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AN ACT

RELATING TO INSURANCE; AMENDING THE GROUP INSURANCE CONTRIBUTIONS FOR SCHOOL DISTRICTS AND CHARTER SCHOOLS; ELIMINATING WAIVERS FOR SCHOOL DISTRICT AND CHARTER SCHOOL PARTICIPATION IN PUBLIC SCHOOL INSURANCE AUTHORITY HEALTH, DISABILITY INCOME AND TERM LIFE PLANS; REQUIRING REFERENCE-BASED PRICING; REQUIRING A STUDY OF THE SUSTAINABILITY OF INSURANCE PROGRAMS FOR PUBLIC SCHOOL EMPLOYEES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 10-7-4 NMSA 1978 (being Laws 1941, Chapter 188, Section 1, as amended) is amended to read:

"10-7-4. GROUP INSURANCE--CAFETERIA PLAN--CONTRIBUTIONS FROM PUBLIC FUNDS.--

A. All state departments and institutions and all political subdivisions of the state, excluding municipalities, counties and political subdivisions of the state with twenty-five employees or fewer, shall cooperate in providing group term life, medical or disability income insurance for the benefit of eligible employees or salaried officers of the respective departments, institutions and political subdivisions.

B. The group insurance contributions of the state or any of its departments or institutions, including institutions of higher education, shall be made as follows:

1 (1) at least seventy-five percent of the
2 cost of the insurance of an employee whose annual salary is
3 less than fifteen thousand dollars (\$15,000);

4 (2) at least seventy percent of the cost of
5 the insurance of an employee whose annual salary is fifteen
6 thousand dollars (\$15,000) or more but less than twenty
7 thousand dollars (\$20,000);

8 (3) at least sixty-five percent of the cost
9 of the insurance of an employee whose annual salary is twenty
10 thousand dollars (\$20,000) or more but less than twenty-five
11 thousand dollars (\$25,000); and

12 (4) at least sixty percent of the cost of
13 the insurance of an employee whose annual salary is twenty-
14 five thousand dollars (\$25,000) or more.

15 C. The group insurance contributions of school
16 districts and charter schools shall be at least eighty
17 percent of the cost of the insurance.

18 D. Effective July 1, 2004, the group insurance
19 contributions of the state or any of its executive, judicial
20 or legislative departments, including agencies, boards or
21 commissions, shall be made as follows; provided that the
22 contribution percentage shall be the same for all affected
23 public employees in a given salary bracket:

24 (1) up to eighty percent of the cost of the
25 insurance of an employee whose annual salary is less than

1 thirty thousand dollars (\$30,000);

2 (2) up to seventy percent of the cost of the
3 insurance of an employee whose annual salary is thirty
4 thousand dollars (\$30,000) or more but less than forty
5 thousand dollars (\$40,000); and

6 (3) up to sixty percent of the cost of the
7 insurance of an employee whose annual salary is forty
8 thousand dollars (\$40,000) or more.

9 E. Except as provided in Subsection H of this
10 section, effective July 1, 2025, the group insurance
11 contributions of the state or any of its executive, judicial
12 or legislative departments, including agencies, boards or
13 commissions, shall be eighty percent of the cost of the
14 insurance.

15 F. Effective July 1, 2013, the employer shall pay
16 one hundred percent of basic life insurance premiums for
17 employees, and employees who choose to carry disability
18 insurance shall pay one hundred percent of the premium.

19 G. The state shall not make any group insurance
20 contributions for legislators. A legislator shall be
21 eligible for group benefits only if the legislator
22 contributes one hundred percent of the cost of the insurance.

23 H. An employer shall pay one hundred percent of
24 the employee group insurance contributions due and payable on
25 or after July 1, 2016 for an employee who is injured while

1 performing a public safety function or duty and, as a result
2 of the injury, is placed on approved workers' compensation
3 leave.

