



New Mexico Public Schools Insurance Authority

Sammy Quintana
Executive Director

Ernestine Chavez
Deputy Director

Richard Valerio
Chief Financial Officer

Legislative Finance Committee
November 17, 2016



NMSA, Chapter 22, Article 29

- **22-29-2. Purpose of act.**

- The purpose of the Public School Insurance Authority Act is to provide comprehensive core insurance programs, including reimbursement coverage for the costs of providing due process to students with disabilities, for all participating public schools, school board members, school board retirees and public school employees and retirees by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage.

- **22-29-4. Authority created.**

- There is created the "public school insurance authority", which is established to provide for group health insurance, other risk-related coverage and due process reimbursement with the exception of the mandatory coverage provided by the risk management division on the effective date of the Public School Insurance Authority Act.



NMPSIA Today

- **Covered Lives on Medical**
 - 23,854 Employees
 - 53,311 Total Lives
- **School Districts**
 - 88 Mandatory (Excludes APS)
- **Charter Schools**
 - 99 Mandatory
- **25 Educational Entities**
 - 25 (Optional)
- **Staff**
 - 11 FTE
- **Board of Directors**
 - 11 Board Members
 - 2 NEA-NM
 - 1AFT-NM
 - 3 Governor Appointees
 - 1 Superintendents' Association
 - 1 New Mexico Association of School Business Officials
 - 1 Educational Entities at Large
 - 1 School Boards Association
 - 1 Public Education Commission



Risk Program Facts

Property:

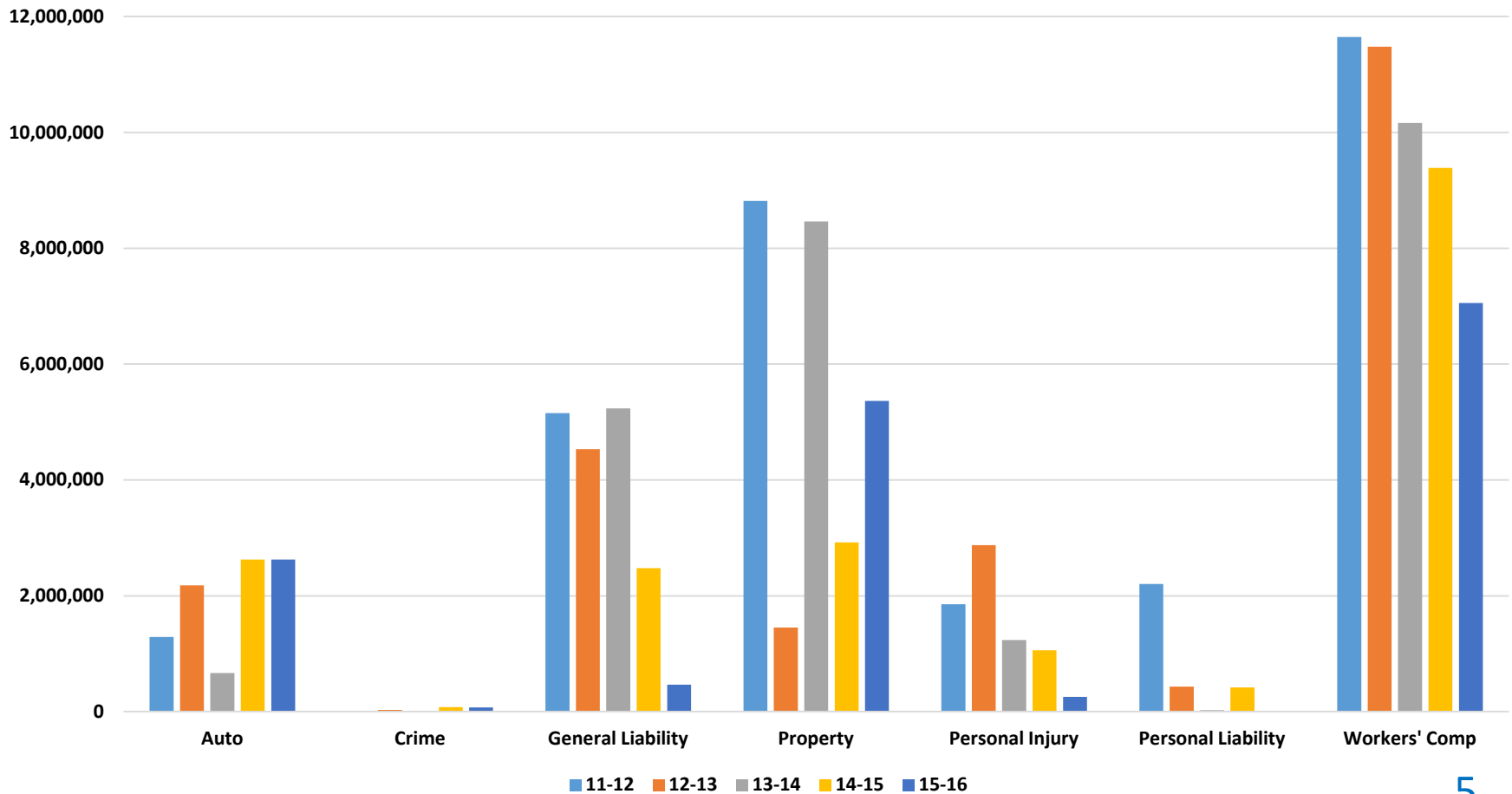
- Property deductible is \$750,000
- Property insured limit is \$750 Million per occurrence, subject to sub-limits such as flood and earthquake; \$100 million for non-100 year flood zones; \$800 million in terrorism limits
- Crime limit is \$2 million per occurrence
- Assets insured are in excess of \$22 billion
- \$13.2 billion are frame/stucco construction, the most flammable type of construction
- 50% of properties are located in Protection Class 9 or 10, 10 being the worst protection class, i.e. brush area
- 50% of properties are located in 100 Year Flood zones
- The property rate is the same rate charged in 1991

