

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

BILL NUMBER: CS/Senate Bill 189/STBTC

SHORT TITLE: Reproductive Health Care Coverage

SPONSOR: Senate Tax, Business and Transportation Committee

LAST UPDATE: 2/14/2026 **ORIGINAL DATE:** 2/9/2026 **ANALYST:** Esquibel

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
		Indeterminate but significant gain	Recurring	Reproductive Health Care Access Fund			

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HCA State Health Benefits		\$10.0	\$20.0	\$30.0	Recurring	General Fund
NMPSIA		\$330.0 to \$548.0	\$817.0 to \$1,729.0	\$1,147.0 to \$2,277.0	Recurring	NMPSIA Benefits
RHCA		Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal	Recurring	RHCA Benefits
OSI		See "Fiscal Implications"	See "Fiscal Implications"	See "Fiscal Implications"	Recurring	Insurance carriers
UNM		\$100.0	\$200.0	\$300.0	Recurring	UNM Operating
Total		\$440.0 to \$658.0	\$1037.0 to \$1,949.0	\$1,477.0 to \$2,607.0	Recurring	Multiple

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Health Care Authority
Office of Superintendent of Insurance
Public School Insurance Authority
Retiree Health Care Authority
University of New Mexico

SUMMARY

Synopsis of STBTC Substitute for Senate Bill 189

The Senate Tax, Business and Transportation Committee substitute for Senate Bill 189 (SB189/STBTCS) expands insurance coverage requirements for sexual, reproductive, and gender-affirming healthcare. The bill requires group health plans, individual insurance policies, health maintenance organizations, and nonprofit health insurance plans to cover abortion care and gender-affirming care; prohibits deductibles, co-payments, coinsurance, and other cost-sharing for those services, contraception and contraception care, certain preventive care, immunizations, and women healthcare screenings; and eliminates prior authorization, utilization review, or other delays. The bill includes limited exceptions for high-deductible health plans and certain limited-benefit plans.

The bill also strengthens contraceptive coverage mandates by requiring coverage without cost-sharing for a broad range of FDA-approved contraceptives, associated clinical services, over-the-counter contraception, and up to a 12-month supply dispensed at one time, while limiting insurer restrictions, such as step therapy (requiring that cheaper drugs are used first), quantity limits, or prior authorization. In addition, it establishes special enrollment periods based on pregnancy across multiple insurance markets, expands Medicaid reimbursement rules for family planning, abortion-related services, lactation support, immunizations, and gender-affirming care.

Specifically, SB189/STBTCS adds a new Section 8 clarifying the Health Care Authority would use state funds to reimburse for services ineligible for federal funding under the state's Medicaid program.

In Section 14, the substitute changes the definition of "gender-affirming *health* care" to mean psychological, behavioral, surgical, pharmaceutical and medical care, services and supplies provided to support a person's gender identity.

Section 19 amends the New Mexico Health Insurance Exchange Act to create a reproductive health care access fund administered by the Health Care Authority (HCA) and subject to appropriation by the Legislature for access to "affordable" reproductive healthcare.

Section 20 amends the New Mexico Health Insurance Exchange Act to create abortion services segregated accounts requiring issuers on the Health Insurance Exchange covering abortion services to submit a report to the Office of Superintendent of Insurance (OSI) on July 1, 2026, on how much money is in the segregated accounts, and an annual report starting March 31, 2027, detailing how much was spent from each account on abortion services.

The Superintendent of Insurance is required to assess a surcharge on each segregated account in an amount equal to the segregated account's balance to be paid on or before the 25th of the month following the month in which the surcharge is assessed. All money collected pursuant to the surcharge shall be deposited into the reproductive health care access fund.

The provisions of Sections 1 through 7, 9 through 18, and 21 through 28 of this act apply to policies, plans, contracts and certificates delivered or issued for delivery or renewed, extended or amended in this state beginning January 1, 2027.

FISCAL IMPLICATIONS

SB189/STBTCS creates the "reproductive health care access fund" administered by the Health Care Authority with revenue for the fund generated from surcharges levied by the Office of

Superintendent of Insurance on health insurance plans issued on the New Mexico Health Insurance Exchange that offer abortion services. The substitute bill requires OSI to create and monitor each plan's segregated abortion services account and to assess a surcharge on each segregated account in an amount equal to the segregated account's balance to be paid on or before the 25th of the month following the month in which the surcharge is assessed. All money collected pursuant to the surcharge shall be deposited into the reproductive health care access fund to be appropriated by the Legislature to fund access to “affordable” reproductive healthcare.

The OSI states expanded access to reproductive, gender-affirming, reproductive, and preventive health services, along with the elimination of cost-sharing, will have varying fiscal impacts. The cumulative effect would be a significant increase in premiums and state costs due to cost-defrayal requirements. OSI estimates the cost of the defrayal of gender-affirming benefit mandate, assuming no cost-sharing, would increase to a range of \$104 thousand to \$158 thousand for the 2026 plan year. This estimate does not include an adjustment to reflect the potential increase in utilization due to individuals relocating from other states to obtain coverage of sex trait modification services. In addition, OSI states additional actuarial analysis is necessary to accurately estimate rate impacts and fiscal exposure associated with the revised language in the substitute. Due to the complexity of the provisions, OSI cannot complete a comprehensive actuarial assessment at this time but anticipates significant premium increases and defrayal costs for the state.

