

# LFC Hearing Brief



**Public employee health benefits are provided through three agencies: The General Services Department (GSD) for state employees; Albuquerque Public Schools (APS) for all employees of the Albuquerque school district; and the New Mexico Public Schools Insurance Authority (NMPSIA) for all non-APS educational employees. In the case of APS and NMPSIA, health benefit rates are set by their respective boards while ultimate discretion for GSD rates resides with the Governor.**

## Health Benefits

The trifurcated system of providing health benefits has led to different plan designs, premiums, and employer and employee contribution rates. The table below compares health insurance plans for single coverage based on an income of \$41 thousand, the average level 1 teacher starting salary.

### Comparison of Annual Health Insurance Premium Costs

Based on Single Coverage and income of \$41 thousand

	NMPSIA-High Option	GSD-Blue Cross PPO	APS- BCBS Preferred
<b>Deductible</b>	\$ 750	\$ 500	\$ 500
<b>Max Out of Pocket</b>	\$ 3,750	\$ 4,000	\$ 3,000
<b>State Cost</b>	\$ 5,513	\$ 5,998	\$ 4,324
<b>Member Cost</b>	\$ 3,676	\$ 1,500	\$ 1,853
<b>Total Premium</b>	<b>\$ 9,189</b>	<b>\$ 7,498</b>	<b>\$ 6,177</b>

Source: LFC Files

While the insurance plans are similar, the premiums are dramatically different. For example, a teacher on the NMPSIA plan may pay \$3.7 thousand for coverage through the Blue Cross Blue Shield (BCBS) network that is very similar to the BCBS PPO plan offered to state employees through GSD, but state employees pay less than half of the NMPSIA rate for the coverage.

The disparity in employer and employee contribution rates is due to statutory constraint and agency policy. For example, Section 22-29-10 NMSA 1978 requires NMPSIA to cover at “*at least seventy-five percent of the cost of the insurance of an employee whose annual salary is less than \$15 thousand.*” This language requires NMPSIA to provide a minimum coverage amount of 75 percent but allows districts to provide up to an 80 percent subsidy at the discretion of the district. NMPSIA’s income thresholds have not been increased since 1989. In contrast to NMPSIA, statute sets a *maximum* employer subsidy for state employees covered by GSD (10-7-4 NMSA 1978) of 80 percent, and statute is silent on APS coverage thresholds.

## Impact of Covid Pandemic

While the global Covid pandemic has upended life for people worldwide, its impact on New Mexico’s health insurers has been relatively muted. Public health

**AGENCY:** General Services Department, New Mexico Public School Insurance Authority, Albuquerque Public Schools, Office of the Superintendent of Insurance

**DATE:** September 30, 2020

### PURPOSE OF HEARING:

Review of group health benefits programs

**WITNESS:** Mark Tyndall, Director, RMD, GSD; Richard Valerio, Director, NMPSIA; Valerie Atencio, Sr. Director, Benefits and Wellness, APS; Russell Toal, Superintendent of Insurance

**PREPARED BY:** Connor Jorgensen, Analyst, LFC

### EXPECTED OUTCOME:

Informational

APS Contributions		
Salary	Employee (EE)	Employer (ER)
< \$39.5K	20%	80%
<\$45K	30%	70%
\$45K+	40%	60%

NMPSIA Contributions		
Salary	EE	ER
< \$15K	25%	75%
< \$20K	30%	70%
< \$25K	35%	65%
\$25K +	40%	60%

GSD Contributions		
Salary	EE	ER
< \$50K	20%	80%
< \$60K	30%	70%
\$60K +	40%	60%

orders prohibited New Mexico hospitals from performing elective, non-essential medical procedures in the second quarter of 2020. The moratorium on elective care combined with increased reluctance on the part of some members to seek in-person medical care led to New Mexico insurance plan sponsors realizing significant savings as health care utilization declined. This created savings in FY20 and early FY21. However, some of the care that was delayed may be rescheduled, leading to increased future costs. Beyond this, it is difficult to know if delayed care will require costlier treatment in the future. While it is likely the plan sponsors will see a net reduction in health care spending as a result of the pandemic, the amount is not known.

Direct costs incurred for testing and treatment related to Covid totaled \$4.1 million across the three insurance providers through the beginning of September, 2020.