Liability and Workers' Compensation:

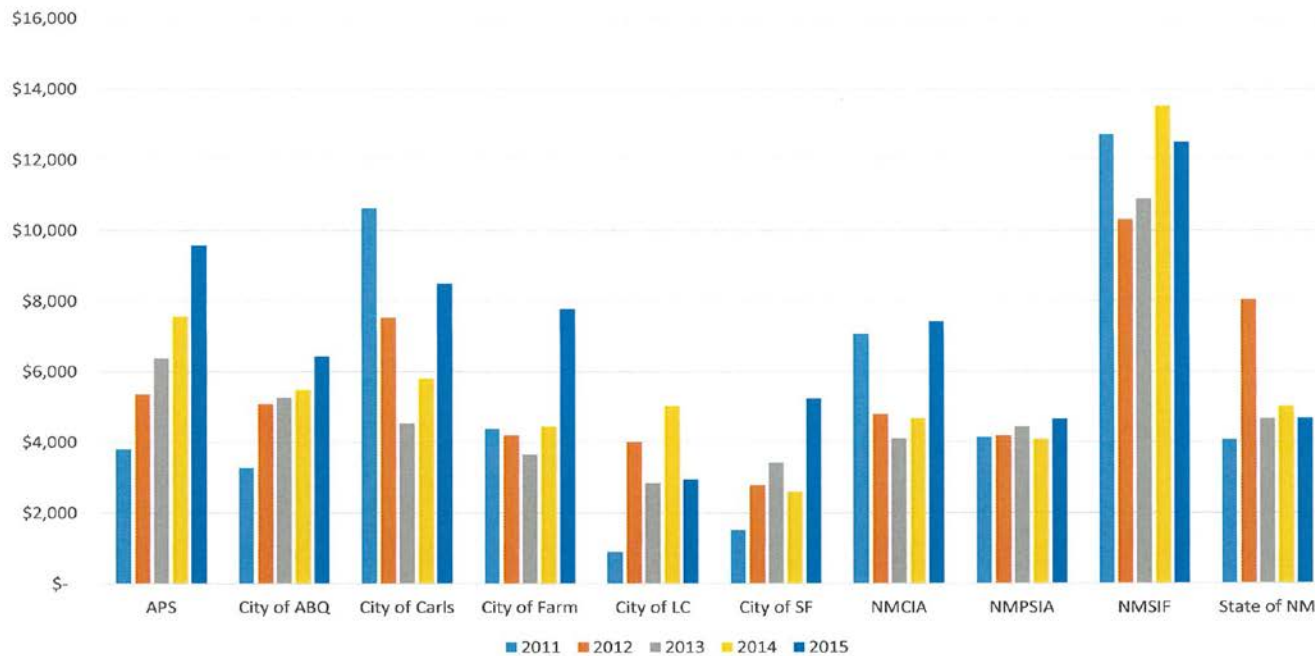
- The liability deductible was recently raised from \$750,000 to \$1,000,000
- Liability insured limit is \$20 million per NMPSIA Member, subject to a \$29 million annual aggregate for sexual abuse
- There are no Tort Claims Act Limit protections for School Bus Contractors
- 24,000 employees
- \$1.8 billion in payroll
- 315,000 students
- 45,000 school athletic participants
- 9,000 volunteers
- 8,900 vehicles, including buses



