

1 SENATE BILL 125

2 **57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026**

3 INTRODUCED BY

4 Roberto "Bobby" J. Gonzales

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8 FOR THE LEGISLATIVE FINANCE COMMITTEE

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10 AN ACT

11 RELATING TO STATE EMPLOYEE INSURANCE; AMENDING THE GROUP  
12 INSURANCE CONTRIBUTIONS FOR SCHOOL DISTRICTS AND CHARTER  
13 SCHOOLS; ELIMINATING WAIVERS FOR SCHOOL DISTRICT AND CHARTER  
14 SCHOOL PARTICIPATION IN PUBLIC SCHOOL INSURANCE AUTHORITY  
15 HEALTH, DISABILITY INCOME AND TERM LIFE PLANS; REQUIRING  
16 REFERENCE-BASED PRICING.

17

18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

19 **SECTION 1.** Section 10-7-4 NMSA 1978 (being Laws 1941,  
20 Chapter 188, Section 1, as amended) is amended to read:

21 "10-7-4. GROUP INSURANCE--CAFETERIA PLAN--CONTRIBUTIONS  
22 FROM PUBLIC FUNDS.--

23 A. All state departments and institutions and all  
24 political subdivisions of the state, excluding municipalities,  
25 counties and political subdivisions of the state with twenty-

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1        five employees or fewer, shall cooperate in providing group  
2        term life, medical or disability income insurance for the  
3        benefit of eligible employees or salaried officers of the  
4        respective departments, institutions and political  
5        subdivisions.

6                B. The group insurance contributions of the state  
7        or any of its departments or institutions, including  
8        institutions of higher education, shall be made as follows:

9                        (1) at least seventy-five percent of the cost  
10        of the insurance of an employee whose annual salary is less  
11        than fifteen thousand dollars (\$15,000);

12                        (2) at least seventy percent of the cost of  
13        the insurance of an employee whose annual salary is fifteen  
14        thousand dollars (\$15,000) or more but less than twenty  
15        thousand dollars (\$20,000);

16                        (3) at least sixty-five percent of the cost of  
17        the insurance of an employee whose annual salary is twenty  
18        thousand dollars (\$20,000) or more but less than twenty-five  
19        thousand dollars (\$25,000); and

20                        (4) at least sixty percent of the cost of the  
21        insurance of an employee whose annual salary is twenty-five  
22        thousand dollars (\$25,000) or more.

23                C. The group insurance contributions of school  
24        districts and charter schools shall be [made as follows]:

25                        (1) ~~at least eighty percent of the cost of the~~  
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1       ~~insurance of an employee whose annual salary is less than fifty~~  
2       ~~thousand dollars (\$50,000);~~

3           ~~(2) at least seventy percent of the cost of~~  
4       ~~the insurance of an employee whose annual salary is fifty~~  
5       ~~thousand dollars (\$50,000) or more but less than sixty thousand~~  
6       ~~dollars (\$60,000); and~~

7           ~~(3) at least sixty percent of the cost of the~~  
8       ~~insurance of an employee whose annual salary is sixty thousand~~  
9       ~~dollars (\$60,000) or more] at least eighty percent of the cost~~  
10      of the insurance.

11           D. Effective July 1, 2004, the group insurance  
12       contributions of the state or any of its executive, judicial or  
13       legislative departments, including agencies, boards or  
14       commissions, shall be made as follows; provided that the  
15       contribution percentage shall be the same for all affected  
16       public employees in a given salary bracket:

17           (1) up to eighty percent of the cost of the  
18       insurance of an employee whose annual salary is less than  
19       thirty thousand dollars (\$30,000);

20           (2) up to seventy percent of the cost of the  
21       insurance of an employee whose annual salary is thirty thousand  
22       dollars (\$30,000) or more but less than forty thousand dollars  
23       (\$40,000); and

24           (3) up to sixty percent of the cost of the  
25       insurance of an employee whose annual salary is forty thousand

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1        dollars (\$40,000) or more.

2                E. Except as provided in Subsection H of this  
3        section, effective July 1, 2025, the group insurance  
4        contributions of the state or any of its executive, judicial or  
5        legislative departments, including agencies, boards or  
6        commissions, shall be eighty percent of the cost of insurance.

