



HEALTH CARE
AUTHORITY



HCA FY28 BUDGET REQUEST:
HEALTH CARE AFFORDABILITY FUND AND STATE HEALTH BENEFITS
LEGISLATIVE FINANCE COMMITTEE – OCTOBER 22, 2026

KARI ARMIJO, HCA SECRETARY
DEANNA STOCK, DIRECTOR OF COVERAGE AFFORDABILITY & EXPANSION
JOLOU TRUJILLO-OTTINO, STATE HEALTH BENEFITS DIRECTOR

INVESTING FOR TOMORROW, DELIVERING TODAY.

MISSION

We ensure New Mexicans attain their highest level of health by providing whole-person, cost-effective, accessible, and high-quality health care and safety-net services.



HEALTH CARE
AUTHORITY

VISION

Every New Mexican has access to affordable health care coverage through a coordinated and seamless health care system.

GOALS



LEVERAGE purchasing power and partnerships to create innovative policies and models of comprehensive health care coverage that improve the health and well-being of New Mexicans and the workforce.



BUILD the best team in state government by supporting employees' continuous growth and wellness.



ACHIEVE health equity by addressing poverty, discrimination, and lack of resources, building a New Mexico where everyone thrives.



IMPLEMENT innovative technology and data-driven decision-making to provide unparalleled, convenient access to services and information.

AGENDA

- **Accomplishments and HCA
FY28 Budget Request:**
 - Health Care Affordability
Fund
(HCAF – P762)
 - State Health Benefits
(SHB – P521)



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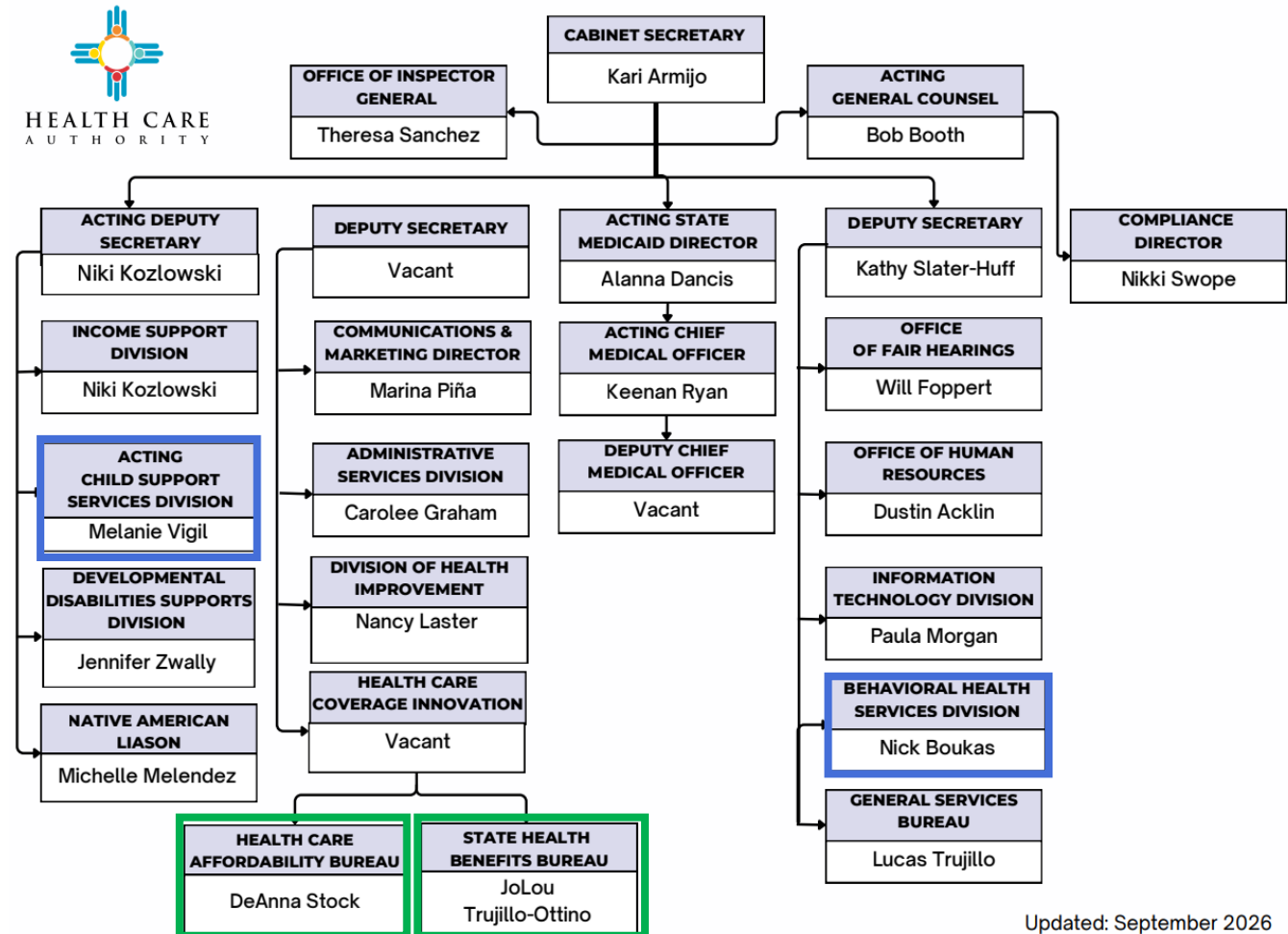
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HCA ORGANIZATIONAL OVERVIEW