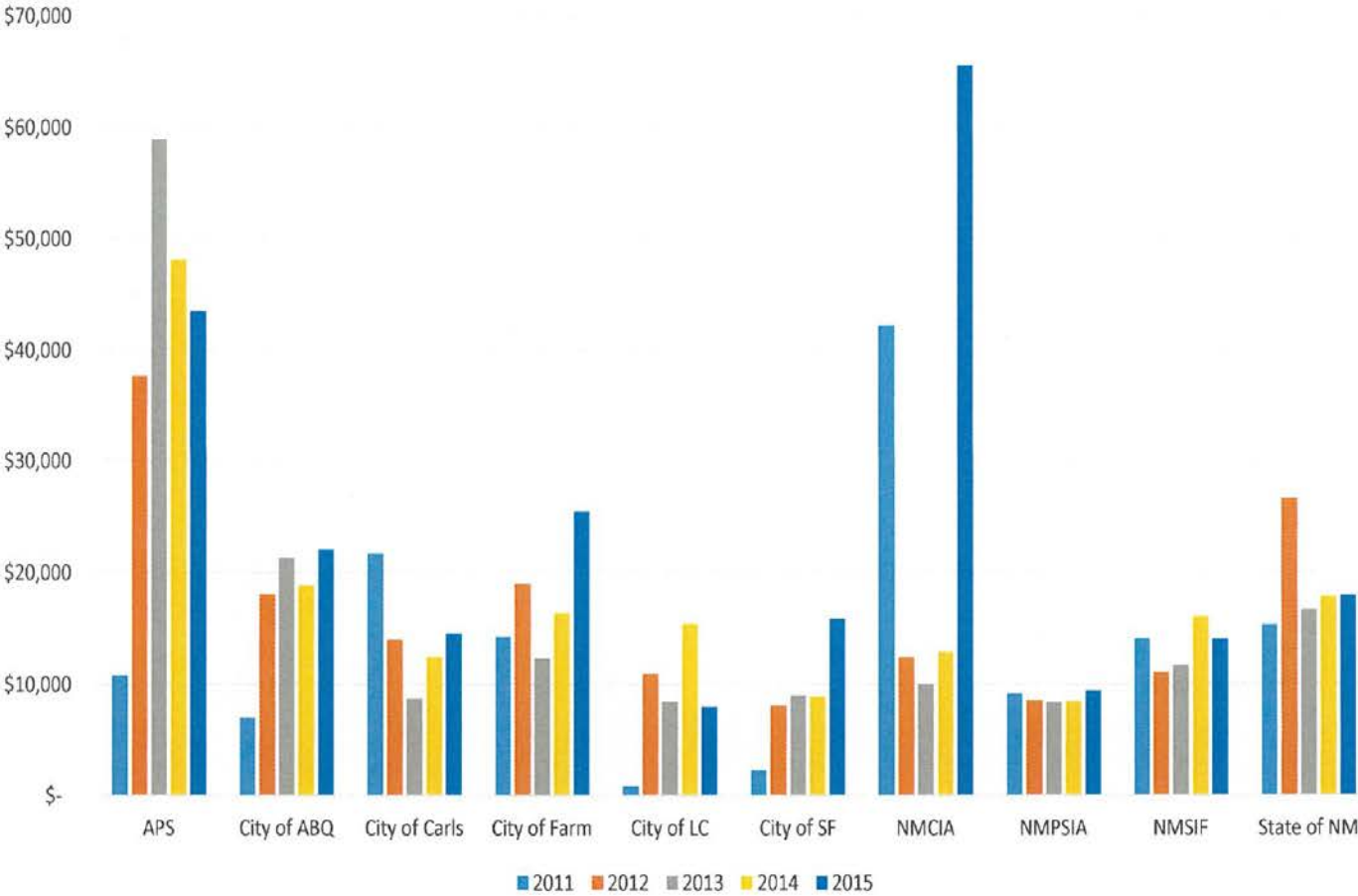
Risk Claims by Coverage Type



State of New Mexico Comparison Average Cost per Claim



State of New Mexico Comparison Average Cost per Indemnity Claim





Large Loss Claims 2014-2016

- **School Bus Accident – \$704,612**
 - A district school bus made an unsafe left turn in front of a speeding, oncoming claimant vehicle resulting in serious injuries sustained by the claimant driver of the other vehicle.
- **Student Accident - \$652,448**
 - The claimant was seated on a trailer being pulled in a homecoming parade with her legs dangling off the trailer. The trailer made a sharp turn to avoid a pole and the claimant's leg made contact with the pole and chain link fence material. The claimant sustained a serious laceration and fracture to the lower leg.
- **School Shooting - \$1,937,500**
 - Two students were seriously wounded in the school gym by shotgun blasts from fellow student.
- **Molestation Claim - \$3,200,000**
 - The minor claimant was the victim of a molestation involving a teacher and filed suit in federal court alleging civil rights violations.
- **Hail Damage - \$3,631,781**
 - A severe hail storm caused damage to three schools. Repair and replacement is required for multiple roof and HVAC units.
- **Water Damage - \$336,846**
 - Heavy rains over a series of months caused water damage to a gym crawl space and gym floor requiring full replacement of the gym floor.



Loss Prevention Programs

- **Ergonomics**