<b>Projected Changes Health Expenditures Due to Covid</b> (in millions)			
	<b>FY20</b>	<b>FY21</b>	<b>Net</b>
NMPSIA	-14.9	5.2	-9.7
APS	-4.0	2.5	-1.5
GSD	-19.0	TBD	TBD

#### Cost of COVID Testing and Treatment

	<b>APS</b>	<b>GSD</b>	<b>NMPSIA</b>
<b>Tests Given</b>	814	4,952	4,595
<b>Test Cost</b>	\$82.0	\$395.7	\$436.6
<b>Treatment Cost</b>	\$320.4	\$1,623.0	\$1,284.8
<b>Total Cost</b>	<b>\$402.4</b>	<b>\$2,018.7</b>	<b>\$1,721.4</b>

Source: APS, GSD, NMPSIA

<b>Average Annual Cost of Single Coverage Insurance Premium, 2019</b>		
<b>U.S. Average</b>		
<b>Payer</b>	<b>Cost</b>	<b>Split</b>
EE	\$1,489	21%
ER	\$5,483	79%
Total	\$6,972	
<b>New Mexico Average</b>		
<b>Payer</b>	<b>Cost</b>	<b>Split</b>
EE	\$1,729	26%
ER	\$4,967	74%
Total	\$6,696	

Source: Kaiser Family Foundation

EE=Employee

ER=Employer

#### Plan Comparison

LFC analysis finds that, of the seven surrounding states, New Mexico is the only state to provide health insurance contributions that vary based on income. Other states use a single rate schedule to assess premiums regardless of employee income level. Additionally, New Mexico does not offer a wide variety of types of insurance coverage. GSD, NMPSIA, and APS all offer plans that are relatively similar in terms of deductible, maximum out of pocket, and copay with NMPSIA being the only sponsor to offer a high deductible plan. Other states provide a wider array of insurance options. For example, the State of Colorado offers employees \$720 per year in a health savings account if they choose to opt into a high-deductible health plan while the State of Oklahoma offers a set subsidy amount for each plan type and allows employees to choose the plan that best suits them. This fixed subsidy is determined by family size and is sufficient to cover the entire cost of the most basic plan, but is not sufficient to cover higher cost options.

According to data provided by the Kaiser Family Foundation, the average employer cost in New Mexico for single coverage plans is \$4,967 while the employee cost is \$1,729. Plans offered through APS are slightly less costly to employers than the statewide average while plans offered through GSD and NMPSIA are costlier. However, employee premiums are much higher for employees of school districts; NMPSIA-covered employees pay \$1,947, or 112 percent, more for coverage as the statewide average while APS employees pay \$278, or 16 percent, more.

#### Benefit Cost and Trends

A self-insured benefits plan must match health expenditures with program revenue raised through premiums assessed on members. A program's loss ratio divides program costs by program revenue so that a ratio of less than 100 percent means the program raises more revenue than it expends while a program with a ratio over 100 percent spends more than it brings in. Because a self-insured program does

not need to make a profit, the program should try to set premiums as close to a loss ratio of 100 percent as possible.

**Loss Ratio and Premium Increase by Plan**

Agency	Metric	FY18	FY19	FY20	FY21*	FY22*
GSD	Loss Ratio	110%	98%	101%	105%	108%
	Premium Increase	1%	4%	5%	0%	0%
NMPSIA	Loss Ratio	93.6%	91.8%	98.4%	106.4%	103.3%
	Premium Increase	3.8%	3.6%	5.6%	5.5%	9.3%
APS	Loss Ratio	103.9%	100.0%	98.6%	102.7%	100.4%
	Premium Increase	0.0%	6.8%	4.5%	6.0%	7.3%

\*Projected

Source: APS, GSD, NMPSIA

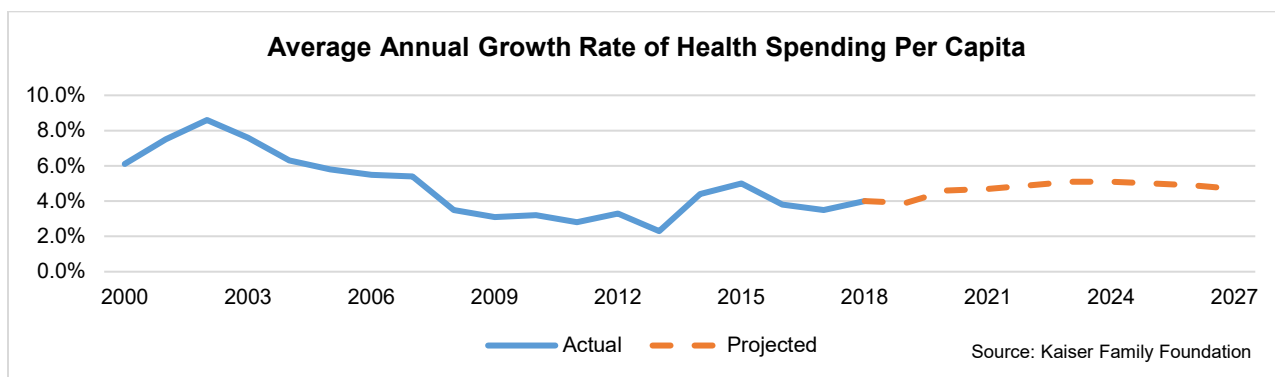
Of the three plans, GSD is in the most precarious financial position. The program’s loss ratio is consistently over 100 percent, resulting in an increasing deficit faced by the program. This is largely driven by the lack of consistent premium increases needed to keep pace with medical and prescription cost increases.

