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## FISCAL IMPACT REPORT

SPONSOR	<u>Szczepanski</u>	LAST UPDATED	<u>10/1/2025</u>
		ORIGINAL DATE	<u></u>
		BILL	
SHORT TITLE	<u>Health Care Coverage Changes</u>	NUMBER	<u>House Bill 2</u>
		ANALYST	<u>Chenier</u>

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\*

(dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	\$17,300	\$34,600	\$34,600	\$86,500	Recurring	Other state funds
<b>Total</b>	\$17,300	\$34,600	\$34,600	\$86,500	Recurring	Other state funds

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to an appropriation in the General Appropriation Act

### Sources of Information

LFC Files

Agency Analysis Received From  
Health Care Authority (HCA)

## SUMMARY

### Synopsis of House Bill 2

House Bill expands contingency language that currently allows the health care affordability fund (HCAF) to be used to maintain health insurance coverage if congress or the US Supreme Court repeals or invalidates the federal Affordable Care Act (ACA) or eliminates or reduces health coverage through Medicaid or the Health Insurance Exchange (HIX). The expanded language would cover all federal coverage programs that reduce access to health coverage to state residents.

Expanded language also specifies that if the federal government alters eligibility criteria for the advanced premium tax credit in a manner that would cause significant coverage loss to residents, the Health Care Authority (HCA) may promulgate rules to minimize loss of coverage by expanding eligibility to cover individuals at risk of losing coverage due to such changes, subject to available funds.

The bill would also expand the use of HCAF from maintaining coverage on HIX or through medical assistance programs administered by the Health Care Authority (HCA) to now include other programs established by HCA.

Additionally, the bill would expand the income eligibility threshold to qualify for HCAF subsidies by eliminating income caps but still requiring other ACA requirements to be met. Currently, to qualify for subsidies, individuals must have an income that is eligible for advanced premium tax credits under the ACA. The bill would change this requirement to having an income below 400 percent of the federal poverty level and qualifying for the advanced premium tax credit (APTC) under the ACA or meeting all eligibility criteria for the APTC except for household income requirements.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

## FISCAL IMPLICATIONS

In FY27, the health insurance premium surtax is projected to generate \$385 million. Under current law, 55 percent of health insurance premium surtaxes are distributed to HCAF, and 45 percent are distributed to the general fund. At the end of FY26, at currently appropriated levels, the HCAF fund balance is projected to be \$137.2 million.

Health Care Affordability Fund Sources and (Uses)	
Beginning Balance	\$214,541.8
Projected Revenue	\$211,500.0
Expenditures OpBud	(\$288,800.0)
Ending Year Balance	\$137,241.8

Source: August CREG Revenue Estimate  
and LFC Files

This bill would give HCA the authority to expand the use of HCAF so that when or if the enhanced premium tax credit (EPTC) expires at the end of the year those with incomes above 400 percent of the FPL will not lose subsidies on the exchange.

HCA estimates the cost of maintaining existing federal support for the 6,300 individuals above 400 percent FPL would be \$17.3 million in FY26, which represents half a fiscal year of support. That cost would increase to between \$34.6 million and \$39.8 million in FY27, assuming a full fiscal year of coverage, with a 15 percent cost increase assumed in the higher range of the projection.

For the special session, the Legislature is considering an appropriations bill that would appropriate \$17.3 million from HCAF to the authority for expenditure in FY26 to reduce health care premiums and cost sharing for residents who purchase health care coverage on the HIX.

For FY27, the authority also requested an additional \$55.9 million for marketplace assistance programs and small business affordability costs.

Currently, the fund is used to reduce health care premiums and cost sharing for coverage purchased on the exchange, reduce premiums for small businesses and their employees on the exchange, cover premiums for state employees whose income is less than 250 percent of the federal poverty level or have an annual salary of \$50 thousand or less, and cover premiums for members of the

New Mexico National Guard.

The authority is also working to expand the use of the fund to cover otherwise uninsured residents including undocumented immigrants without other affordable options and to cover premiums for people below 400 percent of FPL whose premiums might increase when the EPTC expires at the end of 2025.

## SIGNIFICANT ISSUES

At the end of calendar year 2025, if congress does not make changes, the enhanced premium tax credit (EPTC) will expire, and premium subsidies will revert to the advanced premium tax credit (APTC) system. In 2010 the federal government enacted the Affordable Care Act, creating the ability for states to establish health insurance marketplaces and providing subsidies in the form of APTCs for lower income people to afford insurance on the exchanges. During the pandemic, the federal government enacted the EPTC as a part of the American Rescue Plan Act, and the credit was subsequently extended by the Inflation Reduction Act.