4 I. As used in this section, "cost of the
5 insurance" means the premium required to be paid to provide
6 coverages. Any contributions of the political subdivisions
7 of the state, except the public schools and political
8 subdivisions of the state with twenty-five employees or
9 fewer, shall not exceed sixty percent of the cost of the
10 insurance.

11 J. When a public employee elects to participate in
12 a cafeteria plan as authorized by the Cafeteria Plan Act and
13 enters into a salary reduction agreement with the
14 governmental employer, the provisions of Subsections B
15 through G of this section with respect to the maximum
16 contributions that can be made by the employer are not
17 violated and will still apply. The employer percentage or
18 dollar contributions as provided in Subsections B through E
19 of this section shall be determined by the employee's gross
20 salary prior to any salary reduction agreement.

21 K. Any group medical insurance plan offered
22 pursuant to this section shall include effective cost-
23 containment measures to control the growth of health care
24 costs and maximize benefits for the least cost. A state
25 agency that is responsible for providing state employee

1 health benefits under the Health Care Purchasing Act shall
2 establish a reference-based pricing program for in-network or
3 out-of-network hospital services. Hospitals subject to the
4 program shall not charge or collect from a member of the
5 health benefit plan an amount in addition to the maximum
6 payment established by the secretary of health care
7 authority, except that a hospital may charge an amount for
8 cost-sharing that is authorized by the terms of the member's
9 health benefit plan. The responsible public body that
10 administers a plan offered pursuant to this section shall
11 report annually by September 1 to appropriate interim
12 legislative committees on the effectiveness of the cost-
13 containment measures required by this subsection.

14 L. Within available revenue, school districts,
15 charter schools and participating entities pursuant to the
16 Public School Insurance Authority Act may contribute up to
17 one hundred percent of the cost of the insurance of all
18 employees and institutions of higher education may contribute
19 up to eighty percent of the cost of the insurance of all
20 employees.

21 M. When the secretary of health care authority
22 submits the health care authority's annual budget request to
23 the legislature, the secretary shall include a budget request
24 for purchasing state employee health benefits that has
25 actuarially sound rates for the following fiscal year.

1 Beginning July 1, 2025, the secretary shall set actuarially
2 sound rates sufficient to cover projected claims, subject to
3 legislative appropriation. By September 1 of each year, the
4 projected actuarially sound rate adjustment for the following
5 fiscal year, subject to legislative appropriation, shall be
6 communicated to the local public bodies that are part of the
7 state employee health benefit program.

8 N. The secretary of health care authority shall
9 establish a program to make state health benefit premiums
10 more affordable for certain employees using appropriations
11 from the health care affordability fund. The secretary shall
12 establish a system for determining eligibility for the
13 program and may annually update program eligibility and
14 contribution criteria.

15 O. By July 1, 2026, the health care authority
16 shall ensure that state employees are provided the
17 opportunity to purchase a variety of health benefit plans
18 with varying plan designs and cost-sharing options."

19 SECTION 2. Section 13-7-3 NMSA 1978 (being Laws 1997,
20 Chapter 74, Section 3, as amended) is amended to read:

21 "13-7-3. DEFINITIONS.--As used in the Health Care
22 Purchasing Act:

23 A. "consolidated purchasing" means a single
24 process for the procurement of and contracting for all health
25 care benefits by the publicly funded insurance agencies in

1 compliance with the Procurement Code and includes associated
2 activities related to the procurement such as actuarial, cost
3 containment, benefits consultation and analysis; and

4 B. "publicly funded health care agency" means the:

5 (1) state health benefits division and the
6 group benefits committee of the health care authority;

7 (2) retiree health care authority; and

8 (3) public school insurance authority."

