

**Bill Analysis and Fiscal Impact Report  
Taxation and Revenue Department**

**January 25, 2026**

**Bill:**  
HB-4

**Sponsor:**  
Representative Reena Szczepanski

**Short Title:**  
Health Care Affordability Fund Distributions

**Description:**  
This bill changes the distributions percentages between the General Fund and the Health Care Affordability Fund (HCAF) from the health insurance premium surtax starting September 1, 2026 (impacting the full FY2027). The percent distributed to the HCAF is increased from 55% to 100%, and the General Fund distribution is eliminated.

**Effective Date, Applicability, and Contingency Language:**  
Not specified or 90 days following adjournment (May 20, 2026).

**Taxation and Revenue Department Analyst:**  
Lucinda Sydow

**Estimated Revenue Impact\***

| <b>FY26</b> | <b>FY27</b> | <b>FY28</b> | <b>FY29</b> | <b>FY30</b> | <b>Recurring or Non-Recurring</b> | <b>Fund(s) Affected</b>        |
|-------------|-------------|-------------|-------------|-------------|-----------------------------------|--------------------------------|
| -           | (\$176,300) | (\$164,800) | (\$162,200) | (\$162,300) | R                                 | General Fund                   |
| -           | \$176,300   | \$164,800   | \$162,200   | \$162,300   | 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 2025 Consensus Revenue Estimating Group (CREG) forecast for insurance premium tax and health insurance premium surtax revenue to determine the impact of the change in distributions. Tax & Rev isolated the portion of the health insurance premium surtax distributed to the General Fund in the forecast and directed it to the HCAF so that the fund receives 100% of the surtax revenue starting in FY2027.

**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. 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 state is at risk for growth in the uninsured population due to future changes in the eligibility requirements for Medicaid. 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.

On January 1, 2026, premium tax credits (PTC) enacted under the American Rescue Plan and extended by the Inflation Reduction Act expired for more than 20 million people across the United States. These credits previously subsidized the cost of health insurance plans through insurance marketplaces including BeWell, New Mexico’s Health Insurance Marketplace. These subsidies were seen to particularly increase health insurance enrollment of black and latino individuals and families with lower incomes.<sup>1</sup> The subsidies were also impactful to transition those who lost Medicaid after the end of COVID era funding. Depending on a household’s federal poverty level, premium increases are estimated to increase from 55% to over 300%.<sup>2</sup> New Mexico has appropriated state dollars to assist these families in fully replacing the lost federal subsidies and maintain health insurance. This increase to the HCAF will aid in maintaining the level of support needed to keep individuals and families insured.

Decreased General Fund revenue from this source will slightly increase volatility in overall General Fund revenue. The estimated loss of General Fund in FY2027 is approximately 1.3% 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 100 hours or half a month and \$25,000 of contractual costs. Tax & Rev’s Administration Services Division (ASD) will require two existing FTE with 60 hours split between pay-band eight and 10 positions to test the new distribution and amended reports. This will require \$4,100 in staff workload time.

**Estimated Additional Operating Budget Impact\***

| FY26 | FY27  | FY28 | 3 Year Total Cost | Recurring or Non-Recurring | Fund(s) or Agency Affected |
|------|-------|------|-------------------|----------------------------|----------------------------|
| --   | \$25  | --   | \$25              | NR                         | ITD – Contractual Costs    |
| --   | \$4.1 | --   | \$4.1             | NR                         | ASD – Staff Workload       |

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

<sup>2</sup> Ibid.

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