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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 76

SHORT TITLE: Alternative Placement of Youth in Custody

SPONSOR: Dow/Armstrong/Pettigrew and Sen. Tobiassen

LAST UPDATE: 1/28/2026 **ORIGINAL DATE:** 1/25/2026 **ANALYST:** Malone

APPROPRIATION* (dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
	\$10,000.0	Nonrecurring	General Fund

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Program General Fund	No fiscal impact	\$3,213.3	\$3,213.3	\$6,426.0	Nonrecurring	General Fund
Program Federal Funds	No fiscal impact	\$8,230.3	\$8,230.3	\$16,460.6	Nonrecurring	Federal Funds
Administrative General Fund	No fiscal impact	\$120.0	\$120.0	\$240	Nonrecurring	General Fund
Administrative Federal Funds	No fiscal impact	\$120.0	\$120.0	\$240	Nonrecurring	Federal Funds
Total		\$11,683.6	\$11,683.6	\$23,367.2	Nonrecurring	General Fund/Federal Funds

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 65

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Health Care Authority

Office of Family Representation and Advocacy

New Mexico Attorney General

Agency or Agencies That Were Asked for Analysis but did not Respond

Children, Youth and Families Department

SUMMARY

Synopsis of House Bill 76

House Bill 76 (HB76) appropriates \$10 million from the general fund to the Health Care Authority (HCA) for expenditure in FY27-FY29 for the purpose of contracting with experienced providers to develop alternative placements to congregate care youth in state custody. HB76 is intended to expand the continuum of care available for youth in state custody within the state and specifies that the providers should be capable of serving and supporting older youth and youth with higher levels of care. HB76 provides a nonexclusive list of alternative placements, including:

- Acute psychiatric hospital expansions;
- Residential treatment centers;
- Qualified residential treatment programs;
- Adolescent detoxification facilities;
- Step-down facilities for youth in crisis;
- Mobile response and stabilization teams for youth in crisis;
- Treatment foster care homes;
- Day treatment services; and
- Intensive outpatient and partial hospitalization services.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

The \$10 million appropriation contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY29 shall revert to the general fund.

HCA, the state agency overseeing the Presbyterian Health Plan for children in state care, notes that the general fund appropriation would be eligible for Medicaid reimbursement. The agency estimates that it will need to hire an additional three FTE to implement, operate, and oversee network expansion. With federal matching dollars at the Federal Medical Assistance Percentage (FMAP) rate for behavioral health services and at 50 percent for administrative costs, HCA estimates the maximum total impact of the appropriation at just over \$35 million over three years (FY27-FY29), or approximately \$11.7 million per year.

However, because HCA already receives general fund appropriations within the agency's base budget to support the provision of health services for children in state custody, including Medicaid eligible behavioral health services such as treatment foster care and residential treatment, it is not clear that the appropriation will result in any additional draw down of federal funds.

Provision of clinically necessary placements for children in state custody is already accounted for in the per member per month cost paid to Presbyterian Health Plan. According to the Quarterly Managed Care Organization (MCO) report (Table 1, below) of behavioral health capitation rates for calendar year 2025, the per member per month rate for children in state

