FISCAL IMPACT REPORT

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SPONSOR Lara/Figueroa/Sariñana/Pope **ORIGINAL DATE** 1/31/2023
BILL
SHORT TITLE Health Care Insurance for Educators **NUMBER** House Bill 102

ANALYST Simon

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMPSIA – public schools (current members)	$2,802.0	$72,863.9	$77,235.7	$152,901.6	Recurring	Local Funds
NMPSIA – higher education (current members)	$272.5	$7,086.1	$7,511.3	$14,869.9	Recurring	Local Funds
NMPSIA – other entities (current members)	$23.0	$598.4	$634.3	$$1,255.7	Recurring	Local Funds
Albuquerque Public Schools	$860.9	$22,383.0	$23,723.4	$46,967.3	Recurring	Local Funds
Additional costs from changes in enrollment behavior	$0	$21,910.4	$68,360.4	$90,270.7	Recurring	Local Funds
Total	**$3,958.4**	**$124,841.8**	**$177,465.1**	**$306,265.3**	Recurring	Local Funds

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Conflicts with House Bill 36
Relates to an appropriation in the General Appropriation Act

Sources of Information

LFC Files

Responses Received From
Public School Insurance Authority (NMPSIA)
Public Education Department (PED)
Council of University Presidents (CUP)
Independent Community Colleges
Northern New Mexico College
New Mexico Junior College
New Mexico Tech
Luna Community College

SUMMARY

Synopsis of House Bill 102

House Bill 102 changes the amount a public school employer, charter school employer, or other employer that participates in the Public School Insurance Authority (NMPSIA) must pay toward an employee's health benefits coverage. The bill would require the employer to pay 100 percent of coverage up to $10 thousand. After that, an employer would be required to pay 60 percent of any additional cost.

The bill also eliminates a provision that caps an employer contribution at 80 percent of the total premium, allowing employers to cover a larger share on a voluntary basis, and removes the $50 thousand cap on term life insurance that may be covered entirely by the employer.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

HB102 does not include an appropriation. However, the executive recommendation includes $100 million to fund the increase, based on estimated costs from NMPSIA. NMPSIA's estimates FY24 costs of $72.9 million for public schools, $7.1 million for higher education institutions, and $598.4 for other entities covered by the authority, for a total of $80.5 million. The LFC recommendation does not include this amount; instead, it includes $32 million to increase the employer share of public school insurance premiums to align with the amount the state pays for state employees.

NMPSIA did not indicate a fiscal impact for FY23; however, HB102 does not include an effective date and is assumed to go into effect before the close of the fiscal year. As a result, this FIR assumes a fiscal impact for one pay period in FY23.

Beyond NMPSIA, HB102 would apply to Albuquerque Public Schools (APS), which currently maintains its own, self-insured plan. Analysis from APS is not available; however, total premiums for APS tend to be lower than for NMPSIA. Fiscal impact for APS assumes sufficient funding for NMPSIA-covered public schools to receive the required $72.9 million through the public school funding formula, assuming a 23.5 percent share for APS, the share of total program cost generated by APS in FY23.

To estimate the fiscal impact of HB102, NMPSIA looked at current enrollment in health plans offered by the program and estimated the costs of shifting premiums from the employee to the employer. However, the current cost of NMPSIA plans is likely acting as a barrier to entry for the plans because members are required to pick up a non-negligible portion of the costs. HB102 would reduce these barriers to entry and would likely change employee behavior, leading to an increase in the number of members covered by the plan. Because the new law would require employers to pick up the entire cost of most single coverage plans, LFC anticipates a significant number of new employees would sign up for coverage, leading to increased costs. Additionally, because the law would require the employer to cover the first $10 thousand in coverage, some employees may leave their current, less expensive plan and opt for more expensive coverage,

again increasing costs for the employers.
LFC estimates an additional fiscal impact not included in the NMPSIA estimates. This estimate relies on the following assumptions:

