

LFC Requester:

Eric Chenier

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
[AgencyAnalysis.nmlegis.gov](https://www.nmlegis.gov/AgencyAnalysis) and email to billanalysis@dfa.nm.gov
(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 2/17/26 **Bill Number:** HB4 **Original Amendment X Substitute** X

Short Title: ADJUSTS DISTRIBUTIONS TO HEALTH CARE AFFORDABILITY FUND

Sponsor: Rep. Reena Szczepanski

Name and Code Number: HCA 630

Person Writing: Colin Baillio

Phone: 505-629-2684 **Email:** Colin.Baillio@hca.nm.gov

SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$0.0	\$0.0	N/A	N/A
\$0.0	\$0.0	N/A	N/A

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue				Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28	FY29		
\$0.0	\$(176,300.0) \$0.0	\$(164,800.0) (\$91,555.6)	\$(162,200.0)	Recurring	General Fund

\$0.0	-\$176,300.0	\$0.0	\$164,800.0 \$91,555.6	\$164,800.0 \$144,177.8	Recurring	Health Care Affordability Fund
\$0.0	\$0.0	\$0.0	\$0.0	\$18,022.2	Recurring	Behavioral Health Program Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0.0	\$0.0	\$0.0	\$0.0	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 4 distributes all 80% of revenues generated from the health insurance premium surtax to the Health Care Affordability Fund (HCAF) in FY28 and 100% of such revenues to HCAF in FY29 and every year thereafter starting in FY27. Beginning in FY29 and every year thereafter, 5% of the surtax revenue is distributed to the Behavioral Health Program Fund. Any funds in the Behavioral Health Program Fund not expended at the end of a fiscal year revert to the HCAF.

FISCAL IMPLICATIONS

HB 4 would increase HCAF revenue by \$176.3 million in FY27 and \$164.8 million in FY28 \$91.6 million in FY28 and \$162.2 \$144.2 million in FY29. The bill would reduce the General Fund revenue by the same amounts. These figures are based on data received from the Taxation and Revenue Department. **This revenue would allow HCA to protect against significant federal reductions to health care programs, minimizing coverage loss, and ensuring affordable coverage for thousands of New Mexicans.**

The FY27 Executive Budget Recommendation includes \$366.3 million for coverage affordability programs, Medicaid Expansion, and fund administration. The Executive Recommendation is designed to directly address the federal reductions described above, including cuts to the Premium Tax Credit for individuals under 400% FPL, elimination of the Premium Tax Credit for individuals above 400% FPL, and restrictions on Premium Tax Credit and Medicaid eligibility for lawfully present immigrants in HR 1. HB 4 would increase FY27 HCAF revenue from

~~\$215.5 million to \$391.8 million and~~ FY28 HCAF revenue from \$201.4 million to \$366.2 million **\$292.9 million**. The HCAF balance at the end of FY26 is projected to be **\$105.5 million** ~~\$86.9 million, which is slightly higher than DFA's estimate of \$74.6 million because it is based on current FY26 spending projections. Without HB 4, the HCAF would have a deficit of \$63.9 million at the end of FY27, or programs would have to be cut significantly.~~ **Even with HB 4, HCA anticipates cost containment measures will be necessary to maintain a positive fund balance in future years.**

The fund balance projection assumptions are based on updated HCA projections on FY26 spending and FY27 projections are based on the statutorily required actuarial study. See the table on the following page for the components of the Executive Recommendation and the potential impacts of not funding the request.

HCAF Affordability Program	Executive Budget Recommendation (000s)	Consequence of Not Funding
Fully funds state premium assistance for 61,383 BeWell enrollees under 400% FPL.	\$103,741.2	Across the board premium increases on average of 114% and up to 27,000 New Mexicans would become uninsured.
Fully funds state out-of-pocket assistance for 62,785 BeWell enrollees under 400% FPL.		Patient out-of-pocket costs would increase by at least \$30 million.
Fully funds the Small Business Premium Relief Initiative for 4,000 small businesses.	\$53,662.1	Between 10-15% premium increases on small businesses and their employees.
Fully funds affordability program for 14,901 lawfully present New Mexicans losing Medicaid eligibility due to HR 1.	\$92,900.0	11,025 low-income New Mexicans would lose full coverage.
Fully funds affordability program for 4,627 lawfully present New Mexicans on BeWell losing eligibility due to HR 1.	\$30,142.8	Up to 4,627 New Mexicans would lose coverage.
Fully funds affordability program for 112 Deferred Action for Childhood Arrivals (DACA) recipients.	\$777.6	112 DACA recipients likely to lose coverage.
Fully funds premium assistance for 6,300 BeWell enrollees over 400% FPL.	\$38,100.0	Premiums would increase by 106% on average for 6,300 enrollees.
Fully funds affordability programs for moderate income state employees and members of the National Guard.	\$13,509.9	Significant premium increases for approximately 5,100 State employees and hundreds of National Guard members.
Medicaid Expansion	\$30,000.0	Additional Medicaid Expansion GF costs.
Fund administration	\$3,430.5	Staffing, contracts (i.e., actuarial, outreach, etc.), and operating costs would not be funded.
TOTAL	\$366,264.1	Significant cost increases on New Mexicans and significant loss of health insurance.

