Policy Brief

Public School Health Insurance

Analysts: Daniel A. Estupiñan, Senior Fiscal Analyst II

Date: June 26, 2025

Public employees receive health benefits through three entities: Albuquerque Public Schools (APS) for APS employees, the New Mexico Public Schools Insurance Authority (NMPSIA) for non-APS public school employees, and the Health Care Authority (HCA) for state employees, each of which have distinct plans and premiums. While there are similarities between the programs, statutory constraints and agency policies have created disparities in insurance costs borne by public school employees. This disparity grew with the passage of Laws 2025, Chapter 80 (SB376), which requires state agencies to pay 80 percent of premiums for state employees, a requirement that does not apply to public school employees. Aligning the premium cost-share models of state and public school employees could support the recruitment and retention of high-quality educators.

Table 1: Annualized Employee Premium Deductions

Salary Range	State Employees	APS	NMPSIA
Below $50,000	$5,528.12	$4,648.80	$4,717.20
Between $50,000 and $59,999	$5,528.12	$6,973.20	$7,075.68
$60,000 and Above	$5,528.12	$9,297.60	$9,434.16

Source: NMPSIA, APS, HCA

Notes: Analysis uses BCBS low-option family plan for NMPSIA, BCBS HMO family plan for state employees, and a BCBS EPO family plan for APS. Estimates are based on the premiums established for FY26 by each agency and reflect the 80/20 cost-share model required by SB376.

Key Takeaways

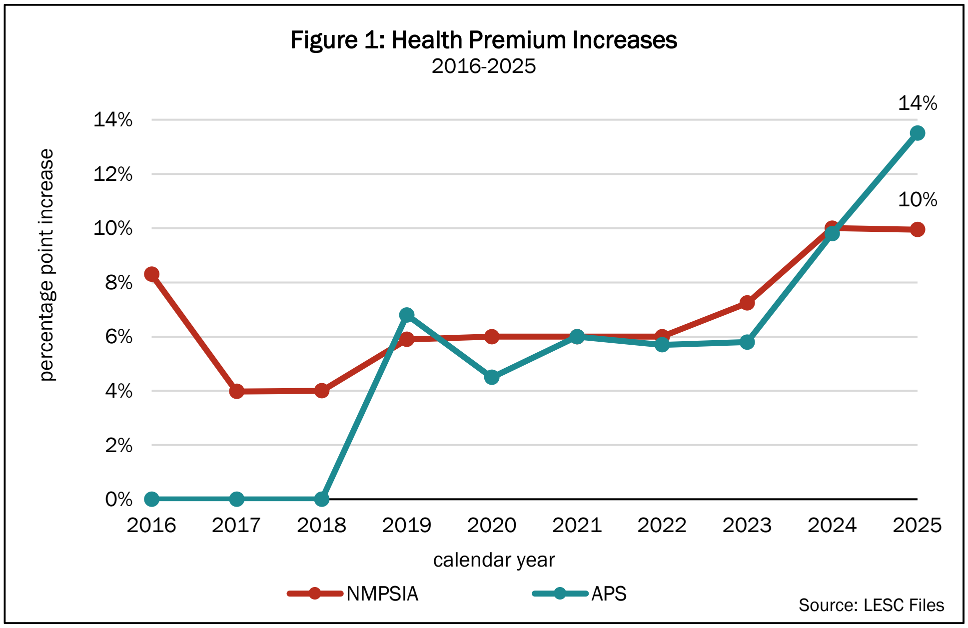
- There are significant differences between the premiums paid by state and public school employees *(Page 1)*.
- The Legislature has responded to rising health premiums by increasing public school employee's compensation *(Page 2)*.
- NMPSIA has revised its plan design to curtail rising costs *(Page 3)*.
- Establishing an 80/20 cost-share model for public school employees would shift $51.1 million in premiums to school districts and charter schools. *(Page 5)*.

A Review of Public School Health Insurance

NMPSIA and APS offer self-insured health plans that provide employees with medical, dental, vision, and prescription drug coverage. Self-funded plans are preferred by large employers that have the scale to spread risk among a larger insured population, with the intention of covering the costs of care, contracting with insurance carriers for access to their coverage networks, and paying for third-party administrative services. Throughout the fiscal year, NMPSIA and APS collect premiums and use those funds to pay medical claims. As self-insured plans, they 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.

Funding for Public School Health Insurance

While NMPSIA and APS have separate processes for establishing premiums, the legislative process for funding the increases is similar, as the Legislature makes an appropriation to the state equalization guarantee (SEG), the state's public school funding formula, which is distributed based on student characteristics. Importantly, NMPSIA and APS are not required to establish premiums reflecting the Legislature's appropriation to the SEG. For example, in FY26, NMPSIA and APS enacted a 10.0 percent and 13.5 percent increase in premiums, respectively, compared with a 10 percent increase in the Legislature's $38.2 million appropriation to the SEG.



