

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Herndon **ORIGINAL DATE** 1/27/2025

BILL

SHORT TITLE Medicaid Reimbursements for Birth Centers **NUMBER** House Bill 56

ANALYST Esquibel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Medical Assistance Program 1 FTE	No fiscal impact	\$97.4	\$97.4	\$194.8	Recurring	General Fund, Federal Funds 50/50 match
Total	No fiscal impact	At least \$97.4	At least \$97.4	\$194.8	Recurring	

Parentheses () indicate expenditure 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 56

House Bill 56 (HB56) would increase Medicaid rates such that services provided at a birth center are reimbursed at the same rate as equivalent services provided at a hospital.

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 bill does not include an appropriation.

The Health Care Authority's (HCA) reports that hospitals and birth centers currently have differing Medicaid reimbursement methodologies. Hospitals' birthing services are reimbursed by Medicaid using diagnosis-related groups (DRGs), along with respective hospital rates, hospital capital costs, and taxes. Birth centers' services are reimbursed by Medicaid for the facility cost and the professional services, such as the work of the certified nurse midwife. The HCA reports it is unable to provide an estimated cost because of the differing payment models. However, since there is currently only one accredited birth center in the state, the programmatic cost is likely small.

HCA projects that, to implement the provisions of the bill, the Medical Assistance Program would require an additional FTE with a general fund cost of \$48.7 matched at 50 percent with federal funds for an annual total cost of \$97.4 thousand.

SIGNIFICANT ISSUES

The current Medicaid reimbursement methodologies for birthing services at hospitals and birth centers are written into New Mexico's Medicaid state plan and any changes would require approval by CMS. HCA reports it is unlikely the federal Centers for Medicare and Medicaid Services (CMS) would approve Medicaid DRG payments for birth centers or a split payment methodology for hospitals. According to HCA, "due to the differences in reimbursement methodologies between birth centers and hospitals for uncomplicated births, HB56, as it is currently written, cannot be operationalized."

ADMINISTRATIVE IMPLICATIONS

The HCA reports that, under the provisions of the bill, an additional new FTE would be required to implement a Medicaid state plan amendment, claims processing IT system changes, regulatory revisions, a Medicaid provider supplement, and a Medicaid managed care contract amendment.

ALTERNATIVES

HCA indicates an alternative approach to the Medicaid reimbursement methodology proposed in the bill is to instead increase birth centers' facility fee reimbursement rate by a specified percentage amount.

OTHER SUBSTANTIVE ISSUES

HCA reports increasing the Medicaid facility fee for birth centers has the potential to incentivize more birth centers to open and more births to occur in birth centers. This could positively impact maternal health because birth centers may perform fewer low-risk cesarean section procedures compared to hospitals.

RAE/sgs/rl