- FY28 Budget Request hearings:
 - **September** – Child Support Services Division & Behavioral Health Services Division
 - **October** – Health Care Affordability Fund & State Health Benefits
 - **November** – Income Support Division, Division of Health Improvement & Program Support
 - **December** – Medicaid & Developmental Disabilities Supports Division
- The HCA has:
 - Eight program divisions
 - 2,126 filled FTE (8% funded vacancy rate)
 - 58 field offices across New Mexico
 - 864,470 unique/unduplicated customers (41% of New Mexicans)



Updated: September 2026

HEALTH CARE AFFORDABILITY FUND (HCAF) FY28 REQUEST

HEALTH CARE AFFORDABILITY FUND (HCAF) BUDGET REQUEST

Agency Briefing Sheet		(in thousands)										
AGENCY	BU											
HCA- Health Care Affordability	63000	FY26 ACTUALS	FY27 OPBUD	FY28 REQUEST	Base Inc.	% Base Inc.	Expansion Inc.	% Exp. Inc.	TOTAL FY28 REQUEST	TOTAL \$ Diff. FY27-28	TOTAL % Diff. FY27-28	Notes
	General Fund	\$0.0	\$0.0	\$0.0	\$0.0	0.0%	\$0.0	0.0%	\$0.0	\$0.0	#DIV/0!	
	Federal/Other Funds	\$177,827.6	\$191,322.5	\$316,541.6	\$123,500.0	64.6%	\$125.0	0.1%	\$316,666.6	\$125,344.1	65.5%	
	GRAND TOTAL	\$177,827.6	\$191,322.5	\$316,541.6	\$123,500.0	64.6%	\$125.0	0.1%	\$316,666.6	\$125,344.1	65.5%	
	200-PS & EB	\$1,028.5	\$1,035.9	\$1,035.9	\$0.0	0.0%	\$0.0	0.0%	\$1,035.9	\$0.0	0.0%	
	300 - Contracts	\$1,150.0	\$1,000.0	\$1,200.0	\$200.0	20.0%	\$0.0	0.0%	\$1,200.0	\$200.0	20.0%	
	400 - Other	\$145,850.0	\$159,286.6	\$314,305.7	\$153,300.0	96.2%	\$125.0	0.1%	\$314,430.7	\$155,144.1	97.4%	
	500 - Other Financing Uses	\$30,000.0	\$30,000.0	\$0.0	(\$30,000.0)	-100.0%	\$0.0	0.0%	\$0.0	(\$30,000.0)	-100.0%	
	GRAND TOTAL	\$178,028.5	\$191,322.5	\$316,541.6	\$123,500.0	64.6%	\$125.0	0.1%	\$316,666.6	\$125,344.1	65.5%	
	Authorized FTE			10	0	0.00%	0	0%	10	10	0.00%	
	Budgeted FTE											
	# vacant positions as of 6/30/25											
	Vacancy rate based on budget	0.0%										

■ *FY28 total base request \$316,666.6: \$125,344.1 (39.6% increase) over FY27. Major drivers:*

- Incorporating \$103M in specials from the 2025 First Special Session into the base; and
- Growth in HCAF need due to increased enrollment and higher premiums on the Marketplace (BeWell NM).

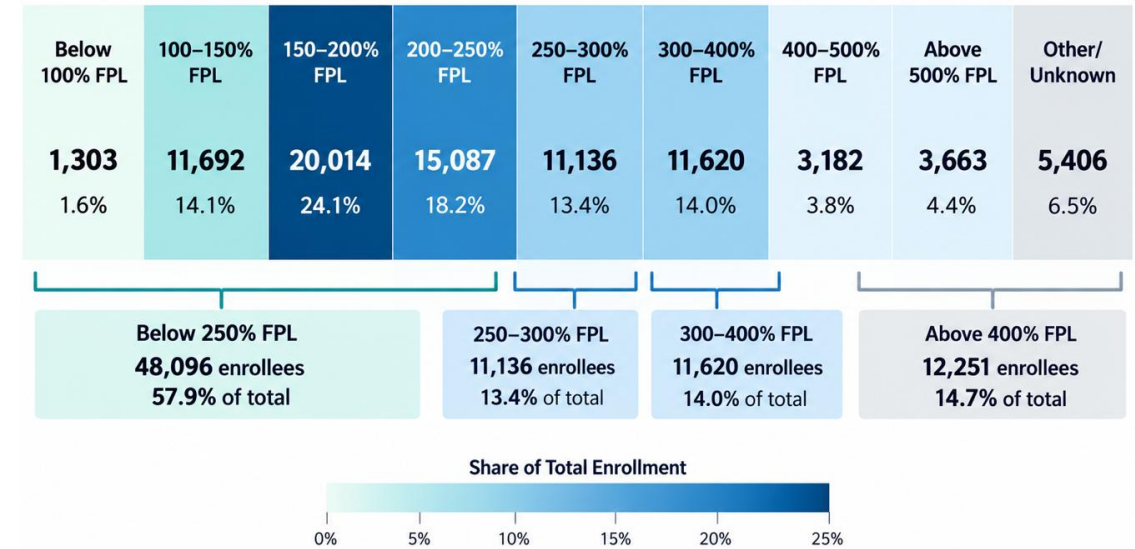


HCAF IS KEEPING NEW MEXICANS COVERED

- NM is the only state to experience a double-digit increase in Marketplace enrollment in 2026:
 - 15.4% increase (83,103 Marketplace-enrolled New Mexicans)
 - 12,790 first-time consumers (14.2% increase)
- Enrollment growth and coverage gains directly attributed to Health Care Affordability Fund (HCAF) programs
- Marketplace enrollment is mainly for individuals who:
 - Have too much income to qualify for Medicaid (58% have income below 250% FPL, approx. \$39,000 for one person; \$82,500 for a family of four) →
 - Cannot obtain health insurance coverage through an employer
 - Certain lawfully present immigrants who no longer have a Medicaid-eligible immigration status (refugees, asylees, and victims of human trafficking) as of October 1