The year-over-year increase in premiums has accelerated in recent years, as shown in **Figure 1: Health Premium Increases**, partly due to an increase in high-cost claims and a migration of employees to low-cost plans.

Response to Rising Health Premiums

While increasing premiums are driven by trends that are beyond the control of the Legislature, NMPSIA, or APS, each entity has taken steps to alleviate the impact of rising premiums on public school employees.

Legislative Response

The Legislature has addressed rising premiums through increased compensation, as shown in **Figure 2: Salary Increase for All Public School Employees** with a cumulative recurring investment of $729.9 million since FY20. Additional investments have included increases to educator minimum salaries in FY23, FY24, and FY26.

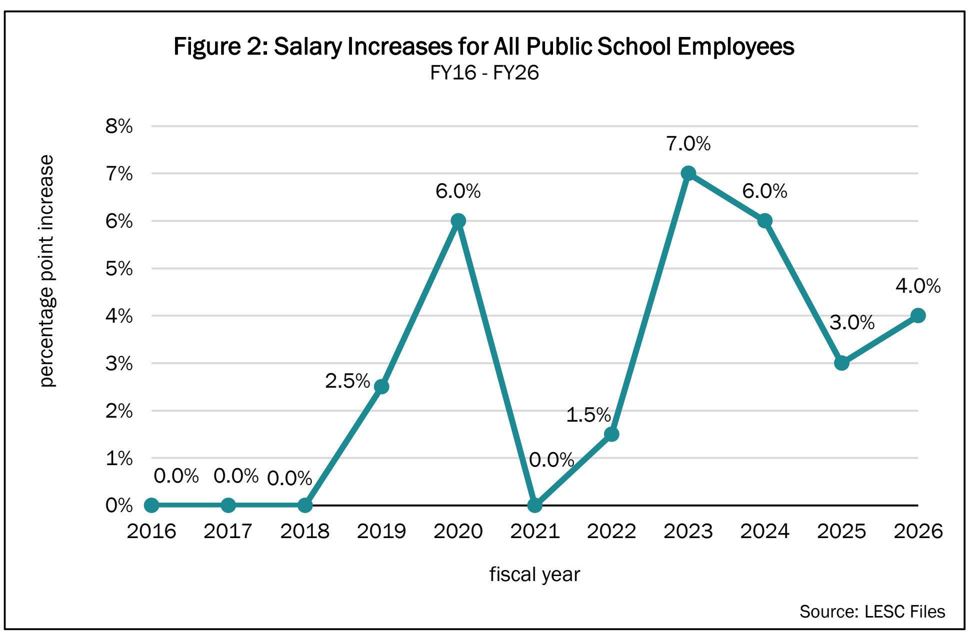
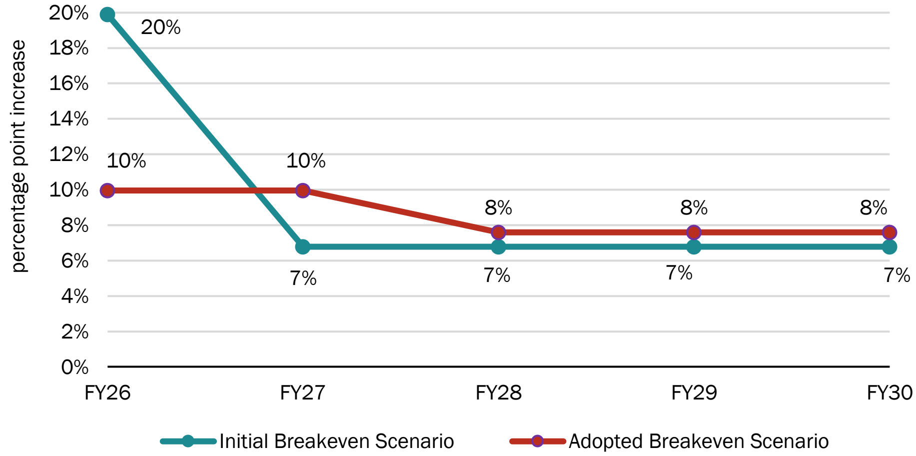


Figure 3: Change in Anticipated NMPSIA Medical Premium Increases
FY26 - FY30



Source: LESC Files

The Legislature also addressed the impact of NMPSIA's declining fund balance on premiums by appropriating $65 million to the fund during the 2025 legislative session, primarily to offset the large amount of costs incurred by NMPSIA related to the Covid-19 pandemic. This, combined with the plan revision actions taken by NMPSIA that are discused in the following section, reduced the increase in premiums for FY26 by 10 percentage points, as shown in **Figure 3: Change in Anticipated NMPSIA Medical Premium Increases**.

