

LFC Requester:

Joseph Simon

**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**

**[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto: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:** 01/22/2025 *Check all that apply:*  
**Bill Number:** HB 119 Original  Correction   
 Amendment  Substitute

**Sponsor:** Representative Kathleen Cates **Agency Name and Code Number:** ECECD  
**Short Title:** Contract Adjustments Under Procurement Code **Person Writing Analysis:** Sara Mickelson  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
NFI	NFI	NFI		
NFI	NFI	NFI		

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	Unknown	Unknown	Unknown	Unknown		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
 Duplicates/Relates to Appropriation in the General Appropriation Act

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

##### Synopsis:

HB119 proposes to insert three new sections to the Procurement Code. The new language would allow contractors who have contracts with the State of New Mexico to request contract amendments to accommodate any statutory increase in the contractor's employee's compensation and benefits. HB119 also proposes that when an increase in employee compensation and benefits is required by change in state statute, the state agency responsible for providing payment to a Medicaid or Medicare provider must request a change to the Medicaid or Medicare reimbursement rates from the federal Centers for Medicare and Medicaid services. Requests must be made by the state agency within 45 days of the date upon which the changes to state statute regarding compensation and benefits become law.

#### **FISCAL IMPLICATIONS**

Note: major assumptions underlying fiscal impact should be documented.

If enacted, HB119 will impact ECECD if any changes to statutorily required employee compensation and benefits are enacted that would apply to ECECD contractors. ECECD contracts with many contractors to accomplish its mission, including with Medicaid providers. Therefore, ECECD would be required to work through the HCA to amend the state plan to effectuate an amendment to Medicaid reimbursement rates should those rates be statutorily affected.

The fiscal implications of this law could include:

1. **Increased Expenditures:** Adjustments in contracts and reimbursement rates may lead to higher state expenditures to cover increased costs for contractors' employee compensation and benefits.
2. **Budget Reallocations:** ECECD may need to reallocate funds from other areas to accommodate the increased costs, potentially affecting other programs and services.
3. **Financial Planning:** ECECD will need to incorporate these potential adjustments into its financial planning and budgeting processes to ensure fiscal stability.
4. **Monitoring and Compliance Costs:** Ensuring compliance with the new requirements may incur additional costs related to monitoring, auditing, and reporting.
5. **Potential Over/Under Billing:** Adjustments in contracts could lead to instances of overbilling or underbilling, requiring careful financial management and resolution.
6. **Impact on Federal Funding:** Requests for adjustments in Medicaid reimbursement rates

may affect federal funding allocations and require coordination with federal authorities.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

## **SIGNIFICANT ISSUES**

Several significant issues may arise if HB119 is passed:

1. **Administrative Burden:** The requirement for agencies to process and respond to adjustment requests within 45 days, and to amend the Medicaid rates on behalf of a contractor will strain administrative resources, leading to potential bottlenecks and delays.
2. **Financial Impact:** Adjustments in contracts and reimbursement rates could lead to increased costs for ECECD, which may affect the budget and require reallocation of funds.
3. **Coordination Challenges:** Effective implementation will necessitate seamless coordination between the State and federal authorities, which could be complex and time-consuming.
4. **Impact on Service Delivery:** Any delays or issues in processing adjustments could affect the timely delivery of services, especially in critical sectors such as ECECD's Family Infant Toddler (FIT) Program, that provides early intervention services, and Home Visiting, both of which reimburse providers under Medicaid.
5. **Policy and Procedural Changes:** Updating existing policies and procedures to incorporate the new requirements could be a lengthy process, affecting the smooth transition to the new system.

## **PERFORMANCE IMPLICATIONS**

HB119 poses several performance implications:

**Administrative Burden:** HB119 requires timely requests for adjustments within 45 days, requiring additional administrative action. ECECD would likely require additional staff to support timely responses to requests from Contractors, to process approved contract amendments, and to work with federal partners to process Medicaid rate adjustments.

## **ADMINISTRATIVE IMPLICATIONS**

**Increased Workload:** ECECD will need to process and respond to adjustment requests within a strict 45-day window, process approved contract amendments, and work with federal partners to amend Medicaid reimbursement rates, increasing ECECD's administrative workload.

**Procedural Changes:** New procedures and documentation processes will need to be developed to handle contract and reimbursement rate adjustment requests efficiently.

**Staff Training:** Staff will require training on the new requirements to ensure they can manage and process requests accurately and timely.

**Coordination:** Enhanced coordination between different departments and federal agencies will be necessary to ensure smooth implementation of the adjustments.

**Resource Allocation:** ECECD may need to allocate additional resources or staff to manage the increased administrative responsibilities.

**Documentation and Record-Keeping:** Maintaining accurate records of all requests and responses will be essential for accountability and compliance.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

### **TECHNICAL ISSUES**

**None.**

### **OTHER SUBSTANTIVE ISSUES**

**None.**

### **ALTERNATIVES**

**None.**

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

**None.**

### **AMENDMENTS**