9 SECTION 3. Section 22-29-3 NMSA 1978 (being Laws 1986,
10 Chapter 94, Section 3, as amended by Laws 2007, Chapter 41,
11 Section 1 and by Laws 2007, Chapter 236, Section 1) is
12 amended to read:

13 "22-29-3. DEFINITIONS.--As used in the Public School
14 Insurance Authority Act:

15 A. "authority" means the public school insurance
16 authority;

17 B. "board" means the board of directors of the
18 authority;

19 C. "charter school" means a school organized as a
20 charter school pursuant to the provisions of the Charter
21 Schools Act;

22 D. "director" means the director of the authority;

23 E. "due process reimbursement" means the
24 reimbursement of a school district's or charter school's
25 expenses for attorney fees, hearing officer fees and other

1 reasonable expenses incurred as a result of a due process
2 hearing conducted pursuant to the federal Individuals with
3 Disabilities Education Improvement Act;

4 F. "educational entities" means state educational
5 institutions as enumerated in Article 12, Section 11 of the
6 constitution of New Mexico and other state diploma,
7 degree-granting and certificate-granting post-secondary
8 educational institutions, regional education cooperatives and
9 nonprofit organizations dedicated to the improvement of
10 public education and whose membership is composed exclusively
11 of public school employees, public schools or school
12 districts;

13 G. "fund" means the public school insurance fund;

14 H. "group health insurance" means coverage that
15 includes life insurance, accidental death and dismemberment,
16 medical care and treatment, dental care, eye care and other
17 coverages as determined by the authority;

18 I. "risk-related coverage" means coverage that
19 includes property and casualty, general liability, auto and
20 fleet, workers' compensation and other casualty insurance;
21 and

22 J. "school district" means a school district as
23 defined in Subsection R of Section 22-1-2 NMSA 1978."

24 SECTION 4. Section 22-29-9 NMSA 1978 (being Laws 1986,
25 Chapter 94, Section 9, as amended) is amended to read:

1 "22-29-9. PARTICIPATION--WAIVERS.--

2 A. School districts and charter schools shall
3 participate in the authority, unless the school district or
4 charter school is granted a waiver by the board; provided
5 that beginning July 1, 2027, the board shall not grant a
6 waiver for health, disability income or term life insurance.

7 B. In determining whether a waiver should be
8 granted, the board shall establish minimum benefit and
9 financial standards for the desired line of coverage. These
10 minimum benefit and financial standards and the proposed time
11 schedule for responsive offers shall be sent to all school
12 districts and charter schools at the time the request for
13 proposals for the desired line of coverage is issued. Any
14 school district or charter school seeking a waiver of
15 coverage shall match the minimum benefit and financial
16 standards set forth in the request for proposals for the
17 desired line of coverage. School districts and charter
18 schools shall submit documentation of their proposals
19 matching the board's minimum benefit and financial
20 requirements prior to the deadline established by the board.
21 The authority has the power to approve or disapprove a waiver
22 of participation based on the documentation submitted by the
23 school district or charter school regarding the benefit and
24 financial standards established by the board. The board
25 shall grant a waiver to a school district or charter school

1 that requests a waiver and that has met the minimum benefit
2 and financial standards within the time schedule established
3 by the board. Once the board awards the insurance contract,
4 no school district or charter school shall be granted a
5 waiver for the entire term of the contract.

6 C. Prior to July 1, 2027, a school district or
7 charter school granted a waiver of participation for health
8 insurance shall be required to petition for participation in
9 other kinds of group insurance coverage and shall be required
10 to meet the requirements established by the authority prior
11 to participation in other kinds of group insurance coverage.
12 A school district or charter school that has been granted a
13 waiver shall be prohibited from participating in the coverage
14 for which a waiver was granted for the entire term of the
15 authority's insurance contract. Provided, however, that if
16 the authority contracts for a line or lines of coverage for a
17 period of eight years, the board may establish procedures and
18 preconditions for authorizing a school district or charter
19 school that has been granted a waiver to again participate in
20 the coverage after the expiration of the first four years of
21 coverage. A waiver of health, disability income or term life
22 insurance shall not be effective after June 30, 2027.

23 D. Any school district or charter school granted a
24 waiver of participation for workers' compensation shall be
25 required to petition for participation in other risk-related

1 coverages and shall be required to meet the requirements
2 established by the authority prior to participation in other
3 kinds of risk-related coverages. A school district or
4 charter school that has been granted a waiver shall be
5 prohibited from participating in the coverage for which a
6 waiver was granted for the entire term of the authority's
7 insurance contract.

