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FISCAL IMPACT REPORT

SPONSOR: Coll DATE TYPED: 03/04/03 HB 804/aHGUAC
 SHORT TITLE: Insurance for Certain Legislative Employees SB _____
 ANALYST: Geisler

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			\$28.5-\$294.0 See Narrative	Recurring	GF

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

General Services Department (GSD)

SUMMARY

Synopsis of HGUAC Amendment

This House Government and Urban and Affairs Committee Amendment to HB 804 clarifies that employees qualifying for group insurance shall be eligible for insurance immediately upon employment without a waiting period.

Synopsis of Original Bill

House Bill 804 amends Section 10-7-4 NMSA 1978 (Group Insurance-Cafeteria Plan-Contributions from Public Funds) to include coverage for seasonal employees of the legislative branch. The coverage would be state-subsidized for the employee while the legislature is in session. While the legislature is not in session, the employees would still be eligible for coverage but would pay 100% of premium with no state contribution.

Significant Issues

It is noted that the state employee health care plan is self-insured. All claims are paid by the state. Private insurance companies (e.g. Blue Cross, Presbyterian, Lovelace) serve only as plan administrators.

1. Temporary Employees – The State of New Mexico has approximately 2,000 temporary employees at any given time. Current eligibility guidelines exclude this population from

group benefit coverage unless their temporary assignment lasts more than six months. See discussion under substantive issues.

2. Plan Costs – RMD’s plan may not be significantly impacted due to its relative large risk pool of over 50,000 insured lives.

FISCAL IMPLICATIONS

GSD provided two scenarios to estimate a low and high cost impact of premiums paid by the state during the legislative session.

1. **The minimum cost to state of \$28,500** is based on 25% participation level of the 500 estimated seasonal legislative employees, single coverage, annualized salaries of over \$25,000.
2. **Maximum cost to state could be \$294,000** based on 75% participation level, family coverage, annualized salaries of less than \$15,000.

The annual cost for these scenarios is based on an average on 45 days coverage (one year will be 30 days due to the length of the session and the next will be 60 days).

Assuming the employee continues the coverage after the session, they would be responsible for the entire premium. In such cases, if the person takes family coverage, and pays the 100% cost, the cost to the person would be \$681 per month (i.e. Blue Cross coverage). If the person assumes 100% of the cost for single coverage (i.e. Blue Cross) the cost would be \$254 per month.

The on-going fiscal implications to the fund will depend on the impact this population has on the claims paid from the fund. However, given the size of the fund participants (50,000) and the relatively small number of legislative staff participants (approximately 500 per year), the impact may be minimal.

ADMINISTRATIVE IMPLICATIONS

When the legislature is in session, the administrative burden for collecting both the state’s and the employee’s contribution will be with the legislative branch. The legislative branch will forward the full premium to RMD to ensure eligibility of these employees. If the intent is to cover interested legislative staff in the first day of employment, an administrative system would need to be developed to accomplish this.

Some new administrative guidelines would need to be developed regarding this population. When the Legislature is not in session, the bill appears to allow a legislative employee to sign-up for the coverage even after the Session is over. RMD would have to support this process. However, RMD does currently have in place the means to collect full premium from the employees while the legislature is not in session.

OTHER SUBSTANTIVE ISSUES

Coverage Dates

Effective date of coverage and termination dates are not clearly defined. Normally, a new state employee has to wait for the first day of the third pay period in order to be eligible. If this is the case with this population, coverage will not be in effect until the employee's initial legislative session is over. Guidelines regarding termination dates would also have to be developed. The bill allows for eligibility throughout the year under the apparent presumption that the employee will be back to work again for the next legislative session. However, if the employee does not return to work for the Legislature, the bill needs to provide a procedure to determine when an employee would no longer be eligible for the coverage, even if they are willing to pay 100% of the premium cost. When an employee leaves state government employment, they are eligible to continue to pay 100% of the premium costs for a maximum of 18 months, unless they are disabled.

Other State Temporary Employees

GSD provides that the legislature might consider how all temporary employees working for the State of New Mexico can be offered the same health benefits package. There may be legal issues involved since the State employs other temporary workers who are not eligible for this coverage. Does the State have a legally defensible rationale to distinguish the group of legislative staff from other temporary workers? If not, the State may have a difficult time defending its position to provide the health benefit to Legislative staff and not to other temporary State workers. However, there would be a fiscal impact with this option.

ALTERNATIVES

Because insurable temporary employees are likely to be able to purchase individual family health insurance coverage directly from Presbyterian, Blue Cross, Lovelace or other carriers for substantially less money than the \$681.00 monthly charge cited above, consider reimbursing insurable temporary employees for actual reasonable costs for individual insurance policies they choose to purchase directly from carriers.

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