 - Objective: reduce the frequency and severity of costly soft tissue injuries by school employees.
- **Threat Assessment and Active Shooter**
 - Objective: Reduce the probability of an incident of multiple victim school violence.
- **Employment Practices Policy and Consulting**
 - Objective : Reduce the number of employment practices claims (wrongful termination, violation of contract)
- **Technical Assistance Program for Special Education**
 - Objective: reduce the number of IDEA (Individual with Disabilities in Education) Due Process and Litigation claims.
- **On-site School Facility Audits**
 - Objective: reduce the frequency of Worker's Compensation, Liability and Property Claims.
- **Identifying a Predator Training**
 - Objective: reduce the number of sexual molestation claims in NM public Schools
- **Bullying Prevention Training and sustainable policy development consulting**
 - Objective: To assist schools with understanding of the issues and development of policies addressing bullying.
- **Armed school employees**
 - Objective: To assist schools with an understanding of the relevant statutes, policies, procedures and liabilities necessary to make informed judgements regarding arming employees.



Loss Prevention Abatement Compliance

NMPSIA Conducts physical site audits to identify and reduce issues which may result in property/casualty or workers' compensation losses. These audits point to issues such as deteriorating structures, non-compliant playgrounds, electrical repairs, inadequate roof conditions and security concerns.