7                F. Effective July 1, 2013, the employer shall pay  
8        one hundred percent of basic life insurance premiums for  
9        employees, and employees who choose to carry disability  
10      insurance shall pay one hundred percent of the premium.

11                G. The state shall not make any group insurance  
12      contributions for legislators. A legislator shall be eligible  
13      for group benefits only if the legislator contributes one  
14      hundred percent of the cost of the insurance.

15                H. An employer shall pay one hundred percent of the  
16      employee group insurance contributions due and payable on or  
17      after July 1, 2016 for an employee who is injured while  
18      performing a public safety function or duty and, as a result of  
19      the injury, is placed on approved workers' compensation leave.

20                I. As used in this section, "cost of the insurance"  
21      means the premium required to be paid to provide coverages.  
22      Any contributions of the political subdivisions of the state,  
23      except the public schools and political subdivisions of the  
24      state with twenty-five employees or fewer, shall not exceed  
25      sixty percent of the cost of the insurance.

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1                   J. When a public employee elects to participate in  
2 a cafeteria plan as authorized by the Cafeteria Plan Act and  
3 enters into a salary reduction agreement with the governmental  
4 employer, the provisions of Subsections B through G of this  
5 section with respect to the maximum contributions that can be  
6 made by the employer are not violated and will still apply.  
7 The employer percentage or dollar contributions as provided in  
8 Subsections B through E of this section shall be determined by  
9 the employee's gross salary prior to any salary reduction  
10 agreement.

11                  K. Any group medical insurance plan offered  
12 pursuant to this section shall include effective cost-  
13 containment measures to control the growth of health care costs  
14 and maximize benefits for the least cost. [If] A state agency  
15 that is responsible for providing state employee health  
16 benefits under the Health Care Purchasing Act [establishes]  
17 shall establish a reference-based pricing program for in-  
18 network or out-of-network hospital services. Hospitals subject  
19 to the program shall not charge or collect from a member of the  
20 health benefit plan an amount in addition to the maximum  
21 payment established by the secretary of health care authority,  
22 except that a hospital may charge an amount for cost-sharing  
23 that is authorized by the terms of the member's health benefit  
24 plan. The responsible public body that administers a plan  
25 offered pursuant to this section shall report annually by

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1       September 1 to appropriate interim legislative committees on  
2       the effectiveness of the cost-containment measures required by  
3       this subsection.

4               L. Within available revenue, school districts,  
5       charter schools and participating entities pursuant to the  
6       Public School Insurance Authority Act may contribute up to one  
7       hundred percent of the cost of the insurance of all employees  
8       and institutions of higher education may contribute up to  
9       eighty percent of the cost of the insurance of all employees.

10              M. When the secretary of health care authority  
11       submits the health care authority's annual budget request to  
12       the legislature, the secretary shall include a budget request  
13       for purchasing state employee health benefits that has  
14       actuarially sound rates for the following fiscal year.

15              Beginning July 1, 2025, the secretary shall set actuarially  
16       sound rates sufficient to cover projected claims, subject to  
17       legislative appropriation. By September 1 of each year, the  
18       projected actuarially sound rate adjustment for the following  
19       fiscal year, subject to legislative appropriation, shall be  
20       communicated to the local public bodies [who] that are part of  
21       the state employee health benefit program.

22              N. The secretary of health care authority shall  
23       establish a program to make state health benefit premiums more  
24       affordable for certain employees using appropriations from the  
25       health care affordability fund. The secretary shall establish

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1 a system for determining eligibility for the program and may  
2 annually update program eligibility and contribution criteria.

3 0. By July 1, 2026, the health care authority shall  
4 ensure that state employees are provided the opportunity to  
5 purchase a variety of health benefit plans with varying plan  
6 designs and cost-sharing options."

