

Albuquerque Public Schools  
Legislative Finance Committee  
September 29, 2023



# A Significant Pivot in the Impact From Healthcare Cost

A combination of factors have increased pressure on organizations for 2023 and beyond

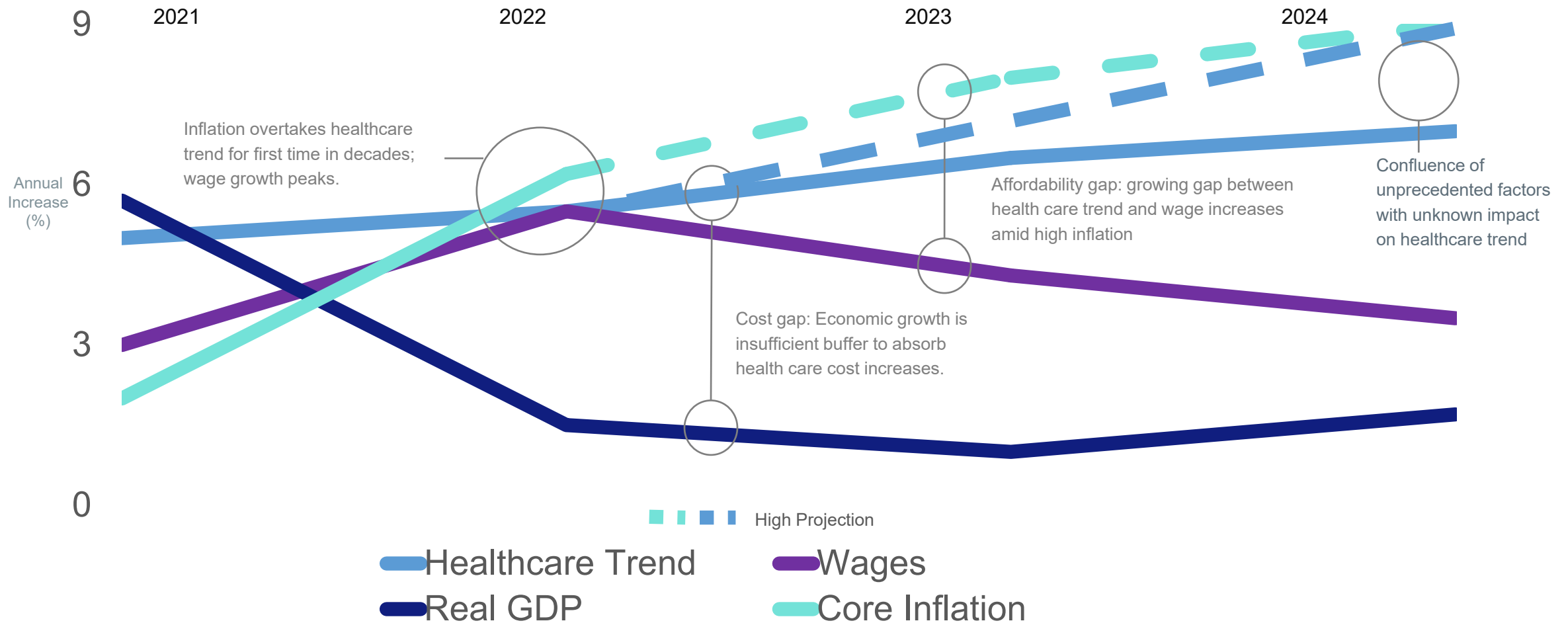


Chart: Healthcare Trend: Aon Trend Forecast; Wages: US Bureau of Labor Statistics and Goldman Sachs; Real GDP: HIS Markit; Core Inflation: The Brookings Institute

# COVID: What Will Change Moving Forward?

## Previous COVID Waves

The 15 to 18 months of medical claims experience after initial Covid outbreak (since about July 2020) contains the impacts of four separate periods of COVID lulls and outbreaks.