- **FY2014-15 – 3,364 abatement recommendations**
 - 79% of abatements corrected
 - 4% of capital investments corrected
- **FY2015-16 – 4,692 abatement recommendations**
 - 54% of abatements corrected
 - 4% of capital investments corrected

The increase in recommendations from FY2014-15 to FY2015-16 includes a strong push by NMPSIA to identify security concerns (fencing and access) and playgrounds (lack of, or, inadequate surfacing.

Districts and Charters are addressing the high priority recommendations only if they do not require the service of a licensed journeyman (i.e. electrician, plumber/gas fitter) or large capital investment.



Risk Fund

Fund Balance

Date	Fund Balance
June 30, 2013	\$12.3 million (audited)
June 30, 2014	\$ 5.4 million (audited)
June 30, 2015	\$ 4.0 million (audited)
June 30, 2016	-\$ 5.6 million (audited)
June 30, 2017	-\$ 11.7 million (projected)
\$6.0 million swept from fund during special session. \$13.9 million increase to reserve liability on June 30, 2016.	

Premium Rate Increases

Fiscal Year	Increase
2009	10.06%
2010	No Increase
2011	No Increase
2012	No Increase
2013	-10.00%
2014	25.49%
2015	7.31%
2016	11.28%
2017	5.14%
2018	4.22% (anticipated)

