

Requester:

Eric Chenier

AGENCY BILL ANALYSIS - 2025 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: 1/29/2025 *Check all that apply:*
Bill Number: HB 186 Original Correction
Amendment Substitute

Sponsor: Szczepanski **Agency Name and Code Number:** Office of Superintendent of Insurance - 440
Person Writing: Viara Ianakieva
Short Title: **Phone:** 505-508-9073 **Em:** Viara.ianakieva@osi.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	2,000.00	Non-recurring	General Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
N/A	N/A	N/A	N/A	N/A

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: None.

Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

House Bill 186 (HB186) adds a new section of law to the Public Assistance Act, Chapter 27, Article 2 NMSA 1978.

Section 1 of HB186 gives the Secretary of the Health Care Authority (Secretary), subject to appropriation and availability of federal and state funds, the authority to amend the New Mexico Medicaid State Plan to provide by January 1, 2028: medical assistance to New Mexico residents that includes: (a) residents that are under the age of sixty-five; (b) residents that are not otherwise eligible for and enrolled in mandatory coverage or optional full Medicaid coverage under the New Mexico Medicaid State Plan; and (c) have a household income that exceeds one hundred thirty-three percent of the federal poverty level. HB186 requires the Secretary to consult with the Medicaid Advisory Committee and representatives of Indian nations, tribes, and pueblos in New Mexico to promulgate rules that would establish and affordability scale and set total amount of premiums to be assessed to Medicaid Forward Plan enrollees and to implement and expand the Medicaid Forward Plan.

HB186 states that the Secretary and the Superintendent of Insurance (Superintendent) may seek any federal waivers necessary to administer the Medicaid Forward Plan, provide the Medicaid Forward Pan to additional persons and to maximize federal dollars to ensure affordability for enrollees.

Section 2 of HB186 states that Secretary, Superintendent and the New Mexico Health Insurance Exchange may coordinate efforts and cooperate to make the Medicaid Forward Plan available for direct purchase through the New Mexico health insurance exchange platform and to cooperate to promulgate any necessary rules.

Section 3 of HB186 appropriates two million dollars (\$2,000,000) from the general fund to the Health Care Authority to implement the bill's provisions.

FISCAL IMPLICATIONS

OSI is unable to determine the fiscal implications of the proposed legislation to OSI.

For the broader fiscal analysis and impact on the state, OSI is relying upon two studies on the impacts of the Medicaid Forward program enrollment, rates and costs. Studies were conducted by the [Urban Institute in 2023](#) and [Mercer in 2024](#). There is a difference between the two reports in terms of data sources and assumptions. OSI is largely relying on the report provided by Mercer, New Mexico Medicaid's actuary, and based on current Medicaid data including enrollment, provider reimbursements and administrative costs. Mercer's analysis indicates that the difference in total program cost and state revenue under the targeted Medicaid Forward designs, forecasts potential increases in new State expenditures between \$232.0 million to \$581.7 million annually for funding the program. This expenditure will not be incurred until January 1, 2028. Therefore, the operating budget impact of this analysis shows only the administrative costs for the implementation of the program, which include employee salaries, contractors and information technology.

Additionally, it is unclear if any federal funding will be available or provided to support the Medicaid Forward Plan. This will have a significant impact on the state budget as projected by the Urban Institute. Per the [Mercer study](#), “[a] concern expressed by multiple stakeholders was instability, both political and financial. Political instability referred to changes in state or federal policy and budget priorities that could shift support away from Medicaid Forward to other government functions. Examples of political instability could be the unwillingness of a future CMS administration to renew and 1115 demonstration waiver for a particular program design.”

Furthermore, federal assistance can only be received through beWell or Medicaid, but not both. Therefore, New Mexico may lose access to current funding provided through Advance Premium Tax Credits and Cost Sharing Reductions to reduce premiums and out-of-pocket costs available through the New Mexico Health Insurance Exchange, beWell.

HB186 appropriates \$2 million dollars for the HCA to hire staff and contract for consulting or technical assistance for the development of the Medicaid Forward Plan. The bill does not have enough details on the direction upon which these consultants will be working. The State of New Mexico may be required to absorb a portion of, or the full shortfall of, any resources that are used to subsidize Medicaid and the contemplated program. This may include funds for coverage of individual premiums as well as provider reimbursements to make sure that payments to providers are equitable and support access to medically necessary services.