SIGNIFICANT ISSUES

The HCAF was created during the 2021 Legislative Session to lower the cost of health care for New Mexicans. The HCAF is financed through a distribution of the surtax on health insurance companies. The HCAF was designed to provide affordable coverage for New Mexicans and protect against high premiums and out-of-pocket costs. Currently, 55% of surtax revenues are distributed to HCAF, which is \$215.5 million in FY27. All other revenues are distributed to the General Fund.

New Mexico is facing unprecedented federal reductions to critical health care programs and significant changes to eligibility for health insurance and health coverage programs. The two greatest policy changes affecting coverage access and affordability are:

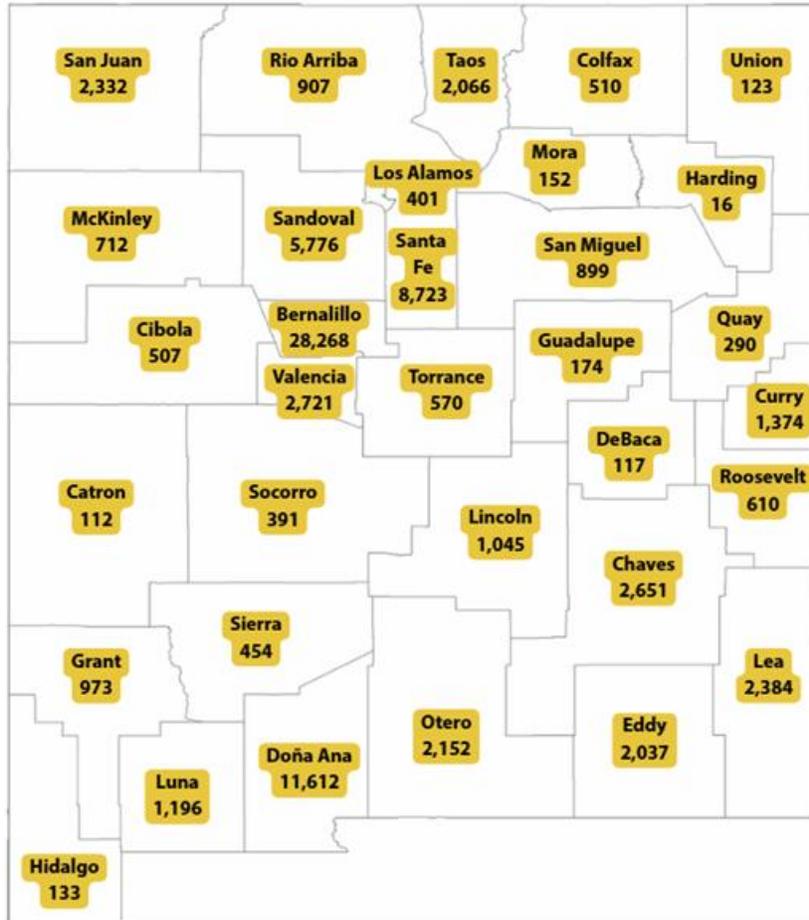
- 1) The expiration of the federal enhanced Premium Tax Credit on December 31, 2025, which shifts significant costs onto working families by cutting the federal contribution to premium assistance for those under 400% of the Federal Poverty Level (FPL) and eliminating eligibility for premium assistance entirely for those over 400% FPL. This affects the coverage New Mexicans purchase through BeWell, New Mexico's Health Insurance Marketplace.
- 2) HR 1, the federal budget bill passed in July of 2025, which restricts eligibility for thousands of low- and moderate-income lawfully present individuals and families who will lose access to vital and affordable health coverage without state investments.

To respond to these federal cuts, the Health Care Authority (HCA) submitted a FY27 budget request that funds these programs with HCAF dollars, minimizing coverage loss and limiting significant premium increases. To sustain these programs, HB 4 would distribute all revenues generated by the surtax on health insurance companies to the HCAF.

