

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 1/23/07

SPONSOR Komadina LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Relating to Health Insurance; Providing Uniform Contributions for Public School Employees SB 37

ANALYST Propst

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	\$7,538.0*	\$8,292.0*	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

\*Note: The estimated increase in PSIA Revenue is 3% of medical, dental, vision, and disability collected premiums.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$32,242.0*	\$36,268.0	\$68,510.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

\*Note: This is the estimated annual impact to all school districts and charter schools in PSIA. This does not include the financial impact for APS.

### SOURCES OF INFORMATION

Public School Insurance Authority, Higher Education Department

### Responses Received From

Public School Insurance Authority (PSIA)  
Higher Education Department (HED)

## SUMMARY

### Synopsis of Bill

Senate Bill 37 relates to Health Insurance; Providing Uniform Contributions for Public School Employees.

This bill increases the state contribution percentage towards group insurance for member school districts and charter schools, including APS to a straight 80% for all employees, regardless of salary. It does not change the contribution requirements for higher education entities.

The table below shows the reductions in monthly payroll deductions under the 80% approach. The Blue Cross Blue Shield High Option estimated FY 08 premiums were used.

Current Brackets	FY 08 Employee Deduction for Medical	New Employee Deduction at 20%
Under \$15,000	\$111 single, \$282 family	\$89 single, \$226 family
\$15,000 - \$20,000	\$133 single, \$339 family	\$89 single, \$226 family
\$20,000 - \$25,000	\$156 single, \$395 family	\$89 single, \$226 family
\$25,000 & over	\$178 single, \$452 family	\$89 single, \$226 family

### Source: Public Schools Insurance Authority

## FISCAL IMPLICATIONS

According to PSIA, the state share (annual) would increase by the following amounts for these NMPSIA coverages:

Medical:	\$36,320.0
Dental:	\$ 2,303.0
Vision:	\$ 425.0
Disability:	\$ 552.0
<b>Total:</b>	<b>\$39,600.0</b>

This calculation also assumes a 3% growth in employee enrollment.

If the bill were amended to an October 1 effective date (see Administrative Implications and Amendment below), the first year impact would be for nine months or \$29,700.0; in subsequent years where the 80% contribution is for the full 12 months, the base figure would be \$39,600. For subsequent years, PSIA used this base and assumed an average 10% increase.

## SIGNIFICANT ISSUES

There is no appropriation contained in the bill. In the 2004 session PSIA entities were given authority to increase their contributions up to 80%. PSIA has identified only three entities that have increased their contribution above the minimum brackets.

**PERFORMANCE IMPLICATIONS**

Growth in covered lives will likely occur. NMPSIA would need to consider a special enrollment for those who previously declined coverage.

**ADMINISTRATIVE IMPLICATIONS**

The effective date contained in the bill is July 1, 2007. PSIA notes that this may be problematic for school business offices, which cut their summer payroll checks in May. A July 1 effective date would mean additional work for school business offices because they would have to change the deductions once in May to reflect the new contribution of 80% and again in September for the October premium changes. In the future, however it would be easier for the school business offices to have a flat 80% because the employer match would not change when an employee enters a different salary bracket.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

PSIA reports that fewer employees might be able to afford to enroll for health insurance benefits.

**POSSIBLE AMENDMENTS**

Insert an October 1, 2007 effective date.

WEP/nt