



# Medicaid Forward: A Path to a Healthier New Mexico

LHHS Committee Hearing  
November 22, 2024



**NM Together for Healthcare** is a statewide, multiracial campaign of families and community organizations working together to strengthen healthcare access for all of New Mexico's children and families.

We work to advance affordable healthcare solutions for all New Mexicans and build a community-led movement to take part in healthcare policy decisions.



**WE ARE ALL EQUAL IN  
DESERVING HEALTHCARE**



- NM Together for Healthcare is strong with statewide community leaders bringing their families from Doña Ana, McKinley, and Bernalillo Counties to the policy table.
- We know the path to healthcare for all starts with families and what they are experiencing every day.
- **Affordability is the #1 issue for many families**—even with the Affordable Care Act, many families still can't afford to buy or use coverage.



**Every New Mexican deserves access to quality, affordable healthcare.** It is essential for maintaining good health and thriving throughout life.

Our current system is:

- Fragmented and unaffordable
- Places unnecessary burdens on providers
- Creates geographic and racial disparities

Medicaid Forward could address this by providing a pathway for all New Mexicans to access affordable healthcare, including those whose income exceeds current Medicaid thresholds. **By using a sliding-scale premium model, Medicaid Forward ensures that healthcare is affordable and predictable, no matter your income level.**

# Medicaid Forward - The Concept

Medicaid Forward is an initiative in New Mexico to lower healthcare costs and increase coverage by **opening Medicaid coverage to individuals whose incomes exceed the current eligibility limits, allowing them to buy coverage** on a sliding scale.

- It would extend Medicaid eligibility to all residents under 65 years old.
- Enrollees over 200% FPL would pay premiums and out-of-pocket costs on a sliding scale, with each family's combined spending capped at 5% of income.
- Medicaid spending for newly eligible people would qualify for federal matching funds at the state's standard FMAP of 71.68%.
- Medicaid provider reimbursements would be raised to narrow the gap between Medicaid and private payer reimbursement.
- Savings from subsidies that would no longer be needed and additional revenue from existing sources such as premium tax would help offset new state costs.
- Employers would contribute a small fee for workers who enroll in the program, via a new revenue stream that would offset the remaining new state costs.

## Two Studies Commissioned by the State

1. The Office of the Superintendent of Insurance contracted with the non-partisan research firm Urban Institute to conduct a study of the potential impact of Medicaid Forward in New Mexico. The study was released in August 2023.
2. As mandated by House Bill 400 (2023), the Health Care Authority commissioned Mercer Government Human Services Consulting, its actuarial contractor, to conduct a study of the operational needs and impacts of Medicaid Forward. The report was published on October 1, 2024.

# Study Comparisons - Assumptions and Scope

## Urban Institute

- Low and high enrollment projections
- No income cap, with cost sharing
- Sliding scale for out-of-pocket costs beginning at 150%FPL
- Based on 710,000 baseline Medicaid enrollment
- Used FY 2023 FMAP of 73.26%
- Provider reimbursement increases of 7 and 17%
- Presents impact by county, ethnicity, and income level
- Included uncompensated care savings
- Projections include people who do not qualify for federal funding, such as lawfully present immigrants who have resided in the US for less than 5 years and undocumented individuals

## Mercer

- 7 models with different income limits and cost sharing, including no income cap
- Sliding scale for out-of-pocket costs beginning at 200% FPL
- Based on 687,000 baseline Medicaid enrollment
- Used FY 2025 FMAP of 71.68%
- 3.4% increase in provider Medicaid revenues in order to maintain baseline, system-wide expenditure levels
- Included administrative costs to HCA
- Projections do not include enrollment of individuals who do not qualify for federal funding

## Findings across Both Studies

- Medicaid Forward would substantially expand access to healthcare coverage and support providers with reimbursement rate increases.
- Uninsured rates would be cut in half.
- Both large and small employers would see substantial reductions in spending on employee healthcare premiums.
- People who are currently insured would have a new option in Medicaid Forward with lower premiums and out-of-pocket costs.
- Household spending on healthcare would be dramatically reduced.
- **Under the most expansive design, state revenue would exceed new spending – resulting in overall savings for the state.**



# Urban Institute - Breakdown of State Savings & Revenues

The state share of new costs would be offset by:

- Reduced spending for state employees who enroll (\$335-379 million)
- Redirected state-based marketplace assessments (\$153 million)
- Collection of more in premium tax and premium surcharge revenue as more uninsured individuals enroll (\$141-198 million)
- Contributions from large employers (\$247-422 million)
- Increased income tax revenue as wages increase (\$23-43 million)
- Reduction in uncompensated care funding (\$40 million)
- Redirected funds from the Healthcare Affordability Fund (\$145 million)

The study projects state revenue would exceed new spending by \$3-51 million.

