

LFC Requester: \_\_\_\_\_

**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

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

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***(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:** \_\_\_\_\_ *Check all that apply:*  
**Bill Number:** HB400 Original  Correction   
Amendment  Substitute

**Sponsor:** Rep. Duncan **Agency Name and Code** HCA 630  
**Short Title:** Medicaid Health Provider Cost Studies **Number:** \_\_\_\_\_  
**Person Writing** Paoze Her **Phone:** \_\_\_\_\_ **Email** Paozez.her@hca.nm.g

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0	\$0	NA	NA

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0	\$0	\$0	NA	NA

(Parenthesis ( ) indicate revenue decreases)

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

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

FTE	\$0.0	\$48.7	\$48.7	\$97.4	Recurring	General Fund
FTE	\$0.0	\$48.7	\$48.7	\$97.4	Recurring	Federal Fund
Contract	\$0.0	\$1,250.0	\$1,250.0	\$2,500.0	Recurring	General Fund
Contract	\$0.0	\$1,250.0	\$1,250.0	\$ 2,500.0	Recurring	Federal Funds
MAD Program	\$0.0	\$0.0	\$617,000.0	\$617,000.0	Recurring	General Fund
MAD Program	\$0.0	\$0.0	\$2,213,354.0	\$2,213,354.0	Recurring	Federal Funds
<b>TOTAL</b>	<b>\$0.0</b>	<b>\$2,597.40</b>	<b>\$2,832,951.4</b>	<b>\$2,835,548.80</b>	<b>Recurring</b>	<b>Total</b>

(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: House Bill (HB) 400 requires the Health Care Authority (HCA) to conduct health care cost studies by provider type for providers receiving a Medicaid payment every three years. The study must include recommendations for adequate reimbursement rates by provider type based on the cost of competitive compensation to health care providers, and recent and projected changes in health care resource costs including rising wages and inflation. The cost study is to be submitted with the budget request on September 1<sup>st</sup> of each year.

**FISCAL IMPLICATIONS**

The cost of a Medicaid rate study varies significantly depending on the scope of the study, data collection needs, stakeholder involvement, and the consulting firm conducting the study. For example, in FY 2023, Medicaid conducted a comprehensive rate review that cost \$1,000,000; the rate study of home and community-based services for the community benefit program in FY 2024 cost \$300,000 and another rate study for the community-based services for 1915(c) waivers cost \$500,000. For a rate study with a broad and thorough work scope as required by this bill, estimated cost is \$2,500,000 per year; this cost is based on conducting a study covering one-third of the providers receiving a Medicaid payment each year as permitted by Section C of the bill by at least two vendors. The cost of the study will get federal match at 50% and it will cost the general fund \$1,250,000 each year.

In addition, the Medicaid program would need additional staff to implement this bill for oversight

and collaboration with a vendor for cost-based rate studies. One (1) FTE at pay-band 70 would cost \$97,400 with \$48,700 in general fund and \$48,700 in federal funds.

In addition, the current Medicaid reimbursement rates are benchmarked with the Medicare fee schedule. Medicaid is currently paid between 100% to 150% of the Medicare rates for equivalent services. In FY25, the general fund cost to pay for increases in Medicaid reimbursement for maternal, behavioral health, and primary care rates from 120% to 150% percent of Medicare and to maintain other rates at 100% of Medicare was \$100,000,000 in general fund. If the rate studies result in reimbursing Medicaid providers an equivalent of 200% of the Medicare rates, excluding hospitals and nursing facilities, it would cost the Medicaid program \$2,830,354,000 with \$617,000,000 general fund and \$2,213,354,000 federal funds. Hospitals have been excluded from this impact as they receive the average commercial rate (ACR) through the Healthcare Delivery and Access Act and the nursing facilities are paid through the healthcare quality surcharge (HCQS) and cost rebasing.

The overall recurring cost of implementing HB 400 is potentially \$2,832,951,400 a year with \$618,298,700 general fund and \$2,214,652,700 federal funds.

## **SIGNIFICANT ISSUES**

The Medicaid program has been using the Medicare fee schedule as the benchmark to raise provider reimbursement rates for services that have Medicare equivalence and average rate increase or targeted raise increase for services that Medicare does not cover. The provider reimbursement rate increase is at 100% to 150% of the Medicare rate based on legislative appropriations for FY 2024 and FY 2025. The requirement of this bill would be a new reimbursement rate setting methodology for health care providers serving the Medicaid population. This new reimbursement methodology will also require a revision to the State Plan and NMAC. The state plan amendment approval process takes at least six (6) months to obtain approval from the Centers for Medicare and Medicaid Services (CMS).

## **PERFORMANCE IMPLICATIONS**

N/A

## **ADMINISTRATIVE IMPLICATIONS**

House Bill (HB) 395 of the 2023 regular legislative session amended Section 28-16A-16 NMSA 1978 requiring the Department of Health (DOH) to conduct a biennial independent cost study for recommending reimbursement rates for the 1915(c) waivers – Developmentally Disabled (DD), Medically Fragile (MF) and Mi Via Waivers. The rate study required by HB 400 would be duplicative.

Similarly, the Early Childhood Education and Care Department (ECECD) undergoes a separate rate study process for the Family Infant Toddler (FIT) program. This rate study is funded by ECECD. Any inclusion of these providers in general Medicaid rate studies would be duplicative.

In addition, the Medicaid program reimburses certain provider types at cost. The Medicaid School-Based Services (MSBS) program utilizes a cost-based reimbursement methodology. The MSBS providers are paid with interim rates and at the end of the year, they file an annual cost report to determine the actual cost of providing services. The provider either receives additional Medicaid payment if the interim payment is less than the actual cost or returns payment to the Medicaid program if the interim payment is greater than the actual cost. Thus, MSBS providers do not need

to be included in general Medicaid rate studies.

Hospitals and home health are also subject to cost settlement on fee-for-service (FFS). Hospitals are paid with interim rates, usually a cost to charge ratio, during the hospital's fiscal year. At the end of the fiscal year, the hospitals submit a cost report to the Medicaid program's auditing agent. The audit results in no additional payment if the interim payment equals the cost of providing services for that year. The audit results in additional payment if the interim payment is less than the cost of providing services. And consequently, a payment is returned to the Medicaid program if the interim payment is greater than the cost of providing services. Thus, hospitals do not need to be included in general Medicaid rate studies.

No IT impact.

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

Senate Bill 297, House Bill 305

House Bill 395 from the 2023 legislative regular session that required the Department of Health to conduct a biennial rate study. The proposed timing of the rate studies in HB 400 conflicts with this prior mandate.

### **TECHNICAL ISSUES**

Lines 22 and 25 describe the cost study as being for "each type of health care provider." Providers are reimbursed based on the services provided not the enrollment type. It would be more accurate to define a cost study for "each type of service."

### **OTHER SUBSTANTIVE ISSUES**

N/A

### **ALTERNATIVES**

N/A

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

Status Quo

### **AMENDMENTS**