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FISCAL IMPACT REPORT

SPONSOR	Reps. Terrazas, Jones, Dow and Armstrong/Sen. Ramos	LAST UPDATED	
		ORIGINAL DATE	3/10/2025
SHORT TITLE	Independent Health Provider Reimbursement	BILL	
		NUMBER	House Bill 562
		ANALYST	Rommel

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$3,000.0	Recurring	General Fund

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

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
Medicaid Federal Match		\$10,643.0	\$10,643.0	\$10,643.0	\$10,643.0	Recurring	Federal Funds

Parentheses () indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

Health Care Authority (HCA)

SUMMARY

Synopsis of House Bill 562

House Bill 562 (HB562) appropriates \$3 million from the general fund to the Health Care Authority (HCA) for the purpose of increased Medicaid reimbursement for independent rural healthcare providers. Any unexpended or unencumbered balance remaining at the end of fiscal year 2026 shall revert to the general fund.

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 \$3 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.

HB562 appropriates \$3 million from the general fund to HCA in FY 2026 to increase reimbursement rates for independent rural healthcare providers. For Medicaid allowable medical payments, the general fund amount will be matched with \$10.643 million of federal funds for a total funding of \$13.643 million. The blended federal financial participation is calculated to be 78.01 percent. Given that Medicaid provider rate increases are a recurring expense, HB562 would result in a recurring operating budget impact to the HCA of \$3 million from the general fund in future fiscal years.

SIGNIFICANT ISSUES

HCA reports:

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.

HB562 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 managed care organizations (MCOs) based on applicable Medicaid fee schedules. Rates above the Medicaid fee schedule may be negotiated between MCOs and individual providers to ensure sufficient provider network capacity in rural areas.

ADMINISTRATIVE IMPLICATIONS

HCA notes it 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.

HB562 would require system changes in the financial services Information Technology 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.

OTHER SUBSTANTIVE ISSUES

New Mexico continues to face critical, chronic shortages of healthcare professionals across nearly all disciplines. Thirty-two of 33 counties are designated as or contain federally designated

health professional shortage areas in the areas of primary care, mental health, and dental health.¹

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

HLR/sgs/SL/sgs

¹ <https://data.hrsa.gov/tools/shortage-area/hpsa-find>