BeWell New Mexico Enrollment by Income Level

2026 Open Enrollment (Medical Plan Selections)

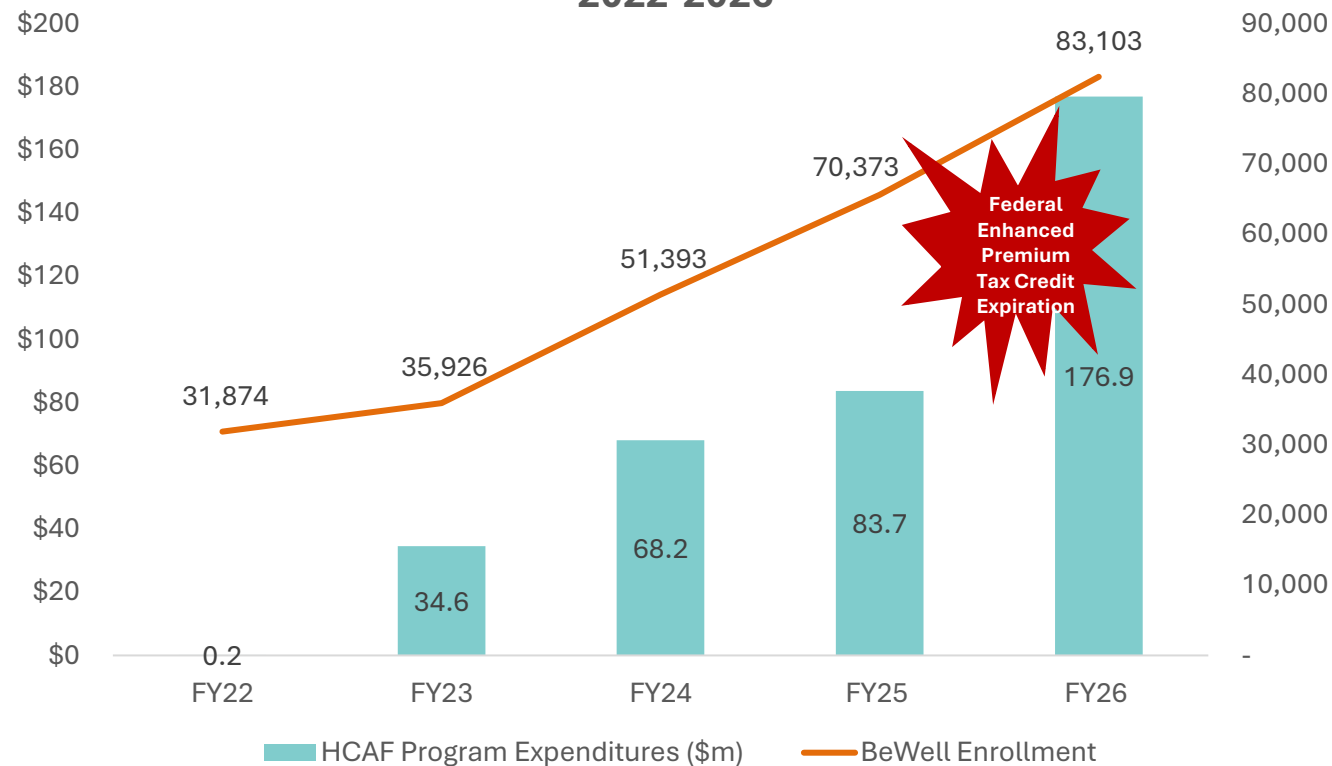


Total medical plan selections: 83,103

Source: CMS 2026 Marketplace Open Enrollment Period Public Use File, New Mexico. Percentages are rounded. Plan selections are not necessarily active paid enrollment.

HCAF BUDGET NEED HAS GROWN DUE TO INCREASED ENROLLMENT AND HIGHER MARKETPLACE PREMIUMS

**BeWell Enrollment and HCAF Spending Trends
2022-2026**



New Mexico was the only state to fully backfill lost enhanced premium tax credits after they expired at the federal level. Without HCAF subsidy assistance enrollee premiums would have increased by **114%** on average in calendar year 2026.

