

**STATE OF NEW MEXICO**  
**LEGISLATIVE EDUCATION STUDY COMMITTEE**

**REPRESENTATIVES**

Rick Miera, Chair  
Nora Espinoza  
Mary Helen Garcia  
Jimmie C. Hall  
Dennis J. Roch  
Mimi Stewart

State Capitol North, 325 Don Gaspar, Suite 200  
Santa Fe, New Mexico 87501  
Phone: (505) 986-4591 Fax: (505) 986-4338  
<http://www.nmlegis.gov/lcs/lesc/lescdefault.aspx>

**SENATORS**

Cynthia Nava, Vice Chair  
Mary Jane M. García  
Gay G. Kernan  
Lynda M. Lovejoy

**ADVISORY**

Alonzo Baldonado  
Ray Begaye  
Eleanor Chávez  
George Dodge, Jr.  
Roberto "Bobby" J. Gonzales  
Tim D. Lewis  
Sheryl M. Williams Stapleton  
Shirley A. Tyler  
Bob Wooley



**ADVISORY**

Vernon D. Asbill  
Mark Boitano  
Stephen H. Fischmann  
Linda M. Lopez  
Howie C. Morales  
John Pinto  
Sander Rue

Frances Ramírez-Maestas, Director  
David Harrell, PhD, Deputy Director

September 26, 2012

**MEMORANDUM**

**TO:** Legislative Education Study Committee

**FR:** David T. Craig

**RE: STAFF REPORT: INSURANCE APPROPRIATION REQUESTS FOR FY 14**

---

**INTRODUCTION**

Each year, if funding is available, the Legislature appropriates dollars to the State Equalization Guarantee (SEG) distribution to provide for projected increases in the employer's group health and risk insurance contribution rates of the state's public schools. Current law provides for all of New Mexico's charter schools and 88 of its school districts to participate in the New Mexico Public Schools Insurance Authority (NMPSIA). The remaining school district, Albuquerque Public Schools (APS), is exempted from participation in NMPSIA because of its size and is self-insured.

NMPSIA's and APS's respective budget requests inform the appropriation to the SEG. The requests are based on projected contribution rates considered to be adequate to provide for estimated insurance claims, administrative costs, and fund reserve levels in the next fiscal year. These increases may be offset by NMPSIA or APS board action that allows the agencies to use reserve fund balances to reduce the projected increases.

This staff report includes:

- FY 14 budget requests for NMPSIA and APS; and
- background information relating to health and risk insurance coverage of public schools statewide.

**FY 14 BUDGET REQUESTS FOR NMPSIA AND APS**

***New Mexico Public Schools Insurance Authority (NMPSIA)***

For FY 14, NMPSIA is requesting an appropriation of approximately \$21.0 million to provide for the employer’s share of increased insurance premiums for its members.

The appropriation request considers a:

- 10.41 percent increase in health/medical insurance premiums;
- 6.0 percent increase in dental insurance premiums; and
- no increase in life, vision, and long-term disability insurance.

With regard to the risk program, the FY 14 request considers a 15 percent increase in risk insurance, which includes property and liability insurance and workers’ compensation claims.

***Use of Fund Balance***

The committee may wish to ask NMPSIA staff to discuss the status of both the benefits and risk reserve funds.

For this interim meeting, NMPSIA staff will provide a PowerPoint presentation outlining the agency’s plan recommendations.

***Albuquerque Public Schools (APS)***

As outlined in Attachment 1, for FY 14 APS is requesting an appropriation of approximately \$8.8 million to support the employer’s share of increased insurance premiums.

The appropriation request considers a:

- 8.6 percent increase in medical, dental, and vision insurance premiums; and
- no increase for life and disability insurance.

With regard to the risk program, the FY 14 request does not include an appropriation request because the APS Board of Education has been asked to draw down from reserves to support a 5.0 percent increases in property and liability premiums and in workers’ compensation claims.

***Use of Fund Balance***

APS reports that the district will experience a contribution shortfall for the 2013 plan year. To offset, the district reports that:

- the APS Board has approved certain plan design changes and premium increases; and
- if an appropriation is not provided to assist the district, the use of over \$6.3 million from fund balance will be required, which places the fund balance “dangerously close to the recommended incurred but not reported (IBNR) level.

Attachment 2 outlines the district’s plan recommendations.

**BACKGROUND**

In 1986, NMPSIA was created in the *Public School Insurance Authority Act* to serve as a purchasing agency for public school districts, postsecondary educational entities, and charter schools.

Currently, NMPSIA provides health and risk insurance coverage for 88 of New Mexico's public school districts and its charter schools. (Current law exempts any school district with a student enrollment in excess of 60,000 students from NMPSIA coverage, which applies only to APS.)