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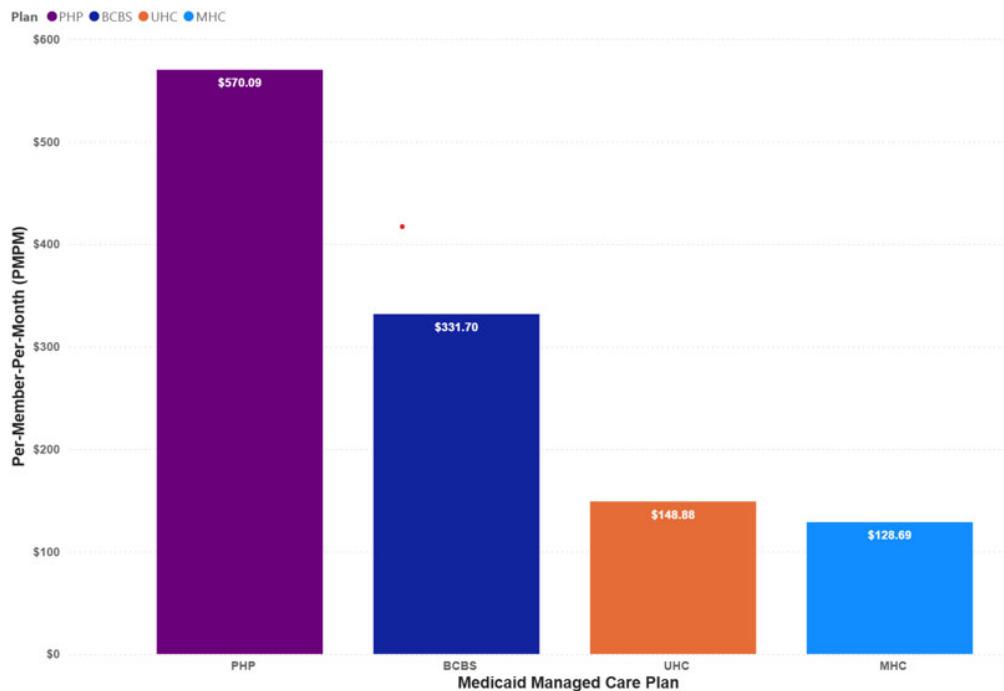
custody is \$3,436.08, an increase of \$1,784.51, or 108 percent, relative to the calendar year 2023 base. The increases are concentrated in treatment foster care and outpatient services.

Table 1 – CY2025 Behavioral Health Capitation Rate, Children in State Custody

Category of Service	CY2023 Base ³	Efficiency Adjustments ⁴	Annualized Trend ⁵	Prospective Adjustments ⁶	Revised CY2025 Rates
	PPM				Effective July 2025-December 2025
Revised CY2025 Rates	Projected Medical				
RTC, ARTC, Group Homes < 21	\$ 195.26	0.0%	4.0%	2.6%	\$ 216.74
Foster Care Therapeutic (TFC I & II) < 21	\$ 618.87	0.0%	4.0%	174.0%	\$ 1,835.03
Skills Training and Development (BMS) < 21	\$ 0.31	0.0%	1.5%	40.9%	\$ 0.44
BH Day Treatment < 21	\$ -	0.0%	0.0%	0.0%	\$ -
Psychosocial Rehab Services for Adults ≥ 18	\$ -	0.0%	0.0%	0.0%	\$ -
Outpatient Therapies & BH Treatment Services	\$ 652.70	0.0%	0.5%	64.2%	\$ 1,082.57
Psychiatric Hospitalization Services	\$ 21.90	0.0%	5.5%	5.3%	\$ 25.66
Intensive Outpatient Program Services (IOP)	\$ 0.19	0.0%	5.5%	39.1%	\$ 0.30
Autism Spectrum Disorder (ASD) Treatment	\$ 47.86	0.0%	8.0%	26.9%	\$ 70.90
BH Pharmaceuticals	\$ 7.73	-10.2%	4.7%	0.9%	\$ 7.67
School Based Health Center Services	\$ 0.06	0.0%	1.3%	78.4%	\$ 0.11
Assertive Community Treatment (ACT)	\$ -	0.0%	0.0%	0.0%	\$ -
Multi-Systemic Therapy (MST)	\$ 54.24	0.0%	5.5%	1.9%	\$ 61.50
Other	\$ 0.99	0.0%	1.5%	302.7%	\$ 4.10
Telehealth	\$ 3.89	0.0%	5.5%	25.0%	\$ 5.42
Comprehensive Community Support Services	\$ 19.09	0.0%	1.3%	12.5%	\$ 22.02
FQHC or RHC	\$ 6.35	0.0%	10.0%	6.2%	\$ 8.15
Core Service Agencies (CSA's)	\$ 6.98	0.0%	1.3%	501.8%	\$ 43.05
Medication Assistance Treatment (MAT) Administration	\$ 0.04	0.0%	0.2%	40.0%	\$ 0.06
Family Support Services (Waiver)	\$ -	0.0%	0.0%	0.0%	\$ -
Recovery Services (Waiver)	\$ -	0.0%	0.0%	0.0%	\$ -
Respite Care Services (Waiver)	\$ 15.12	0.0%	1.5%	236.1%	\$ 52.36
Total	\$ 1,651.57	0.0%	2.8%	97.0%	\$ 3,436.08

Notably, despite the rate increases, the actual per member per month expenditures reported by MCOs for children in state custody in 2025 were only \$128.69-\$570.09 (Chart 1, below).