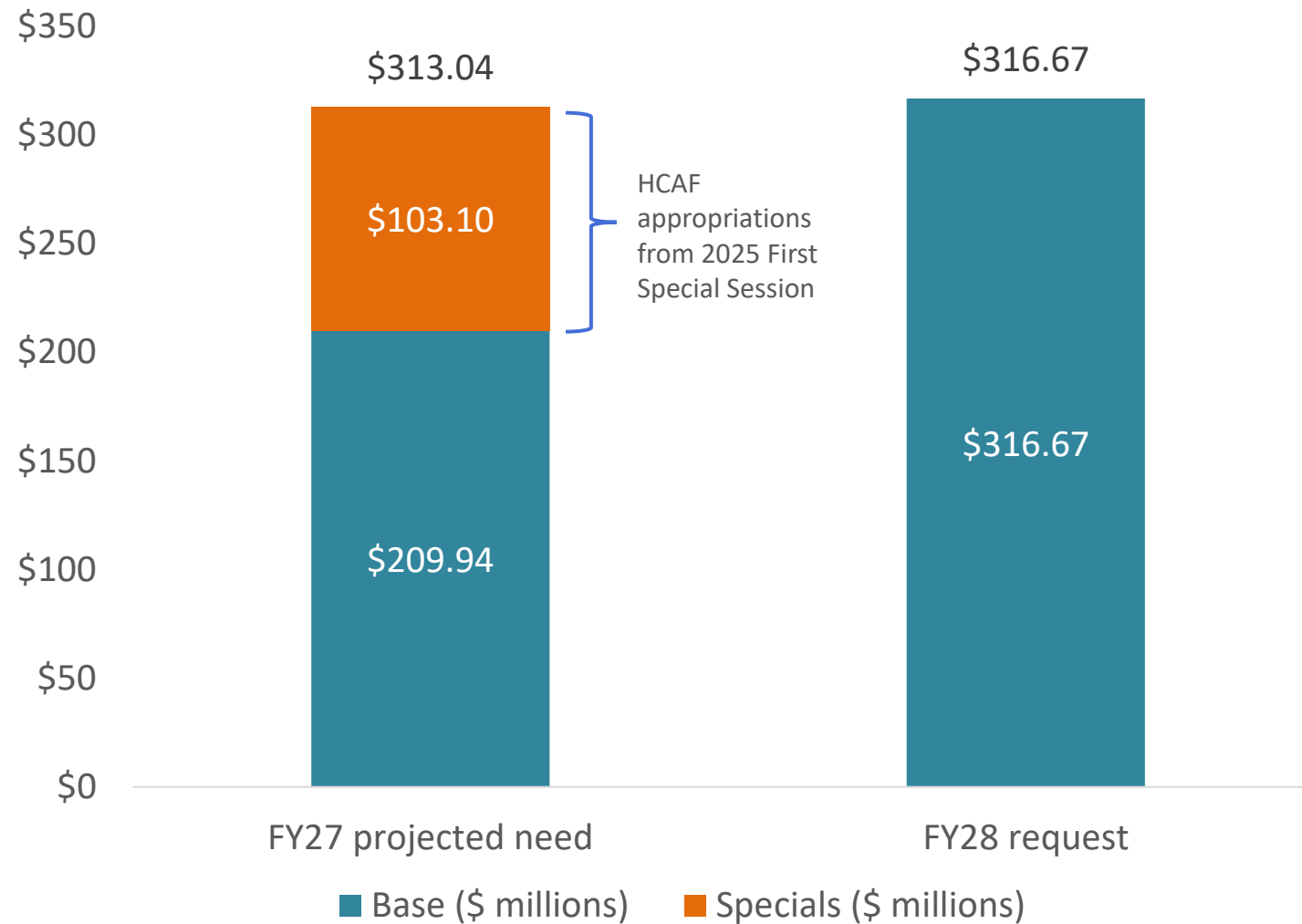


In 2026, due to premium growth (**36%***), loss of federal subsidies and eligibility restrictions, HCAF program costs have doubled.

Source: HCAF program data and BeWell enrollment data. USD amounts are nominal. Enrollment figures are from January of each calendar year. Enhanced APTCs expired on December 31, 2025.

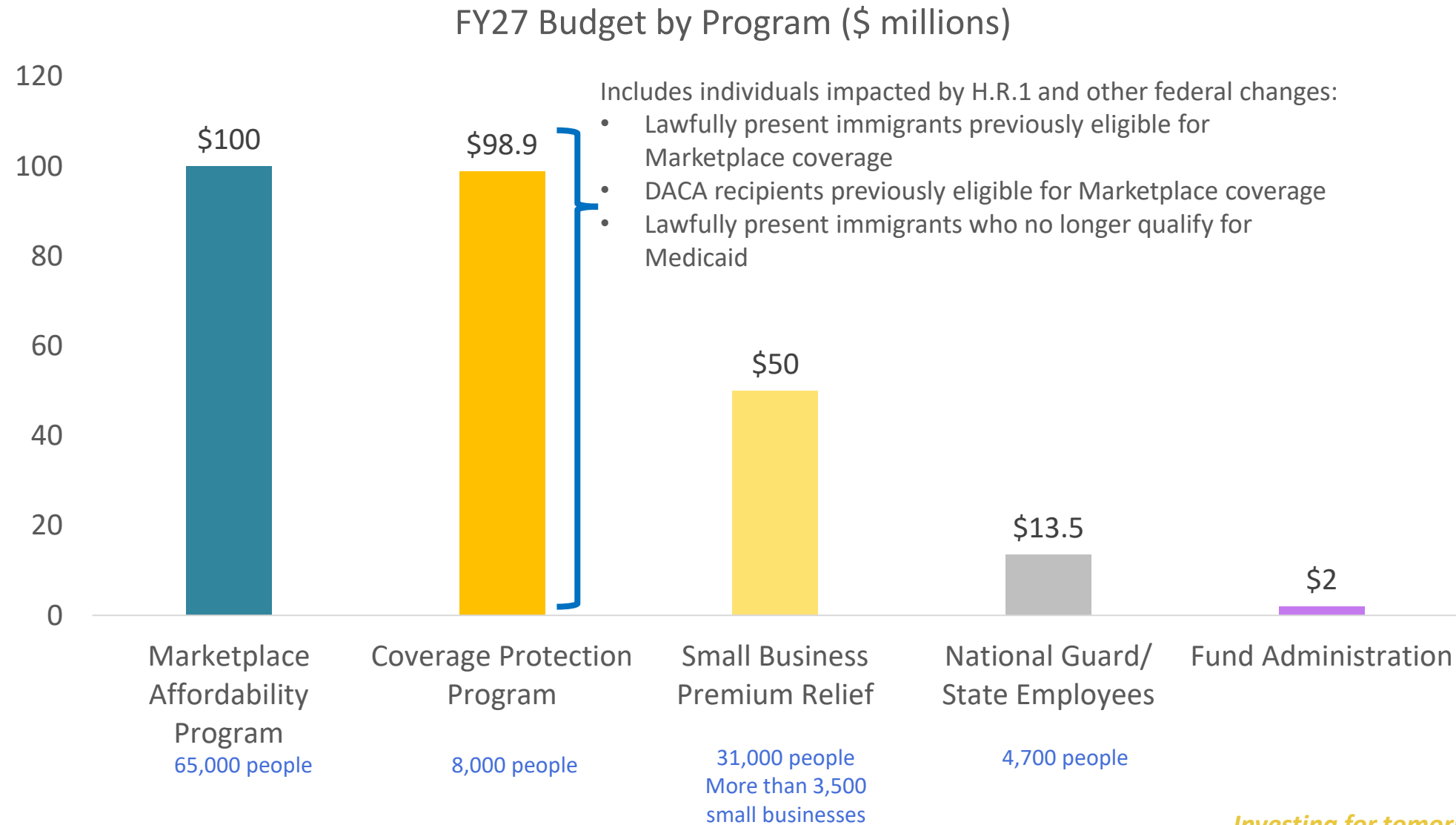
* The Office of the Superintendent of Insurance (OSI) approved a 36% premium increase in 2026. Actual premium increases depend on the plans that consumers choose.

