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AN ACT
RELATING TO HEALTH COVERAGE; AMENDING SECTIONS OF THE GROUP
BENEFITS ACT TO PROVIDE FOR PARTICIPATION BY CERTAIN
NONPROFIT ENTITIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 10-7B-2 NMSA 1978 (being Laws 1989,
Chapter 231, Section 2, as amended) is amended to read:

"10-7B-2. DEFINITIONS.--As used in the Group Benefits
Act:

A. "committee" means the group benefits committee;

B. "director" means the director of the risk
management division of the general services department;

C. "eligible nonprofit entity" means an entity
that:

(1) has as its principal purpose the
provision of services for the care and maintenance of sick or
indigent persons;

(2) has its principal place of business in
New Mexico;

(3) employs an average of at least fifty-one
persons over a twelve-month period; and

(4) by the date set by the director for
providing written notice of participation pursuant to

Subsection F of Section 10-7B-6 NMSA 1978, provides the

1 director written evidence of the following:

2 (a) designation as a nonprofit entity
3 pursuant to Section 501(c)(3) of the federal Internal Revenue
4 Code of 1986; and

5 (b) at least fifty percent of the
6 entity's annual receipts for the previous three years were
7 derived from the state of New Mexico or from federal or local
8 government funds;

9 D. "employee" means a salaried officer, employee
10 or legislator of the state; a salaried officer or an employee
11 of a local public body; or an elected or appointed supervisor
12 of a soil and water conservation district;

13 E. "local public body" means any New Mexico
14 incorporated municipality, county or school district;

15 F. "professional claims administrator" means any
16 person or legal entity that has at least five years of
17 experience handling group benefits claims, as well as such
18 other qualifications as the director may determine from time
19 to time with the committee's advice;

20 G. "small employer" means a person having
21 for-profit or nonprofit status that employs an average of
22 fifty or fewer persons over a twelve-month period; and

23 H. "state" or "state agency" means the state of
24 New Mexico or any of its branches, agencies, departments,
25 boards, instrumentalities or institutions."

1 SECTION 2. Section 10-7B-6 NMSA 1978 (being Laws 1989,
2 Chapter 231, Section 6, as amended) is amended to read:

3 "10-7B-6. STATE EMPLOYEES GROUP BENEFITS SELF-INSURANCE
4 PLAN--AUTHORIZATION--LOCAL PUBLIC BODY PARTICIPATION--
5 ELIGIBLE NONPROFIT ENTITY PARTICIPATION.--

6 A. The risk management division of the general
7 services department may, with the prior advice of the
8 committee, establish and administer a group benefits
9 self-insurance plan, providing life, vision, health, dental
10 and disability coverages, or any combination of such
11 coverages, for employees of the state, participating local
12 public bodies and participating eligible nonprofit entities.
13 Any such group benefits self-insurance plan shall afford
14 coverage for employees' dependents at each employee's option.
15 Any such group benefits self-insurance plan may consist of
16 self-insurance or a combination of self-insurance and
17 insurance; provided that particular coverages or risks may be
18 fully insured, fully self-insured or partially insured and
19 partially self-insured.

20 B. The director, with the advice of the committee,
21 shall establish by regulation or letter of administration the
22 types, extent, nature and description of coverages, the
23 eligibility rules for participation, the deductibles, rates
24 and all other matters reasonably necessary to carry on or
25 administer a group benefits self-insurance plan established

1 pursuant to Subsection A of this section.

2 C. The contribution of each participating state
3 agency to the cost of any such group benefits self-insurance
4 plan shall not exceed that percentage provided for state
5 group benefits insurance plans as provided by law. The
6 contribution of a participating local public body to the cost
7 of any such group benefits self-insurance plan shall not
8 exceed that percentage provided for local public body group
9 benefits insurance plans as provided by law. The
10 contribution of a participating eligible nonprofit entity to
11 the cost of any such group benefits self-insurance plan shall
12 not exceed that percentage provided for eligible nonprofit
13 entity group benefits insurance plans as provided by law.

14 D. Except as provided in Subsection E of this
15 section, public employees' contributions to the cost of any
16 group benefits self-insurance plan may be deducted from their
17 salaries and paid directly to the group self-insurance fund;
18 provided that where risks are insured or reinsured, the
19 director may authorize payment of the costs of such insurance
20 or reinsurance directly to the insurer or reinsurer.

21 E. A legislator and the legislator's covered
22 dependents and a soil and water conservation district
23 supervisor and the supervisor's covered dependents are
24 eligible to participate in and receive benefits from the
25 group benefits self-insurance plan if the legislator or

1 supervisor pays monthly premiums in amounts that equal one
2 hundred percent of the cost of the insurance. The premiums
3 shall be paid directly to the group self-insurance fund;
4 provided that where risks are insured or reinsured, the
5 director may authorize payment of the premiums directly to
6 the insurer or reinsurer.

7 F. Local public bodies, eligible nonprofit
8 entities and state agencies that are not participating in the
9 state group benefits insurance plan or self-insurance plan
10 may elect to participate in any group benefits self-insurance
11 plan established pursuant to Subsection A of this section by
12 giving written notice to the director on a date set by the
13 director, which date shall not be later than ninety days
14 prior to the date participation is to begin. The director
15 shall determine an initial rate for the electing entity in
16 accordance with a letter of administration setting forth
17 written guidelines established by the director with the
18 committee's advice. The initial rate shall be based on the
19 claims experience of the electing entity's group for the
20 three immediately preceding continuous years. If three years
21 of continuous experience are not available, a rate fixed for
22 the entity by the director with the committee's advice shall
23 apply, and the electing entity's group shall be reredited on
24 the first premium anniversary following the date one full
25 year of experience for the group becomes available. Any such

1 election may be terminated effective not earlier than June 30
2 of the third calendar year succeeding the year in which the
3 election became effective or on any June 30 thereafter.

