

<b>LFC Requester:</b>	<b>Eric Chenier</b>
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**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**

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*(Analysis must be uploaded as a PDF)*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared:** 2/27/2025 *Check all that apply:*  
**Bill Number:** SB376 Original  Correction   
 Amendment  Substitute

<b>Sponsor:</b>	<u>Elizabeth "Liz" Stefanics</u> <u>George K. Muñoz</u>	<b>Agency Name and Code Number:</b>	<u>New Mexico Public Schools</u> <u>Insurance Authority 34200</u>
<b>Short Title:</b>	<u>State Employee Health Benefit Contributions</u>	<b>Person Writing</b>	<u>Kaylynn Roybal</u>
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	0	64,801.7	*	64,801.7	*	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

##### **Existing Provisions which are proposed to be amended:**

Section 10-7-4 NMSA 1978 established a tiered contribution structure for state employee group health insurance premiums. The state contributed between 60% and 80% of insurance costs, depending on an employee's salary.

- For employees with an annual salary less than \$50,000, the state contributed up to 80% of the insurance cost.
- For employees with an annual salary between \$50,000 and \$59,999, the state contributed up to 70% of the insurance cost.
- For employees with an annual salary of \$60,000 or more, the state contributed up to 60% of the insurance cost.

##### **New Provisions:**

SB376 replaces the previous salary-based contribution system, requiring the group insurance contributions to be 80% of health insurance premiums for employees of the state or any of its executive, judicial or legislative departments, including agencies, boards or commissions, regardless of salary level.

The legislation also establishes, if a state agency is responsible for providing state employee health benefits under the health care purchasing act, the plan must include cost containment measures to control healthcare expenses. And, if a state agency establishes a reference-based pricing program for hospital services, hospitals cannot charge members more than the maximum payment set by the health authority, except for cost-sharing allowed by the member's plan.

The bill establishes that when submitting the health care authority's annual budget request to the legislature, the secretary must include a budget for state employee health benefits that reflects actuarially sound rate adjustments. Starting July 1, 2025, the secretary will set rates to cover projected claims, depending on legislative funding.

The secretary must also create a program to make health benefit premiums more affordable for certain employees, using funds from the health care affordability fund by covering a portion or all net premiums. To be included are state employees enrolled in health benefit plans covered by Health Care Purchasing Act who do not qualify for Medicaid and have a gross income up to 250% of the federal poverty level, members of the New Mexico National Guard who qualify for a federal TRICARE reserve select policy, and per the amendment, employees who purchase employee-only coverage and receive an annual salary from the state of \$50,000 or less. The eligibility criteria for the program will be determined by the secretary and may be updated annually.

**The last Substitute** proposes additional language and criteria to Section 2.B(5) providing financial assistance for state employees enrolled in health benefit plans under the Health Care

Purchasing Act who do not qualify for Medicaid. The measure would cover a portion or the full amount of their net premium health benefit contributions if they meet one of the following criteria:

1. Income-Based Eligibility – Employees with a modified adjusted gross income (MAGI) of up to 250% of the federal poverty level or \$50,000 or less.
2. Coverage and Salary-Based Eligibility – Employees who purchase employee-only health coverage and earn an annual state salary of \$50,000.

### **The latest Substitute:**

The Latest substitute establishes in Section 1 Subsection G, that legislators “who make less than one hundred fifty thousand dollars (\$150,000) per year in an amount equal to eighty percent of the cost of insurance. A legislator SFC. who makes more than one hundred fifty thousand dollars (\$150,000) per year shall be eligible for group benefits only if the legislator contributes one hundred percent of the cost of the insurance.”

It also adds language to Section 1 Subsection M wherein it establishes that when submitting the health care authority's annual budget request to the legislature, the secretary must include a budget for state employee health benefits that reflects actuarially sound rate adjustments. Starting July 1, 2025, the secretary will set rates to cover projected claims, depending on legislative funding. It now specifies that the secretary has actuarially sound rates for the following year. And “By September 1 of each year, the projected actuarially sound rate adjustment for the following fiscal year, subject to legislative appropriation, shall be communicated to the local public bodies that are part of the state employee health benefit program.”

The effective date is July 1, 2025.

### **FISCAL IMPLICATIONS**

The New Mexico Public School Insurance Authority currently follows the tiers outlined in NMSA 22-29-10. At least eighty percent of the cost of the insurance of an employee whose annual salary is less than fifty thousand dollars (\$50,000); at least seventy percent of the cost of the insurance of an employee whose annual salary is fifty thousand dollars (\$50,000) or more but less than sixty thousand dollars (\$60,000); and at least sixty percent of the cost of the insurance of an employee whose annual salary is sixty thousand dollars (\$60,000) or more; with an option for members to contribute up to 100% of the premium.

NMPSIA breaks down membership into three categories: 1) School Districts and Charter Schools, which pay for premiums through the State Equalization Guarantee (SEG); 2) higher educational institutions, which pay for premiums through Instruction and General Funding (I&G); and 3) Other Educational Entities, which pay for premiums from other revenues.