The EPTC was more generous than the APTC and covered households with an income greater than 400 percent of the federal poverty level, which is \$128.6 thousand annually for a family of four. The tables below show what the subsidies look like with and without the EPTC for a family of four and a single household.

### Enhanced Premium Tax Credit (EPTC) and Advanced Premium Tax Credit (APTC) Scenarios

Family of Four With Total Annual Premium of: \$21,547.68

% of FPL	Household Income	EPTC Subsidy	EPTC Percent Covered	APTC Subsidy	APTC Percent Covered
>133%	\$42,759.50	\$21,547.68	100%	\$20,692.49	96%
150%	\$48,225.00	\$20,583.18	96%	\$19,618.68	91%
200%	\$64,300.00	\$18,975.68	88%	\$17,496.78	81%
250%	\$80,375.00	\$16,725.18	78%	\$15,077.49	70%
300%	\$96,450.00	\$13,349.43	62%	\$12,384.93	57%
<400%	\$128,600.00	\$10,616.68	49%	\$9,330.68	43%
500%	\$160,750.00	\$7,883.93	37%	\$0.00	0%
600%	\$192,900.00	\$5,151.18	24%	\$0.00	0%
700%	\$225,050.00	\$2,418.43	11%	\$0.00	0%

Assumptions: Two 40 year old adults; 2 children aged 10 and 8 in Santa Fe

Single Household with Total Annual Premium of: \$6,760

% of FPL	Household Income	EPTC Subsidy	EPTC Percent Covered	APTC Subsidy	APTC Percent Covered
>133%	\$20,814.50	\$6,760.00	100%	\$6,343.71	94%
150%	\$23,475.00	\$6,290.50	93%	\$5,821.00	86%
200%	\$31,300.00	\$5,508.00	81%	\$4,788.10	71%
250%	\$39,125.00	\$4,412.50	65%	\$3,610.44	53%
300%	\$46,950.00	\$2,769.25	41%	\$2,299.75	34%

<400%	\$62,600.00	\$1,439.00	21%	\$813.00	12%
500%	\$78,250.00	\$108.75	2%	\$0.00	0%
600%	\$93,900.00	\$0.00	0%	\$0.00	0%
700%	\$109,550.00	\$0.00	0%	\$0.00	0%

Assumptions: Single Household in Santa Fe

Source: KFF Calculator

Adding to these pressures, health plans providing insurance on the state’s healthcare exchange are going to increase premiums by an average 33.6 percent. United Health Care of New Mexico requested the largest increase at 53 percent, and Molina Healthcare of New Mexico requested the smallest increase at 15.3 percent, according to the Office of Superintendent of Insurance. Nationally, the proposed median increase was 18 percent across 312 insurers which is the largest requested increase since 2018, according to Kaiser Family Foundation (KFF). Insurers cite increasing cost and utilization of high-priced drugs as well as general market factors, such as increasing labor costs and inflation, as contributing to premium increases.

Additionally, the federal government recently enacted a reconciliation bill also known as House Resolution 1 (HR1) that created Medicaid work requirements for the first time, reduced hospital provider taxes and state directed payments to hospitals, changed enrollment and eligibility standards, increased the frequency of Medicaid redeterminations from once annually to twice annually, and made other changes.

Because of the changes, enrollment in the state’s Medicaid program is expected to decrease by about 80 thousand according to KFF. However, these reductions should be considered in the context of recent Medicaid enrollment trends. August Medicaid enrollment was 807 thousand, down nearly 200 thousand from the pandemic peak, and has shown no signs that enrollment will level off prior to HR1’s provisions taking effect.

Kaiser also estimates that 5,400 will lose coverage from changes to Affordable Care Act marketplace, and 3,400 losing coverage from Medicare and other changes in the law. The enrollment reduction will likely lead to an increase in the number of uninsured and possibly more uncompensated care when uninsured people seek care.

HCA stated that to implement these changes on January 1, 2026, HCA would need to establish a program in partnership with BeWell, New Mexico’s Health Insurance Marketplace, and health insurers offering coverage on the Marketplace to ensure premium reductions can be accurately and efficiently provided to consumers until the Marketplace IT platform can be configured to accomplish this within the system long-term. BeWell, New Mexico’s Health Insurance Marketplace has confirmed that it can provide HCA with data to maintain coverage for those losing subsidies and will work diligently to integrate policy changes into its platform for a medium-term, fully-integrated solution.

## OTHER SUBSTANTIVE ISSUES

HCA stated that the New Mexico Legislature has already authorized HCA to protect coverage for individuals and families under 400 percent FPL. \$72.3 million was appropriated for FY26 to ensure HCA was prepared for the loss of federal premium support for lower and moderate-income individuals purchasing coverage on the Marketplace.