8 E. Educational entities may petition the authority
9 for permission to participate in the insurance coverage
10 provided by the authority. To protect the stability of the
11 fund, the authority shall establish reasonable terms and
12 conditions for participation by educational entities.

13 F. A participating school district or charter
14 school may separately provide for coverage additional to that
15 offered by the authority.

16 G. School districts, charter schools or the
17 authority, as appropriate, may provide for marketing and
18 servicing to be done by licensed insurance agents or brokers
19 who should receive reasonable compensation for their
20 services."

21 SECTION 5. Section 22-29-10 NMSA 1978 (being Laws 1989,
22 Chapter 373, Section 5, as amended) is amended to read:

23 "22-29-10. GROUP INSURANCE CONTRIBUTIONS.--

24 A. Group insurance contributions for school
25 districts and charter schools shall be at least eighty

1 percent of the cost of the insurance. Group insurance
2 contributions for all other participating entities in the
3 authority shall be:

4 (1) at least eighty percent of the cost of
5 the insurance of an employee whose annual salary is less than
6 fifty thousand dollars (\$50,000);

7 (2) at least seventy percent of the cost of
8 the insurance of an employee whose annual salary is fifty
9 thousand dollars (\$50,000) or more but less than sixty
10 thousand dollars (\$60,000); and

11 (3) at least sixty percent of the cost of
12 the insurance of an employee whose annual salary is sixty
13 thousand dollars (\$60,000) or more.

14 B. Within available revenue, school districts,
15 charter schools and participating entities in the authority
16 may contribute up to one hundred percent of the cost of the
17 insurance of all employees.

18 C. Whenever a school district, charter school or
19 participating entity in the authority offers to its employees
20 alternative health plan benefit options, including health
21 maintenance organizations, preferred provider organizations
22 or panel doctor plans, the school district, charter school or
23 participating entity may pay an amount on behalf of the
24 employee and family member for the indemnity health insurance
25 plan sufficient to result in equal employee monthly costs to

1 the cost of the health maintenance organization plans,
2 preferred provider organization plans or panel doctor plans,
3 regardless of the percentage limitations in the Public School
4 Insurance Authority Act. School districts, charter schools
5 and participating entities in the authority may pay up to one
6 hundred percent of the first fifty thousand dollars (\$50,000)
7 of term life insurance."

8 SECTION 6. TEMPORARY PROVISION--STUDY AND REPORT
9 REQUIRED.--

10 A. The legislative education study committee, in
11 collaboration with the legislative finance committee, the
12 public school insurance authority, the Albuquerque public
13 school district, the public education department and the
14 health care authority, shall conduct a comprehensive study
15 and produce a final report regarding the sustainability of
16 insurance programs for public school employees.

17 B. The study required pursuant to this section
18 shall evaluate the anticipated future needs of public school
19 employee insurance programs, including assessing:

20 (1) the impacts of combining public school
21 employee insurance programs with other existing public group
22 health insurance programs;

23 (2) the necessary agency actions required to
24 integrate the group health insurance and alternative plans of
25 the public school insurance authority, the health care

1 authority and the Albuquerque public school district by June
2 30, 2029; and

3 (3) the necessary legislative action
4 required during the 2027 legislative session to integrate the
5 group health insurance and alternative plans of the public
6 school insurance authority, the health care authority and the
7 Albuquerque public school district by June 30, 2029.

8 C. The final report required pursuant to this
9 section shall be completed no later than October 1, 2026 and
10 shall be provided to the governor, the legislative finance
11 committee and the public education department.

12 SECTION 7. EFFECTIVE DATE.--

13 A. The effective date of the provisions of
14 Sections 1 and 4 through 6 of this act is July 1, 2026.

15 B. The effective date of the provision of Sections
16 2 and 3 of this act is July 1, 2027. _____

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