This claims experience includes these COVID-related elements:

- › COVID Testing Costs
- › Vaccine Costs
- › COVID Treatment Costs
- › Suppression of other claims to make room for COVID patients

## Future COVID Waves

At this point, the expectation is for continuing seasonal COVID waves, with these same elements included in each.

How much will each element change in subsequent waves?

## Deferred Care

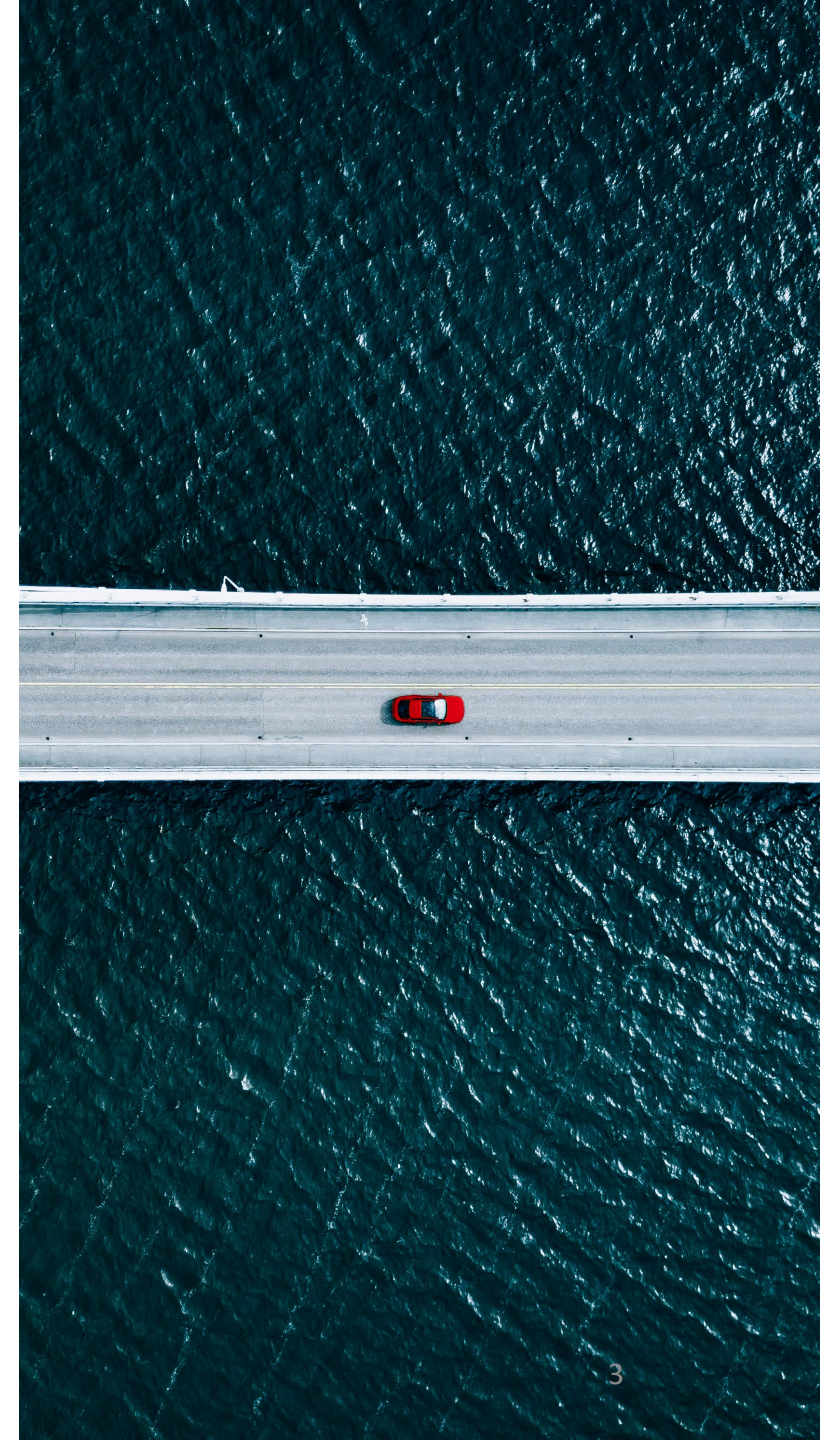
Initial expectations assumed there would be a rebound of deferred care claims-first expected to be in 2021, but in actuality began in the latter half of 2022.

