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FISCAL IMPACT REPORT

ORIGINAL DATE 02/09/10

SPONSOR Vigil LAST UPDATED _____ HJM 49

SHORT TITLE Examine Public School Insurance Authority SB _____

ANALYST Wilson

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT -dollars in thousands)

	FY10	FY11	FY12	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$10.0-\$25.0			Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission -PRC)
Public School Insurance Authority -PSIA)

SUMMARY

Synopsis of Bill

House Joint Memorial 49 requests the Superintendent of Insurance (SOI) to examine the practices and procedures of the PSIA and to make recommendations concerning the need for oversight of the PSIA by the PRC.

The SOI is requested to present findings and recommendations to the Legislative Education Study Committee no later than November 1, 2010.

FISCAL IMPLICATIONS

The PRC explains the Insurance Division does not have the resources to conduct this examination in-house. He would therefore be required to hire contract examiners and charge PSIA for the costs incurred by those examiners.

PSIA notes the PRC review would most probably involve an audit of PSIA's third party claims administrator. They estimate the third party administration's staff time to cost approximately \$10,000 at a minimum. This could be higher depending on the depth of the audit.

SIGNIFICANT ISSUES

PSIA is a state agency which operates a self-insured risk program for all public schools --other than APS, charter schools and other educational entities.

PSIA is governed by an eleven member board with the following constituencies represented:

School Boards Association -1 member,
Superintendents Association-1 member,
Public Education Commission -1 member,
School Administrators -1 member,
New Mexico chapter of the National Education Association -2 members,
New Mexico affiliate of the American Federation of Teachers-1 member,

Educational entities at large have one member and the Governor appoints three members.

PSIA contracts with nationally known risk consultants and all claims practices, memorandum of coverage, etc. considered are reviewed by legal counsel and the Public School Insurance Authority Board. Public hearings are held on any proposed rule changes.

ADMINISTRATIVE IMPLICATIONS

The PSIA would need to cooperate with the examiners and to provide them with on-site office space during the examination.

TECHNICAL ISSUES

On page 2, lines 4-8 the memorial reads as follows:

WHEREAS, despite the performance of reviews by the authority to identify concerns that might result in the nonpayment of claims, school districts continue to be denied payment of claims for reasons not identified during the authority's reviews;

The PRC claims it is unclear what kind of claim payments are being discussed and whether PSIA or a private insurance carrier is denying payment of those claims.

The PSIA states this language is inaccurate as every claim denial is communicated in writing to the member group and sets forth the reason for the denial.

DW/svb:mew