SIGNIFICANT ISSUES

The parameters of the Medicaid Forward Plan are undefined, making it difficult to determine the impact on the commercial market and on New Mexico medical providers.

Individual and group off-Exchange market. OSI does not have jurisdiction over the health plans subject to the Health Purchasing Act and Medicaid. OSI regulates all commercial (fully funded) health plans sold in New Mexico. These plans include subsidized and non-subsidized Qualified Health Plans (QHPs) sold on the New Mexico Health Insurance Exchange (beWell), as well as plans sold off-Exchange to individuals, small and large employer groups. As of December 2024, a total of 163,436 individuals were enrolled in commercial plans and could be significantly impacted by the implementation of Medicaid Forward. As of January, 2025, 70,373 persons are covered through beWell.

Stakeholders in the [Mercer study](#) explained that “there would still be individuals who would want employer-sponsored coverage and inquired if the Medicaid Forward Plan would effectively limit employer offerings or make employer offerings less robust. Concerns were expressed about how Medicaid Forward would impact coverage offered by employers, and how those would continue to operate if offered only for a small population. Additionally, certain stakeholders voiced concerns that Medicaid Forward could drive business away from New Mexico and dissuade new businesses from coming in.” Concerns were also expressed with the fact that Medicaid Forward may undermine the role of the private sector.

The New Mexico Health Insurance Exchange will be significantly impacted as well. Both the [Urban Institute](#) and [Mercer](#) studies demonstrate that if Medicaid Forward is implemented, significant number of insureds will be pulled from beWell and the private insurance and that all individuals covered through beWell will be moved to Medicaid Forward. The Urban Institute notes that the private nongroup market would be reduced from 71,000 to between 3,000 and 4,000 covered lives, almost entirely among those at higher incomes not currently getting subsidized beWell Marketplace coverage. This will result in a significant reduction in the size of the single

risk pool. Under the Affordable Care Act (ACA), all health insurance plans sold in the individual and small group markets are required to combine all applicants into a single risk pool, regardless of their age, health status, or other factors. This means that people with higher health risks (e.g., those with chronic conditions) and people with lower health risks (e.g., generally healthy individuals) are treated as part of the same pool for pricing purposes. The single risk pool helps spread the financial risk of healthcare more evenly, stabilizing premiums and making insurance more affordable for everyone, particularly those with preexisting conditions. Reducing the size of the risk pool will result in skyrocketing premiums for the remaining policyholders in the individual and small group private markets.

Independent providers. It has been determined that Medicare physician reimbursements have not been keeping up with the costs of maintaining practice (inflation). Per the American Medical Association, Economic and Health Policy Research, significant disparities exist between provider reimbursement rates and inflation. From 2001 to 2021, practice cost inflation rose 54%, while physician reimbursement only rose 8%. This may result in the unsustainability of independent providers and could further reduce the availability and accessibility of health care services in New Mexico.

Based on the [Urban Institute study](#), provider reimbursement rates under Medicaid Forward would be between 130 percent and 140 percent of Medicare. However, the [Mercer study](#) specifies that, “Medicaid rates would need to increase if Medicaid Forward were implemented.” Stakeholders have expressed that 150% of Medicare is not enough to sustain providers and practices and suggested that rates for current population need to increase up to 250% of Medicare.

PERFORMANCE IMPLICATIONS

OSI is responsible for the technical review and approval of commercial health contract forms, rates and advertisements. During 2024, OSI reviewed close to 500 filings related to commercial health coverage, including operational plans such as network adequacy, utilization review, continuous quality improvement, member and provider grievances, provider contracts and cultural and linguistic plans. If Medicaid Forward is implemented, OSI’s regulatory responsibilities for private health insurance, including form, rate, and plan management responsibilities may decrease, the extent of the decrease. The extent of the decrease could possibly be significant depending upon the shift of coverage from the private market to Medicaid Forward.

ADMINISTRATIVE IMPLICATIONS

The bill requires the Superintendent of Insurance to assist HCA with the implementation of the program and seek federal waivers. These duties are outside of the regulatory authority of the Office of the Superintendent of Insurance.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

The bill does not set parameters surrounding the implementation of this program.

OTHER SUBSTANTIVE ISSUES

Only the District of Columbia has used this optional eligibility group and expanded Medicaid to 215% of Federal Poverty Level.

The Mercer study concludes that “Medicaid Forward would significantly increase the Medicaid

costs, including health care service costs and State costs to administer the program.

ALTERNATIVES

Status quo.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo.

AMENDMENTS

None.