We are watching other indicators such as healthcare employment levels, cancer costs and specialty drug pricing for continuing cost increases.

## Inflation Impacts

In addition, U.S. inflation rates are at the highest levels since the 1980s. Inflation is linked to healthcare spending through healthcare wages.

Economy-wide inflation is expected to add around 1.0 point to medical trends from 2022 → 2023, and, from 2023 → 2024





# 2024 Medical and Pharmacy Plan Renewal Components

- All fixed cost components of renewal favorable as compared to market averages; expected claims increase exceeds the market
- Claims estimate includes \$1.3 million mandated legislative benefit coverages
- Current local health plan trends range from 6.5% to 8.5% annually
- Projected claims account for more than 93% of medical total premium
- Renew stop loss with Tokio Marine HCC, estimated \$1.26M annual premium (firm stop loss renewals not available until Q4 2023)
- \$8.7 million overall increase (9.8%) = APS share is \$6.57 million, \$2.13 million employee share
  - HB533 shifted \$800k in cost to APS
  - APS share of premium is \$64.4 million or 66.4%, employee share \$32.7 million or 33.6%

Medical/Rx	Projected Annual Total		% Change	\$ Change	Comments
	2023	2024			
Administration Fee	\$4,976,000	\$5,059,000	1.6%	\$83,000	Projected renewal is favorable compared to (standard market trend is 2.0% - 4.0%)
Individual Stop Loss Premium (Estimated)	\$1,050,000	\$1,260,000	20.0%	\$210,000	Estimated renewal is favorable compared to market (standard market trend is 20.0% - 25.0%)
Total Fixed Costs	\$6,026,000	\$6,319,000	4.9%	\$293,000	Include administration, salaries, individual stop loss premium
Projected Medical+Rx Claims	\$82,407,000	\$90,805,000	10.2%	\$8,398,000	Projected renewal is unfavorable compared to market (standard Medical+Rx trend is 6.0% - 8.0%)
Gross Projected Cost (7,221 enrolled)	\$88,433,000	\$97,124,000	9.8%	\$8,691,000	

- Breakdown of the required \$8.7 million increase:**
  - Medical/pharmacy trend \$5.4 million
  - Legislative impacts \$1.3 million
  - Covid suppressed claims \$2.0 million

