

SENATE FINANCE COMMITTEE SUBSTITUTE FOR
SENATE BILL 376

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

AN ACT

RELATING TO STATE EMPLOYEE BENEFITS; AMENDING THE CONTRIBUTION
PERCENTAGES FOR STATE EMPLOYEE HEALTH BENEFITS; AUTHORIZING THE
SECRETARY OF HEALTH CARE AUTHORITY TO USE FUNDS APPROPRIATED
FROM THE HEALTH CARE AFFORDABILITY FUND TO REDUCE OR ELIMINATE
PREMIUMS FOR CERTAIN GOVERNMENT EMPLOYEES.

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

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

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

A. All state departments and institutions and all
political subdivisions of the state, excluding municipalities,
counties and political subdivisions of the state with twenty-
five employees or fewer, shall cooperate in providing group

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1 term life, medical or disability income insurance for the
2 benefit of eligible employees or salaried officers of the
3 respective departments, institutions and political
4 subdivisions.

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

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

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

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

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

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

24 (1) at least eighty percent of the cost of the
25 insurance of an employee whose annual salary is less than fifty

1 thousand dollars (\$50,000);

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

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

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

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

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

22 (3) up to sixty percent of the cost of the
23 insurance of an employee whose annual salary is forty thousand
24 dollars (\$40,000) or more.

25 E. Except as provided in Subsection H of this

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1 section, effective July 1, [2005] 2025, the group insurance
2 contributions of the state or any of its executive, judicial or
3 legislative departments, including agencies, boards or
4 commissions, shall be ~~[made as follows; provided that the~~
5 ~~contribution percentage shall be the same for all affected~~
6 ~~public employees in a given salary bracket;~~

7 ~~(1) up to eighty percent of the cost of the~~
8 ~~insurance of an employee whose annual salary is less than fifty~~
9 ~~thousand dollars (\$50,000);~~

10 ~~(2) up to seventy percent of the cost of the~~
11 ~~insurance of an employee whose annual salary is fifty thousand~~
12 ~~dollars (\$50,000) or more but less than sixty thousand dollars~~
13 ~~(\$60,000); and~~

14 ~~(3) up to sixty percent of the cost of the~~
15 ~~insurance of an employee whose annual salary is sixty thousand~~
16 ~~dollars (\$60,000) or more] eighty percent of the cost of~~
17 insurance.

18 F. Effective July 1, 2013, the employer shall pay
19 one hundred percent of basic life insurance premiums for
20 employees, and employees who choose to carry disability
21 insurance shall pay one hundred percent of the premium.

22 G. The state shall not make any group insurance
23 contributions for legislators. A legislator shall be eligible
24 for group benefits only if the legislator contributes one
25 hundred percent of the cost of the insurance.

.231738.2

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

6 I. As used in this section, "cost of the insurance"
7 means the premium required to be paid to provide coverages.
8 Any contributions of the political subdivisions of the state,
9 except the public schools and political subdivisions of the
10 state with twenty-five employees or fewer, shall not exceed
11 sixty percent of the cost of the insurance.

12 J. When a public employee elects to participate in
13 a cafeteria plan as authorized by the Cafeteria Plan Act and
14 enters into a salary reduction agreement with the governmental
15 employer, the provisions of Subsections B through G of this
16 section with respect to the maximum contributions that can be
17 made by the employer are not violated and will still apply.
18 The employer percentage or dollar contributions as provided in
19 Subsections B through E of this section shall be determined by
20 the employee's gross salary prior to any salary reduction
21 agreement.

22 K. Any group medical insurance plan offered
23 pursuant to this section shall include effective cost-
24 containment measures to control the growth of health care costs
25 and maximize benefits for the least cost. If a state agency

.231738.2

1 that is responsible for providing state employee health
2 benefits under the Health Care Purchasing Act establishes a
3 reference-based pricing program for in-network or
4 out-of-network hospital services, hospitals subject to the
5 program shall not charge or collect from a member of the health
6 benefit plan an amount in addition to the maximum payment
7 established by the secretary of health care authority, except
8 that a hospital may charge an amount for cost-sharing that is
9 authorized by the terms of the member's health benefit plan.

10 The responsible public body that administers a plan offered
11 pursuant to this section shall report annually by September 1
12 to appropriate interim legislative committees on the
13 effectiveness of the cost-containment measures required by this
14 subsection.