4 Notice of termination shall be made in writing to the
5 director not later than April 1 immediately preceding the
6 June 30 on which participation will terminate. A reelection
7 to participate in the plan following a termination shall not
8 be made effective for at least three full years following the
9 effective date of termination.

10 G. As soon as practicable, the director with the
11 committee's advice shall establish an experience rating plan
12 for state agencies, local public bodies and eligible
13 nonprofit entities participating in any group benefits self-
14 insurance plan created pursuant to Subsection A of this
15 section. Rates applicable to state agencies, participating
16 local public bodies and participating eligible nonprofit
17 entities shall be based on the experience rating plan. An
18 experience rating plan may provide separate rates for
19 individual state agencies, individual local public bodies and
20 individual eligible nonprofit entities or for the experience
21 centers the director determines.

22 H. The division may establish a reasonable fee to
23 cover the costs of administering group benefits to eligible
24 nonprofit entities."

25 SECTION 3. Section 10-7B-7 NMSA 1978 (being Laws 1989,

1 Chapter 231, Section 7) is amended to read:

2 "10-7B-7. GROUP SELF-INSURANCE FUND CREATED.--

3 A. The "group self-insurance fund" is created.

4 The fund and any income produced by the fund shall be held in
5 trust for the benefit of participating state agencies and
6 their employees, local public bodies and their employees and
7 eligible nonprofit entities and their employees, deposited in
8 a segregated account and invested by the director with the
9 advice of the committee. Money in the fund shall be used
10 solely for the purposes of the fund and shall not be used to
11 pay any general or special obligation or debt of the state,
12 other than as authorized by this section. Balances in the
13 fund in excess of amounts needed for the purposes of the fund
14 shall not be used to pay dividends or refunds, however
15 described, to individual public employees or their dependents
16 or to eligible nonprofit entities or their employees, but may
17 be used, in the director's discretion, to reduce future
18 contributions, to provide additional benefits or as a reserve
19 to stabilize premiums.

20 B. The fund shall consist of money appropriated to
21 the fund, income from investment of the fund, employers'
22 contributions, employees' contributions, eligible nonprofit
23 entities' contributions, insurance or reinsurance proceeds
24 and other funds received by gift, grant, bequest or otherwise
25 for deposit in the fund, including refunds of amounts from

1 prior state group life, vision, dental, health and disability
2 insurance plans, all of which are hereby appropriated to and
3 for the purposes of the fund.

4 C. Disbursements from the fund shall be made by
5 warrant signed by the secretary of finance and administration
6 upon vouchers signed by the director. Lump sum disbursements
7 from the fund may be advanced, in the manner described in
8 this subsection, to a professional claims administrator to be
9 used to pay benefits. Such lump sum disbursements may be
10 made not more than weekly in advance. The professional
11 claims administrator shall keep any such lump sum advance in
12 a segregated account and shall hold the advance in trust for
13 the benefit of participating employees. On or before the
14 last day of each month, the professional claims administrator
15 shall prepare a request for replenishment of the lump sum
16 disbursement in the amount actually paid out for benefits
17 during the month. Not more than thirty days after the last
18 day of each month, the professional claims administrator
19 shall make and submit to the director a detailed report of
20 expenditures of any such lump sum advance during the month.

21 D. Money in the fund may be used by and is hereby
22 appropriated to the risk management division of the general
23 services department:

24 (1) to purchase life, vision, health, dental
25 and disability insurance, or any combination of these, for

1 state and local public body employees and eligible nonprofit
2 entity employees participating in the group self-insurance
3 plan and their covered dependents, from an insurance company
4 determined to be the best responsible bidder, as defined in
5 the Procurement Code, after:

6 (a) requesting sealed proposals from
7 three or more insurance agents licensed in New Mexico; or

8 (b) requesting sealed proposals in
9 accordance with the provisions of the Procurement Code;

10 (2) to contract with and pay one or more
11 professional claims administrators;

12 (3) to contract with and pay private
13 attorneys or law firms for advice and for defense of
14 contested claims determinations;

15 (4) to contract with and pay qualified
16 independent actuaries, financial auditors and claims
17 management and procedures auditors;

18 (5) to contract with and pay consultants,
19 financial advisors and investment advisors for independent
20 consulting and advice;

21 (6) to pay reasonable investment commissions
22 and expenses;

23 (7) to make lump sum advances to any person
24 or firm acting as a professional claims administrator, such
25 advances to be used exclusively to pay benefits to

1 participating employees;

2 (8) to pay benefits to or for participating
3 employees and their dependents;

4 (9) to pay any other costs and expenses
5 incurred in carrying out this section; and

6 (10) as otherwise provided by law.

7 E. The fund shall be maintained in actuarially
8 sound condition as evidenced by the annual written
9 certification of an actuary qualified for such work that, as
10 of June 30 of the current year, the fund was actuarially
11 sound.

12 F. Annually on or before January 15, the director
13 shall submit to the legislature a report on any group self-
14 insurance plan created pursuant to Subsection A of Section
15 10-7B-6 NMSA 1978, a financial audit of the fund and a claims
16 management and procedures audit by a qualified claims auditor
17 for the one-year period ending on June 30 immediately
18 preceding the report. With respect to claims files, the
19 claims audit may, in the director's discretion, be limited to
20 a random sampling."
