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FISCAL IMPACT REPORT

BILL NUMBER: CS/House Bill 47/HAFCS

SHORT TITLE: School Employee Insurance Programs

SPONSOR: House Appropriations and Finance Committee

LAST ORIGINAL
UPDATE: _____ **DATE:** 2/10/26 **ANALYST:** Liu/Simon

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
PED		\$275.0	\$275.0	\$550.0	Recurring	General Fund
REC		\$125.0	\$125.0	\$250.0	Recurring	General Fund
NMPSIA		\$759.2	\$759.2	\$1,486.9	Recurring	
Total		\$1,159.2	\$1,159.2	\$2,286.9	Recurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Is a companion to the House Appropriations and Finance Committee substitute for House Bills 2 and 3 (General Appropriation Act)
Duplicates Senate Bill 125

Sources of Information

LFC Files
Legislative Education Study Committee (LESC) Files
Kaiser Family Foundation

Agency or Agencies Providing Analysis

Public Education Department
Regional Education Cooperatives
Higher Education Department
Public School Insurance Authority
Health Care Authority
Retiree Health Care Authority
New Mexico Institute of Mining and Technology

Agency or Agencies That Were Asked for Analysis but did not Respond

Albuquerque Public Schools

SUMMARY

Synopsis of HAFCS Substitute for House Bill 47

The House Appropriations and Finance Committee substitute for House Bill 47 (HB47) increases

the minimum employer contribution for health insurance premiums for public school personnel to 80 percent of the total premium beginning in FY27. Group insurance contribution rates for higher education institutions and nonprofit organizations receiving coverage from the Public School Insurance Authority (NMPSIA) would be determined by the governing board of the institution or organization, respectively.

The bill also eliminates an exemption currently in state law that allows Albuquerque Public Schools (APS), to operate its own insurance plans, including health insurance coverage for employees and property, liability, and workers' compensation coverage. Beginning in FY28, APS would be required to participate in NMPSIA's program. The bill eliminates the ability of school districts or charter schools to apply for a waiver to opt out of participating in health, disability income, or term life insurance. A school district or charter school could continue to seek waivers for property, liability, or workers' compensation coverage.

The bill further requires state agencies, including NMPSIA, to establish a reference-based pricing program for hospital services.

The bill carries multiple effective dates. Provisions related to requirement to cover 80 percent of health insurance premiums, establish reference-based pricing programs, the LESC study, in collaboration with LFC, NMPSIA, APS, PED, and the Health Care Authority (HCA), of the sustainability of insurance programs for public school employees would be effective July 1, 2026. Provisions related to the consolidation of APS into NMPSIA would be effective July 1, 2027. The bill section related to waivers of NMPSIA coverage would be effective July 1, 2026, but those provisions carry specific language noting they apply only after July 1, 2027.

FISCAL IMPLICATIONS

The bill would increase personnel costs for school districts and charter schools by requiring them to cover a larger share of health insurance costs for public school employees. However, the additional costs to school districts and charter schools would be offset by reduced costs to employees that choose to participate in school insurance programs, leading to increased take-home pay for employees. The bill does not include an appropriation, but the HAFCS Substitute for House Bills 2&3 includes a \$73.2 million appropriation to the state equalization guarantee for the costs of transitioning to 80 percent coverage.

According to NMPSIA, the estimated cost difference between meeting minimum statutory employer contributions and providing 80 percent coverage for all public school employees is \$63 million. Including a distribution in the state equalization guarantee for Albuquerque Public Schools (APS), which does not participate in NMPSIA's program but constitutes about 22 percent of the student population, would bring the estimated cost difference to \$80.3 million. According to PED, the estimated costs for implementing 80 percent coverage could range between \$62.6 million and \$87.7 million depending on baseline assumptions.

The cost of shifting to a minimum of 80 percent of health insurance premiums is estimated at \$75 million in FY27, based on current plan enrollment and current health insurance rates, and the current level of subsidies provided by school districts and charter schools, with a 10 percent projected rate increase for FY27. According to NMPSIA and APS, 67 school districts and 92 charter schools currently are covering insurance premiums for school employees in line with current statutory minimums.