Health coverage by NMPSIA includes basic life and accidental death and dismemberment, voluntary life, long-term disability, two medical plans with high and low options, a dental plan with basic and comprehensive coverage, and a vision plan. A small minority of employers does not participate in either dental, vision, or disability plans. Risk coverage includes property insurance, liability insurance, workers' compensation, student catastrophic insurance, student accident insurance, boiler and machinery insurance, and underground storage tanks coverage.

NMPSIA's medical plans are self-insured, indicating that NMPSIA is responsible for the design of the plan and the setting of contributions. NMPSIA sets the contribution rates to provide the necessary revenue to pay for the claims its participating members incur. When the claims exceed the contributions from premiums or revenues, the contribution rates have to be increased to cover any deficit.

The *Public School Insurance Authority Act* requires the state to pay for a portion of the group insurance premiums for employees (this portion translates into the employer's share of the insurance costs that the Legislature appropriates every year) based on a percentage of the employee's salary as follows:

- 75 percent of the premium for employees earning less than \$15,000 per year;
- 70 percent for employees earning \$15,000 but less than \$20,000 per year;
- 65 percent for employees earning \$20,000 but less than \$25,000 per year; and
- 60 percent for employees earning \$25,000 or more per year.

In 2004, the Legislature amended the act to allow participating entities, if revenue is available, to contribute up to 80 percent of the cost of insurance for all employees.

In 2009, the Legislature amended the act (effective July 1, 2010) to enable NMPSIA to:

- promulgate rules to establish a policy to be followed by participating members relating to the use of volunteers and the use of school facilities by private persons;
- promulgate rules to establish a policy to be followed by participating members relating to the use of school facilities by private persons, provided that the policy:
  - relate only to liability and risk issues; and
  - does not affect the rights and responsibilities of local school boards to determine how, when, and by whom school district facilities are used; and
- insure, by negotiated policy, self-insurance or any combination thereof, participating members against claims of bodily injury, personal injury, or property damage related to

the use of school facilities by private persons. The coverage is subject to the following provisions:

- no more than \$1.0 million may be paid for each occurrence; and
- the coverage applies only if the participating member was following the policy adopted by NMPSIA.

Staff from NMPSIA and APS will present information to the committee that further details elements of the FY 14 appropriation request.



September 27, 2012

**MEMORANDUM**

To: Legislative Education Study Committee  
 From: Winston Brooks, APS Superintendent  
 Re: Albuquerque Public Schools: Projected FY14 Insurance Request

For FY14, Albuquerque Public Schools (APS) is requesting an appropriation of approximately \$8.8 million to provide for the employer's share of increased insurance premiums for its members. The benefits portion of the FY14 budget request considers:

- a 8.6 percent increase in medical insurance premiums
- a 8.6 percent increase in dental insurance premiums;
- a 8.6 percent increase in vision insurance premiums; and
- a 0.0 percent increase for life and disability insurance.

Albuquerque Public Schools reports that, as of July 1, 2012, our unaudited fund balance for medical, dental and vision reserves was \$16,400,948 million. Albuquerque Public Schools reserves are down \$2,759,420 over last year.

Albuquerque Public Schools will experience a contribution shortfall of \$8,748,335 for the 2013 plan year. The Albuquerque Public Schools Board of Education has approved \$2,395,000 worth of plan design changes and premium increases to offset the contribution shortfall. Albuquerque Public Schools will be forced to fund the remainder of the contribution shortfall be funded through the use of \$6,353,335 million from the fund balance to offset the cost for the current plan year if there is no appropriation from the New Mexico State Legislature to assist the district. The projected fund balance on December 31, 2013, will be \$9.9 million if this occurs. This will bring the fund balance dangerously close to the recommended incurred but not reported (IBNR) level.

Albuquerque Public Schools insurance request for FY14 is an attempt to be as fiscally responsible as possible. Albuquerque Public Schools is projecting a contribution shortfall of \$15,649,458 for plan year 2014. If we were not to plan for this drastic shortfall now, Albuquerque Public Schools employees would experience up to a 20 percent increase in their premiums in 2014. Therefore, we are requesting \$8.8 million from the New Mexico State Legislature so we may keep our reserve balance intact, and utilize the fund balance to offset the contribution shortfall next year. If there is no insurance appropriation in FY14, Albuquerque Public Schools will have no other option but to pass the rising costs of health care completely onto our employees in the form of a premium increase and additional plan design changes.

During the 2013 plan year the APS Board of Education approved the following plan design changes that will save the district approximately \$2,395,000.