The table below displays the cost of bringing all NMPSIA members to an 80% contribution

percentage. The first column, labeled Tier Difference Per Statute, is the amount needed if all institutions followed the statutory tier contributions. The second column, labeled Tier Difference Per Current Contributions, is the amount needed with members' current contributions.

	Tier Difference Per Statute	Tier Difference Per Current Contributions	Difference
SB376 Contributions			
School Districts and Charter Schools	\$ 59,317,963	\$ 36,683,759	\$ (22,634,204)
Higher Educational Institutions	\$ 5,483,748	\$ 2,038,695	\$ (3,445,053)
<b>Total Educational Contributions</b>	<b>\$ 64,801,711</b>	<b>\$ 38,722,454</b>	<b>\$ (26,079,257)</b>
Other Educational Entities	\$ 753,175	\$ 387,448	\$ (365,727)
Total	\$ 65,554,886	\$ 39,109,902	\$ (26,444,984)

- \* The funding for FY26 would allow all School Districts, Charter Schools, and Higher Educational Entities to contribute 80% of insurance premiums. After the amount is funded for FY26 it would be recurring with yearly premium increases needed that are budgeted every fiscal year.

The challenge for School Districts, Charter Schools, and Higher Educational Entities is making contributions to the members that only need the funding. Omitting members who have found a way to afford to pay for a higher insurance premium percentage can also be considered unfair and can use the extra funds for other expenses.

## **SIGNIFICANT ISSUES**

### **PERFORMANCE IMPLICATIONS**

### **ADMINISTRATIVE IMPLICATIONS**

As an entity under the Health Care Purchasing Act, PSIA's does not oppose language in Section K. We wish to participate in this initiative to lower and control claim costs for our health benefits program for school districts, charter schools and participating entities in the authority.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

### **TECHNICAL ISSUES**

### **OTHER SUBSTANTIVE ISSUES**

### **ALTERNATIVES/AMENDMENTS**

PSIA requests the changes made to tiers specified in Section E of the proposed bill to also be reflected in **Section 10-7-4 NMSA 1978 Section 1.C** to be amended to read, "The group insurance contributions of school districts and charter schools shall be eighty percent of the cost of insurance." Subsections 1-3 would be stricken for example:

"The group insurance contributions of school districts and charter schools shall be made as follows:

(1) ~~at least eighty percent of the cost of the insurance of an employee whose~~

annual salary is less than fifty thousand dollars (\$50,000);

~~(2) at least seventy percent of the cost of the insurance of an employee whose annual salary is fifty thousand dollars (\$50,000) or more but less than sixty thousand dollars (\$60,000); and~~

~~(3) at least sixty percent of the cost of the insurance of an employee whose annual salary is sixty thousand dollars (\$60,000) or more.~~ **eighty percent of the cost of insurance.”**

**Section 22-29-10 NMSA 1978 Section A** would also then require amendment for consistency and shall read, “Group insurance contributions for school districts, charter schools and participating entities in the authority shall be eighty percent of the cost of insurance.” Subsection A would be stricken for example:

“SECTION 2. Section 22-29-10 NMSA 1978 (being Laws 1989, Chapter 373, Section 5, as amended) is amended to read: "22-29-10. GROUP INSURANCE CONTRIBUTIONS.—

A. Group insurance contributions for school districts, charter schools and participating entities in the authority shall be ~~made as follows:~~

~~(1) at least eighty percent of the cost of the insurance of an employee whose annual salary is less than fifty thousand dollars (\$50,000);~~

~~(2) at least seventy percent of the cost of the insurance of an employee whose annual salary is fifty thousand dollars (\$50,000) or more but less than sixty thousand dollars (\$60,000); and~~

~~(3) at least sixty percent of the cost of the insurance of an employee whose annual salary is sixty thousand dollars (\$60,000) or more.~~ **eighty percent of the cost of insurance.**

For parity, PSIA would like the language provided in **Section 10-7-4 NMSA 1978 Section N** to be extended to members of the authority.

For parity, PSIA would like the language provided in **59A-23F-11 Section 2.E subsection 5** to be extended to members of the authority.

### **The Last Substitute:**

NMPSIA has reviewed the latest amendment to SB376 and confirms that the new material does not require modifications to our analysis. We stand by our previous statements regarding the bill and remain steadfast in our commitment to fostering parity. To ensure fairness and equity, NMPSIA notes the importance of extending support to members of PSIA, recognizing the vital role they play in our education system.

For parity, PSIA would like the language provided in **59A-23F-11 Section 2.B Subsection 5** to be extended to members of the authority.

**Latest Substitute:**

After Reviewing changes, NMPSIA previous analysis is not affected by the new material. However, we remain dedicated in our commitment to advocating for parity. NMPSIA would like to highlight the importance of extending support to members of PSIA, recognizing the vital role they play in our education system.

For parity, PSIA would like the language provided in **59A-23F-11 Section 2.B Subsection 5** to be extended to members of the authority.

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

To maintain parity for public employees, an amendment to the public school, charter and higher educational entity tiers would be required to ensure that no group is left behind or disadvantaged by outdated or unequal tier classifications. Failure to address the needs of all groups could create discontent or opposition, especially from employees who feel left out or disadvantaged by the changes.