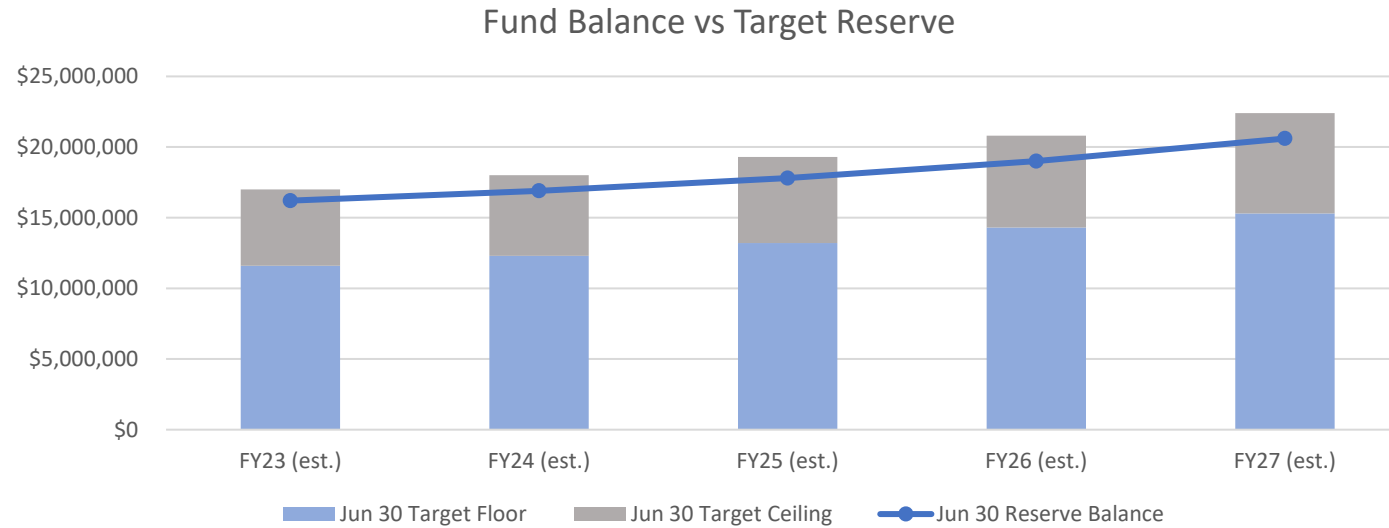
- Dental and vision are adequately funded, no rate change is necessary

# History of rate increases

- APS medical premium rate increases have averaged 6.4% over the past six years.
  - This does not account for significant plan design changes that were necessary for CY2021, due to the imposed 6.0% rate cap. (The CY2021 actuarial assessment indicated that an 11.3% medical premium rate increase was needed.)
  - The significant premium rate increase for CY2024 is due in part to increased utilization from COVID-delayed care, required Legislative actions, inflation and increased costs for services.

<u>Year</u>	<u>Premium Increase</u>
2019	6.8%
2020	4.5%
2021*	6.0%
2022	5.7%
2023	5.8%
2024*	9.8%