The remaining districts and charters provide a higher employer contribution rate than required by law, including 13 districts and six charter schools that provide at least 80 percent coverage for all employees as contemplated by this bill. These 19 local educational agencies (LEA) would, therefore, receive a windfall from any appropriation added to the state equalization guarantee (SEG)—the pool of money distributed to schools through a formula—to support the bill’s implementation statewide. Because 30 LEAs currently provide more than the minimum statutory employer contribution rate, the total statewide fiscal impact is lower than \$80.3 million. Fiscal impacts by LEA will depend on the share of SEG generated and enrollment in NMPSIA’s plans.

	Employer Contribution Rates		
	Current Statutory Minimum • 80% for <\$50,000 • 70% for \$50,000 to \$59,999 • 60% for >\$60,000	Above Statutory Minimum	80% or More for All Employees
School Districts	67	9	13
Charter Schools	92	2	6
Higher Education	3	2	5
Other	8	2	8
TOTAL	170	15	32

Source: NMPSIA, APS

School districts and charter schools could see additional costs due to changes in employee behavior. For example, some employees could choose to opt into plans that offer a higher benefit. These plans feature lower out-of-pocket costs to the member but charge higher premiums because plan costs are higher. Similarly, some employees currently not participating in school insurance programs could choose to pick up the plan at the next open enrollment period, leading to increased costs for school districts and charter schools. According to NMPSIA, the last time employer contribution rates were increased in FY24, enrollment increased by 837 employees, or 2.75 percent. These patterns suggest when employer contribution rates increase, employees are more likely to elect coverage and to select plan options that provide more comprehensive benefits.

For FY26, NMPSIA provides single coverage health, dental, and vision plans with a total cost that varies between \$1,155.22 per month and \$646.70 per month and family coverage plans that vary between \$2,947.20 per month and \$1,809.68 per month. Under the current system, public school employees earning more than \$60 thousand would need to pay \$2,440 more per year for high option single coverage or \$5,460 per year for high option family coverage. Under the bill, those costs would be cut in half, which could induce some members currently in low option plans to select high option coverage. However, with a greater share of the costs shifted to the employer, NMPSIA may wish to explore plan design changes to simplify their plan offerings. One reason NMPSIA has many plan options is historically even low-paid public school employees have paid a large share of health insurance premiums and found high option coverage unaffordable. Until FY24, most employees earning more than \$25 thousand paid 60 percent of the total premium.

Additionally, the bill would likely impact program support costs for NMPSIA due to the consolidation of Albuquerque Public Schools (APS) into the authority’s plan. Because of the size of the school district, APS may need to add between 3 FTE and 5 FTE to its current staff of 12, with an estimated cost of \$500 thousand to \$1 million. NMPSIA’s support costs are paid from

premiums for health, property, liability, and workers' compensation insurance.

While the bill excludes other participants in NMPSIA's plans from meeting the new 80 percent contribution requirement, The Higher Education Department (HED) notes changes to the contribution structure for public schools could affect benefit parity with higher education institutions. Regional Education Cooperatives (REC) are also exempted from the 80 percent requirement but are likely to raise contribution rates to remain competitive, which could result in \$275 thousand of additional operating costs collectively for cooperatives providing a lower contribution rate.

Provisions of this bill would require reference-based pricing, which NMPSIA estimates would save the agency \$16 million in FY27. The reference-based pricing program prohibits hospitals from billing members for amounts exceeding the established maximum payment, except for authorized cost-sharing under the terms of the plan. The New Mexico Retiree Health Care Authority has already implemented reference-based pricing for applicable plans effective January 1, 2026, and notes this bill will not change current processes.

SIGNIFICANT ISSUES

New Mexico, like most other states, operates several self-insured health plans, providing participating public employees with medical, dental, vision, and prescription drug coverage. Self-funded plans, typically favored by large employers that have the scale to spread risk with a larger insured population, cover the cost of medical care, contracting with external entities for access to their coverage networks and for third-party administrative services, such as claims processing. New Mexico's public employee plans place health premiums into a fund, which are then used to pay medical claims.

Current state law requires public schools to pay at least 80 percent of the premium for employees earning less than \$50 thousand per year, 70 percent for employees earning between \$50 thousand and \$60 thousand, and 40 percent for employees earning more than \$60 thousand. At higher salary levels, this subsidy is well below what employers nationally typically pay for coverage. According to KFF, a nonprofit health policy research organization, in 2025, employers typically contribute 85 percent of premiums for single coverage, or on average \$7,884 annually, and 75 percent of the premium for family coverage, or on average \$20,143 annually.