Both APS and NMPSIA anticipate increases of 7.4 percent in medical and prescription costs in FY21 while GSD anticipates a 4 percent increase. The conservative assumptions used by NMPSIA and APS may result in the agencies increasing premiums faster than medical and prescription expenses increase. Should the assumption be too conservative, the programs will have increased cash balances which may allow them to limit premium increases in future years. GSD is in the opposite situation; should actual medical and prescription costs increase at a rate of over 4 percent, the program deficit will exceed projections resulting in a need for a larger future premium increases, plan design changes, or the need for additional state funding.

**Estimated Medical and Prescription Cost Trend Increase**

Agency	FY21	FY22
APS	7.4%	7.4%
GSD	4.0%	4.0%
NMPSIA	7.4%	6.7%

The Kaiser Family Foundation estimates that health insurance costs increased at approximately 4.8 percent annually since the year 2000, though the rate of growth slowed to around 4.1 percent from 2014 to 2018, the last year for which data are available. Kaiser projects increases in 2021 and 2022 will be 4.6 percent and 4.7 percent respectively and will average 4.7 percent between 2020 and 2027.



The Center for Medicare and Medicaid Services (CMS) estimates health spending will grow at an average rate of 5.4 percent per year from 2019 to 2028 and that health spending will likely grow 1.1 percent faster than gross domestic product over this period. Under this scenario, the share of health care as a percent of GDP is expected to increase from 17.7 percent in 2018 to 19.7 percent by 2028. The insured portion of the population is expected to fall from 90.6 percent in 2018 to 89.4 percent in 2028.

Despite continual increases in medical and prescription costs, the New Mexico Superintendent of Insurance reports individual consumers on the New Mexico health insurance exchange will experience an average premium *decrease* of 8.7 percent for silver plans while small business purchasers will have an average 6.7 percent decrease. It is likely that a combination of tighter regulation of rates, better than expected experience, and increased competition on the exchange drove rate reductions for 2021.

The rapid growth in health insurance costs forces employers to pay for benefits at the expense of salary increases.

Nationally, rising benefit costs mean wages are accounting for a smaller share of compensation. The Kaiser Family Foundation reports between 2014 and 2019, health insurance premiums increased by 22 percent while wages increased 14 percent. The rapid growth in health insurance costs forces employers to pay for benefits at the expense of salary increases. Data from the Bureau of Labor Statistics show the average compensation package is comprised of 67 percent salary and 33 percent benefits. New Mexico’s salary to benefits mix mirrors public workers nationwide at 58 percent salary and 42 percent benefits.

## Review of Agency Plans

New Mexico public employee health plans have lost members over the past five years, though costs have continued to climb; in FY20, the state spent \$666.8 million on medical and prescription coverage, up 7.6 percent from the \$629.7 million spent in FY16. However, the pool size shrunk by 10.7 thousand, or 8.1 percent. The overall effect was a 9 percent increase in the cost per member over this time period. The cost increase was driven primarily by an increase in medical costs; medical costs increased by 17 percent on a per member basis while prescription costs increased 6 percent.

**GSD, NMPSIA, and APS Claims Cost Trend for Medical/Rx**

	FY16	FY17	FY18	FY19	FY20	Change (FY16-FY20)
Covered lives	131,321	126,666	121,192	120,421	120,627	-8.1%
Medical costs*	\$523,204	\$543,570	\$545,129	\$554,225	\$563,033	7.6%
Costs per member	\$3,984.16	\$4,291.36	\$4,498.06	\$4,602.38	\$4,667.56	17.2%
Prescription costs*	\$106,533	\$98,684	\$93,256	\$82,371	\$103,718	-2.6%
Costs per member	\$811	\$779	\$769	\$684	\$860	6.0%
Total medical/drug costs*	\$629,736	\$642,254	\$638,385	\$636,596	\$666,751	5.9%
Total costs per member	\$5,070	\$5,312	\$5,367	\$5,286	\$5,527	9.0%

\*In thousands

Source: LFC Files

**Budgeting for Health Insurance.** GSD rates are built into base budget requests of agencies prior to the appropriations process while NMPSIA requests funding to be included in the public school support (PSS) budget for distribution to districts. The NMPSIA board is empowered to set insurance rates assessed to districts regardless of whether funding was included in the PSS budget. APS receives 25 percent share of the state equalization guarantee funding available for insurance in the PSS budget regardless of claims experience.