Chart 1 – Per-Member-Per-Month for Children in State Custody, 2025



Considering the difference between current rates and actual expenditures, it is unlikely that additional funding will result in a greater draw down of federal dollars. However, increasing the

number of children receiving care in alternative placements may result in additional federal funds if those children are currently in settings that are not eligible for federal reimbursement.

SIGNIFICANT ISSUES

According to the Children, Youth and Families Department (CYFD), in 2025, there was an average of 17 youth staying in CYFD offices per night and HCA reports that as of the end of 2025 there were 28 children in state custody placed in out-of-state residential treatment centers. Both children staying in offices and out-of-state placements are part of broader struggle New Mexico has faced in securing appropriate and community-based services for children in state custody. The 2020 *Kevin S.* settlement agreement committed CYFD and HCA to expand community-based placements for youth in custody, increase the number of resource (foster) families, increase the use of treatment foster care, and reduce the use of congregate care placements unless medically necessary. After CYFD and HCA failed to fulfill the requirements of the settlement agreement, the plaintiffs in the case moved to arbitration in 2022 and two remedial orders have been issued with requirements intended to facilitate compliance with the terms of the settlement agreement.

As the agency responsible for Medicaid managed care in New Mexico, HCA has contracted with Presbyterian Health Plan as the single provider for health care services for children in state care. While another federal program, Title IV-E, provides funding for room, board, and supervision for children in state custody, Medicaid covers the therapeutic, rehabilitative, and counseling services a child requires. Included in these behavioral health services are treatment (or therapeutic) foster care and medically necessary residential treatment. HCA and Presbyterian, as the providers for children in state care, are responsible for ensuring access to necessary medical and behavioral health services for children in state care.

Since 2023, HCA, in collaboration with CYFD, has implemented changes to the Medicaid-covered behavioral health services for children and youth, including providing High-Fidelity Wraparound care coordination services, enhanced rates for evidence-based services, and an 85 percent increase in reimbursement for treatment foster care. However, utilization of the services remains low and the agencies have struggled to connect children in care with necessary services. There are only four acute psychiatric care options for children in the state and only five residential treatment centers for children. And, HCA has struggled to expand the treatment foster care network. HCA asserts that a key constraint for the placement of children in state custody is the difficulty of identifying a timely clinical match between a youth's assessed needs and a facility or home's specific admission criteria. However, developing a robust network of placement options would help mitigate the likelihood of such mismatches. Despite a July 2024 directive to Presbyterian to develop a state directed performance improvement project to improve instate access to residential treatment centers and treatment foster care, a more robust network is not yet in place.

PERFORMANCE IMPLICATIONS

HCA notes that the agency, as the contractor overseeing the Presbyterian Health Plan, is responsible for implementing and evaluating the effectiveness of expanding services for children in state custody. The agency explains that evaluation will consist of data collection, program development, and monitoring of improved access and outcomes for children in state custody.

HCA also notes that, in July 2024, New Mexico implemented targeted monitoring of the children in state care population and requires reporting on selected (unspecified) performance measures.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB76 is related to House Bill 65, which appropriates \$2.5 million to CYFD to pilot a short-term stabilization program to provide children in state custody with in-home or home-like placements, stabilization services, and crisis response.

TECHNICAL ISSUES

HB76 does not define “youth in state custody” or “congregate care.”

OTHER SUBSTANTIVE ISSUES

The New Mexico Attorney General (NMAG) notes that by statute, CYFD is charged with licensing foster homes and alternative living facilities for children and, therefore, any facility HCA contracts with may need to be vetted by the licensing authority. However, both the Executive and Legislative Finance Committee budget recommendations for FY27 move the licensing authority to HCA, limiting the need to coordinate across agencies for network expansion activities.

The Office of Family Representation and Advocacy (OFRA) recommends the inclusion of inpatient treatment facilities at which an adolescent parent can have their child with them, noting that such facilities would be better for both the parent and child and would eliminate the need for a separate placement for the adolescent’s child.

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