7 **SECTION 2.** Section 13-7-3 NMSA 1978 (being Laws 1997,  
8 Chapter 74, Section 3, as amended) is amended to read:

9 "13-7-3. DEFINITIONS.--As used in the Health Care  
10 Purchasing Act:

11 A. "consolidated purchasing" means a single process  
12 for the procurement of and contracting for all health care  
13 benefits by the publicly funded insurance agencies in  
14 compliance with the Procurement Code and includes associated  
15 activities related to the procurement such as actuarial, cost  
16 containment, benefits consultation and analysis; and

17 B. "publicly funded health care agency" means the:

18 (1) state health benefits division and the  
19 group benefits committee of the health care authority;  
20 (2) retiree health care authority; and  
21 (3) public school insurance authority [and  
22 (4) ~~publicly funded health care program of any~~  
23 ~~public school district with a student enrollment in excess of~~  
24 ~~sixty thousand students].~~"

25 **SECTION 3.** Section 22-29-3 NMSA 1978 (being Laws 1986,

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1 Chapter 94, Section 3, as amended by Laws 2007, Chapter 41,  
2 Section 1 and by Laws 2007, Chapter 236, Section 1) is amended  
3 to read:

4 "22-29-3. DEFINITIONS.--As used in the Public School  
5 Insurance Authority Act:

6 A. "authority" means the public school insurance  
7 authority;

8 B. "board" means the board of directors of the  
9 authority;

10 C. "charter school" means a school organized as a  
11 charter school pursuant to the provisions of the Charter  
12 Schools Act;

13 D. "director" means the director of the authority;

14 E. "due process reimbursement" means the  
15 reimbursement of a school district's or charter school's  
16 expenses for attorney fees, hearing officer fees and other  
17 reasonable expenses incurred as a result of a due process  
18 hearing conducted pursuant to the federal Individuals with  
19 Disabilities Education Improvement Act;

20 F. "educational entities" means state educational  
21 institutions as enumerated in Article 12, Section 11 of the  
22 constitution of New Mexico and other state diploma, degree-  
23 granting and certificate-granting post-secondary educational  
24 institutions, regional education cooperatives and nonprofit  
25 organizations dedicated to the improvement of public education

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1 and whose membership is composed exclusively of public school  
2 employees, public schools or school districts;

3                   G. "fund" means the public school insurance fund;

4                   H. "group health insurance" means coverage that  
5 includes life insurance, accidental death and dismemberment,  
6 medical care and treatment, dental care, eye care and other  
7 coverages as determined by the authority;

8                   I. "risk-related coverage" means coverage that  
9 includes property and casualty, general liability, auto and  
10 fleet, workers' compensation and other casualty insurance; and

11                   J. "school district" means a school district as  
12 defined in Subsection R of Section 22-1-2 NMSA 1978 [excluding  
13 ~~any school district with a student enrollment in excess of~~  
14 ~~sixty thousand students~~]."

15                   SECTION 4. Section 22-29-9 NMSA 1978 (being Laws 1986,  
16 Chapter 94, Section 9, as amended) is amended to read:

17                   "22-29-9. PARTICIPATION--WAIVERS.--

18                   A. School districts and charter schools shall  
19 participate in the authority, unless the school district or  
20 charter school is granted a waiver by the board; provided that  
21 beginning July 1, 2027, the board shall not grant a waiver for  
22 health, disability income or term life insurance.

23                   B. In determining whether a waiver should be  
24 granted, the board shall establish minimum benefit and  
25 financial standards for the desired line of coverage. These

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1       minimum benefit and financial standards and the proposed time  
2       schedule for responsive offers shall be sent to all school  
3       districts and charter schools at the time the request for  
4       proposals for the desired line of coverage is issued. Any  
5       school district or charter school seeking a waiver of coverage  
6       shall match the minimum benefit and financial standards set  
7       forth in the request for proposals for the desired line of  
8       coverage. School districts and charter schools shall submit  
9       documentation of their proposals matching the board's minimum  
10      benefit and financial requirements prior to the deadline  
11      established by the board. The authority has the power to  
12      approve or disapprove a waiver of participation based on the  
13      documentation submitted by the school district or charter  
14      school regarding the benefit and financial standards  
15      established by the board. The board shall grant a waiver to a  
16      school district or charter school that requests a waiver and  
17      that has met the minimum benefit and financial standards within  
18      the time schedule established by the board. Once the board  
19      awards the insurance contract, no school district or charter  
20      school shall be granted a waiver for the entire term of the  
21      contract.

