

LFC Requester:**Sunny Liu****AGENCY BILL ANALYSIS - 2026 REGULAR SESSION****WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****AgencyAnalysis.nmlegis.gov 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:** 1/24/2026*Check all that apply:***Bill Number:** SB 0125Original Correction Amendment Substitute **Sponsor:** Roberto "Bobby" J. Gonzales**Agency Name
and Code**New Mexico Public Schools**Number:**Insurance Authority 34200**Short** SCHOOL EMPLOYEE**Person Writing**Kaylynn Roybal**Title:** INSURANCE**Phone:** 505-479-1672**Email** Kaylynn.Roybal@psia.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(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		\$56,800	\$56,800	\$113,600	Recurring	Public School Support
	0	\$759.2	\$759.7	\$1,486.9	Recurring	PSIA Program Support

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: HB47
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

SB 125 amends Section 13-7-3 NMSA 1978 to remove language excluding publicly funded health care programs of school districts with student enrollment in excess of sixty thousand students and revises the definition of “school district” by deleting the exclusion for districts with more than sixty thousand students.

The bill amends NMSA §22-29-9 to require school districts and charter schools participate in the Authority unless granted a waiver by the NMPSIA board, and provides that beginning July 1, 2027, the NMPSIA board shall not grant waivers for health insurance, disability income insurance, or term life insurance.

The bill specifies that any waiver for health, disability income, or term life insurance is not effective after June 30, 2027, and updates waiver petition requirements for districts and charter schools granted waivers prior to that date.

SB 125 amends NMPSIA group insurance contribution provisions to require school districts and charter schools to contribute at least eighty percent of the cost of insurance, provides that

- contribution rates for state educational institutions enumerated in Article 12, Section 11 of the New Mexico Constitution are set by their respective boards of regents,
- rates for other state post-secondary educational institutions are set by their governing boards, and
- contribution rates for participating nonprofit organizations are determined by the organization.

Additionally, SB 125 adds language requiring the state or responsible public bodies administering group plans to adopt reference-based pricing.

The effective date of the provisions of Sections 1, 4 and 5 is July 1, 2026.

The effective date of the provisions of Sections 2 and 3 is July 1, 2027

FISCAL IMPLICATIONS

School districts and charter school will need recurring funding to maintain the required contributions of at least 80% of the cost of coverage.

NMPSIA will not realize additional revenue as a result of the requirement that school districts and charter schools contribute at least 80 percent of the cost of coverage. Premiums are set based on plan design and individual employee benefit elections. The increased contribution requirement

shifts a greater share of the existing premium cost from employees to school districts and charter schools but does not alter the total premium collected by the agency. As a result, the fiscal impact is borne by school districts and charter schools rather than NMPSIA who administers the insurance plans.

Assuming administration of a large school district is expected to result in increased costs for the authority, including administrative fees, per-member-per-month (PMPM) charges, and claims costs. Current premium revenue and claims experience for the district are not shared with NMPSIA, as a result the extent of the impact cannot be quantified at this time.

It is expected that both premium revenue and claims costs will increase in proportion to the added membership. Administrative planning must also account for the district's existing vendor contracts and any contractual obligations currently in effect, as costs associated with contract termination or modification are not the responsibility of the authority and would need to be addressed by the school district.

The authority and its benefit consultant would review the relative value of the district's current benefit offerings and may develop new plan designs that provide coverage for these employees that is equal to or better than their existing benefits.

SIGNIFICANT ISSUES

The proposal to have school districts and charter schools provide at least 80% of the cost of insurance brings it in alignment with executive, judicial or legislative departments, including agencies, boards or commissions statutory requirement to pay 80% of the cost of insurance. (see 10-7-4 (E), page 4, lines 2-5.)

Most school districts and charter schools currently align their premium cost-share models with the minimums required in state law. However, 30 school districts and charter schools have adopted higher cost-share models, with two paying 100 percent of employees' premiums and 14 already using a 80/20 cost-share model.