15 L. Within available revenue, school districts,
16 charter schools and participating entities pursuant to the
17 Public School Insurance Authority Act may contribute up to one
18 hundred percent of the cost of the insurance of all employees
19 and institutions of higher education may contribute up to
20 eighty percent of the cost of the insurance of all employees.

21 M. When the secretary of health care authority
22 submits the health care authority's annual budget request to
23 the legislature, the secretary shall include a budget request
24 for purchasing state employee health benefits that has
25 actuarially sound rates for the following fiscal year.

.231738.2

1 Beginning July 1, 2025, the secretary shall set actuarially
 2 sound rates sufficient to cover projected claims, subject to
 3 legislative appropriation. By September 1 of each year, the
 4 projected actuarially sound rate adjustment for the following
 5 fiscal year, subject to legislative appropriation, shall be
 6 communicated to the local public bodies who are part of the
 7 state employee health benefit program.

8 N. The secretary of health care authority shall
 9 establish a program to make state health benefit premiums more
 10 affordable for certain employees using appropriations from the
 11 health care affordability fund. The secretary shall establish
 12 a system for determining eligibility for the program and may
 13 annually update program eligibility and contribution criteria.

14 O. By July 1, 2026, the health care authority shall
 15 ensure that state employees are provided the opportunity to
 16 purchase a variety of health benefit plans with varying plan
 17 designs and cost-sharing options."

18 **SECTION 2.** Section 59A-23F-11 NMSA 1978 (being Laws 2021,
 19 Chapter 136, Section 4, as amended) is amended to read:

20 "59A-23F-11. HEALTH CARE AFFORDABILITY FUND.--

21 A. The "health care affordability fund" is created
 22 in the state treasury. The fund consists of distributions,
 23 appropriations, gifts, grants and donations. Money in the fund
 24 at the end of a fiscal year shall not revert to any other fund.
 25 The health care authority shall administer the fund, and money

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1 in the fund is subject to appropriation by the legislature for
2 purposes provided by this section. Disbursements from the fund
3 shall be made by warrant of the secretary of finance and
4 administration pursuant to vouchers signed by the secretary of
5 health care authority or the secretary's authorized
6 representative.

7 B. The purpose of the fund is to:

8 (1) reduce health care premiums and cost
9 sharing for New Mexico residents who purchase health care
10 coverage on the New Mexico health insurance exchange;

11 (2) reduce premiums for small businesses and
12 their employees purchasing health care coverage in the fully
13 insured small group market;

14 (3) provide resources for planning, design and
15 implementation of health care coverage initiatives for
16 uninsured New Mexico residents; ~~and~~

17 (4) provide resources for administration of
18 state health care coverage initiatives for uninsured New Mexico
19 residents;

20 (5) cover a portion or all of the net premium
21 health benefit contributions for state employees enrolled in
22 health benefit plans covered by the Health Care Purchasing Act
23 who do not qualify for medicaid and:

24 (a) have a modified adjusted gross
25 income up to two hundred fifty percent of the federal poverty

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1 level; or

2 (b) purchase employee-only coverage and
3 receive an annual salary from the state of fifty thousand
4 dollars (\$50,000) or less; and

5 (6) cover a portion or all of the net premiums
6 for members of the New Mexico national guard who qualify for a
7 federal TRICARE reserve select policy.

8 C. If the federal Patient Protection and Affordable
9 Care Act is repealed in full or in part by an act of congress
10 or invalidated by the United States supreme court and
11 eliminates or reduces comprehensive health care coverage for
12 New Mexico residents through medicaid or the New Mexico health
13 insurance exchange, the fund may be used to maintain coverage
14 through the New Mexico health insurance exchange or through
15 medical assistance programs administered by the health care
16 authority; provided that coverage is prioritized for New Mexico
17 residents with incomes below two hundred percent of the federal
18 poverty level.

19 D. Prior to July 1, 2025, the staff of the
20 legislative finance committee shall conduct a program
21 evaluation to measure the impact of changes to the health
22 insurance premium surtax and the creation of the health care
23 affordability fund as it relates to the purpose of the fund.

24 E. Prior to July 1 of each year, the health care
25 authority shall provide actuarial data from the health care

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1 affordability fund to the legislative finance committee.

2 F. Prior to July 1 of each year, the secretary of
3 health care authority, in consultation with the superintendent,
4 the secretary of taxation and revenue and the chief executive
5 officer of the New Mexico health insurance exchange, shall work
6 with the legislative finance committee and the department of
7 finance and administration to develop and report on performance
8 measures relating to the health care affordability fund and any
9 programs or initiatives funded by the fund."

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