**Benefit Eligibility.** APS requires a 30-hour work week to qualify for benefits; GSD has a 20-hour minimum and has not proposed increasing eligibility; and NMPSIA has a 20-hour minimum but will allow coverage for 15 hours if requested by a school board. NMPSIA has discussed with schools increasing eligibility to 30 hours to meet the federal minimum requirement for employers under the ACA, achieving savings for schools. Some schools have changed their eligibility to require a longer work week. It is likely that employees losing coverage due to imposition of a 30-hour work requirement would qualify for Medicaid.

## General Services Department

GSD provides insurance coverage to both state and local government employees and local governments are charged the same premiums that are charged for state employees. Because the program premium revenues are less than program costs, the state is effectively subsidizing health coverage for non-state employees. Approximately one third of the GSD health benefits program enrollment is comprised of local government employees so that approximately \$17.6 million of the anticipated \$52.2 million FY22 shortfall is attributable to local governments. Health benefits plan enrollment has fallen despite the addition of local government employees as the New Mexico Municipal League discontinued its insurance program. In FY20, 800 local government workers and their dependents were added to the state insurance pool.

**GSD Health Benefits Enrollment**

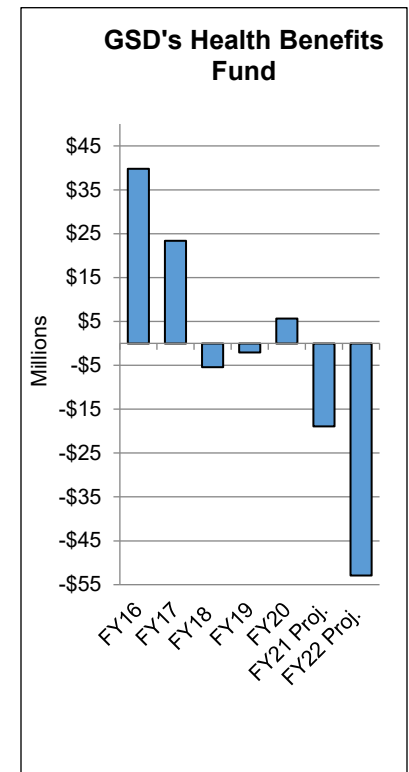
	Employee	Dependents	Total
<b>State Government</b>	17,642	20,370	38,012
<b>Local Government</b>	9,513	9,848	19,361
<b>Total</b>	<b>27,155</b>	<b>30,218</b>	<b>57,373</b>

Source: GSD

Program revenue raised through premiums has not kept pace with medical cost increases; the program reported a deficit of \$2 million at the close of FY19 and the Legislature provided a \$10 million special appropriation to close the gap. However, no premium increase was proposed for FY21 or FY22 and the program is now expected to end FY21 with a deficit of \$18.9 million in FY21 and \$52.2 million in FY22. The deficit does not include allowance for claims that are incurred but not reported (IBNR). IBNR is typically 4 to 6 weeks' worth of claims cost. GSD estimates that IBNR costs are approximately \$36 million.

For FY22, GSD is proposing to hold benefit premiums flat for the second consecutive year despite a mounting deficit in the fund. Without additional premium revenues, the program will be forced to either seek additional funding from the state or dramatically reduce benefits. Benefit reductions such as increased deductibles and copays will disproportionately affect members with higher health care utilization such as individuals with chronic conditions, older individuals, and those facing high-cost events such as child birth.

Over the past five years, total medical and prescription drug costs increased by 12.4 percent. Over this same time period, the number of total covered lives fell by 7 percent resulting in total costs increasing by 20.7 percent on a per member basis between FY16 and FY20.