NMPSIA Response

NMPSIA's response to rising costs has focused on achieving targeted savings through member education, including encouraging utilization of generic medications and preventative services. To address the structural challenges contributing to rising costs, NMPSIA also plans to revise its plan designs in the 2026 calendar year, as shown in **Table 2: Changes in NMPSIA Plan Design**. NMPSIA's revisions to its plans include changes to deductibles, coinsurance rates, copayments, and out-of-pocket maximums. NMPSIA will also eliminate its exclusive provider organization (EPO) plan and revise its low-option plan to make it more distinct from its high-option alternatives. These changes are expected to save $5.6 million in FY26 and $12.8 million in FY27.

Table 2: Changes in NMPSIA Plan Design

(In-Network High Option Plans)

Plan Components	Before Revision	After Revision
Deductible	$1,500 per family	$1,650 per family
Coinsurance	20%	25%
Out-of-Pocket Maximum	$8,200 per family	$9,000 per family
Primary Care Copayment	$25	$30
Specialist Copayment	$50	$55
Urgent Care Copayment	$50	$55
Emergency Room Copayment	$450	$550
Generic Drug Copayment	$10	$10

Source: NMPSIA

APS Response

APS maintains its own self-insured health program, meaning it establishes and collects premiums from its employees to pay for its own medical, prescription drug, dental, and vision claims. While the district has benefited from this approach because of the economies of scale it achieves with its large workforce as well as its access to local healthcare services, it has not been immune to the rising costs of healthcare.

To contain costs, beginning on January 1, 2025, APS will discontinue its Cigna and Blue Cross Blue Shield preferred provider organization (PPO) plans, with APS now only offering two EPO plans. APS has also increased premiums, with an increase of 13.5 percent in FY26 and a larger increase in premiums expected in FY27.

Alignment in Health Premium Costs Borne by Employees

The state's health benefits programs have discretion in designing their coverage plans, including copayments, coinsurance rates, and network coverage, but they must comply with statutory requirements around the proportion of premiums that are borne by employees. The Legislature revised this requirement for state employees during the 2025 legislative session with the enactment of SB376, which requires state agencies to pay 80 percent of employee's premiums.

Senate Bill 376

State employee health benefits have been a fiscal burden on the general fund, with the Legislature appropriating $171.1 million in the 2024 and 2025 legislative sessions to remediate deficiences in the state employee group health benefits program. These deficiences were caused by increases in costs and a pause in premium increases between FY20 and FY24 that caused compounding deficits in the program.

To reduce the program's burden on the general fund, the Legislature enacted SB376, which requires the state to establish actuarily sound premium rates and pay 80 percent of employee premiums.

SB376 led to a significant decrease in premium contributions for most state employees.

SB376 did not apply to public school employees, so their existing tiered contributions will remain in place. This requires public school employees earning under $50 thousand to contribute up to 20 percent of their premium, those earning between $50 thousand and $60 thousand to contribute no more than 30 percent, and those earning more than $60 thousand to contribute no more than 40 percent. These maximum threshholds do not prevent a school district or charter school from paying a greater share of their employee premiums.

Table 3: Difference in Maximum Premium Contributions

(FY26)

Salary Range	State Employees	Public School Employees
Below $50,000	20%	20%
Between $50,000 and $59,999	20%	30%
$60,000 and Above	20%	40%

Source: LESC Files

Revising the Premium Cost-Share Model for Public School Employees

In recent years, the Legislature has deliberated on establishing an 80/20 premium cost-share model for public school employees, where all public school employees would pay up to 20 percent of their health premiums. Most school districts and charter schools currently align their premium cost-share models with the minimums required in statute. However, 30 school districts and charter schools have adopted higher cost-share models, with two paying 100 percent of their employee's premiums and 14 already having an 80/20 cost-share model. To offer higher benefits for their employees, these school districts and charter schools have made a decision to prioritize their operational funding to employee benefits that exceed the minimums estabished in statute.

Establishing an 80/20 cost-share model for public school employees could cost approximately $51.1 million, as shown in **Table 4: Cost of an 80/20 Cost-Share Requirement**, with $33.9 million required for NMPSIA-covered employers and $17.2 million required for APS. This estimate reflects the total amount of health premiums that would be shifted from employees to their employers, based on the current cost-share models being used throughout the state. This estimate does not include the amount of premiums currently being paid by employers who have chosen to pay more of their employee's premiums than statutory requirements.

