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BOARD OF DIRECTORS

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October 1, 2019

I regret that health insurance premiums continue to rise. When premiums change, they generally occur on October 1. School districts/charter schools/entities collect premiums one month in advance (during the month of September) in order to prepare for paying the October 1 billing statement.

The New Mexico Public Schools Insurance Authority (NMPSIA) is a self-insured plan. NMPSIA works with an actuary and benefits consulting firm to review historical claims experience and projected claims expenses from year to year. When the Group Plan's projected claims and expenses can outpace premiums, additional premiums need to be collected to fund future claim expenses.

Recommendations are presented to the NMPSIA Administration and finally to the NMPSIA Board of Directors for consideration. The NMPSIA Board does not like to pass on health insurance premium increases but is compelled to make the hard decision to pass on increases when necessary. The Board has the fiduciary responsibility of ensuring future claims can be paid on behalf of the membership.

NMPSIA does not receive a direct appropriation from the Legislature. The NMPSIA Group Plan funds claims from premiums collected from school employees (members) and their participating school districts/charter schools/entities.

The cost of healthcare continues to rise in the area of both medical and prescription drugs. Approximately 85% of NMPSIA's membership reside in rural communities where the cost of care is more expensive than in the Albuquerque area where claim costs are less due to the competition between provider groups and hospital systems. It is a challenge to keep up with the cost of increased healthcare care in the various rural communities

across the state, but we do have a duty is to serve all members across the state and provide them the best access possible.

Further, new therapies and technologies add to the increased cost of care. There are also many high cost (lifesaving) specialty drugs that continue to come out into the market. Lastly, we have many members who experience catastrophic episodes related to life-threatening diseases and unpredictable injuries throughout the year. These include cancer, diabetes (and dialysis treatments) heart diseases, MS, high blood pressure, Chron's disease, rheumatoid arthritis, hemophilia, the birth of at-risk premature babies, infection, air ambulance transports, etc. These catastrophic claims expend many resources both in the medical and prescription drug arena.

We are hoping that over time, many of our members will take advantage of engaging in our well-being programs (no cost) as a guide to early detection and treatment of many of these diseases and learning how to better manage their care. Great strides in this can lead to lower future claim costs for both the member and the Group Plan. As we all try to stay as healthy as possible and manage our medical conditions with these programs, the hope is to see improvement in the overall health of our insured membership population. Good behavior and better outcomes will play a significant role in the premiums established from year to year because keeping high dollar claim costs down by treating fewer catastrophic cases will make a difference.

I wish I could tell you that I expect premiums to decrease or remain the same at some point, but that would be unrealistic and unfair for me to say.

Please be aware that a 5.9% medical premium increase applied to the full insurance premium is considerably less in comparison to the percentage applied to determine a salary increase. I am only trying to explain that comparing premium increases of an insurance premium is not the same as comparing to an annual salary increase.

The school districts/charter schools contribute a percentage of the full premium (see attached rate sheet for full premium information).

The employee contributes a lower percentage of the premium through payroll deduction arrangements. The minimum employer premium contribution schedule is set by State Statute, and it allows school

districts/charter schools to contribute up to 80% of the premium. However, most districts and charter schools are only able to contribute the minimum contribution amounts due to budgetary constraints. Employer contribution amounts are determined by the local governing board at each district/charter school. Because most districts/charter schools follow the minimum employer contribution schedule, NMPSIA includes the minimum rate contribution information in all NMPSIA publications, including published rate sheets.

New Mexico State Statute, Article 29, 22-29-10 outlines the required employer contribution percentages:

22-29-10. Group insurance contributions. A. Group insurance contributions for school districts, charter schools and participating entities in the authority shall be made as follows: (1) at least seventy-five percent of the cost of the insurance of an employee whose annual salary is less than fifteen thousand dollars (\$15,000); (2) at least seventy percent of the cost of the insurance of an employee whose annual salary is fifteen thousand dollars (\$15,000) or more but less than twenty thousand dollars (\$20,000); (3) at least sixty-five percent of the cost of the insurance of an employee whose annual salary is twenty thousand dollars (\$20,000) or more but less than twenty-five thousand dollars (\$25,000); or (4) at least sixty percent of the cost of the insurance of an employee whose annual salary is twenty-five thousand dollars (\$25,000) or more. B. Within available revenue, school districts, charter schools and participating entities in the authority may contribute up to eighty percent of the cost of the insurance of all employees.

The following chart outlines the gross monthly premium impact on an employee's monthly payroll with the 5.9% medical premium increase and 3.1% increase on the low option medical plan for those enrolled as single or family in coverage. For those who are enrolled in two-party coverage, double the single premium employee monthly impact in order to determine the impact to the two-party premium. If employees are tax sheltering their premiums (enrolled in a cafeteria plan or tax sheltering premiums), the impact is less than you will see on this chart.

Since most schools pay twice monthly, the actual semi-monthly employee impact is half of the amount listed on this chart that reflects the monthly impact. For example, an employee earning a salary of \$25,000 or over who is enrolled in family coverage could see an increased gross semi-monthly payroll impact of \$20.44; monthly gross premium impact is \$40.89.

MONTHLY GROSS PREMIUM IMPACT

		Salary less than \$15,000	Salary \$15,000 to \$19,999	Salary \$20,000 to \$24,999	Salary \$25,000 and over
BCBSNM High Option	Single	\$10.06	\$12.07	\$14.09	\$16.10
	Family	\$25.56	\$30.67	\$35.78	\$40.89
BCBSNM Low Option	Single	\$4.11	\$4.93	\$5.75	\$6.57
	Family	\$10.44	\$12.52	\$14.61	\$16.70
Presbyterian High Option	Single	\$8.14	\$9.76	\$11.39	\$13.02
	Family	\$22.78	\$27.34	\$31.90	\$36.45
Presbyterian Low Option	Single	\$3.32	\$3.99	\$4.65	\$5.32
	Family	\$9.30	\$11.16	\$13.02	\$14.88
HMO Option	Single	\$9.06	\$10.87	\$12.68	\$14.49
	Family	\$23.00	\$27.60	\$32.20	\$36.80
Dental High Option	Single	\$0.34	\$0.41	\$0.48	\$0.54
	Family	\$1.02	\$1.22	\$1.43	\$1.63
Dental Low Option	Single	\$0.17	\$0.20	\$0.24	\$0.27
	Family	\$0.51	\$0.61	\$0.71	\$0.81

Additionally, the NMPSIA Group Plan had not passed on any dental premium increases for over five years. In order to keep up with the actual claims being paid and projected claims, it was necessary to pass on this slight increase to the dental premiums for the High Option Dental Coverage and Low Option Dental Coverage. There have been dental plan enhances made over the year to the dental plan, but no additional premiums had been collected to sustain the impact of the plan enhancements.

If you require any further information, please feel free to contact me at ernestine.chavez@state.nm.us, or at 1.800.548.3724.

Thanks,

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