22                   C. Any Prior to July 1, 2027, a school district  
23       or charter school granted a waiver of participation for health  
24       insurance shall be required to petition for participation in  
25       other kinds of group insurance coverage and shall be required

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1 to meet the requirements established by the authority prior to  
2 participation in other kinds of group insurance coverage. A  
3 school district or charter school [which] that has been granted  
4 a waiver shall be prohibited from participating in the coverage  
5 for which a waiver was granted for the entire term of the  
6 authority's insurance contract. Provided, however, that if the  
7 authority contracts for a line or lines of coverage for a  
8 period of eight years, the board may establish procedures and  
9 preconditions for authorizing a school district or charter  
10 school [which] that has been granted a waiver to again  
11 participate in the coverage after the expiration of the first  
12 four years of coverage. A waiver of health, disability income  
or term life insurance shall not be effective after June 30,  
13 2027.

15 D. Any school district or charter school granted a  
16 waiver of participation for workers' compensation shall be  
17 required to petition for participation in other risk-related  
18 coverages and shall be required to meet the requirements  
19 established by the authority prior to participation in other  
20 kinds of risk-related coverages. A school district or charter  
21 school [which] that has been granted a waiver shall be  
22 prohibited from participating in the coverage for which a  
23 waiver was granted for the entire term of the authority's  
24 insurance contract.

25 E. Educational entities may petition the authority

1 for permission to participate in the insurance coverage  
2 provided by the authority. To protect the stability of the  
3 fund, the authority shall establish reasonable terms and  
4 conditions for participation by educational entities.

5 F. A participating school district or charter  
6 school may separately provide for coverage additional to that  
7 offered by the authority.

8 G. [The local] School districts, charter schools or  
9 the authority, as appropriate, may provide for marketing and  
10 servicing to be done by licensed insurance agents or brokers  
11 who should receive reasonable compensation for their services."

12 SECTION 5. Section 22-29-10 NMSA 1978 (being Laws 1989,  
13 Chapter 373, Section 5, as amended) is amended to read:

14 "22-29-10. GROUP INSURANCE CONTRIBUTIONS.--

15 A. Group insurance contributions for school  
16 districts and charter schools [~~and participating entities in~~  
17 ~~the authority~~] shall be [made as follows:

18 (1) ~~at least eighty percent of the cost of the~~  
19 ~~insurance of an employee whose annual salary is less than fifty~~  
20 ~~thousand dollars (\$50,000);~~

21 (2) ~~at least seventy percent of the cost of~~  
22 ~~the insurance of an employee whose annual salary is fifty~~  
23 ~~thousand dollars (\$50,000) or more but less than sixty thousand~~  
24 ~~dollars (\$60,000); and~~

25 (3) ~~at least sixty percent of the cost of the~~

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1 ~~insurance of an employee whose annual salary is sixty thousand~~  
2 ~~dollars (\$60,000) or more.~~

3 ~~B. Within available revenue, school districts,~~  
4 ~~charter schools and participating entities in the authority may~~  
5 ~~contribute up to one hundred percent of the cost of the~~  
6 ~~insurance of all employees.] at least eighty percent of the~~  
7 ~~cost of the insurance.~~

8 B. Group insurance contributions for state  
9 educational institutions as enumerated in Article 12, Section  
10 11 of the constitution of New Mexico shall be at a rate set by  
11 the board of regents of the state educational institution.  
12 Group insurance contributions for other state diploma, degree-  
13 granting and certificate-granting post-secondary educational  
14 institutions shall be at a rate set by the governing board of  
15 the institution.

16 C. Group insurance contributions for nonprofit  
17 organizations eligible for participation in the authority shall  
18 be at a rate determined by the organization.

19 [E.] D. Whenever a school district, charter school  
20 or participating entity in the authority offers to its  
21 employees alternative health plan benefit options, including  
22 health maintenance organizations, preferred provider  
23 organizations or panel doctor plans, the school district,  
24 charter school or participating entity may pay an amount on  
25 behalf of the employee and family member for the indemnity

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1       health insurance plan sufficient to result in equal employee  
2       monthly costs to the cost of the health maintenance  
3       organization plans, preferred provider organization plans or  
4       panel doctor plans, regardless of the percentage limitations in  
5       the Public School Insurance Authority Act. School districts,  
6       charter schools and participating entities in the authority may  
7       pay up to one hundred percent of the first fifty thousand  
8       dollars (\$50,000) of term life insurance."

9                   **SECTION 6. EFFECTIVE DATE.--**

10                  A. The effective date of the provisions of Sections  
11       1, 4 and 5 of this act is July 1, 2026.

12                  B. The effective date of the provisions of Sections  
13       2 and 3 of this act is July 1, 2027.

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