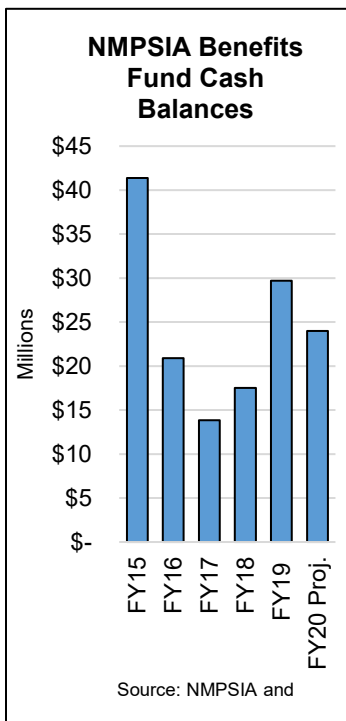


### GSD Claims Cost Trend for Medical/RX

	FY16	FY17	FY18	FY19	FY20	Change (FY16-FY20)
Covered Lives	61,717	59,530	58,063	57,377	57,373	-6.9%
Medical costs*	\$237,242	\$254,292	\$264,317	\$273,692	\$274,173	15.6%
Costs per member	\$3,844.00	\$4,217	\$4,552	\$4,770	\$4,771	24.1%
Prescription costs*	\$48,980	\$41,512	\$46,146	\$40,302	\$47,425	-3.2%
Costs per member	\$794	\$697	\$794	\$702	\$825	3.9%
Total medical/drug costs*	\$286,222	\$295,804	\$310,463	\$313,994	\$321,598	12.4%
Total costs per member	\$4,638	\$4,969	\$5,347	\$5,472	\$5,596	20.7%

\*In thousands

Source: GSD



### New Mexico Public School Insurance Authority

NMPSIA provides medical and prescription benefits to teachers in public and charter schools outside of APS and to employees of certain higher education institutions. Because APS employees are not included, approximately 85 percent of NMPSIA's membership is located in rural areas of the state. The highly rural nature of the membership contributes to increased healthcare costs because of a lack of providers and limited competition in rural areas.

#### NMPSIA Health Benefits Enrollment

	Employee	Dependents	Total
<b>School District</b>	17,331	21,852	39,183
<b>Charter School</b>	1,735	1,745	3,480
<b>Higher Education</b>	1,819	1,657	3,476
<b>Total</b>	<b>20,885</b>	<b>25,254</b>	<b>46,139</b>

Source: NMPSIA

Total costs decreased about 1 percent between FY16 and FY20. Over this same time period, the number of total covered lives fell by 11 percent resulting in costs increasing by 12 percent on a per member basis. Between FY16 and FY20, the total number of members fell by 6,026. A large portion of the membership decrease is attributable to Central New Mexico Community College exiting NMPSIA in FY18.

#### NMPSIA Claims Cost Trend for Medical/Rx

	FY16	FY17	FY18	FY19	FY20	Change (FY16-FY20)
Covered lives	53,311	50,896	47,058	47,235	47,285	-11.3%
Medical costs*	\$225,679	\$227,032	\$217,846	\$216,038	\$226,885	0.5%
Costs per member	\$4,233	\$4,461	\$4,629	\$4,574	\$4,798	13.4%
Prescription costs*	\$44,586	\$43,329	\$34,696	\$29,802	\$41,229	-7.5%
Costs per member	\$836	\$851	\$737	\$631	\$872	4.3%
Total medical/drug costs*	\$270,265	\$270,361	\$252,542	\$245,840	\$268,114	-0.8%
Total costs per member	\$5,070	\$5,312	\$5,367	\$5,205	\$5,670	11.8%

\*In thousands

Source: NMPSIA

The NMPSIA health benefits program has maintained a loss ratio of under 100 percent in FY18 and FY19 in an effort to increase fund balance to \$5 million over the estimated incurred but not reported (IBNR) cost. Increasing fund balance over IBNR will allow NMPSIA to weather financial shocks without the need for large year-over-year premium increases.

### Albuquerque Public Schools.

APS provides health benefits to all employees of the district and plans are governed by a seven-member elected school board that meets monthly. For 2021, APS will increase medical insurance rates by 6 percent and anticipates a 7.3 percent increase in 2022.

#### APS Health Benefits Enrollment

	Employee	Dependents	Total
School District	7,656	8,220	15,876

Source: APS

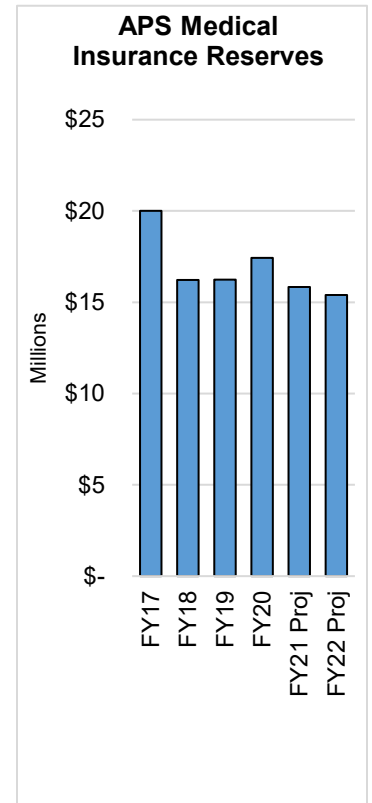
Between FY16 and FY20, total costs increased 5.2 percent. Over this same time period, the number of total covered lives fell by 2.6 percent resulting in total costs per member increasing by 7.9 percent.