HCAF FY28 BUDGET REQUEST COMPARED TO FY27



Note: FY27 appropriation is \$191.3 base + \$103.1 specials = \$294.4 total

HCAF FY27 PROGRAM EXPENDITURES

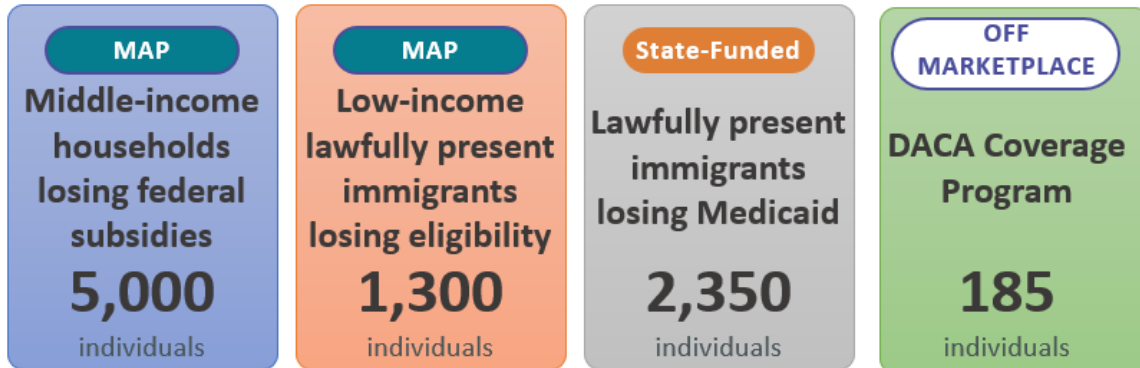


HCAF IS MITIGATING H.R.1 COVERAGE LOSSES

Coverage Protection Program

\$98.9m

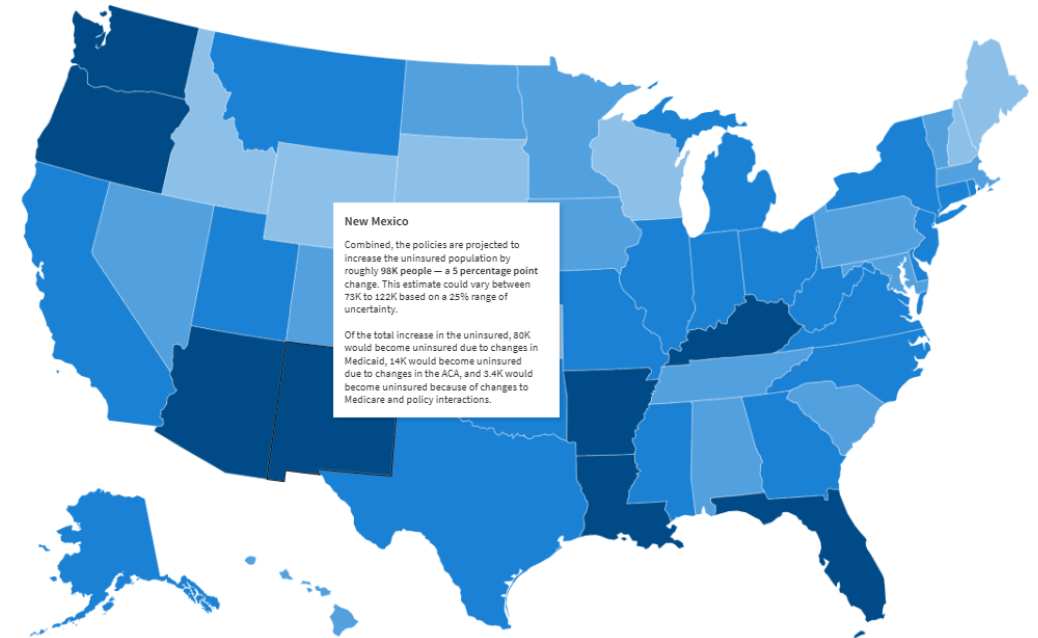
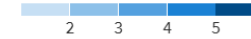
8,000 individuals



An Additional 14.2M People Nationwide Could be Uninsured in 2034 Due To The Budget Reconciliation Package and Expiration of the ACA Enhanced Tax Credits

Percentage Point Increase in the Uninsured Population due to the Budget Reconciliation Package and Expiration of Premium Tax Credits Based on National CBO Estimates, by State

Percentage Point Increase



Note: This map takes into account the combined effects of the budget reconciliation law (formerly known as the "One Big Beautiful Bill Act") and expiration of the enhanced premium tax credits on the uninsured population in 2034 (relative to baseline estimates). See methods for details. CMS also estimates that the finalized Marketplace Integrity and Affordability rule will increase the number of uninsured (its impact will be greatest in 2026, before many of its rules sunset).

