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## FISCAL IMPACT REPORT

|                    |   |                      |                 |
|--------------------|---|----------------------|-----------------|
| <b>SPONSOR</b>     | Sens. Duhigg and Cervantes/<br>Rep. Thomson | <b>LAST UPDATED</b>  |                 |
|                    |   | <b>ORIGINAL DATE</b> | 2/28/2025       |
| <b>SHORT TITLE</b> | OBGYN Medicaid Reimbursements               | <b>BILL NUMBER</b>   | Senate Bill 370 |
|                    |   | <b>ANALYST</b>       | Rommel          |

### APPROPRIATION\* (dollars in thousands)

| FY25 | FY26     | Recurring or Nonrecurring | Fund Affected |
|------|----------|---------------------------|---------------|
| \$0  | 12,000.0 | Recurring                 | General Fund  |

Parenttheses ( ) indicate expenditure decreases.  
\*Amounts reflect most recent analysis of this legislation.

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

| Agency/Program | FY25 | FY26       | FY27       | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|----------------|------|------------|------------|-------------------|---------------------------|---------------|
| HCA            | \$0  | \$12,000.0 | 12,000.0   | \$24,000.0        | Recurring                 | General Fund  |
| HCA            | \$0  | \$30,358.0 | \$30,358.0 | \$60,716.0        | Recurring                 | Federal Funds |
| Total          | \$0  | \$42,358.0 | \$42,358.0 | \$84,716.0        | Recurring                 |               |

Parenttheses ( ) indicate expenditure decreases.  
\*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 56

### Sources of Information

LFC Files

#### Agency Analysis Received From

Health Care Authority (HCA)  
New Mexico Medical Board (NMMB)  
Department of Health (DOH)

## SUMMARY

### Synopsis of Choose an item.

Senate Bill 370 (SB370) appropriates \$12 million from the general fund to the Health Care Authority (HCA) for increased Medicaid reimbursements for obstetrics and gynecology healthcare services.

SB370 would increase the Medicaid reimbursement rate for obstetrics and gynecology healthcare services to 250 percent of the Medicare reimbursement rate for equivalent services, using Medicaid reimbursement rates for each obstetrics or gynecology healthcare service as of July 1, 2024, as a baseline for comparison. Obstetrics or gynecology healthcare services covered by Medicaid, but not covered by Medicare, shall receive an increase in the Medicaid reimbursement rate proportional to the average percentage increase in reimbursement that obstetrics or gynecology healthcare services receive.

SB370 also includes provisions for all healthcare entities that receive increases in Medicaid reimbursement to ensure that at least 75 percent of the increased reimbursement revenue is used to provide increased compensation to healthcare workers and hire additional healthcare workers who interact directly with patients.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns.

## **FISCAL IMPLICATIONS**

The appropriation of \$12 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY26 shall revert to the general fund.

HCA indicates it cannot presently calculate if \$12 million from the general fund is sufficient to provide an increase to 250 percent of Medicare for obstetrics or gynecology healthcare services. For context, in FY25, the general fund cost to pay for increases in Medicaid reimbursement for maternal, behavioral health, and primary care rates from 120 percent to 150 percent of Medicare and to maintain other rates at 100 percent of Medicare is \$100 million in general fund. The potential additional cost of raising all rates to 200 percent of Medicare is a minimum \$2.83 billion or \$617 million from the general fund using a projected financial participation rate of 77.62 percent from FY26 and a medical cost inflation of 2.6 percent.

## **SIGNIFICANT ISSUES**

HCA notes:

SB370 includes provisions for all healthcare entities that receive increases in Medicaid reimbursement to ensure that at least 75 percent of the increased reimbursement revenue is used to provide increased compensation to healthcare workers and hire additional healthcare workers who interact directly with patients. HCA has implemented provider attestations in the past. However, provider use of funds has not been auditable, thereby making this portion of SB370 very difficult to enforce. SB370 aims to increase the Medicaid reimbursement rate for direct obstetrics and gynecology healthcare services. These services can vary between routine obstetric care (prenatal, delivery and postpartum care), gynecological procedures (such as biopsies, insertion of intrauterine device, colposcopies) and ultrasounds and imaging.

## ADMINISTRATIVE IMPLICATIONS

HCA notes OB-GYN services include routine evaluation and management clinical visits distinguished only by diagnosis codes. Therefore, the bill would require significant claim processing edits to assure compliance with the requirements. This bill would require a system change in the financial services IT system. This change would be part of maintenance and operations at no additional cost.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB370 could relate to House Bill 56, which would ensure that Medicaid reimbursement for services at birth centers is the same as reimbursement for services at hospitals.

## OTHER SUBSTANTIVE ISSUES

New Mexico faces a shortage of obstetrics and gynecology physicians along with most other primary care specialties. The *2024 New Mexico Healthcare Workforce Committee Report* finds that, with no redistribution of the current workforce, an additional 59 OB-GYNs would be needed for all New Mexico counties to meet the national benchmark (2.2 per 10 thousand female population). The Health Resources Service Agency (HRSA) projects a shortage around 70 OB-GYNs through at least 2030, with a supply of 240 physicians to a need of 310 (77 percent adequacy).<sup>1</sup>

Increased reimbursement rates could attract more healthcare providers to offer obstetrics and gynecology services to Medicaid patients, improving access to care.

The Department of Health notes SB370 may improve maternal health from the Medicaid because reimbursement rates should provide additional access to care in urban areas, but this may not reach the frontier and rural areas in New Mexico. Attracting and retaining healthcare providers in rural communities can be challenging due to factors such as limited career opportunities, lower reimbursement rates, and lack of infrastructure. Consequently, programs to deal broadly with issues must first assess the abilities at each level—state, county and local—to overcome them.

HR/hg/sgs

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<sup>1</sup> [https://digitalrepository.unm.edu/nmhc\\_workforce/13](https://digitalrepository.unm.edu/nmhc_workforce/13)  
<https://data.hrsa.gov/topics/health-workforce/workforce-projections>