

LFC Requester: _____

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: 1/31/26

Check all that apply:

Bill Number: SB125

Original Correction

Amendment Substitute

Sponsor: Roberto "Bobby" J. Gonzales

**Agency Name
and Code**

New Mexico Retiree Health Care
Authority 34300

Short Title: SCHOOL EMPLOYEE

Person Writing

Linda Atencio

Title: INSURANCE CONTRIBUTIONS

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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						

(Parenthesis () Indicate Expenditure Decreases)

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

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Senate Bill 125 amends multiple sections of statute governing state employee insurance programs and the Public School Insurance Authority (PSIA). The bill standardizes employer contribution requirements for school districts and charter schools, eliminates certain waiver authorities allowing those entities to opt out of PSIA coverage, and requires the use of reference-based pricing for hospital services by state agencies responsible for providing health benefits under the Health Care Purchasing Act.

Specifically, the bill replaces tiered employer contribution schedules for school districts and charter schools with a requirement that employers contribute at least eighty percent of the cost of insurance. It further phases out waivers for participation in PSIA health, disability income, and term life insurance coverage, with waivers no longer permitted after June 30, 2027. In addition, SB 125 strengthens statutory language requiring cost-containment measures, including the establishment of reference-based pricing for in-network and out-of-network hospital services, and requires annual reporting to the legislature on the effectiveness of those measures.

While SB 125 makes several substantive changes affecting school districts, charter schools, and PSIA, its impact on the New Mexico Retiree Health Care Authority (NMRHCA) is limited. NMRHCA is included within the definition of a publicly funded health care agency under the Health Care Purchasing Act; however, the bill largely codifies practices that NMRHCA has implemented.

FISCAL IMPLICATIONS

SB 125 is not expected to have a material fiscal impact on the New Mexico Retiree Health Care Authority. If the intent of the reference-based pricing provision is to apply only to urban hospitals, consistent with Senate Bill 376 enacted in 2025, the bill would result in no change to NMRHCA's current cost-containment practices or fiscal projections. Because reference-based pricing was implemented prior to the bill's effective date, no additional costs are anticipated as a result of the statutory requirement.

SIGNIFICANT ISSUES

A key provision of SB 125 requires a state agency responsible for providing health benefits under the Health Care Purchasing Act to establish a reference-based pricing program for hospital services and prohibits hospitals from billing members for amounts exceeding the established maximum payment, except for authorized cost-sharing under the terms of the plan.

NMRHCA implemented reference-based pricing for applicable plans effective January 1, 2026. As a result, this provision does not introduce a new operational requirement for NMRHCA. Further, if legislative intent is consistent with prior enactments such as Senate Bill 376 (2025), which limited reference-based pricing requirements to urban hospitals, the application of this provision would not alter NMRHCA operations or payment methodologies, as current implementation already aligns with that framework. Instead, it affirms and formalizes an approach already in place to manage hospital costs within NMRHCA-administered plans.

Other significant provisions of the bill, including mandatory participation in PSIA plans and changes to employer contribution levels, apply exclusively to school districts, charter schools, and PSIA participants.

PERFORMANCE IMPLICATIONS

None

ADMINISTRATIVE IMPLICATIONS

None

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

None

OTHER SUBSTANTIVE ISSUES

None

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS

None