One of the key programs under the HCAF makes coverage more affordable for individuals who purchase private health insurance on BeWell. The program provides premium and out-of-pocket assistance for New Mexicans to make coverage affordable. Since the program launched in January 2023, enrollment has more than doubled.

During the recent Open Enrollment Period that ended on January 15, BeWell reported an increase in enrollment in every county in New Mexico. New Mexico overall saw a 17.1% enrollment increase compared to last year's open enrollment period. This occurred even as many other states reported decreases in enrollment due to skyrocketing costs and the loss of the enhanced Premium Tax Credit.

BeWell Enrollment by County (January 2026)



Health insurance premiums are more expensive in rural areas, which is why state subsidies have an even greater impact on affordability in rural New Mexico. The FY27 Executive Budget Recommendation means larger premium and out-of-pocket subsidies on BeWell for rural New Mexicans and greater premium discounts for rural small businesses. While 23% of New Mexicans live in rural areas, 34% of BeWell enrollees (28,024 individuals) live in rural New Mexico and 33.9% of lawfully present Medicaid enrollees losing eligibility under H.R. 1 (5,052 individuals) live in rural New Mexico.

Loss of coverage, leading to an increase in uncompensated care, can have especially negative impacts in rural areas. When families forego lower cost preventive treatment, chronic illnesses go untreated, health outcomes worsen, and individuals instead access higher-cost emergency services that hospitals are required by law to provide. Hospitals lose essential revenue, treat the uninsured at a loss, are forced to reduce workforce, and some, especially rural hospitals, could close their doors. Uncompensated care costs can reduce hospital operating margins and factor in hospital closures, leaving rural residents with farther to travel and less options for health care

services. This puts additional pressure on private insurance premiums, as hospitals shift costs to stay afloat. The possible loss of Medicaid coverage for New Mexicans due to their lawfully present immigration status because of HR 1 is likely to contribute to this problem.

To protect individuals and families from these increased costs and the loss of access to affordable health care, and to help maintain affordable health insurance coverage amid ongoing federal policy changes, the legislature increased funding for these programs in Fiscal Year 2026. During the 2025 legislative session, the Legislature appropriated \$22.3 million to backfill the federal subsidy cuts for those under 400% FPL. During the first 2025 special session, the legislature amended §§ 59A-23F-11 and 59A-23F-12 to expand eligibility requirements and appropriated \$17.3 million in additional funds to prevent those above 400% FPL from losing assistance. The federal enhanced subsidies expired on December 31, 2025, causing significant premium increases across the country. New Mexico was the only state to fully backfill those subsidies.

HCAF funds have been essential for protecting New Mexicans from high costs; however, the magnitude of federal cuts and the increased number of enrollments require greater ongoing state investments to minimize loss of coverage. Losing health insurance has far-reaching impacts beyond the health insurance market, affecting health care access, family budgets and financial stability, uncompensated care, and the health care workforce.

HB 4 is critical for the Fund to protect New Mexicans from massive premium increases and coverage loss. The distribution will ensure sufficient revenue will be available on an ongoing basis and to minimize coverage losses. Without HB 4, thousands of New Mexicans will face coverage disruptions, increased costs, and heightened vulnerability to negative health outcomes due to delayed care. With HB 4, the HCAF could maximize access to affordable coverage.

PERFORMANCE IMPLICATIONS

The Taxation and Revenue Department would be accountable for implementing the change in the tax distribution. The change in the distribution itself will not directly impact HCA operations. If the Legislature appropriates additional funds generated from HB 4, HCA will be able to mitigate significant coverage loss and ensure affordable coverage for many New Mexicans put at risk by federal cuts. By ensuring sufficient resources for coverage protection programs, HB 4 also supports the continuation of existing programs, such as the Small Business Premium Relief Initiative, the State Employee Premium Assistance Program, the BeWell out-of-pocket assistance program, and premium support for members of the New Mexico National Guard.

ADMINISTRATIVE IMPLICATIONS

HCA will work with the Taxation and Revenue Department to ensure the distribution is smoothly transitioned to 100%⁹⁵. HB 4 takes effect in FY20⁸⁷.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB4 does not pass, New Mexicans will have reduced access to health care and experience an increase in negative health outcomes. The HCAF would not have sufficient revenue to respond to the federal cost reductions that are most directly causing loss of coverage. Consumer premiums will increase substantially, and uncompensated care will become more prevalent. It is anticipated that the impact of uncompensated care will be most dramatically felt in rural areas where providers and facilities are at greatest risk of shutting down.

AMENDMENTS

None.