

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

January 18, 2024

Bill: HB-7

Sponsor: Representative Reena Szczepanski

Short Title: Health Care Affordability Fund Distribution

Description: This bill amends Section 7-1-6.69 NMSA 1978 to keep the distribution made to the Health Care Affordability Fund at 55% of the net receipts attributable to the health insurance premium surtax. This distribution is currently scheduled to decrease beginning July 1, 2024.

Effective Date: Not specified; 90 days following adjournment (May 15, 2024).

Taxation and Revenue Department Analyst: Lucinda Sydow

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2024	FY2025	FY2026	FY2027	FY2028		
(\$20,500)	(\$81,400)	(\$83,200)	(\$85,700)	(\$88,300)	R	General Fund
\$20,500	\$81,400	\$83,200	\$85,700	\$88,300	R	Health Care Affordability Fund

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact: The Taxation and Revenue Department (Tax & Rev) 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. Tax & Rev isolated the portion of health insurance premium surtax revenue from health insurance and applied the continuation of the 55% distribution to the Health Care Affordability Fund (HCAF). Under current law, the distribution to the HCAF under 7-1-6.69 NMSA 1978 changes to 30% on July 1, 2024. The last fiscal year quarterly payment is due July 15 and the revenue accrues back to June. Maintaining the distribution at 55% will impact the last quarterly payment in FY24 as the CREG’s December 2023 forecast assumes the impact of the change in distribution under current law.

Policy Issues: The revenue distributed to the HCAF reduces the cost of health insurance premiums for those who obtain coverage through the New Mexico Health Insurance Exchange. The continuation of a higher distributions to that fund will improve access to affordable health insurance across New Mexico.

When uninsured individuals face serious health conditions, they often turn to urgent care or emergency room care, which is costlier for the individual as well as the healthcare system. States must often cover the cost for uninsured individuals for “uncompensated care” for which no payment is received from a patient or insurer. The greater the uninsured population, the more health insurance premiums increase for the insured to cover uncompensated care. Expanding coverage helps the entire healthcare system by reducing uncompensated care.

Decreased general fund revenue from this source will slightly increase volatility in overall General Fund revenue. The estimated loss of general fund in FY2025 is approximately 0.6% of the forecasted recurring General Fund revenue.

Technical Issues: None.

Other Issues: None.

Administrative & Compliance Impact: Tax & Rev will update reports and make information system changes. Implementing this bill will have a minor impact on Tax & Rev’s Information Technology Division (ITD) of approximately 220 hours or one and half months and \$12,210 of staff workload costs. Tax & Rev’s Administration Services Division (ASD) will require one existing FTE with 60 hours split between pay-band 70 and 80 positions to test the new distribution and amended reports.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2024	FY2025	FY2026	3 Year Total Cost		
\$12.2	--	--	\$12.2	NR	Tax & Rev – ITD staff workload
\$3.9	--	--	\$3.9	NR	Tax & Rev – ASD staff workload

* In thousands of dollars. Parentheses () indicate a cost saving. ** Recurring (R) or Non-Recurring (NR).