**High Plan Only**

- Increase Advanced Radiology Copay from \$60 to \$100 \$ 20,000
- Increase Physician Specialist Copay from \$35 to \$40 \$ 270,000
- Increase Urgent Care Copay from \$40 to \$50 \$ 250,000
- Raise Outpatient Surgery Copay from \$100 to \$250 \$ 304,000
- Increase ER Copay from \$120 to \$150 \$ 128,000
- Raise RX Copay Min/Max by \$5.00 on Brand Drugs \$ 250,000
- Increase Specialty Drugs Copay from \$90 to \$100, raise out of pocket maximum from \$750 to \$1000 \$ 102,000

**Low Plan Only**

- Raise Deductible from \$150/\$300/\$450 to \$300/\$600/\$900 \$ 20,000

**Both Plans**

- Raise Lovelace Employee Contributions to Match Presbyterian \$ 515,000
- Raise Employee Contributions by 2% \$ 536,000

Total Projected Savings: \$ 2,395,000

The Albuquerque Public Schools Health Assessment tied to the Biometric Screening Incentive Program implemented July 2012 through October 2012 and encouraged employees and their spouses/domestic partners enrolled in Presbyterian or Lovelace health plans to complete a biometric screening and online health assessment. These screenings provided a detailed assessment of an individual's basic health indicators such as

- Blood pressure
- Body Mass Index (calculated from height and weight)
- Cholesterol
- Blood Glucose and
- Pulse/Heart rate.

Overall, 92 percent of Albuquerque Public Schools members (employee, spouse/domestic partner) out of 12,000 covered members completed the Health Assessment last year. APS will now incentivize completion of the online health assessment and a biometric screening so participants can understand their numbers from their biometric screening.

Regarding the risk program, the FY 14 request does not include any request because the APS administration will request the Board of Education to draw down from reserves the 5.0% percent increase or \$121,961 in property and liability premiums and 5.0% percent increase or \$8075 for worker's compensation claims.

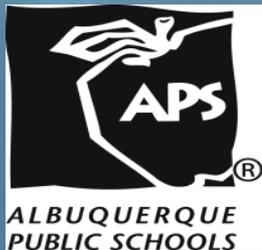
If you have specific questions or concerns, there are APS staff members who are available to discuss the district's benefit plans.

# ALBUQUERQUE PUBLIC SCHOOLS

2013 Benefit Plan Recommendations

BOE Finance Committee

September 17, 2012



# Projected Plan Costs

<ul style="list-style-type: none"> <li>▫ Projected plan costs for 2013 (Medical, Dental, Stop-Loss, Admin, Fees, Benefits Dept) (Assumes no enrollment growth &amp; aggressive trend factors) Less;</li> </ul>	\$86,264,041
<ul style="list-style-type: none"> <li>▫ Projected contributions for 2013 Calculated using FY 2012 contributions less non recurring contributions of \$545,623 for CIGNA account balance refund and \$781,305 for Express Scripts Implementation Fees</li> </ul>	\$77,515,706
<ul style="list-style-type: none"> <li>▫ Contribution Shortfall</li> </ul>	\$ 8,748,335
<ul style="list-style-type: none"> <li>▫ Reserves as of 7-31-12 (reserves down \$2,759,420 over last year*)</li> </ul>	\$16,400,948
	<u>\$ 8,748,335</u>
<ul style="list-style-type: none"> <li>▫ Estimated Reserves as of 12-31-13</li> </ul>	\$ 7,652,613
<ul style="list-style-type: none"> <li>▫ Needed Reserves (IBNR) as of 12-31-13</li> </ul>	\$ 8,568,000
<ul style="list-style-type: none"> <li>▫ Premium Increase/Benefit Cuts Needed for 2013 (Approx. 1.2%)</li> </ul>	\$ 915,387
<ul style="list-style-type: none"> <li>▫ Premium Increase/Benefit Cuts Needed for 2014 (Approx. 20%)</li> </ul>	\$15,649,458

\*reserves as of 7-31-11 = \$19,160,369

# Plan Design Changes 2013

## HIGH PLAN ONLY

## SAVINGS/CONTRIBUTIONS

• Increase Advance Radiology Copay from \$60 to \$100	\$ 20,000
• Increase Physician Specialist Copay from \$35 Copay to \$40 Copay	\$ 270,000
• Increase Urgent Care Copay from \$40 copay to \$50	\$ 250,000
• Raise Outpatient Surgery Copay from \$100 Copay to \$250 Copay	\$ 304,000
• Increase ER Copay from \$120 Copay to \$150 Copay	\$ 128,000
• Raise RX Copay Min/Max by \$5.00 on Brand Drugs	\$ 250,000
• Raise Specialty Drug Copay from \$90 to \$100, and raise out of pocket maximum from \$750 to \$1,000	\$ 102,000

## LOW PLAN ONLY

• Raise Deductible from \$150/\$300/\$450 to \$300/\$600/\$900	\$ 20,000
----------------------------------------------------------------	-----------

## BOTH PLANS

• Raise Lovelace Employee Contributions to Match Presbyterian	\$ 515,000
• Raise Employee Contributions by 2%	<u>\$ 536,000</u>

<b>TOTAL</b>	<b>\$2,395,000</b>
--------------	--------------------