The Health Care Authority (HCA) reports the removal of cost-sharing, prior authorization, and utilization review for certain contraception, abortion care, pregnancy-related services, and gender-affirming care services would be expected to marginally increase State Health Benefits program costs up to \$30 thousand. HCA reports gender-affirming care is currently included in the Medicaid capitation rates paid to Medicaid managed care organizations (MCOs). If federal support is pulled, the fiscal impact to state funds would be \$2.8 million. Abortion is not paid for with federal Medicaid matching funds and is covered through bundled rates.

The New Mexico Public Schools Insurance Authority (NMPSIA) reports a fiscal impact for the bill's preventive services and contraception provisions, the abortion provisions, and the gender-affirming care provisions to range from an estimated \$1.1 million to \$2.2 million over two years.

The New Mexico Retiree Health Care Authority (RHCA) reports the bill would primarily affect the agency's pre-Medicare population enrolled in self-insured group health plans subject to the Health Care Purchasing Act. The proposed changes in the bill could contribute to upward cost pressure affecting premiums, but the fiscal impact is indeterminate and likely to be limited due to the small size of the affected RHCA population.

The University of New Mexico (UNM) reports the substitute bill is likely to increase UNM's employee health plan costs by shifting more of the cost of abortion care, gender-affirming healthcare, and certain contraceptive services from employees to the plan and potentially expand enrollment.

SIGNIFICANT ISSUES

The OSI reports, if cost-sharing is eliminated for gender-affirming services, New Mexico would be the only state in the country requiring no cost-sharing by plan members for these services. In addition to the increased liability for the issuer due to the shifting of cost from consumers,

increased demand for these services could result, as the availability of these services without cost-sharing in New Mexico may incentivize relocation from other states, and increased utilization could result.

HCA, which manages benefits for state employees through State Health Benefits, reports the creation of a special enrollment period based on pregnancy conflicts with the exclusive regulatory exceptions associated with IRS Section 125. That section provides for employer-sponsored benefit programs that allow employees to choose to pay for qualified benefits, including health insurance premiums, on a pre-tax basis but only through a written cafeteria plan. If the employees choose qualified benefits, the amount used to pay for the benefits is excluded from their W-2 income. But cafeteria plan regulations require employee elections to be irrevocable for the period of coverage or plan year with only a limited list of exceptions. Change in number of dependents is part of that list and covers birth, death, adoption, and placement for adoption but not pregnancy. This could create tax complications for State Health Benefits members. This tax issue would also affect the Section 125 cafeteria plans of private employers.

ADMINISTRATIVE IMPLICATIONS

HCA reports the bill requires the coverage of the “total cost of gender-affirming care.” Currently, Medicaid covers some, but not all, services related to gender-affirming care.

The provisions of the bill would apply to the State Health Benefits Program, the Retiree Health Care Authority, the Public School Insurance Authority, and public health programs at public school districts with student enrollment over 60 thousand students. All agencies would have to work with their carriers to implement the preventive services and contraception, abortion, and gender-affirming care provisions.

TECHNICAL ISSUES

SB189/STBTCS does not define what constitutes access to “affordable” reproductive healthcare.

HCA states SB189/STBTCS does not address HCA’s concerns regarding the threat to the tax status of both the State Health Benefits and every other Section 125 employer cafeteria plan in the state of New Mexico. HCA recommends amending the bill to remove pregnancy as a qualifying event for Section 125 cafeteria plans.

OSI notes mandated coverage for abortions and gender-affirming care, as well as pregnancy as a special enrollment trigger, lacks specificity needed to determine additional coverage requirements and calculate defrayal costs. OSI recommends clarifying the scope of mandated coverage and tying any services, treatments, or medications that are available without cost-sharing, to medical necessity determinations. OSI suggests:

- Gender-Affirming Health Care: Limit to medical, surgical, and behavioral health services provided for treatment of gender dysphoria or for affirming gender identity, documented in a treatment plan consistent with recognized clinical guidelines.
- Abortion Care: Specify whether coverage includes medication abortion, procedural abortion, ancillary services (labs, ultrasound, anesthesia), complication management, follow-up care, and clarify whether “total cost” includes copays,

coinsurance, deductibles, and related fee.

HCA notes the bill calls for following federal Centers for Disease Control and Prevention immunization recommendations. However, the New Mexico Department of Health is following professional organization recommendations for vaccine schedules, such as the American Academy of Pediatrics and the American Academy of Family Physicians.

OSI notes the mandated coverage of abortions and gender-affirming care, as well as qualifying pregnancy as a special enrollment period event, do not provide specifics to determine additional coverage requirements and allow calculation of cost defrayal. OSI recommends defining the extent of coverage that is mandated.

OTHER SUBSTANTIVE ISSUES

OSI notes under the federal Affordable Care Act, each state selects an essential health benefits (EHB) benchmark plan. States may require insurers to cover additional benefits beyond this benchmark. When a state enacts such mandates after December 31, 2011, those added benefits are considered “additional required benefits” and trigger federal cost defrayal obligations requiring the state to pay for the cost of the services. The coverage mandates and cost-sharing eliminations included in the bill will impact premiums and require the state to defray the cost of services.

ALTERNATIVES

The HCA suggests, to avoid the risk of state health benefits plans and other employer-sponsored Section 125 cafeteria plans losing the ability to have health benefits excluded from taxable income, the sections mandating pregnancy be treated as a qualifying event should be removed.

RAE/hg/sgs/hg/sgs