#### APS Claims Cost Trend for Medical/Rx

	FY16	FY17	FY18	FY19	FY20	Change (FY16-FY20)
Covered lives	16,293	16,240	16,071	15,809	15,876	-2.6%
Medical costs*	\$60,283	\$62,246	\$62,966	\$64,495	\$61,975	2.8%
Costs per member	\$3,700	\$3,833	\$3,918	\$4,080	\$3,904	5.5%
Prescription costs*	\$12,967	\$13,843	\$12,414	\$12,267	\$15,064	16.2%
Costs per member	\$796	\$852	\$772	\$776	\$949	19.2%
Total medical/drug costs*	\$73,249	\$76,090	\$75,380	\$76,762	\$77,039	5.2%
Total costs per member	\$4,496	\$4,685	\$4,691	\$4,856	\$4,853	7.9%

\*In thousands

Source: APS



**Performance.** New Mexico insurance sponsors participate in performance based budgeting. For FY22, the LFC and Department of Finance and Administration worked with plan sponsors to create a more robust set of performance metrics to track not only plan spending, but also progress toward cost containment in certain populations. New Mexico insurance plans cover a large number of individuals suffering from chronic health conditions which, if not properly managed, deteriorate over time and have the potential to dramatically increase costs of care. For FY22, GSD, NMPSIA, and the Retiree Health Care Authority will begin reporting on success in treating and managing diabetes as well as on the loss ratios experienced by their respective programs. Regular reporting on nationally benchmarked performance measures will help keep policy makers and agency staff focused on cost drivers and potential savings in benefits programs.

## Risk Insurance Programs

### Risk Management Advisory Board Membership

Russell Toal, Superintendent of Insurance- President

Hector Balderas, Attorney General

Raul Burciaga, Director, Legislative Council Services

Debbie Romero, Secretary, Department of Finance and Administration

Tami Coleman, CFO, Albuquerque Public Schools

Quinn Lopez, Attorney

Teresa Ann Constantinidis, CFO, UNM

Anita Mullins Schwing, CFO, New Mexico Health Insurance Exchange

In addition to providing health benefits, the General Services Department (GSD), New Mexico Public School Insurance Authority (NMPSIA), and Albuquerque Public Schools (APS) provide coverages for workers' compensation, property, liability, unemployment, and other risks faced by state employers. These agencies manage risk through self-insurance and insurance purchasing.

GSD and APS are primarily self-insured, but reinsure for larger claims while NMPSIA relies on a more robust excess insurance program to manage risk. Each entity covers different risks and exposures and carries different lines of coverage and self-insured amounts. For example, NMPSIA and APS do not have prisons, railroads, or hospitals to cover like GSD. NMPSIA has many schools in rural areas with limited access to fire or life safety services while the majority of APS schools are very accessible to fire and life safety services. For FY21, appropriations to the three agencies totaled \$195 million, to pay claims, cover in-house and out-sourced claims management, loss control services, and maintain adequate reserves. Actual expenditures for FY20 totaled \$167 million.

GSD and NMPSIA request budgets from the state each year through the regular appropriations process while APS receives its funding through a set proportion of the insurance allocation made in the public school support budget. GSD and NMPSIA construct their risk budgets by estimating the potential exposure, or amount of payments for damages, that will be made in a year and request that amount from the Legislature. In the case of GSD, premium revenue is raised by assessments on agencies that are built into the budget request while the NMPSIA board determines the rates paid by school districts and charter schools. This appropriations request is therefore a request for expenditure authority rather than a request for an appropriation.

## Review of Risk Management Programs

### Risk Management Division (RMD)

RMD sets rates to reflect an agency's five-year loss history and exposure to losses with regards to a particular line of coverage. Each spring, RMD collects exposure data from agencies to determine the cost drivers for each line of coverage, for example, payroll, equipment, FTE's, hospital beds, buildings, vehicles, etc. Surveys are important because excess coverage insurers may limit or deny coverage for undocumented exposures.

**Appropriations and Payments from RMD funds**  
(in thousands)

	FY17	FY18	FY19	FY20	FY21	FY22 Request
Budgeted Appropriations	\$87,467	\$86,987	\$78,038	\$82,538	\$83,752	
Payments from RMD funds	\$64,969	\$64,299	\$63,533	\$68,611	Unknown	

RMD purchases excess property and fine arts coverage for catastrophic losses. RMD has a self-insured retention, similar to a deductible, for property losses of \$500 thousand. For FY21, the program paid \$4.5 million in excess insurance premiums to cover \$8.6 billion in assets.