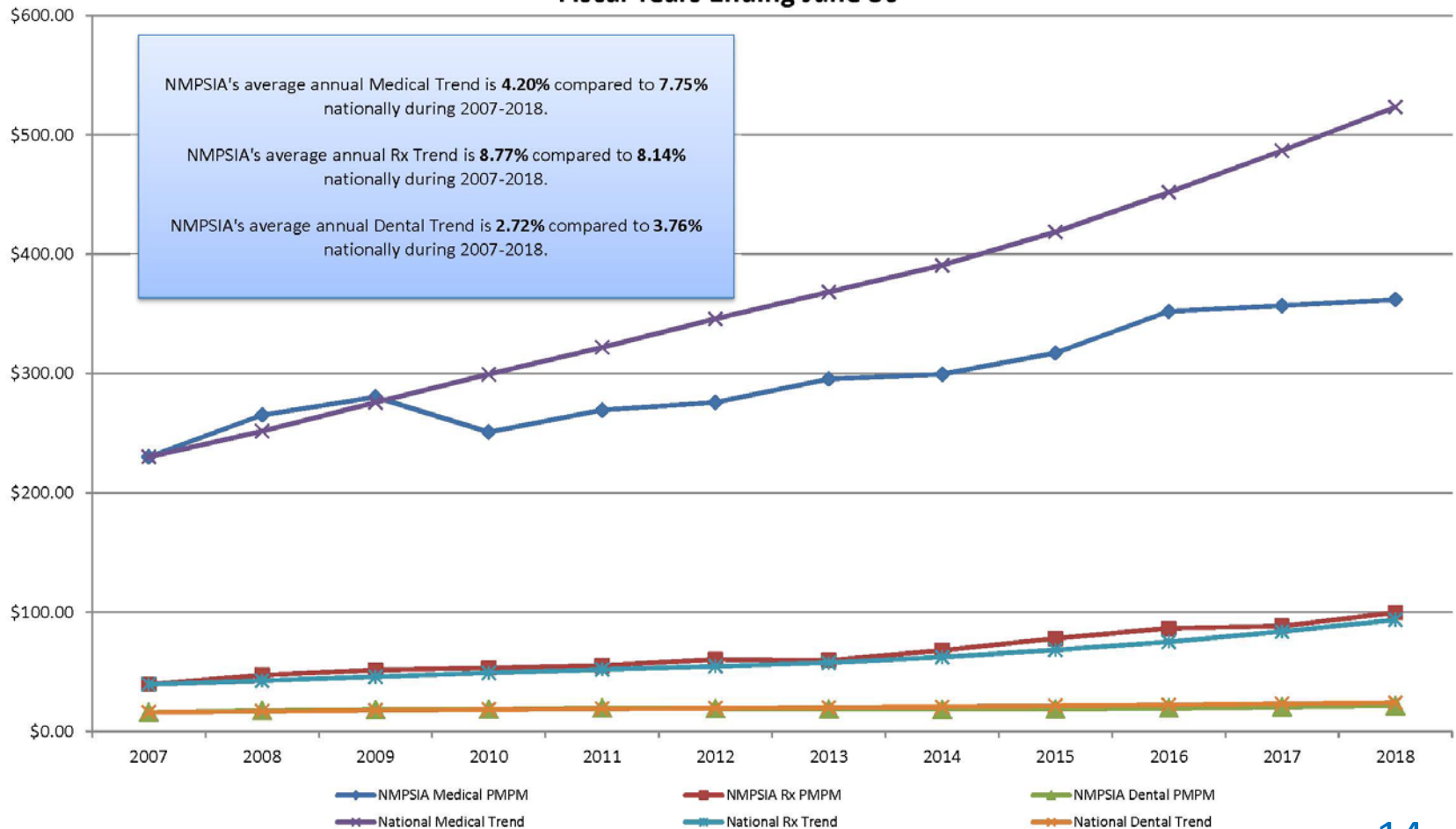


FY18 Appropriation Request

- **Risk Fund**
 - **FY17 Operating Budget - \$73,205,500**
 - **FY18 Appropriation Request - \$76,292,108**
 - 4.22% increase over FY17 operating budget

Benefits Fund Claims History

New Mexico Public Schools Insurance Authority
Historical & Projected PMPM Claims vs. Claims Increased at National Trend Rates
Fiscal Years Ending June 30



Benefits Fund

Fund Balance

Date	Fund Balance
June 30, 2014	\$44.2 million (audited)
June 30, 2015	\$41.3 million (audited)
June 30, 2016	\$20.9 million (audited)
June 30, 2017	\$11.2 million (projected)
Fund balance rate subsidy in FY17 is \$9.7 million	
Target fund balance is 1 month of claims - \$24.0 - \$27.5 million	

Premium Rate Increases

Date	Increase
10/2009	0.00% (Drastic Benefit Reductions)
10/2010	6.40% Medical/Dental
10/2011	0.00%
10/2012	6.10% Medical
10/2013	6.60% Medical 3.00% Dental
10/2014	1.50% Medical
10/2015	4.00% Medical
10/2016	8.30% Medical High Option 7.15% Medical Low Option
10/2017	14.02% Medical High Option 0.92% Medical Low Option



FY18 Monthly Increase for Employee

Eff. 10/1/17

Plan	Salary Under \$15,000 (75%/25%)	Salary \$25,000 or over (60%/40%)
Single:		
Blue Cross Blue Shield High Option	+\$22.11	+\$35.38
Presbyterian High Option	+\$17.88	+\$28.61
*New Mexico Health Connections	+\$19.90	+\$31.84
Family:		
Blue Cross Blue Shield High Option	+\$56.16	+\$89.86
Presbyterian High Option	+\$50.06	+\$80.10
*New Mexico Health Connections	+\$50.55	+\$80.87