Source: KFF analysis of population data from [Weldon Cooper Center for Public Service](#); estimates of uninsured population growth by policy change from [CBO](#), and KFF estimates of how the uninsured increase would be allocated across states (see Methods for additional sources and details). • [Get the data](#) • [Download PNG](#)

KFF

SMALL BUSINESS PREMIUM RELIEF INITIATIVE

Supporting New Mexico's Small Businesses



More than **3,500** Small Businesses Enrolled in 2026



Increased discounts for Gold & Platinum Plans to 15%



Average savings of **\$110.66** per enrollee per month, up from **\$72.62** in 2025

OFF MARKETPLACE

Small Business Premium Relief Initiative

\$50M

31,000 individuals



HCAF FUND BALANCE PROJECTIONS

Consensus Revenue Estimating Group (CREG) Revised Projections

HCAF is projected to have a fund balance surplus of \$177M in FY28.

FY28, \$ millions	Dec 2025 CREG Projections	Aug 2026 CREG Projections
Starting balance	\$36.8	\$100,360.1
Surtax revenue	\$293.0	\$437.0
Expenditures	\$359.9	\$359.9
Ending balance	(\$30.1) short	\$177.4 surplus

Higher surtax estimates are projected to add \$144.0M of revenue to the fund in FY28, resulting in a projected surplus of \$177.4M.

Contributing Factors:

- Distribution of Health Insurance Surtax Revenue will increase from 55% to 80% in FY28, as per HB4 (2026) and;
- Health insurance premiums have risen significantly: OSI approved an average rate increase of 36% for 2026.