- For members with single coverage:
    - 25 percent of Blue Cross Blue Shield "low option" plan (annual premium: $7,158) members shift from the low option to the "high option" plan (annual premium: $10,325);
    - 75 percent of Presbyterian "low option" plan (annual premium: $5,790) members shift from the low option to the "high option" plan (annual premium: $8,349);
    - 75 percent of Cigna "low option" plan (annual premium: $6,867) members shift from the low option to the "high option" plan (annual premium: $9,858);
- No plan shifting for member with two-party or family coverage;
- Twenty percent of employees without coverage opt into a plan at an average price of the Blue Cross and Presbyterian "high option" plan (average annual cost: $9,337);
- For FY24, half of the expenses associated with the above assumptions, because current employees would not be able to change plans or enroll until January 2024;
- For FY25, the full fiscal impact of the above assumptions, plus an assumed 6 percent premium rate increase.

Consulting data from the Public Education Department (PED) and Higher Education Department, LFC staff estimate around 20 thousand public school and NMPSIA-covered employees do not currently receive health insurance from their employer, and NMPSIA reports about 2,800 covered individuals are in low-option, single coverage plans. Using the above assumptions, LFC estimates an additional $43.8 million fiscal impact. However, these estimates are highly dependent on how employees respond to additional compensation in the form of health insurance and how NMPSIA responds with plan design or other changes to limit costs of insurance. Notably, this estimate did not include the impact of additional dependents coming onto the plan, which could push costs even higher.

SIGNIFICANT ISSUES

Public employee health benefits are provided through three agencies: General Services Department (GSD) for state employees, APS, and NMPSIA. This splintered system of providing health insurance benefits has led to different plan designs, costs, and employer and employee contribution rates. In the case of APS and NMPSIA, health benefit plans and rates are set by their respective boards while ultimate discretion for GSD rates resides with the executive. Under current law, NMPSIA-covered employers pay the lowest employer contributions of the three plans as a result of both statutory constraint and local school board policy. While HB102 would end the lower, required contributions for NMPSIA-covered employees, the bill would maintain a splintered system by not matching the rates for employees covered by GSD or through plans offered by universities that do not participate in these plans. Enactment of HB102 could lead to future requests from other public employees for similar required coverage levels.

Current law sets a minimum employer contribution that NMPSIA-covered employers must pay but allows employers to cover up to 80 percent of the cost of insurance. As noted above, HB102 would strike this 80 percent cap, allowing an employer to cover 100 percent of costs on a voluntary basis. (See Page 6, Line 15, which state the employer must cover "at least" 60 percent of the cost, presumably allowing the employer to cover more). Information from NMPSIA indicates 20 covered entities cover 80 percent of health insurance costs for all employees, while 26 other employers cover higher rates than required by law, but less than 80 percent for all employers. These entities may need to adjust their polices to determine if they will continue to cover 80 percent of the cost of dependents, in addition to covering 100 percent of the cost of employee-only coverage. A list of entities with alternative contribution rates is attached.

Additionally, under current law an employer may cover up to 100 percent of $50 thousand in term life insurance. The bill would change that provision, requiring an employer that chooses to offer life insurance to pay 100 percent of the basic benefit.

HB102 could limit the flexibility of local school districts and charter schools to set total compensation for school staff. Because most schools are required by law to cooperate to offer group insurance coverage, the bill could result in shifting future compensation increases away from salary-based compensation toward benefits-based compensation. While health insurance benefits are a key factor in making a total compensation package attractive to employees, when costs rise too high, salaries may be less attractive than those at employers with less generous benefits packages. However, PED notes provisions of HB102 may be particularly attractive for early career teachers, who would no longer need to pay for single coverage.

HB102 could lead to additional administrative requirements for NMPSIA or its covered-employers. Analysis from New Mexico Junior College notes standardizing deductions at a set percentage would reduce the time college staff would devote to entering data into NMPSIA's systems.

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