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Health Insurance Cost Drivers

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Rate Increases in the New Mexico Healthcare Exchange

- A 24.4 percent average rate increase for individual healthcare coverage on New Mexico's Health Insurance Marketplace for 2027 is outpacing the national average of 15 percent, renewing concerns about the sustainability of state subsidies to the exchange.
- New Mexico was the only state in the nation to experience enrollment growth on its exchange in 2026, with the expiration of enhanced premium tax credits under House Resolution 1. Exchange-based enrollment has continued to grow in New Mexico largely because of the Legislature's decision to replace expired federal enhanced premium tax credits with state-funded subsidies.
- In its justification for higher 2027 rates, the insurance carrier with the largest enrollment on the exchange, Blue Cross Blue Shield of New Mexico, said that insurance claims in 2025 of $310.4 million under individual plans outpaced earned premiums revenue of $270.6 million. At the same time, exchange health plans under the Affordable Care Act must spend at least 80 percent of collected premiums on medical care or provide rebates to consumers. Blue Cross proposed a 29.1 percent rate increase.
- The state is projected to spend $190 million in 2026 on subsidies through the exchange in premium and out-of-pocket cost reductions. New Mexico may need to consider cost-containment measures, such as requiring greater cost-sharing from higher-income enrollees. Consumer advocates note that can spur some people to leave the exchange, eroding its ability to provide affordable care.
- The Office of Superintendent of Insurance (OSI) reported increased individual rates respond to higher-than-expected claims costs in 2025, along with higher utilization of insurance, healthcare cost inflation, and greater use of brand-name drugs. In approving rate changes, it is required to consider the long-term solvency of insurance carriers on New Mexico's relatively small and concentrated exchange of four providers. The agency asserts that its review requirements exceed federal standards and included consumer protection considerations.
- OSI offers guidance for insurance companies as rates are proposed by carriers, not regulators. The agency conducts a 2.5-month actuarial review of all proposed exchange plans that include market-sensitive information not available to the public. A recent LFC program evaluation recommends that OSI collect, record, and publicly report insurance utilization for major categories to promote transparency during the rate process. OSI reviews individual claims data after approving rates.