STATE HEALTH BENEFITS FY28 REQUEST

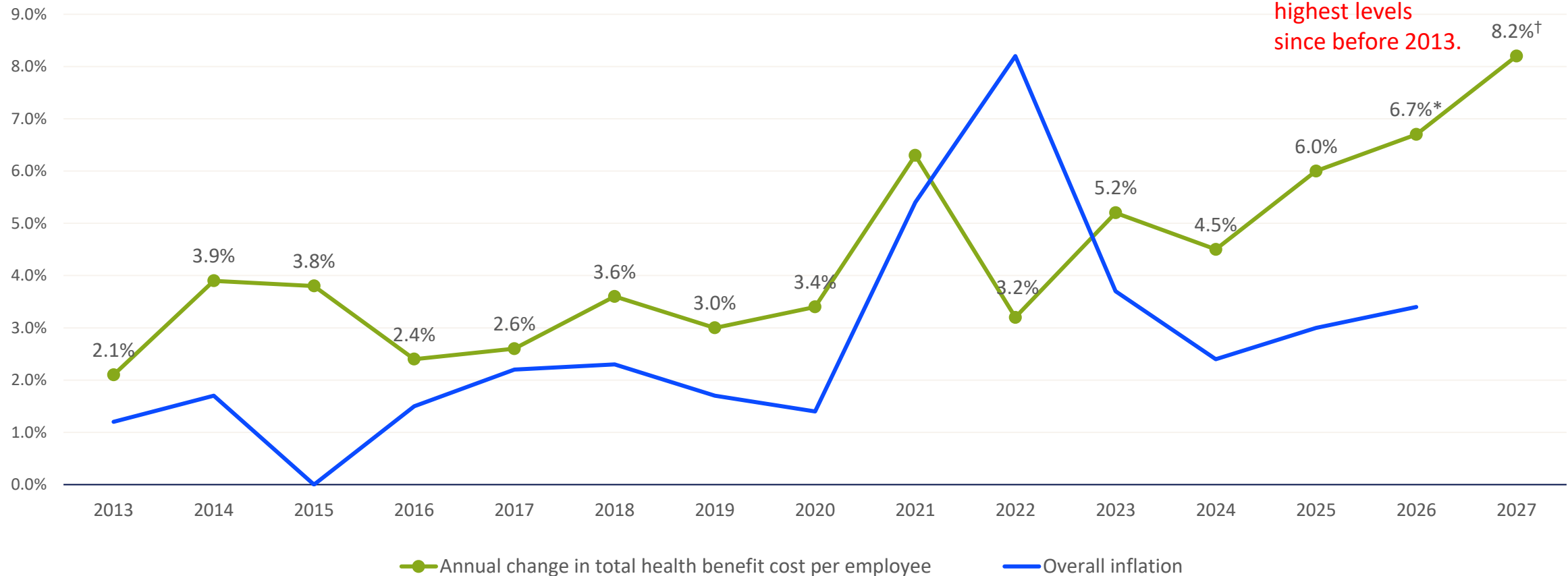
STATE HEALTH BENEFITS (SHB) FY28 BUDGET REQUEST

HCA - State Health Benefits	63000	FY26 ACTUALS	FY27 OPBUD	FY28 REQUEST	Base Inc.	% Base Inc.	Expansion Inc.	% Exp. Inc.	TOTAL FY28 REQUEST	TOTAL \$ Diff. FY27-28	TOTAL % Diff. FY27-28	Notes
General Fund		\$0.0	\$0.0	\$0.0	\$0.0	0.0%	\$0.0	0.0%	\$0.0	\$0.0	0.0%	
Federal/Other Funds		\$662,183.0	\$660,208.1	\$726,889.2	\$66,681.1	10.1%	\$130.0	0.0%	\$727,019.2	\$66,811.1	10.1%	
GRAND TOTAL		\$662,183.0	\$660,208.1	\$726,889.2	\$66,681.1	10.1%	\$130.0	0.0%	\$727,019.2	\$66,811.1	10.1%	
200-PS & EB		\$0.0	\$0.0	\$0.0	\$0.0	0.0%	\$0.0	0.0%	\$0.0	\$0.0	0.0%	
300 - Contracts		\$36,576.0	\$38,475.7	\$41,938.5	\$3,462.8	9.0%	\$0.0	0.0%	\$41,938.5	\$3,462.8	9.0%	
400 - Other		\$625,607.0	\$621,732.4	\$684,950.7	\$63,218.3	10.2%	\$130.0	0.0%	\$685,080.7	\$63,348.3	10.2%	
500 - Other Financing Uses		\$0.0	\$0.0	\$0.0	\$0.0	0.0%	\$0.0	0.0%	\$0.0	\$0.0	0.0%	
GRAND TOTAL		\$662,183.0	\$660,208.1	\$726,889.2	\$66,681.1	10.1%	\$130.0	0.0%	\$727,019.2	\$66,811.1	10.1%	

- *FY28 total base request reflects a 10.1% (\$66,811.1)State Health Benefits premium increase over FY27. Major drivers:*
 - Medical claims inflation trend of 9-10%; pharmacy claims inflation trend of 11-12%; overall combined claims trend of 10.1%;
 - Additional plans offered to employees likely to result in enrollment shifts and cost-stabilization over time, but most employees chose to keep their current plan; and
 - Slight curb in growth trend achieved from hospital Reference-Based Pricing (RBP) and pharmacy management strategies, but this is offset somewhat by generous GLP-1 coverage and recent drug benefit legislation;
- Current medical loss ratio is ~100%; nonrecurring request of \$20M to build a claims reserve over time
 - Still below industry target of 6-8 weeks of claims reserve (\$71-\$95M)

EMPLOYERS EXPECT HEALTH BENEFIT COST PER EMPLOYEE TO RISE 8.2% IN 2027 (AFTER MAKING CHANGES TO CURRENT PLANS)

Change in total health benefit cost per employee compared to CPI



*Projected. The actual cost increase for 2026 will be available later this year. †Preliminary data

Source: Mercer's National Survey of Employer-Sponsored Health Plans (beginning in 2020 results are based on employers with 50 or more employees); Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (September to September) 2013-2025 (July to July) 2026.