## GSD Property Value and Excess Insurance Coverage

(in thousands)

	FY18	FY19	FY20	FY21
<b>Excess Insurance Premium*</b>	\$3,187	\$3,188	\$3,859	\$4,554
<b>Excess Insurance Recoveries**</b>	\$845	\$3,161	\$0*	\$0*
<b>Total Property Claims Paid</b>	\$6,676	\$11,169	\$10,948	\$9,598
<b>Covered Property Value</b>	\$8,435,603	\$8,435,603	\$8,624,673	\$8,624,673
<b>Self-Insured Retention</b>	\$500	\$500	\$500	\$500

\*Property, Boiler/Equipment Damage, and Fine Art

Source: GSD

\*\*Recoveries may change as claims are paid for past events.

RMD self-insures all liability and workers' compensation losses. GSD provides workers' compensation coverage for a total payroll of \$3.4 billion as well as providing liability coverage for state and local government entities.

## GSD Workers' Compensation and Liability Payments by Year

(in thousands)

	FY18	FY19	FY20	FY21
<b>Total WC Claims Paid</b>	\$14,135	\$15,392	\$12,222	\$13,916
<b>Total Liability Claims Paid</b>	\$22,161	\$18,427	\$24,869	\$21,819

Source: GSD

**Rates for FY22.** The Department of Finance and Administration published rates for covered entities to incorporate into the FY22 appropriation requests. The proposed rates reflect an overall decrease of 20 percent from FY21, reducing premium revenues for workers' compensation, liability, property, transportation, and unemployment coverage by \$13.7 million. Just over half of the requested decreases will come from general fund revenues. The rates were apportioned based on experience and exposure so agencies may see premiums increase or decrease accordingly.

## GSD Agency Assessed Premiums, FY22

(in thousands)

Coverage	FY21	FY22	Difference
WC	18,715	16,095	(2,620)
Liability	38,095	27,799	(10,296)
Transportation	1,539	1,435	(104)
Property	7,900	7,606	(294)
Unemployment	2,787	2,391	(396)
<b>Total</b>	<b>69,037</b>	<b>55,327</b>	<b>(13,710)</b>

Source: GSD

## Public School Insurance Authority

Section 22-29-2 NMSA 1978 created NMPSIA to provide group health and risk coverage and due process reimbursement with the exception of coverage provided by RMD. All K-12 school districts (except APS), charter schools (including those in Albuquerque), students, employees, volunteers, and contracted bus drivers are covered under policies administered by NMPSIA. The total value of insured assets is \$26 billion.

NMPSIA's risk program self-insures property, liability, and workers' compensation losses up to \$1 million and buys excess coverage for larger claims. In FY21, the program paid \$43.2 million for excess liability, property, and workers compensation premiums. Premiums continue to increase as property insurance markets face increased risk due to climate-related damages such as wild fires and hurricanes nationally and liability rates increase primarily due to sexual assault claims against educational employees in New Mexico.

**NMPSIA Budgeted Appropriations**  
(in thousands)

	FY17	FY18	FY19	FY20	FY21	FY22 Request
Budgeted appropriations	\$73,205	\$70,799	\$75,078	\$70,081	\$83,087	
Payments from NMPSIA Funds	\$73,318	\$75,011	\$81,329	\$86,584	TBD	TBD

**NMPSIA's Oversight Board**

Al Park, President- Governor Appointee

Chris Parrino, Vice-President- Association of School Business Officials

Trish Ruiz, Secretary- Public Education Commission

Denise Balderas- Governor Appointee

Tim Crone- American Federation of Teachers

Pauline Jaramillo- School Boards Association

David Martinez- National Education Association of New Mexico

Sammy Quintana- Governor Appointee

Ricky Williams- New Mexico Superintendent Association

Vacant- Educational Institutions at Large

**NMPSIA Property Value and Excess Insurance Coverage**  
(in thousands)

	FY18	FY19	FY20	FY21
<b>Excess Insurance Premium</b>	\$22,349	\$ 22,991	\$24,890	\$25,373
<b>Excess Insurance Recoveries</b>	\$23,382*	TBD	TBD	TBD
<b>Total Property Claims Paid</b>	\$ 7,674	\$10,570	\$8,437	TBD
<b>Covered Property Value</b>	\$23,115,901	\$24,179,232	\$25,146,401	\$26,152,226
<b>Self-Insured Retention</b>	\$750	\$1,000	\$1,000	\$1,000

\*Includes \$5.3 million in actual recoveries and \$18 million in potential recoveries.

Source: NMPSIA

Excess insurance recoveries are realized over a long period of time as claims are adjusted. Data indicate that between FY09 and FY18 the NMPSIA program received 71 cents back for every \$1 dollar spent on excess coverage insurance. NMPSIA will begin reporting on excess insurance recoveries on an annual basis.

