

LFC Requester:

Eric Chenier

**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](https://www.nmlegis.gov/AgencyAnalysis) 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: 2/21/25

Check all that apply:

Bill Number: HB562Original  Correction Amendment  Substitute Sponsor: Rep. TerrazasShort Title: Independent Health ProviderTitle: Reimbursement

Agency Name

and Code HCA 630

Number: \_\_\_\_\_

Person Writing Kresta OppermanPhone: \_\_\_\_\_ Email Kresta.opperman@hca**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0.0	\$3,000	Nonrecurring	General Fund

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0.0	\$10,643.0	N/A	Nonrecurring	Federal Medicaid Funds

(Parenthesis ( ) indicate revenue decreases)

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

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	\$0.0	\$0.0	\$3,000.0	\$3,000.0	Recurring	General Fund
	\$0.0	\$0.0	\$10,643.0	\$10,643.0	Recurring	Federal Medicaid Funds
<b>Total</b>	\$0.0	\$0.0	\$13,643.0	\$13,643.0	Recurring	Total

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: Not known  
Duplicates/Relates to Appropriation in the General Appropriation Act: Not known

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

##### Synopsis:

House Bill 562 (HB562) would make a \$3 million appropriation to the Health Care Authority (HCA) in FY 2026 to increase Medicaid reimbursement to independent rural health care providers. Any unexpended or unencumbered balance remaining at the end of fiscal year 2026 would revert to the general fund.

#### **FISCAL IMPLICATIONS**

HB562 appropriates \$3,000.0 thousands from the general fund to the HCA in FY 2026 to increase reimbursement rates for independent rural health care providers. For Medicaid allowable medical payments, the general fund amount will be matched with \$10,643.0 thousands of federal funds for a total funding of \$13,643.0 thousands. The blended federal financial participation is calculated to be 78.01%.

Given that Medicaid provider rate increases are a recurring expense, HB562 would result in a recurring operating budget impact to the HCA of \$3,000.0 thousands from the general fund in FY27.

#### **SIGNIFICANT ISSUES**

HB 562 provides funding for increased provider reimbursements in FY 2026 on a non-recurring basis. Medicaid provider rate increases are recurring to ensure the maintenance of services to Medicaid beneficiaries and because they involve significant policy and system changes. Based on the current language in the bill, the increase in provider reimbursements implemented in FY 2026 would result in a recurring general fund need to the HCA of \$3 million per year.

HB 562 does not provide an explicit definition of 'independent rural health care providers,' nor does it specify an explicit increase in their reimbursement rates. The majority of services are reimbursed through MCOs based on applicable Medicaid fee schedules. Rates above the Medicaid fee schedule may be negotiated between Managed Care Organizations (MCOs) and individual providers to ensure sufficient provider network capacity in rural areas.

Increasing rates to providers located in rural communities may help recruit and retain providers in rural parts of New Mexico.

The HCA would need to determine a methodology for implementing this rate increase and would need to operationalize it. Differential rate reimbursement can be challenging to administer and oversee.

#### **PERFORMANCE IMPLICATIONS**

See Significant Issues above.

## **ADMINISTRATIVE IMPLICATIONS**

HB562 would require system changes in the financial services Information Technology (IT) system. The specific requirements would need to be gathered before a timeline for completion could be estimated. Additionally, such changes will require revision to the federal Medicaid State Plan and must be approved by the Centers for Medicare and Medicaid Services (CMS).

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

None

## **TECHNICAL ISSUES**

None for the HCA.

## **OTHER SUBSTANTIVE ISSUES**

None for the HCA.

## **ALTERNATIVES**

None suggested.

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

Status quo

## **AMENDMENTS**

None