*New HMO Medical Plan

FY18 Monthly Premium Cost Sharing

Projected Rates Eff. 10/1/17

MONTHLY COST SHARING BASED ON SALARY	Less	\$15,000	\$20,000	\$25,000
	than	through	through	and
	\$15,000	\$19,999	\$24,999	Over
	25%/75%	30%/70%	35%/65%	40%/60%
BCBS Single (employee deduction)	\$179.81	\$215.77	\$251.73	\$287.70
High Option Single (district contribution)	\$539.43	\$503.47	\$467.50	\$431.54
Family (employee deduction)	\$456.74	\$548.09	\$639.43	\$730.77
Family (district contribution)	\$1,370.22	\$1,278.88	\$1,187.54	\$1,096.19
BCBS Single (employee deduction)	\$132.27	\$158.71	\$185.17	\$211.63
Low Option Single (district contribution)	\$396.80	\$370.35	\$343.89	\$317.44
Family (employee deduction)	\$335.98	\$403.19	\$470.39	\$537.58
Family (district contribution)	\$1,007.99	\$940.78	\$873.58	\$806.39
Presbyterian Single (employee deduction)	\$145.39	\$174.50	\$203.57	\$232.66
High Option Single (district contribution)	\$436.26	\$407.16	\$378.09	\$349.00
Family (employee deduction)	\$407.14	\$488.57	\$570.00	\$651.45
Family (district contribution)	\$1,221.47	\$1,140.04	\$1,058.61	\$977.17
Presbyterian Single (employee deduction)	\$106.98	\$128.37	\$149.77	\$171.16
Low Option Single (district contribution)	\$320.93	\$299.53	\$278.14	\$256.74
Family (employee deduction)	\$299.49	\$359.39	\$419.28	\$479.19
Family (district contribution)	\$898.49	\$838.59	\$778.70	\$718.79
NM Health Connections (employee deduction)	\$161.83	\$194.19	\$226.56	\$258.93
NM Health Connections (district contribution)	\$485.49	\$453.12	\$420.75	\$388.39
Family (employee deduction)	\$411.07	\$493.28	\$575.48	\$657.70
Family (district contribution)	\$1,233.20	\$1,150.99	\$1,068.78	\$986.57



FY18 Appropriation Request

- **Benefits Fund**
 - **FY17 Operating Budget - \$320,859,700**
 - **FY18 Appropriation Request - \$351,995,183**
 - 9.70% increase over FY17 operating budget



Medical Cost Drivers

- **Affordable Care Act costs**
 - **\$2.7 million in Reinsurance fees in FY15; \$1.7 million FY16; \$1.1 million FY17**
 - **Removed pre-existing conditions limitation**
 - **ACA limits on premium increases to remain affordable**
 - **Cover children up to age 26 (married or unmarried)**
 - **Cover transgender treatment beginning July 2017**
- **Provider reimbursement fees**
 - **Providers try to make up their losses with lower Medicaid and Medicare reimbursements**
 - **Higher claims costs in rural communities and out-of-state - 87% of members reside outside of ABQ in rural communities**
- **Larger number of high dollar medical claims**
 - **Newborns with medical issues (2 claims between \$1.5 - \$2 million /1 claim \$650k)**
 - **8 claims between \$645k - \$819k**
 - **79 claims between \$200k – 475K**



Medical Cost Drivers (cont.)

- **Top Medical Conditions**

Inflammatory Conditions (*Arthritis, Chron's Disease, inflammatory bowel disease, psoriasis, fibromyalgia, Hep C, asthma, etc.*); **Diabetes; Cancer; Leukemia; Hodgkin's Disease; Coronary artery disease; cardiovascular disease; stroke; Injury and poisoning; MS; Maternity**

- **Vaccine Program**

- **\$1.4 million FY16** (*FY15 cost - \$740k; FY14 cost; FY14 \$696k*)

- **Statute requires vaccines for privately insured children to be purchased at retail costs**

Measures taken:

- **July 2016 contracts with health plans include performance standards for managing diabetics and members with chronic health conditions**
- **Purchased stop loss coverage July 2016**
- **Premium increases October 2016**
- **Adding a HMO Plan Option with NM Health Connections to access better discounts**
- **Increasing member cost share January 2017**
 - **Deductible**
 - **Calendar year out-of-pocket maximum**
(*see next slide*)

