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No. 13-001

Benefits Administration Letter

Issued per NMSA § 10-7B-1 *et seq.*

Date: May 15, 2013

Subject

Process for Local Public Body (LPB) Separation from State's Group Benefits Plan pursuant to NMSA § 10-7B-7(F).

Purpose

This Letter of Administration is to provide notice of the costs and separation process details should a Local Public Body (LPB) elect to discontinue participation in the State's Group Benefits Plan.

LPB Separation Process

Eligibility:

As set forth in NMSA § 10-7B-7(F), to be eligible to elect termination, a LPB must have participated in the State's Group Benefits Plan for at least three years. A written 90 day notice is required to be submitted by the LPB to the Director of the Risk Management Division. An LPB that terminates participation in the State's Group Benefit Plan is *ineligible* to re-elect to participate in the Plan for three (3) years.

Coverage:

Disability Plan: If the LPB participates in the State's Disability Program and has employees with open claims, the State will continue to honor those Short and/or Long Term claims until closed.

Medical, Dental, Vision and Pharmacy Plans: The medical, dental, vision and pharmacy carriers will process claims for a 90 day run out period.

Flexible Spending Account: If the LPB participates in the Flexible Spending Account (FSA), a financial reconciliation will be provided by the FSA administrator for any claims paid out by the State for FSA participants in excess of actual payroll withheld for those claimants up to the termination date of the group. The LPB employer group will be responsible for reimbursement to the State of New Mexico Risk Management Division for those claims costs. Participation under the FSA through the State ceases on the termination date of the group.

NOTE: Effective January 1, 2014, the State of NM will no longer be responsible for FSA administration for LPBs. LPBs can contract independently with the TPA/FSA administrator under the same terms and fees as the State of NM.

Run-Out Costs (90 day run out period):

A monthly Claims Run-Out Administrative Service Fee will be charged to the LPB employer group for the 90 day run out period based on total employee enrollment numbers. The monthly Claims Run-Out Administrative Service Fees shall be calculated based on the average Administrative Fees charged during each of the three (3) months preceding termination.

In addition to the monthly Claims Run-Out Administrative Service Fee, the LPB employer group shall be responsible to pay for *one month's* average claims costs. The average claims costs will be based on the LPB's monthly average claim cost for the most recent 24 months of closed paid claims for medical, dental, vision and pharmacy.

The Claims Run-Out Administrative Service Fee (3 months) and Claims Costs (1 month) may be paid in one payment at the time of termination, or may be paid monthly over the 3 month (90 day) run out period.

Sincerely,



A.J. Forte, Director, Risk Management Division