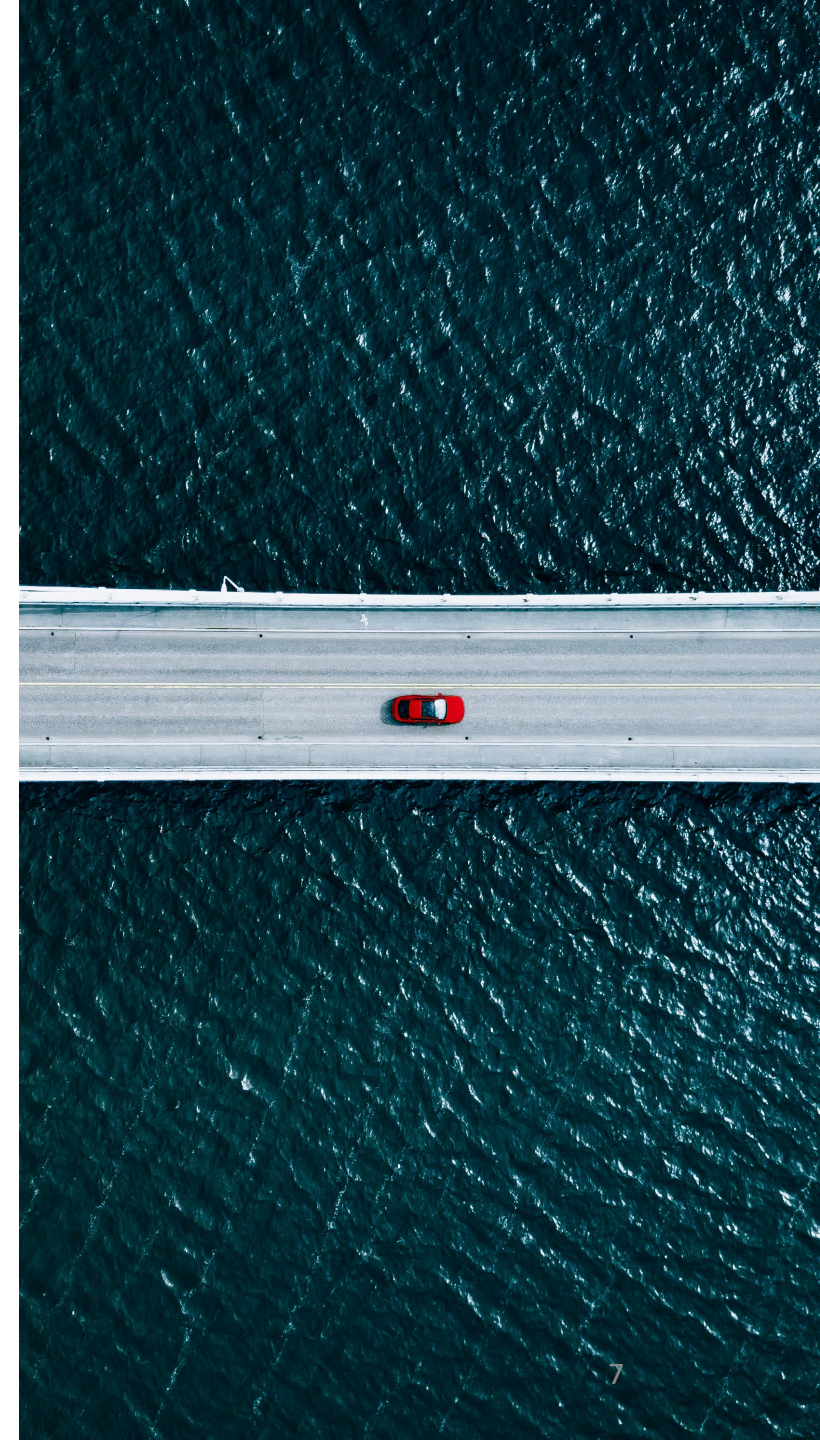
# Five-year Projected Fund Balance



- Fixed Costs includes plan administration, salaries and stop loss premiums
- Current local health plan trends range from 6.5% to 8.5% annually
- Scenario assumes 9.8% in CY24, 8% thereafter
- Assumes claims costs increase at the following annual trends, based on Aon Annual Trend Survey
  - Medical/Rx 7.5% for CY24, 8% thereafter
  - Dental and Vision 2.0%
  - Fixed cost increases of 3% administration and 15% stop loss
- At these trend rates, APS medical, dental and vision costs combined will increase an estimated \$30.8 million between FY23 and FY27
- Fund Target Floor and Target Ceiling include Incurred but Not Paid claims, plus Claim Fluctuation Reserve

# Vision Plan Changes

- Frame allowance increase from \$110 to \$150, estimated annual additional cost \$50,000
- Contact lens allowance increase from \$110 to \$150, estimated additional cost \$18,000
- Vision funding is adequate with no premium adjustment, even implementing these benefit enhancements





APS Risk Insurance: Fiscal Year 2022-2023  
**Legislative Finance Committee**  
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# **APS Risk Management**

The Risk Management claim department handles claims made by entities and individuals against the school district. The Albuquerque Public Schools is self-insured for all workers compensation, property and casualty exposures. Albuquerque Public School district has insurance for large claims in excess of the self-insured limit. Albuquerque Public Schools serves 70,447 students.

The district employs 10,887 permanent employees as of June 30, 2023 of which 5,027 are certified educators (teachers/counselors/librarians/nurses) and 1,586 classroom educational assistants.

Geographic Area: the APS district covers a 1,230-square mile area that encompasses all of the Albuquerque Metropolitan area in Bernalillo County and a small portion of Sandoval County, New Mexico.