The impact of an 80/20 cost-share model on public school employees would vary depending on their income, as employees earning below \$50 thousand already pay 20 percent of their premium. Since level 1 licensed teachers will earn at least \$55 thousand in FY27, an 80/20 cost-share model would lower the cost of premiums for licensed teachers but may not benefit some support staff,

Enactment of an 80/20 cost-share model may lead to more public school employees electing to enroll in health coverage. After the enactment of a previous revision to premium contributions in Laws 2023, Chapter 83 (House Bill 533), approximately 837 additional public school employees chose to enroll in a NMPSIA healthcare plan. Most of these employees were earning above \$60 thousand, suggesting the revision to health premium contributions was an incentive for administrators and level 3 teachers to enroll in health coverage.

Public school employees in school districts and charter schools that already have an 80/20 cost-share model also have a higher proportion of employees who chose to enroll in a high option health plan. In FY25, 79 percent of employees in a school district or charter school with an 80/20 cost-share model enrolled in a high option plan, compared to 71 percent of employees in school districts or charter schools following the statutory minimums. This suggests lower premium contributions could improve recruitment and retention of public school employees.

PERFORMANCE IMPLICATIONS

Reference based pricing as allowed in SB 376, is set for an implementation date of 2/1/2026 for NMPSIA. We are pleased this legislation requires the legal standing behind reference based pricing and our responsibility to implement. This cost containment measure is estimated to save the agency \$16 million in FY27.

ADMINISTRATIVE IMPLICATIONS

Removal of the student enrollment exclusion will require the authority to assume administration for a large school district currently outside the system. This transition would necessitate 4 additional FTE's (for the administration of benefits) for the authority, potentially additional workspace, and the school district will need operational capacity to support enrollment, eligibility, and ongoing benefit administration for the districts employees. Any affected school district would be required to establish or reassign staff to administer benefits for its employees, commonly referred to as benefit specialists. School districts of comparable size would typically require between two and three (in some cases, up to five) full-time positions dedicated to benefit administration. Staffing and facility needs would be necessary to ensure continuity of coverage and timely service delivery.

The addition of more than 10k members would require a contract amendment to our TPA services among others. In regards to the authorities TPA, They expect an implementation of this size to take 3-6 months before benefits would be processed successfully through their systems. There will need to be a season of implementation in collaboration with NMPSIA, our TPA and any onboarding school district of this size prior to ensure successful benefits administration. A special enrollment would need to take place and this would require an administrative burden on both NMSPIA and our TPA, there are no costs associated with a special enrollment, unless travel is involved.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 125 and HB 47 are closely related. Both amend Section 10-7-4 NMSA 1978 (being Laws 1941, Chapter 188,) Section 1, to require schools and charter schools to contribute 80% toward premiums for employee's healthcare benefits. However, SB 125 does not include an appropriation for the State Equalization Fund in order to support schools and charter schools to take on these new contribution requirements. Agency analysis estimates the need to be approximately \$56.8 million.

SB 125 does not require LESC to study the implementation and impact of integrating large school districts into NMPSIA and broader benefit purchasing

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

Public Schools districts and charter schools offer different cost shares. It is not known how the differences in benefit cost-sharing impacts retention and recruitment of experienced teachers and

administrators. Changes to the current structure would level the playing field for experienced teachers and administrators, since all districts and charter schools would be paying at least 80% of their premium costs.

ALTERNATIVES

In evaluating available enrollment and contribution data, the agency observed that at school districts and charter schools that already contribute at or above 80 percent of the premium, employees are more likely to elect the high plan option. Thus, it could be assumed, an increase in employer contributions may result in a shift toward the high plan selections during future open enrollment periods. Historical enrollment data indicate that during the most recent period in which employer contribution tiers were adjusted with HB 533 to increase employer premium contribution, enrollment increased by approximately 2.75 percent compared with the prior year in which no contribution changes occurred. When viewed in practical terms, this represents hundreds of additional public school employees and their families, who gained access health coverage and care that was previously out of reach.

Enrollment patterns indicate that when employer contributions increase, employees are more likely to elect coverage and to select plan options that provide more comprehensive benefits, demonstrating an existing demand for coverage when financial barriers are reduced.

Improved coverage affordability can contribute to earlier access to care, better management of chronic conditions, and reduced financial strain on employees, outcomes that benefit school districts, employees, students, and the state of New Mexico more broadly.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS