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FISCAL IMPACT REPORT

SPONSOR	Reps. Szczepanski and Dixon/Sen. Correa Hemphill	LAST UPDATED	2/14/2024
		ORIGINAL DATE	1/19/2024
SHORT TITLE	Health Care Affordability Fund Distribution	BILL NUMBER	House Bill 7/aHAFC/aSFC
		ANALYST	Gray/Esquibel/ Rodriguez

REVENUE* (dollars in thousands)

Type	FY24	FY25	FY26	FY27	FY28	Recurring or Nonrecurring	Fund Affected
Health Insurance Premium Surtax			(\$83,200.0)	(\$85,700.0)	(\$88,300.0)	Recurring	General Fund
			\$83,200.0	\$85,700.0	\$88,300.0	Recurring	Health Care Affordability Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD- IT and ASD	\$16.1			\$16.1	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Conflicts with Senate Bill 105

Sources of Information

LFC Files

Agency Analysis Received From

Taxation and Revenue Department (TRD)

Human Services Department/Health Care Authority (HSD/HCA)

SUMMARY

Synopsis of SFC Amendment to House Bill 7

The Senate Finance Committee amendment to House Bill 7 (HB7) changes the distribution to the health care affordability fund (HCAF) to September 1 to avoid costs accruing to the general fund in FY25.

Synopsis of HAFC Amendment to House Bill 7

The House Appropriations and Finance Committee amendment to House Bill 7 delays the effective date of the legislation to FY26. This pushes back some of the cost to the general fund until FY26.

Synopsis of Original House Bill 7

House Bill 7 changes distribution of health insurance premium surtax revenues away from the general fund toward the HCAF.

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

The bill does not include a recurring appropriation, but diverts or “earmarks” revenue, representing a recurring loss from the general fund. LFC has concerns with including continuing distribution language in the statutory provisions for funds because earmarking reduces the ability of the Legislature to establish spending priorities.

The Taxation and Revenue Department (TRD) used the December 2023 Consensus Revenue Estimating Group (CREG) forecast for insurance premium and surtax revenue to determine the impact of the change in distributions. TRD isolated the portion of health insurance premium surtax revenue from health insurance and applied the continuation of the 55 percent distribution to the health care affordability fund (HCAF). Under current law, the distribution to the HCAF under Section 7-1-6.69 NMSA 1978 changes to 30 percent on July 1, 2024. Under HB7 as amended, the distribution to HCAF will raise to 55 percent on July 1, 2025. The last fiscal year quarterly payment is due July 15, and the revenue accrues back to June. By changing the distribution from July 1 to September 1, this bill will not impact FY25 revenues.

According to LFC estimates, both the legislative and executive budget recommendations will leave the HCAF with a fund balance of \$108.2 million at the end of FY25. HB7 would increase the estimated fund balance at the end of FY26 by 80 percent, growing it to \$190.4 million.

TRD estimates a small operating budget impact to implement IT changes.

SIGNIFICANT ISSUES

Currently, 55 percent of health insurance premium surtax revenues are distributed to the health care affordability fund. The revenue distributed to the HCAF is intended to subsidize the cost of health insurance premiums for people who obtain coverage through the New Mexico Health Insurance Exchange, commonly known as BeWellNM, and for small businesses. The Office of the Superintendent of Insurance (OSI) is also anticipating launching a new program funded by HCAF for residents ineligible for Medicaid or the exchange because of their immigration status in early 2025.

In 2023, 40.8 thousand New Mexicans were enrolled in the exchange, about 2 percent of the state population, according to the Centers for Medicare and Medicaid Services.¹ New Mexico's Medicaid program serves 902 thousand individuals, approximately 43 percent of the state population. The program is primarily funded with general fund dollars, which, for every dollar invested, leverages approximately \$3.50 in federal dollars.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill conflicts with Senate Bill 105, which changes the distribution to HCAF from the health insurance premium surtax to 0.17 percent of the net receipts attributable to gross receipts tax.

BG/RE/JR/rl/ne/al/ss/ne/ss

¹ [2023 Marketplace Open Enrollment Period Public Use Files.](#)