# Mercer - Revenue Will Exceed State Spending by \$45 million under the No Income Cap Model

Mercer Medicaid Forward Projections			
No Income Limit with Enrollee Financial Responsibility			
		Expenditure Change	% Change
Medicaid Enrollment		3,484,980	47.5%
Medicaid Capitation Costs		\$4,090,240,348	62.7%
Enrollee Financial Responsibility	-	\$348,224,210	N/A
Medicaid Drug Rebate Program Revenue	-	\$106,127,705	73.4%
Additional State Administrative Expenses	+	\$88,163,046	N/A
<b>Net Medicaid Program Cost</b>		<b>\$3,724,051,480</b>	
Federal Matching Funds	-	\$2,729,181,382	58.0%
State Share of Net Capitation Costs and Administrative Expenses	+	\$994,870,097	87.0%
BeWell State Subsidies	-	\$31,593,581	-93.3%
GSD/Public School Employer Contributions	-	\$381,597,606	-67.7%
<b>Additional State Costs</b>		<b>\$581,678,910</b>	
Premium Tax Revenue	-	\$214,092,414	33.0%
<i>Additional State Costs less Premium Tax Revenue</i>	=	<i>\$367,586,497</i>	<i>N/A</i>
Potential Private Employer Funding	-	\$413,396,896	-14.0%
<b>Additional State Costs less Potential Revenue</b>		<b>(\$45,810,400)</b>	

# Study Highlights

## Urban Institute

- Almost every region in would see their uninsured rates cut in half—with five regions seeing their uninsured rates drop by more than 60%.
- The uninsured rate for people with the highest rate of uninsurance—those with incomes just above the Medicaid cut-off—could drop from 23.9% to as low as 8.9%.
- Household spending on healthcare could drop by 37.9% with spending cut nearly in half for families with low incomes (saving \$1.2 billion).
- Employer costs for healthcare could go down by a total of \$229 million (\$154 million for large employers and \$75 million for small employers).
- Wages statewide could go up by \$874 million.

## Mercer

- Medicaid Forward provides significantly lower-cost coverage compared to private insurance, with up to a 75% decrease in maximum annual costs for state employees.
- 62.4% of state and local employees would shift to Medicaid Forward, saving the state over \$381 million.
- Enrollment on BeWell would decrease by 88.9%, with \$31 million in subsidies being redirected to Medicaid Forward.
- Pending provider rate increases will bring hospital expenditures up to 95% of average commercial rates and physician expenditures to 90% (up from 53% and 72%). The analysis anticipates the needed increases to maintain consistent provider revenues.
- Medicaid Drug Rebate Program revenue would increase by \$106 million due to increased Medicaid enrollment.

# Medicaid Forward Legislation in 2025

A bill to initiate planning for Medicaid Forward is the first step toward unlocking affordable coverage for all New Mexicans. The bill will allow the state to take critical steps to enacting a Medicaid Forward option that residents can enroll in by January 1, 2028.

The bill commits the Secretary of the Health Care Authority to pursue the goal of Medicaid Forward and directs the Secretary to:

- Amend the Medicaid State Plan to open Medicaid to residents over 133% FPL
- Establish an affordability scale for premiums and cost-sharing
- Phase in coverage beginning by January 2028
- Work with the Superintendent of Insurance and the Health Insurance Exchange to coordinate enrollment processes



- Adriann Barboa, Field Director, Strong Families New Mexico
- Dr. Caryn McHarney-Brown, family practitioner for 34 years
- Arika Sánchez, Healthcare Director, New Mexico Center on Law and Poverty
- Rep. Reena Szczepanski, Incoming House Majority Floor Leader, HB 400 Sponsor (2023), Medicaid Forward champion
- Dr. Anjali Taneja, MPH, FASAM, Executive Director, Casa de Salud

