

LFC Requester:**Eric Chenier****AGENCY BILL ANALYSIS - 2025 REGULAR SESSION****WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****AgencyAnalysis.nmlegis.gov and email to 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:** 1/23/25*Check all that apply:***Bill Number:** SB88Original Correction Amendment Substitute **Sponsor:** Sen. Munoz**Short Title:** Creates Medicaid Trust Fund**Agency Name****and Code** HCA-630**Number:****Person Writing** Carlos Ulibarri**Phone:** (505) 715-0486 **Email** Carlos.ulibarri@hca.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0.0	\$300,000.0	Nonrecurring	General Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0.0	\$300,000.0	\$0.0	Nonrecurring	Medicaid Trust Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0.0	\$0.0	\$0.0	\$0.0	NA	NA

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: SB88-630 creates the Medicaid Trust Fund (Section 1(A)) with an initial transfer of \$300,000.0 thousands from the general fund to it (Section 10). Beginning July 1, 2029, five percent of the average of the year-end market values of the trust fund for the immediately preceding three calendar years can be distributed to the State-Supported Medicaid Fund creates in Section 2 provided that the trust fund balance is at least \$500,000.0 thousands at the end of a fiscal year. The trust fund can also be appropriated to the Medicaid program when the federal financial participation decreases at least 7.5% from the previous year or when the federal match falls below 50%. In addition, the trust fund may be used in the event the general fund is insufficient to meet its operating obligations.

In addition to the \$300,000.0 thousands of initial transfer from the general fund to start the trust fund, Section 3 makes all unreserved undesignated fund balances in reverting funds and accounts for the Medicaid program as reflected in the central financial reporting and accounting system as of June 30 reverted by September 30 to the Medicaid trust fund until the fund reaches two billion dollars (\$2,000,000,000), and then the balances shall revert to the general fund.

FISCAL IMPLICATIONS

There is no immediate fiscal impact to the Medicaid program. Fiscal implications of SB88-630 to the Medicaid program depend on meeting the conditions established in the bill, such as federal financial participation decreases by at least 7.5% from the previous year, the federal match falls below 50% or the trust fund balance is greater than \$500,000.0 thousands at the end of a fiscal year. Due to the inherent uncertainty in these events the fiscal implications to the Medicaid program are indeterminate from a quantitative perspective.

SIGNIFICANT ISSUES

The Bill addresses the potential need to support Medicaid funding of programs and initiatives in future years in the event of a significant loss of federal revenues. The alternatives section of this review considers key parameters which may be considered for further analysis of trigger points impacting the Medicaid program.

PERFORMANCE IMPLICATIONS

Section 1.D of the Bill is drawn with conditions and stipulations regarding the allowable transfer amounts from the Medicaid Trust Fund to the State Supported Medicaid Fund: 5% of the average year-end market value of the Medicaid Trust Fund calculated over a prior 3-year period. For example, if in 2026, 2027 and 2028 the market values were \$300, \$500 and \$700 million the 3-year average would be \$500 million. Consequently, as the Bill is currently written, these hypothetical market values would permit a transfer amount of \$25 million from the Medicaid Trust Fund to the State Supported Medicaid Fund.

Section 1.E of the Bill is also drawn with conditions and stipulations allowing for the general use of funds by HCA, conditional on a significant decrease in federal matching funds accruing to the state Medicaid program in a given fiscal year. Specifically, either a decrease of 7.5% or the federal match rate drops below a 1-to-1 federal-to-state ratio. For example, if the federal share in FY 2029 were \$9 billion, a 7.5% decrease would be equivalent to a decrease of \$675 million. A second example follows from the federal match percentage becoming less than or equal to the money appropriated by the legislature for the Medicaid program.

ADMINISTRATIVE IMPLICATIONS

SB88 does not imply any direct IT impact. The bill states that money in the trust fund could be used for any purpose once the balance is \$500 million or more. However, there would need to be a decrease in the percentage of federal matching funds received from the Centers for Medicare and Medicaid Services (CMS).

HCA CMS-funded IT work receives 90% federal to 10% state funds for design, development, and implementation (DDI), and 75% federal to 25% state funds match on maintenance and operations (M&O). HCA will not fall below the 1 to 1 threshold for matching funds described in the bill because our current match rate is 9 to 1 and 3 to 1, respectively for DDI and M&O.

There would have to be a drastic reduction in the above ratios of federal to state funds for there to be a need for HCA to use money in the trust fund for IT related work.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

N/A

ALTERNATIVES

As described above in the Performance section of the analysis, the bill is currently written with fund balance and federal match requirements. Both requirements may be adjusted to allow increased funding to HCA in the event of tighter unforeseen constraints in federal funding. For example, given federal funds received by HCA in the prior year were \$9 billion then decreasing the federal fund threshold from 7.5% to 3% would trigger access to funding in the event federal funds dropped by \$270 million as opposed to \$675 million. Alternatively, increasing the federal-to-state matching requirement from 1-to-1 to 2.5-to-1 would trigger access to funding in the event the blended federal match percentage dropped below 71.43%.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

AMENDMENTS

N/A