An additional consideration in establishing an 80/20 cost-share model for public school employees could be how to support the school districts and charter schools who have already chosen to pay a higher percentage of their employee's health premiums. As previously discussed, these districts and charter schools have chosen to prioritize their current operational funding for employee benefits, and the prior $51.1 million cost estimate is only based on the gap between all current cost-share models and a universal 80/20 cost-share model.

The cost of an 80/20 model for public school employees would increase to $74 million if the Legislature were to pay for all premiums between the current statutory requirements and a univeral 80/20 cost-share model.

Table 4: Cost of an 80/20 Cost-Share Requirement

(in millions)

Entity	Cost to Bring all Current Cost-Share Models to 80/20	Total Employee Premiums Above Statutory Minimums
K-12 Public Schools	$51.1	$74.0
Higher Education	$1.9	$5.3
Other Entities	$0.3	$0.8
TOTAL	**$53.3**	**$80.1**

Source: NMPSIA, APS

Impact of an 80/20 Model on Public School Employees

The impact of an 80/20 cost-share model on public school employees would vary depending on their income, as employees earning below $50 thousand already pay 20 percent of their premium. As a Level I licensed teacher will earn at least $55 thousand in FY26, an 80/20 cost-share model would affect licensed teachers but may not benefit some support staff, as shown in **Table 5: Impact of Premium Change on Public School Employees Covered through NMPSIA** and **Table 6: Impact of Premium Change on Public School Employees Covered through APS**.

Table 5: Impact of Premium Share Change on Public School Employees Covered through NMPSIA

(Annualized Employee-Share Premium)

Salary Range	Current Annual Premium	Annual Premium Under 80/20 Model	Annual Savings
Below $50,000	$4,717.20	$4,717.20	$0.00
Between $50,000 and $59,999	$7,075.68	$4,717.20	$2,358.48
$60,000 and Above	$9,434.16	$4,717.20	$4,716.96

Source: NMPSIA

Notes: Estimates are based on a NMPSIA family Blue Cross Blue Shield Low Option plan with premiums effective October 1, 2025.

Table 6: Impact of Premium Share Change on Public School Employees Covered through APS

(Annualized Employee-Share Premium)

Salary Range	Current Annual Premium	Annual Premium Under 80/20 Model	Annual Savings
Below $50,000	$4,648.80	$4,648.80	$0.00
Between $50,000 and $59,999	$6,973.20	$4,648.80	$2,324.40
$60,000 and Above	$9,297.60	$4,648.80	$4,648.80

Source: APS

Notes: Estimates are based on a APS family Blue Cross Blue Shield EPO plan with premiums effective January 1, 2025.

As shown in **Table 7: NMPSIA-Covered Licensed Teacher Annual Savings from 80/20 Cost Share Model**, the estimated annual savings for teachers from premiums for a family plan would range between $2.4 thousand for Level I and $4.7 thousand for Level II and III.

Table 7: NMPSIA-Covered Licensed Teacher Annual Savings from 80/20 Cost-Share Model

Licensure Level	Annual Premium Savings	Premium Savings as a Percentage of Minimum Salary
Level I	$2,358.48	4.29%
Level II	$4,716.96	7.26%
Level III	$4,716.96	6.29%

Source: LESC Files

Notes: Analysis uses FY26 NMPSIA premiums for a family Blue Cross Blue Shield Low Option plan and licensed teacher minimum salaries for FY26.

Enactment of an 80/20 cost-share model could also lead to more public school employees electing to enroll in health coverage. After the enactment of a previous revision to premium contributions in Laws 2023, Chapter 83 (HB533), approximately 837 additional public school employees chose to enroll in a NMPSIA healthcare plan. Most of these employees were earning above $60 thousand, suggesting the revision to health premium contributions was a key incentive for administrators and level III teachers to enroll in health coverage.

Public school employees in school districts and charter schools that already have an 80/20 cost-share model also have a higher proportion of employees who chose to enroll in a high option health plan. In FY25, 79 percent of employees in a school district or charter school with an 80/20 cost-share model enrolled in a high option plan, compared to 71 percent of employees in school districts or charter schools following the statutory minimums.

This suggests lower premium contributions could improve recruitment and retention of public school employees.

Policy and Budget Considerations

Providing public school employees with affordable health coverage is a critical component in recruiting and retaining high-quality staff in public schools. By establishing an 80/20 premium cost-share model for public school employees, the Legislature could potentially increase the value of compensation packages offered to public school employees. In doing so, the Legislature could continue building the educator workforce needed to ensure each public school student in New Mexico receives a constitutionally sufficient public education.

The Legislature could:

- Assess the feasibility of an 80/20 health premium cost-share model for public school employees.