FISCAL IMPACT REPORT

SPONSOR Stefanics **LAST UPDATED** 10/1/2025
ORIGINAL DATE

SHORT TITLE Health Care Grants and Stabilization **BILL NUMBER** Senate Bill 1/aSFC

ANALYST Chenier

APPROPRIATION*
(dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
	No fiscal impact		

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

Relates to an appropriation being considered in the special session appropriations bill.

Sources of Information

LFC Files

Agency Analysis Received From
Health Care Authority (HCA)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment to Senate Bill 1 strikes the appropriation, specifies that grants shall not be used for operations outside of New Mexico, and changes the definition of rural healthcare facility to include tribally operated healthcare facilities. Funding for the SB1 is in the House Bill 1, the special session appropriations bill.

Synopsis of Senate Bill 1

Senate Bill 1 appropriates $50 million from the general fund to the rural health care delivery fund to carry out the purposes of the rural health care delivery fund.

The bill expands the use of rural health care delivery grant funds in order to stabilize the provision of existing health care services when those services are at risk of reduction or termination. Current law limits the use of these funds to rural health care providers or rural health care facility start-up costs for new services.

The bill also expands the definition of rural health care facility and rural health care provider to

include those located in a high-needs geographic health professional shortage area as designated by the US Health Resources and Services Administration. Current law is limited to providers or facilities located in a county with fewer than 100 thousand people.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

Historical Appropriations to the Rural Health Care Delivery Fund

Appropriation Year	Start Date	End Date	Appropriation Amount	Budgeted	Expended	Encumbered	Pre-Encumbered	Remaining
2023	4/7/2023	6/30/2026	$80,000.0	$80,000.0	$51,691.3	$21,741.7	$0.0	$6,567.0
2024	7/1/2024	6/30/2027	$76,000.0	$76,000.0	$11,041.1	$12,366.8	$308.1	$52,283.9
2025	7/2/2025	7/1/2027	$20,000.0	$0.0	$0.0	$0.0	$0.0	$20,000.0
		Total	**$176,000.0**	**$156,000.0**	**$62,732.4**	**$34,108.5**	**$308.1**	**$78,850.9**

Source: SHARE

The federal government recently enacted a reconciliation bill also known as House Resolution 1 (HR1) that created Medicaid work requirements for the first time, reduced hospital provider taxes and state directed payments to hospitals, changed enrollment and eligibility standards, increased the frequency of Medicaid redeterminations from once annually to twice annually, and made other changes. However, many of the impacts of these changes will not occur for several more years. A Kaiser Family Foundation (KFF) analysis found that about 76 percent of the reduction in Medicaid spending due to HR1 will not occur until after 2029.

Because of the changes, enrollment in the state's Medicaid program is expected to decrease by about 80 thousand according to KFF. However, these reductions should be considered in the context of recent Medicaid enrollment trends. August Medicaid enrollment was 807 thousand, down nearly 200 thousand from the pandemic peak, and has shown no signs that enrollment will level off prior to HR1's provisions taking effect.

Kaiser also estimates that 5,400 will lose coverage from changes to Affordable Care Act marketplace, and 3,400 will lose coverage from Medicare and other changes in the law. The enrollment reduction will likely lead to an increase in the number of uninsured and possibly more uncompensated care when uninsured people seek care.

Additionally, HR1 created a $50 billion rural health transformation program that is to be distributed over five years. Each state will be awarded an equal share of half of the annual allotment, or about $100 million annually. The other half of the funding will be distributed based on factors such as a state's rurality, share of rural hospitals, and other factors included in the grant. The federal government may be able to redistribute some unused funds over time, but all funds must be spent before October 1, 2032. New legislation would be required to provide additional support to rural areas after the funds dry up.

HCA stated that they have received funding in House Bill 2 appropriations in prior years to support rural health care delivery grants (FY24-26 awards totaled $80 million; and FY25-27 awards totaled $46 million). Since that time, 80+ projects across rural NM have received funding from the HCA to expand or add new health care services. The HCA is now evaluating applications for the FY26

$20 million appropriation, with the expectation that all funds will be obligated by December 31, 2025.

SIGNIFICANT ISSUES

HCA provided the following:

New Mexico continues to face a significant health care workforce shortage, with many rural and underserved communities struggling to recruit and retain qualified providers. At the same time, facilities across the state are experiencing growing financial instability, driven by rising costs, workforce constraints, an uncertain federal reimbursement landscape, and expected growth in uncompensated care as the federal Reconciliation Bill is implemented and results in Medicaid and Marketplace coverage losses. Without additional support, these pressures are expected to result in the closure of health care providers and facilities, and the discontinuation of critical services, further reducing access to care in already vulnerable areas and putting additional strain on the state's health care system.

Changes in Medicaid reimbursement and provider payment structures outlined in the federal Reconciliation bill are projected to exacerbate health care facility closures, with more than 50 safety net providers at risk of losing critical funding, and the loss of $8.5 billion in federal funding for hospital payments over the next decade that could result in the closure of 6-8 hospitals over the next 18-24 months.

PERFORMANCE IMPLICATIONS

HCA provided the following:

The HCA actively measures the outcomes of current funding recipients through consistent reporting and monitoring processes. Each organization is required to provide data and updates that allow the HCA to evaluate both program effectiveness and community impact. Key elements include:

- Quarterly Reporting: Recipients submit standardized quarterly reports capturing service delivery, workforce, and financial data.
- Workforce Metrics: Tracking new hires, retention of staff, and reductions in reliance on costly locum or contract providers.
- Service Expansion: Monitoring new or expanded services, facilities, or programs made possible through funding.
- Utilization & Access: Measuring patient encounters, visits, or other indicators of increased access to care in rural communities.
- Sustainability & Revenue Tracking: Assessing how recipients are building sustainable models, tracking revenue generated, and leveraging funding with other sources.
- Compliance & Accountability: Ensuring that funded services remain reimbursable, aligned with Medicaid standards, and consistent with legislative intent.

Rural Health Care Delivery Fund grants have resulted in nearly 275,000 patient encounters and service to 113,288 individuals since the program launched in FY24. The program has also resulted in 940 newly hired full-time health workers across rural New Mexico.

EC/dw