

**NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used for other purposes.**

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

SPONSOR: Rawson DATE TYPED: 03/13/03 HB \_\_\_\_\_  
 SHORT TITLE: Group Health Insurance for State Employees SB 833/aSPAC  
 ANALYST: Geisler

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			Significant See Narrative	Recurring	OSF, GF
			Significant See Narrative	Recurring	PSIA

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

New Mexico Public School Insurance Authority (PSIA)  
 General Services Department (GSD)  
 Retiree Health Care Authority (RHCA)

### SUMMARY

#### Synopsis of SPAC Amendment

The Senate Public Affairs Committee amendment to Senate Bill 833 would exempt public employees from mandatory participation in their employer group medical plan if they can demonstrate satisfactory proof of health insurance coverage.

Note: the original fiscal impact of \$35.4 million per year shown below assumed that all employees not currently participating in GSD and PSIA plans would sign up for coverage. With this amendment, allowing employees to “opt out” if they have health insurance elsewhere, the fiscal impact would be greatly reduced. For example, if you assume 75% of the employees that opt out do so because they have health benefit coverage elsewhere, the revised fiscal impact would be approximately \$8.8 million per year in increased premiums for GSD and PSIA.

#### Synopsis of Original Bill

Senate Bill 833 would require that all public employees participate in their group medical plan at the individual coverage level. Family coverage remains optional.

Significant Issues

1. Increased cost to public employers because additional employees will have to be covered.
2. Increased cost to employees if they are currently covered by insurance that cost less than the coverage offered by their public employer.
3. Increased enrollment may provide savings from “volume” discounts on health benefit plan administrative fees.

**FISCAL IMPLICATIONS**

According to GSD, SB 833 would force some state employees to carry coverage for themselves at a cost that may be higher than they are currently paying under their spouse’s (or other family member’s) plan. The state share to cover the 4,882 employees who are not currently covered under the state’s plan would cost between \$9 and \$10 million a year.

If employees covered by PSIA were forced to enroll in medical, GSD estimates an additional 11,000 employees would be enrolled. Assuming the lowest premium plan were selected, GSD estimates the increased overall cost of \$26.4 million (\$200 monthly premium x 11,000 employees x 12 months). The cost impact on other local public bodies is unknown as they offer varying contribution amounts.

**TECHNICAL ISSUES**

It is unclear who will enforce the bill’s provisions.

It is not clear to PSIA if the employees they cover are subject to this bill. If not, enrollment may decrease by the number of PSIA enrolled “public employee spouses.” PSIA’s own staff are public employees but are eligible for PSIA benefits, not those through RMD. This would necessitate a change in PSIA’s statute to allow PSIA’s employees to enroll through RMD.

**ALTERNATIVES**

The bill could be modified to allow exceptions for employees who are able to show documentation of other coverage. Uninsured local public bodies could be required to purchase health insurance.

**OTHER SUBSTANTIVE ISSUES**

According to GSD, the state currently covers 17,959 out of 22,841 eligible employees under the medical plan for an 81% participation level. Of the remaining 19%, it is not possible to determine the number of uninsured. The state’s average contribution rate toward premiums is 62%. It is likely that many non-participating state employees are covered under their spouse’s medical plans at a lower cost than the State of New Mexico plan. It would be unpopular with these individuals to require them by law to pay a larger amount than is currently required to be covered by health insurance.

**Senate Bill 833/aSPAC -- Page 3**

According to PSIA, eligible employees choose not to participate because (a) they can't afford the premium, (b) they have coverage elsewhere or (c) they think it is unnecessary to have health insurance. Approximated 70% of our eligible employees participate in the medical plan.

GG/njw:yr