NMPSIA currently has multiple plan options each with a different cost, although most employees are currently enrolled in more expensive "high option" plans, such as the agency's preferred provider organization (PPO) plan offered by Blue Cross and Blue Shield of New Mexico. For this plan, the 60 percent subsidy for single coverage costs \$8,305 and family coverage costs \$20,490, slightly above the national average. However, the employee share of \$5,356 and \$13,606, respectively, is well above the nation average of \$1,440 for single coverage and \$6,850 for family coverage, posing affordability challenges for New Mexico educators.

The bill follows similar legislation proposed by the HCA in 2025, which raised state contribution for employees of state agencies. A key provision of that law to allow agencies to adopt a Medicare reference-based pricing program and prohibits the practice of balance billing members for costs not covered by the plan. In analysis for that bill, the Health Care Authority notes several other states have adopted or are considering adopting reference-based pricing, including Montana, Oklahoma, Oregon, South Carolina, and Washington. The authority projected cost

savings of between \$37.6 million and \$39.5 million for their plans. The bill would require HCA, NMPSIA, and the Retiree Health Care Authority to adopt reference-based pricing program that were added to state law by that bill.

ADMINISTRATIVE IMPLICATIONS

Provisions of this bill require LESC, in collaboration with LFC, NMPSIA, APS, PED, and HCA, to study the sustainability and future needs of insurance programs for public school employees. The study must assess the impacts of consolidating public school employee insurance programs with other existing public group health insurance programs and identify the agency and legislative actions needed to integrate the plans of NMPSIA, HCA, and APS by June 30, 2029. The final study must be completed by October 1, 2026, and must be provided to the governor, LFC, and PED. PED suggests including the Interagency Benefits Advisory Committee's (IBAC) input into the study.

NMPSIA notes assuming administration of APS's insurance program would increase costs for the authority, including administrative fees, per-member-per-month charges, and claims costs. The authority and its benefit consultant would need to compare APS's current benefit offerings and may develop new plan designs that provide coverage for these employees that is equal to or better than existing benefits.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill duplicates language in Senate Bill 125 and is a companion to a \$75 million appropriation in the House Appropriations and Finance Committee substitute for House Bills 2 and 3 (General Appropriation Act).

OTHER SUBSTANTIVE ISSUES

Historically, Albuquerque Public Schools has been exempt from the requirement that all school districts and charter schools participate in the Public School Insurance Authority or receive a waiver from the authority allowing the school district to purchase alternative coverage. The reasons for this go back to the creation of the authority in the mid-1980s. At that time, small rural school districts in New Mexico were finding it difficult to purchase insurance coverage. The small size of these schools, and the smaller income they would generate, made them unattractive to some insurers. Additionally, smaller school districts also had limited capacity to administer plans. The Public School Insurance Authority allowed school districts to combine their collective purchasing power and spread risk among schools statewide.

However, because of its size, APS did not face the same challenges as smaller school districts, and the Legislature included an exemption for any school district with an enrollment of more than 60 thousand students. Currently, APS has about 61 thousand students, slightly over the statutory cap. However, with the overall downward trend in school enrollment, APS may soon fall under this floor.

Currently, NMPSIA provides health benefits plans to a number of higher education institutions as well as nonprofit organizations "dedicated to the improvement of public education and whose membership is composed exclusively of public school employees, public schools or school

districts.” While the bill would require school districts and charter schools to cover at least 80 percent of health benefits, these entities are left with flexibility to determine their own contributions. Unlike school districts and charter schools, higher education institutions currently have a wide array of choices for insurance coverage.

Some of these entities participate in state health benefits plans sponsored by HCA, such as New Mexico State University, and some currently participate in plans offered by NMPSIA, such as New Mexico Tech. Other institutions, such as the University of New Mexico, provide their own health plans to employees, independent of the state agencies offering health benefits for public employees. State law sets minimum contributions for higher education institutions in Section 10-7-4 NMSA 1978 that differ from the minimum contributions specified in the Public School Insurance Authority Act. HED notes higher education employers operate in the same statewide labor market, and enhanced contribution levels for school employees may influence expectations for benefit competitiveness at public colleges and universities.

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