



Office of the Governor

**MICHELLE LUJAN GRISHAM**

## **Health Care Affordability Fund Distribution**

**HOUSE BILL 7 – SPONSORED BY:**

**REP. REENA SZCZEPANSKI, SEN. SIAH CORREA HEMPHILL**

### **OVERVIEW OF HEALTH CARE AFFORDABILITY INITIATIVES**

The Health Care Affordability Fund was established in 2021 and has since led to significant improvements in affordability for consumers and small businesses in New Mexico. This initiative followed the federal government's phase-out of a fee on health insurers, prompting the state to ensure that the resulting revenue directly benefited consumers.

The Fund's purpose is to provide resources for programs reducing consumer costs on the state's Health Insurance Marketplace (beWellnm), aiding small businesses and their employees, and supporting lower-income uninsured New Mexicans. The Office of Superintendent of Insurance (OSI) is currently implementing these programs.

To date, small businesses and their employees have saved \$45 million on health insurance premiums, offering relief to 6,000 businesses and 41,000 employees. OSI's beWellnm programs reduce both premiums and out-of-pocket costs for lower and moderate-income consumers. The recently concluded Open Enrollment Period for beWellnm saw a record-high enrollment, up 38% year-over-year, with 57,000 people now enrolled in high-quality, affordable coverage.

### **HB 7'S RESPONSE TO FUNDING CHALLENGES**

These affordability initiatives are proving highly successful and should not only be sustained but expanded and improved. This ensures more New Mexicans have secure health coverage, access to care, and prevents manageable health issues from turning into expensive conditions. It also ensures fair reimbursement for healthcare providers.

The challenge addressed by HB 7 is the significant drop in revenue distribution to the Fund scheduled to start in FY 25. Currently receiving 55% of the surcharge on health insurers' revenue, the Fund faces a reduction to 30% indefinitely if not addressed. HB 7 aims to restore the distribution to 55%, recognizing the success of these programs and the need for expansion.

Bringing this revenue into New Mexico aims to provide more affordable healthcare for those who don't qualify for Medicaid. Failure to allocate these resources to that goal will result in more expensive coverage.

### **QUICK FACTS**

#### **BeWellnm**

- Enrollment has increased by 38% year-over-year.
- Currently, 57,000 individuals are enrolled in coverage.
- Among enrollees, 43% have selected a plan priced at \$10 or less, and 53% have chosen a plan for \$50 or less.
- Half of the enrollees have opted for plans with New Mexico's out-of-pocket assistance, commonly referred to as "Turquoise Plans." OSI is planning to expand this assistance to more enrollees next year.
- Native American enrollment has more than doubled in the past year.

## QUICK FACTS

### SMALL BUSINESSES

- 6,000 small businesses are benefiting from a 10% premium reduction, positively impacting 41,000 employees.
- OSI designed the program to minimize administrative hurdles for employers, ensuring that the discount is automatically applied to their coverage each month.

### UNINSURED PROGRAM

- OSI projects that between 6,000 and 12,000 individuals could enroll in the uninsured program set to launch next January.
- This program will offer coverage similar to what is available on beWellnm.

### CURRENT PROGRAM COSTS

- OSI projects that costs under current programs will amount to \$89 million in FY 25. These programs were designed with the revenue distribution change in mind, allowing more resources to be effectively utilized if there was certainty about the distribution.

### REVENUES

- In FY 25, revenue to the fund is expected to decrease to \$98 million, down from \$152 million in FY 24.

## HCAF REVENUE TABLE (MILLIONS)

Fiscal Year	HCAF Under Current Law	HCAF Under HB 7	Difference
FY 24	\$152.3	\$152.3	N/A
FY 25	\$97.7	\$179.1	\$81.4
FY 26	\$99.8	\$182.9	\$83.1

### RESERVES

- Due to the time required to set up these programs and the fact that OSI designed them with the distribution change in mind, the Fund currently holds reserves of about \$121 million. Without this adjustment, reserves could be depleted within the next few years.
- In the event of a distribution change, OSI, in collaboration with the Health Care Authority, will be able to swiftly initiate program enhancements. This ensures that the funds are promptly deployed to benefit consumers across the state.