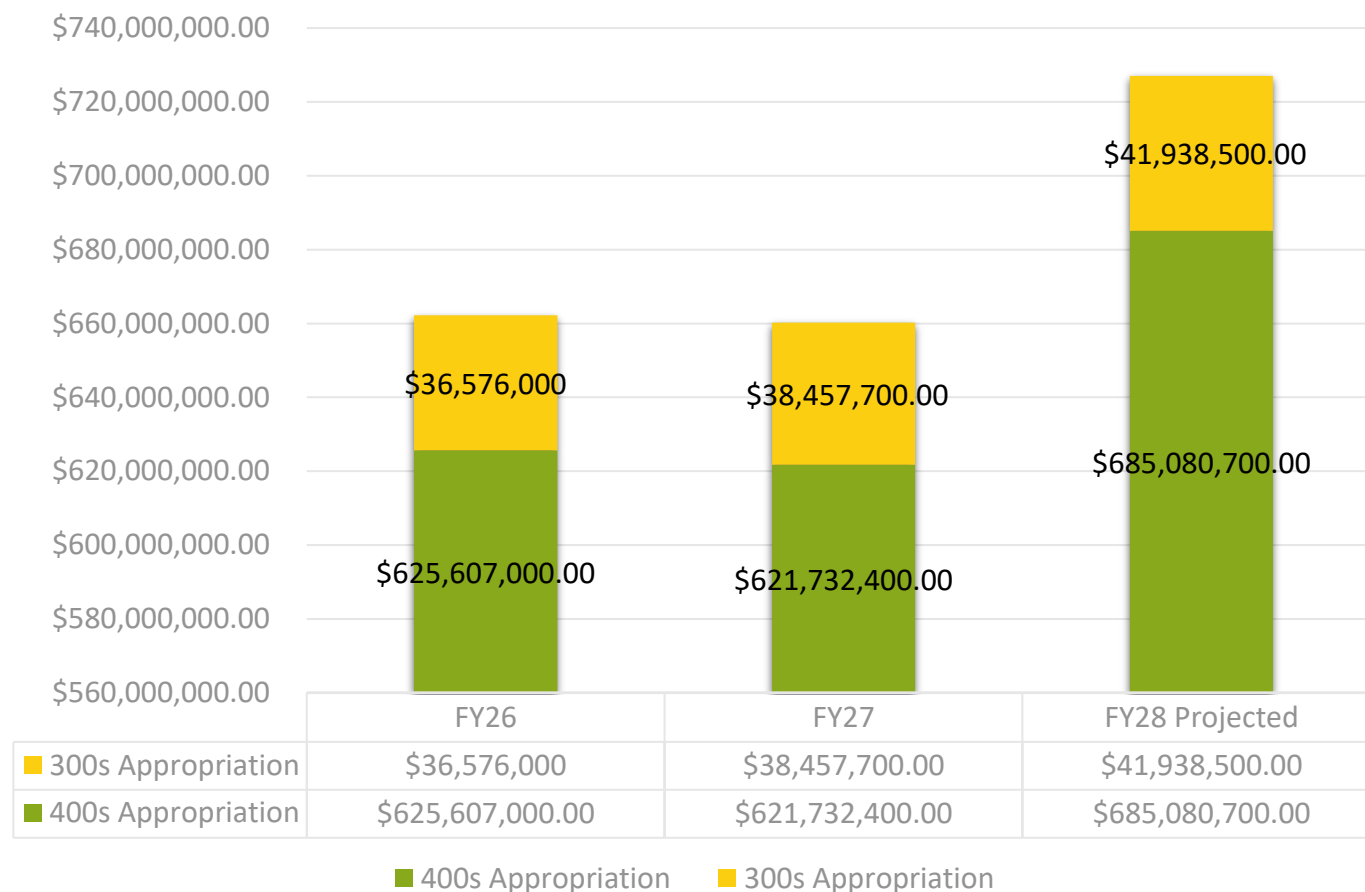
SHB ACCOMPLISHMENTS

- New medical benefit structure with three health plans (adding United) and four standardized plan designs – including new richer HMO and lower-cost HSA-eligible options for employees (implemented July 2026).
- Contract improvements of \$11M in the last year of the CVS pharmacy contract.
- Transition to a new pharmacy benefit manager (ESI) jointly procured by the IBAC agencies; transparent pricing model eliminating spread pricing and implementing pass-through pricing.
- Expansion of dental and vision benefits, including new enhanced buy-up benefit options based on feedback from employees.
- Alignment of the benefit plan year with the state fiscal year.
- Nearly \$40M in savings achieved from hospital Reference-Based Pricing (RBP).
- Upcoming value navigation procurement will encourage members to use high-value providers (lower cost, higher quality).
- Active RFPs for onsite state employee health clinic, life insurance, Employee Assistance Program; RFPs completed for medical, vision, dental, and pharmacy benefits.
- Since the HCA was established in July 2024, stabilized fiscal performance; however, risk remains without a claims reserve.

FY28 STATE HEALTH BENEFITS PROJECTION

- Projected costs of \$727,019.2, a 10.1% increase above FY27.
- Key drivers:
 - Increased member utilization, including a higher volume of high-cost claims.
 - Pharmacy trend:
 - GLP-1 utilization
 - Total national spending increased over 500% 2018-2023 – from \$13.7B to \$71.7B; general usage for weight-loss currently 11% of population*
 - Specialty new-to-market drugs
 - NM shift away from formulary/prior authorization reduces rebates and preferred pricing
 - Growth in hospital costs

SHB Revenue & Expenses FY 26 - 28



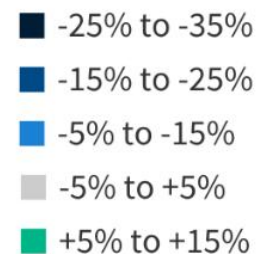
*Source: <https://news.gallup.com/poll/712157/glp-usage-reaches-new-high.aspx>

HCA FY28 BUDGET REQUEST PROTECTS ACCESS TO HEALTH CARE FOR NEW MEXICANS

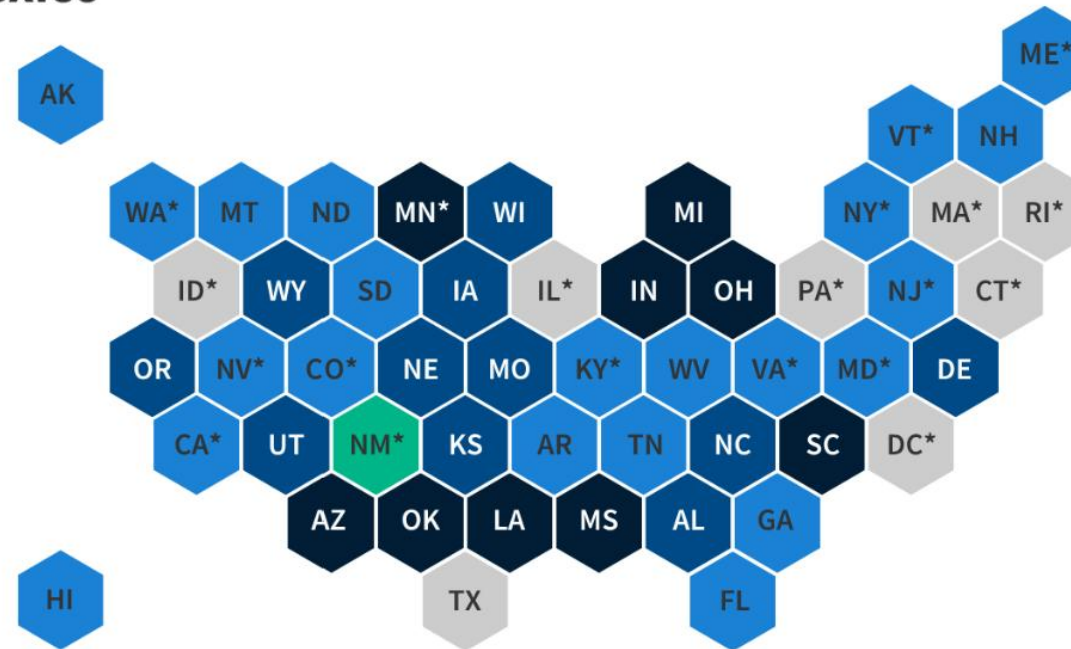
Doing More and Defying Labels in New Mexico

ACA Marketplace Effectuated Enrollment Fell in Nearly Every State But Rose in New Mexico

Change in February effectuated enrollment, by state, 2025-2026



Note: *Denotes state-based Marketplaces that run their own enrollment platforms. Plan selections reflect end of open enrollment; effectuated enrollment for February, as of May 5, 2026.



Source: [Doing More and Defying Labels in New Mexico](#) | KFF



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QUESTIONS & COMMENTS

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