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FISCAL IMPACT REPORT

SPONSOR <u>Soules/Steinborn</u>	LAST UPDATED _____
	ORIGINAL DATE <u>3/4/2025</u>
SHORT TITLE <u>New Physician Residency Programs</u>	BILL NUMBER <u>Senate Bill 427</u>
	ANALYST <u>Rommel</u>

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
\$0	\$60,000.0	Recurring	General Fund

Parentheses () 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-FTE		\$198.8	\$198.8		Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bills 172 and 380

Sources of Information

LFC Files

Agency Analysis Received From
 Health Care Authority (HCA)
 New Mexico Medical Board (NMMB)
 UNM Health Sciences Center (UNM-HSC)
 Higher Education Department (HED)

SUMMARY

Synopsis of Senate Bill 427

Senate Bill 427 (SB427) appropriates \$60 million from the general fund to the Health Care Authority (HCA) for expenditure in fiscal years 2026 through 2028 to create new physician residency programs and positions.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

The appropriation of \$60 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY28 shall revert to the general fund.

The University of New Mexico Health Sciences Center (UNM-HSC) notes that established graduate medical education (GME) residency programs, like those at UNM, are funded through federal Centers for Medicare and Medicaid Services (CMS). However, GME expansion requires considerable coordination and planning; new programs typically require two to five years for development and existing programs require one to three years for expansion. There is currently no dedicated funding mechanism for these activities.

Additional budget impact is estimated for 2 project coordinator positions housed at HCA for program administration.

SIGNIFICANT ISSUES

Graduate medical education (GME) programs occur after completion of a four-year medical school program and are often referred to as residencies. These programs typically last from three to seven years and may include a fellowship of one to three years following residency. GME programs are generally sponsored initially by a medical school but the day-to-day operations and the financing for these programs remain with the medical institution in which they are housed. Many programs face start-up costs for administration and physician supervision for the residents, which may not be fully covered through the clinical revenue generated by the resident physician.

New residency programs often take three to five years to start up. SB427 would provide support to new programs in FY26 through FY28.

HCA reports that once a residency is established, HCA has limited authority to fund physician residency programs. For physician residency to be counted for Medicaid reimbursement, a resident must be participating in an accredited GME residency program, as defined by Medicare in 42 CFR 413.75. HCA is additionally restricted in the number of residency positions that can be funded through Medicaid. This limitation could impact the sustainability of a newly created program.

ADMINISTRATIVE IMPLICATIONS

HCA cannot directly create physician residency programs and positions. However, HCA currently oversees residency expansion through the Graduate Medical and Expansion Grant Program Act established in 2019. There are currently four physician and one psychiatry rural residency programs in development that are receiving this funding. In addition to establishing statutory authority to administer a grant program, HCA would need two positions to administer the funds.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB427 relates to Senate Bill 380, which establishes the physician graduate medical education

trust fund and the physician graduate medical education program fund to support residency programs in rural and underserved areas. The trust fund, financed through a \$100 million appropriation from the general fund, will distribute 5 percent of its average market value annually to the program fund to support graduate medical education programs in rural areas.

This bill also relates to Senate Bill 172, which appropriates \$1.5 million from the general fund to the Workforce Solutions Department (WSD) to implement and administer the provisions of the Immigrant Health Care Workforce Development Act. The bill specifies the appropriation includes funding to hire three staff and provide program grants.

OTHER SUBSTANTIVE ISSUES

Medicare, the largest source of federal GME funding, provides support for GME through two types of payments: direct and indirect (IME).¹ The number of residents that a hospital may receive payment for is “capped” due to a federal provision which limits the number of positions or slots that Medicare can fund. This “cap” on the number of FTE residents Medicare will support is calculated for each hospital once a new teaching program reaches its fifth year. Medicaid, a joint federal-state program, is the second largest source of support for GME.² States may elect to recognize GME training costs as a component of overall hospital costs. The federal government shares payment for these expenses through federal matching funds. Other federal sources of GME funding include the Health Resources Services Administration (HRSA) Rural Residency Planning and Development program and HRSA’s hospital GME programs.

Developing new or expanded physician residency programs requires adherence to Accreditation Council for Graduate Medical Education (ACGME) rules and approval. This can be a complex and lengthy process that requires multiple partnerships across hospitals, communities, and healthcare professionals. Due to the shortage of physicians and specialty care in New Mexico, it can be difficult for new residencies to find enough available rotations to meet the requirements of the ACGME. In addition, many preceptors are not compensated for their additional time in educating rotating students, making finding enough educators challenging.

HR/hg/sgs

¹ Meisler, E., Mendez, B., Mitchell, A., Panangala, S.V., Villagrana, M. (2018) Federal Support for Graduate Medical Education: An Overview (CRS Report No. R44376)

² 4 Mitchell, A., Baumrucker, E., Colello, K., Napili, A., Binder, C., Keyser, J. (2021) Medicaid: An Overview (CRS Report No. R43357) Retrieved from Congressional Research Service Website: Medicaid: An Overview (congress.gov)