

NEW MEXICO PUBLIC SCHOOLS INSURANCE AUTHORITY (NMPSIA)

LFC – July 18, 2013

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Risk Program

- ▶ Exposure
 - ▶ Sample Risk Program Invoice
 - ▶ Premium Development Methodology
 - ▶ Fund Balance
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Risk Program Exposure

- ▶ 273,000 students
 - ▶ 44,000 employees
 - ▶ Insured building property values \$11.8 billion in FY 11, recent appraisal \$14.4 billion in FY 12
 - ▶ Additional property premium of \$1.8 million paid in Jan. 2012
 - ▶ 5,000 buses and other school vehicles
 - ▶ 42,000 sports participants
 - ▶ 9,000 volunteers
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Sample Risk Invoice

▶ 2013/2014 School Year

Coverage Provided:

Property Insurance	\$1,088,959
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General Liability Insurance	\$ 969,638
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Auto Liability Insurance	\$ 232,810
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Mandatory Catastrophic Student Accident Insurance	\$ 6,459
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Equipment Breakdown Insurance	\$ 15,457
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Workers' Compensation Insurance	<u>\$ 993,949</u>
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Total Due	\$ 3,307,272
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Risk Premium Development

- ▶ Updated exposure information each year
 - ▶ Credibility assigned based on size of group
 - ▶ Loss sensitive cost allocation formula forces bad actors to pay higher premiums
 - ▶ Reinsurance premiums
 - ▶ Changes in reserves
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Risk Fund Balance (in thousands)

▶ Audited Fund Balance 6-30-12	\$19,825.9
◦ FY 13 Revenues	\$49,363.1
◦ FY 13 Expenditures	<u>(\$63,207.9)</u>
▶ Projected Fund Balance 6-30-13	\$ 5,981.1
◦ FY 14 Projected Revenues	\$61,997.0
◦ FY 14 Projected Expenditures	<u>(\$66,388.4)</u>
▶ Projected Fund Balance 6-30-14	(\$ 1,589.7)

(Fund balance has been used to offset the deficit of revenues vs. expenditures.)

Current Benefit Plans

PLAN	OFFERINGS
MEDICAL	Self-Funded High Option and Low Option PPO Plans , administered by BCBS and Presbyterian
PRESCRIPTIONS	Self-Funded administered by Express Scripts, Inc.
DENTAL	Self Funded High Option and Low Option PPO Plans , administered by United Concordia
VISION	Fully Insured through Davis Vision
LIFE AND LONG TERM DISABILITY	Fully Insured through The Standard

Medical Benefits

	NMPSIA High Option In-Network
Calendar Year Deductible	\$300 individual \$900 family
Co-insurance	80%
Calendar Year Out of Pocket Limit	\$2,800 single \$8,400 family
Primary Care office visit copay	\$20
Specialty office visit copay	\$30
Preventive Care copay	\$0
Emergency Room copay	80% – 20%

Prescription Drug Coverage

	Copays
Generic	\$3 at retail (<i>30 day supply</i>) \$7.50 at mail (<i>90 day supply</i>)
Brand Formulary	30% (<i>\$18 minimum - \$40 maximum</i>) at retail \$45 at mail
Non-Formulary	70% (<i>with no maximum copay amount</i>) retail & mail
Pharmacist administered immunizations	\$0
Formulary diabetic Rx's & supplies	\$0
Specialty	\$75 \$750 out of pocket maximum

Premium Cost Sharing

Employee's annual salary	Employer Contribution	Employee Contribution
<\$15,000	75%	25%
\$15,000 – \$20,000	70%	30%
\$20,000 – \$25,000	65%	35%
\$25,000 or more	60%	40%

Note: By statute, schools may contribute up to 80%, however, very few do so.

Medical Premiums

Total Monthly Premiums (Medical and Rx)			
Presbyterian High Option			
	<u>10/1/11</u>	<u>10/1/12</u>	<u>10/1/13</u>
Single Coverage	\$394.42	\$418.60	\$446.24
Family Coverage	\$1,104.36	\$1,172.06	\$1,249.42
		+ 6.1%	+6.6%
BCBS High Option			
	<u>10/1/11</u>	<u>10/1/12</u>	<u>10/1/13</u>
Single Coverage	\$487.74	\$517.64	\$551.80
Family Coverage	\$1,238.88	\$1,314.82	\$1,401.60
		+6.1%	+6.6%

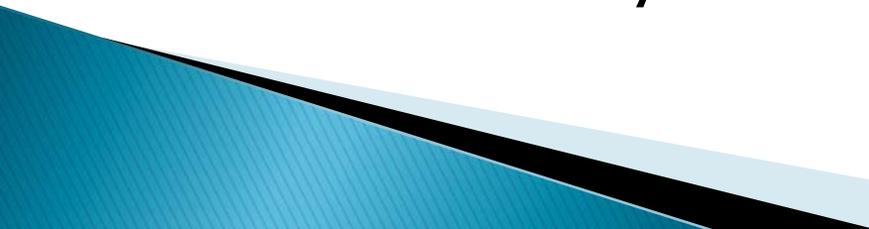
Reserves and Fund Balance

- ▶ Incurred But Not Reported Reserves (aka IBNR) – An estimate of the liability for claim-generating events that have taken place but have not yet been reported to the self-insurer
 - ▶ Fund balance – Unrestricted cash balance above and beyond the IBNR
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Benefits IBNR

- ▶ The IBNR liability is funded in full by PSIA.
 - ▶ As of 6/30/12, the amount of the IBNR liability is \$20,539,309 for Medical, Rx, and Dental
 - ▶ Calculation done by Aon Consulting and primarily uses the Developmental Method which assumes the claim payment patterns during runoff are assumed to remain stable over time
 - ▶ Other assumptions include change in claim payment cycles, large dollar shock claims, and emerging claim trends
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Benefits Fund Balance

- ▶ Provides stability in lieu of a margin built into the premium. Can be viewed as a Claim Fluctuation Reserve.
 - ▶ Created when there is a surplus of revenues over expenditures
 - ▶ Benefits Fund Balance as of 6/30/13 is estimated to be \$33.6 million (equivalent to 1 ½ months of claims)
 - ▶ About \$10 million is earmarked to be used in FY 15 to “buy down” the rate increase
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Actuarial Assumptions – Benefits

- ▶ Trend
 - FY12–FY13: 10.0% Medical, 8.0% Rx, 6.0% Dental
 - FY14–FY15: 9.0% Medical, 8.0% Rx, 5.0% Dental
- ▶ Plan Design changes for January 1, 2014 if necessary to be determined at Board retreat
- ▶ 1.8% decline in pool membership for Medicaid expansion spread equally between options, no migration between options
- ▶ Impact of Federal Health Care Reform
 - 0.30% increase in claims for Preventive Health and Contraceptives
 - FY14 \$2.00 pmpy comparative effectiveness fee, FY15 \$2.06
 - CY14 \$5.25 pmpm transitional reinsurance fee, CY15 \$3.50 pmpm
- ▶ ASO fee guarantees