APS has 92 elementary 30 middle schools - 21 high schools and 12 schools of choice- 74% of the District's schools are Title I high poverty schools

Total insured property value of \$3,332,667,908.00

Excess general liability insurance to \$20M

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>W.C. Budget</b>	\$10,474,953.00	\$7,598,839.00	\$10,718,598.00	\$17,351,497.00	\$15,959,715.00	\$16,359,882.00	\$15,468,143.00	\$16,347,706.00
<b>P.C. Budget</b>	\$15,571,064.00	\$13,530,022.00	\$12,534,231.00	\$10,288,747.00	\$8,159,459.00	\$6,421,937.00	\$8,009,985.00	\$13,467,243.00
<b>Total Budget</b>	\$26,046,017.00	\$21,128,561.00	\$23,252,829.00	\$27,640,244.00	\$24,119,174.00	\$22,781,651.00	\$23,478,128.00	\$29,814,949
<b>W.C. Payments</b>	\$6,215,929.00	\$5,178,251.00	\$4,424,672.22	\$4,693,921.00	\$4,887,460.00	\$3,787,266.00	3,467,044.00	4,589,839.00
<b>P.C. Payments</b>	\$5,044,715.00	\$4,669,284.00	\$3,173,087.00	\$4,757,516.00	\$3,373,688.00	\$3,096,747.00	1,591,517.00	1,256,707.00
<b>Total Payments</b>	\$11,260,644.00	\$9,847,535.00	\$7,597,759.22	\$9,451,437.00	\$8,261,148.00	\$6,884,013.00	5,058,561.00	5,846,546.00

# Appropriations FY16 – FY23

## ALBUQUERQUE PUBLIC SCHOOLS HISTORICAL RETENTION & DEDUCTIBLE HISTORY

COVERAGE						
POLICY TERM	* PROPERTY	EXCESS LIABILITY	SCHOOL BOARD LEGAL LIABILITY	EXCESS WORKER'S COMPENSATION	* BOILER & MACHINERY	CRIME
2022-2023	\$250,000	\$350,000	\$350,000	\$650,000	\$5,000	\$350,000
2021-2022	\$250,000	\$350,000	\$350,000	\$650,000	\$5,000	\$350,000
2020-2021	\$250,000	\$350,000	\$350,000	\$650,000	\$5,000	\$350,000
2019-2020	\$250,000	\$350,000	\$350,000	\$650,000	\$5,000	\$350,000
2018-2019	\$250,000	\$350,000	\$350,000	\$650,000	\$5,000	\$350,000
2017-2018	\$250,000	\$350,000	\$350,000	\$550,000	\$5,000	\$350,000
2016-2017	\$250,000	\$350,000	\$350,000	\$550,000	\$5,000	\$350,000
2015-2016	\$250,000	\$350,000	\$350,000	\$550,000	\$5,000	\$350,000
2014-2015	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$350,000
2013-2014	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$350,000
2012-2013	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$350,000
2011-2012	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$350,000

- Overview of Risk Programs Including
    - a. Rate changes for coming fiscal year and history of rate increases  
FY23 rate changes for the APS Commercial Property, Excess Liability, and Worker's Compensation insurance programs are expecting +10%, +12% and, +4% adjustments, respectively. These indications are contingent on no significant changes with respect to the district's loss experience (development of losses) or its overall risk profile.
  
    - b. Use of excess coverage insurance  
Excess liability used for FY21 was \$1,367,851.33. No other excess policies were utilized.
  
    - c. Trends in claims by coverage type  
Indications are strongly influenced by market forces impacting the insurance industry nationwide driven primarily by the rising cost of claims. As a result, insurance carriers continue to recalibrate their books of business by increasing rates to pay both claims and reach fair margins of profitability after experiencing hard losses in recent years.
- Total New Cost/Appropriation request:  
Benefits = \$8,700,000.00  
Risk = \$5,457,258.00

# Appropriation Request