**NMPSIA Workers' Compensation Claims and Excess Insurance Premiums**  
(in thousands)

	FY18	FY19	FY20	FY21
<b>WC Excess Insurance Premium</b>	\$ 577	\$596	\$587	\$593
<b>WC Excess Insurance Recoveries</b>	\$0	\$0	\$0	\$0
<b>Total WC Claims Paid</b>	\$11,641	\$11,202	\$9,872	TBD
<b>Covered Payroll WC</b>	\$1,716,089	\$1,750,411	\$1,655,812	\$1,713,765
<b>WC Self-Insured Retention</b>	\$1,000	\$1,000	\$1,000	\$1,000

Source: NMPSIA

NMPSIA maintains an excess coverage insurance policy to cover workers' compensation losses over \$1 million. This coverage insulates the agency from potentially large claims which could result in a need to significantly increase premiums year-over-year.

## NMPSIA Liability Claims and Excess Insurance Premiums

(in thousands)

	FY18	FY19	FY20	FY21
<b>Liability Excess Insurance Premium</b>	\$12,649.3	\$13,604.8	\$15,898.1	\$17,246.9
<b>Liability Excess Insurance Recoveries</b>	\$0	\$0	\$0	\$0
<b>Total Liability Claims Paid</b>	\$14,021.1	\$15,791.1	\$26,101.7	TBD
<b>Liability Self-Insured Retention</b>	\$1,000.0	\$1,000.0	\$1,000.0	\$1,000.0

NMPSIA has paid an increasing amount to settle sexual abuse and molestation cases in recent years. Child sex abuse cases often affect multiple victims over many years which can result in huge liabilities when the abuse is brought to light. The excess insurance purchased by NMPSIA has limited the exposure of NMPSIA to many of these claims, but the large losses experienced by insurers has driven up rates and made securing coverage more difficult.

**Rates for FY22.** PSIA will request an increase for the risk program of 7.87 percent which is anticipated to increase program revenue by \$5.6 million. In FY20, the risk program's largest costs were \$26 million paid for claims expenses, \$37 million for excess coverage insurance, and \$6 million in fees for total FY19 expenditures of \$82.1 million compared with revenues totaling \$83.1 million. The increase will further bolster the risk program's FY20 beginning cash balance of \$82 million.

### Albuquerque Public Schools

APS is the only school district not covered by NMPSIA. APS pays up to \$650 thousand for workers' compensation and \$350 thousand for liability exposure and carries excess coverage for large claims. Before FY12, claims were handled by third-party administrators. From FY12 to FY16, claims were handled internally and costs increased. In FY17, APS hired a third-party administrator for workers' compensation services and continued in-house claims management for property and liability.

#### APS's Oversight Board

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### APS Budgeted Risk Appropriations

(in thousands)

FY17	FY18	FY19	FY20	FY21	Change FY17- FY21
\$23,898	\$21,435	\$26,838	\$27,640	\$28,437	-100%

### APS Property Value and Excess Insurance Coverage

(in thousands)

	FY18	FY19	FY20	FY21
<b>Excess Insurance Premium</b>	\$869	\$951	\$1,149	\$1,536
<b>Excess Insurance Recoveries</b>	\$0	\$0	\$0	\$0
<b>Total Property Claims Paid</b>	\$992	\$2,617	\$896	TBD
<b>Covered Property Value</b>	\$2,536,952	\$2,424,617	\$2,931,329	\$2,931,329
<b>Self-Insured Retention</b>	\$250	\$250	\$250	\$250

### APS Workers' Compensation Claims and Excess Insurance Premiums

(in thousands)

	FY18	FY19	FY20	FY21
<b>WC Excess Insurance Premium</b>	\$280	\$230	\$184	\$190
<b>WC Excess Insurance Recoveries</b>	\$0	\$0	\$0	\$0
<b>Total WC Claims Paid</b>	\$4,960	\$5,594	\$3,322	\$4,106
<b>Covered Payroll WC</b>	\$493,011	\$457,927	\$377,618	\$557,600
<b>WC Self-Insured Retention</b>	\$650	\$650	\$650	\$650

**APS Liability Claims and Excess Insurance Premiums**  
(in thousands)

	FY18	FY19	FY20	FY21
<b>Liability Excess Insurance Premium</b>	\$1,111	1\$,155	\$1,150	\$1,208
<b>Liability Excess Insurance Recoveries</b>	\$0	0	\$0	\$0
<b>Total Liability Claims Paid</b>	\$785	\$1,131	\$1,627	\$1,919
<b>Liability Self-Insured Retention</b>	\$350	\$350	\$350	\$350

**Rates for FY22.** APS anticipates rate increases of 30 percent for property, 7 percent for liability, and 3 percent for workers' compensation. These increases will cost the district a combined total of \$2.9 million.