FY17 Plan Design Changes – Benefit Plan Reductions

Change	FY17 Estimated Savings
Medical	
Increased calendar year plan deductibles effective 1/1/17 High Option Plan - <i>from \$300 to \$750</i> for in-network services Low Option Plan – <i>from \$1500 to \$2000</i> for in-network services	\$5.5 million
Increased calendar year out-of-pocket maximum effective 1/1/17 High Option Plan – <i>from \$2800 to \$3750</i> for in-network services Low Option Plan – <i>from \$3500 to \$3750</i> for in-network services	\$5.0 million
Value of Medical Plan Design Changes (6 months)	\$10.5 million
Change	FY17 Estimated Savings
Prescription	
Increased copayments on diabetic oral medications, retail generic, mail generic, retail preferred brand, mail preferred brand, and specialty medications effective 7/1/16	\$4.5 million
Eliminate coverage for over-the-counter (OTC) medications (Proton Pump Inhibitors, Antihistamines and Intranasal Steroids) effective 7/1/16	\$1.2 million
Value of Prescription Plan Design Changes (12 months)	\$5.7 million
Total Value of Plan Design Changes	\$16.2 million



Rx Cost Drivers & Action to Mitigate Costs

- Increased prescription drug costs driven by increased utilization and inflation

Measures taken:

- Implemented plan changes with increased member share
 - Implemented new programs with Express Scripts
- Rx Plan drug cost increased 7.4% from \$77.69 per member per month (PMPM) to \$83.46 PMPM **driven by Specialty Drugs**
 - Non-specialty plan cost PMPM trend **-0.6%** - \$51.80 PMPM
 - Specialty plan cost PMPM trend **23.8%** - \$31.66 PMPM
 - Largest trend driver – diabetes at 23.9% (*prior was Hep C*)
 - Top Drugs
 - Oral Diabetic Drugs/Insulin
 - Humira & Enbrel (*Rheumatoid Arthritis, Psoriasis, Chron's Disease*)
 - Viekira Pak (*Hep C*)
 - Cancer Drugs
 - Top Conditions
 - Diabetes - \$9.6 Million
 - Inflammatory Conditions \$6.4 Million
 - Cancer - \$3 Million
 - Hep C - \$2.8 Million
 - MS - \$2.5 Million
 - Asthma \$2.3 Million
 - Hemophilia - \$1.5 Million (*7 patients; previously 2 patients; 1 patient with a rare form of hemophilia started filling a new specialty drug September 2016 that will cost approx. \$2.8 million per year*)

Clinical Savings and Rx Programs

- **Utilization Management** (*prior authorizations, drug quantity rules, step therapy*)
For FY16, NMPSIA saved \$4 million
- **SafeGuardRx Programs**
 - **Inflammatory Conditions Care Value Program**
 - Fills required at Specialty Drug Pharmacy (Accredo)
 - Formulary requirements
 - Indication-level management and extensive clinical documentation
 - Early discontinuation reimbursement guarantee
 - **Market Events Protection Program**
Quicker formulary changes when prices leading to faster savings
 - **Hepatitis Cure Value Program**
Lowered the cost of a cure and implemented cost guarantee and cap
 - **Cholesterol Care Value Program**
Avoiding up to 90% of the plan cost increases in this therapy class
 - **Oncology Care Value Program**
Aligning cost with efficacy for selected oncology drugs
 - **Inflation Protection Program for Brand Name Drugs**
Inflation protection guarantee
 - **Fraud Waste and Abuse Program**
 - Identifies outliers, flags suspicious activity, gather evidence, investigate, intervention by restricting certain members to one pharmacy for substance abuse medications (opioids, ADHD, sleep, anxiety, muscle relaxers, anticonvulsants)
 - Possible fraudulent claims - 2 out-of-state pharmacies filling unauthorized diabetic supplies
 - 1 member with 9 prescribers and 2 pharmacies
- **RationalMed Safety Protection Program**
Identifies patients at risk – alerts physicians of health and safety issues
- **Mobile Adherence App - Pilot Program**
Improve adherence for members with diabetes, hypertension, and blood cholesterol
- **Therapeutic Resource Centers**
Member education and helps with member adherence

Questions???

