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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
54th Legislature, 1st Session, 2019

Bill Number HB511/aHEC/aHSEIC **Sponsor** Figueroa

Tracking Number .213067.1 **Committee Referrals** HEC/HSEIC

Short Title Group Insurance Salary Amounts

Analyst Simon **Original Date** 2/16/2019
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BILL SUMMARY

Synopsis of HSEIC Amendment

The House State Government, Elections, and Indian Affairs Committee Amendment to HB511 (HB511/aHEC/aHSEIC) struck the \$3.5 million appropriation added by the House Education Committee Amendment.

Synopsis of HEC Amendment

The House Education Committee Amendment to HB511 (HB511/aHEC) added a \$3.5 million appropriation to the Public Education Department (PED) to be added to the state equalization guarantee distribution in FY20.

Synopsis of Bill

House Bill 511 (HB511) would increase the minimum share of health insurance premiums paid by the employer for group insurance offered through public schools. The bill does not contain an effective date and, if enacted, would become law June 14, 2019.

FISCAL IMPACT

HB511/aHEC/aHSEIC would increase costs for some school districts and charter schools for employee health insurance, but would likely increase take-home pay for many low-paid public school employees. Under current law, school districts and charter schools are required to pay a minimum percentage of total health insurance premiums, ranging from 75 percent of the total premium to 60 percent of the total premium. Because the rate varies by salary level, some employees that

Employer Share of Health Insurance Premiums

Annual Salary	Current Law	HB511
Less than \$15,000	75%	75%
At least \$15,000 but less than \$20,000	70%	75%
At least \$20,000 but less than \$25,000	65%	70%
At least \$25,000 but less than \$30,000	60%	65%
\$30,000 or more	60%	60%

Source: LESL

receive a salary increase can end up with a reduction in take-home pay because they are required to pay a larger share of their health insurance. While HB511/aHEC/aHSEIC would not eliminate this effect, the bill would increase the salary level the employee would need to reach before being required to pay a higher share of the premium.

According to the Public Schools Insurance Authority (NMPSIA), there are 3,963 school employees earning between \$15,000 and \$30,000 with health plans offered by the authority. NMPSIA covers all school districts and charter schools, apart from Albuquerque Public Schools (APS). Based on 3,963 public school employees covered by NMPSIA, the Legislative Finance Committee estimates the fiscal impact of HB511/aHEC/aHSEIC to be \$3.5 million in FY20.

SUBSTANTIVE ISSUES

Under current law, there is significant inequity between public school employees and other public employees in employer funding of health insurance benefits. Section 10-7-4 NMSA 1978 provides that state agencies, boards, and commissions must pay more towards employee benefits than is required under the Public Schools Insurance Authority Act. In addition, APS currently covers 80 percent of the health insurance premiums for employees earning less than \$34,500, more than required by current law for NMPSIA-covered employees and more than would be required by HB511/aHEC/aHSEIC.

State Agency Share of Health Insurance

Annual Salary	HB511
Less than \$50,000	80%
At least \$50,000 but less than \$60,000	70%
\$60,000 or more	60%

Source: LESC

**Albuquerque Public Schools
Employer Share of Health Insurance**

Annual Salary	HB511
Less than \$34,500	80%
At least \$34,500 but less than \$40,000	70%
\$40,000 or more	60%

Source: LESC

Total health insurance premiums are also higher for NMPSIA. For example, a Blue Cross and Blue Shield preferred provider organization (PPO) plan with family coverage has a total premium of \$1,295 per month for APS employees, \$1,621 per month for a state employee, and \$1,733 for NMPSIA-covered employees. While coverage levels of the plans differ, much of this increase has to do with the higher cost of health care in rural areas of the state than in the urban areas. Because most NMPSIA members, apart from some charter school employees, are located outside of the Albuquerque area, NMPSIA faces higher costs to insure this population.

Although the Public School Insurance Authority Act allows school districts and charter schools with available revenue, to contribute up to 80 percent of the cost of insurance for all employees, few school districts and charter schools make additional contribution for employees. In the past, some school districts have decided to pay a larger share of employee benefits when health insurance premiums are increased but the school district is not able to increase salaries to offset the cost of the insurance premium increase. This prevents the school employee from seeing a reduction in take-home pay due to rising insurance costs.

SOURCES OF INFORMATION

- LESC Files