to cover increased costs of increasing the employer contributions for “school districts, charter schools and participating entities.” While “participating entities” includes a number of higher education institutions, it also includes private nonprofit entities, such as the American Federation of Teachers New Mexico and the Association of Charter School Educational Services. Should SB254 be enacted, the public education department could not make distributions to these entities because it would be a violation of the anti-donation clause.

CJ/rl