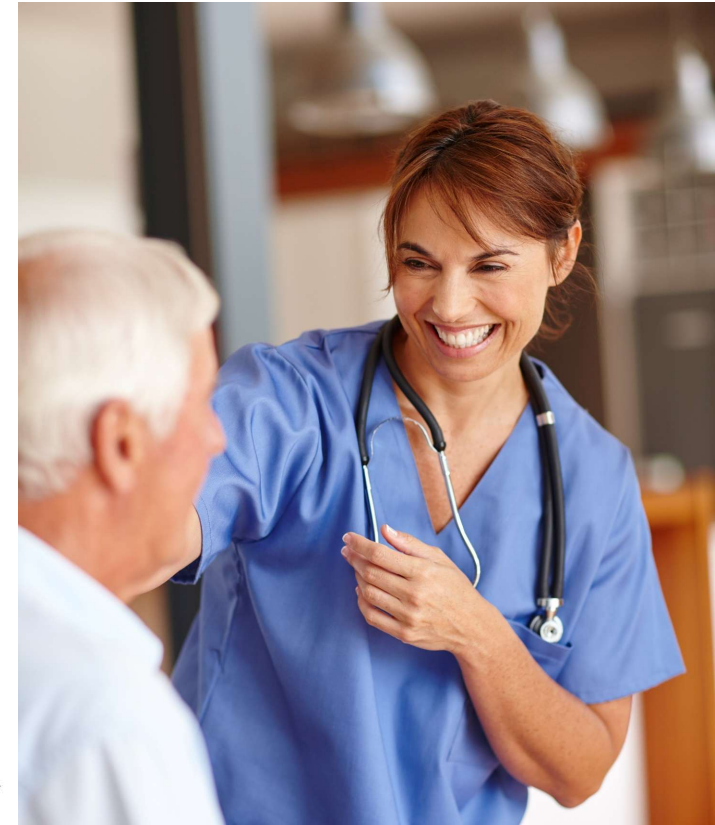




HEALTH CARE
A U T H O R I T Y



FEDERAL FUNDING STABILIZATION SUBCOMMITTEE
IMPACT OF POTENTIAL FEDERAL CHANGES

JULY 1, 2025

HCA CABINET SECRETARY KARI ARMIJO

INVESTING FOR TOMORROW, DELIVERING TODAY.



HEALTH CARE
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MISSION

We ensure New Mexicans attain their highest level of health by providing whole-person, cost-effective, accessible, and high-quality health care and safety-net services.

VISION

Every New Mexican has access to affordable health care coverage through a coordinated and seamless health care system.

GOALS



LEVERAGE purchasing power and partnerships to create innovative policies and models of comprehensive health care coverage that improve the health and well-being of New Mexicans and the workforce.



BUILD the best team in state government by supporting employees' continuous growth and wellness.



ACHIEVE health equity by addressing poverty, discrimination, and lack of resources, building a New Mexico where everyone thrives.

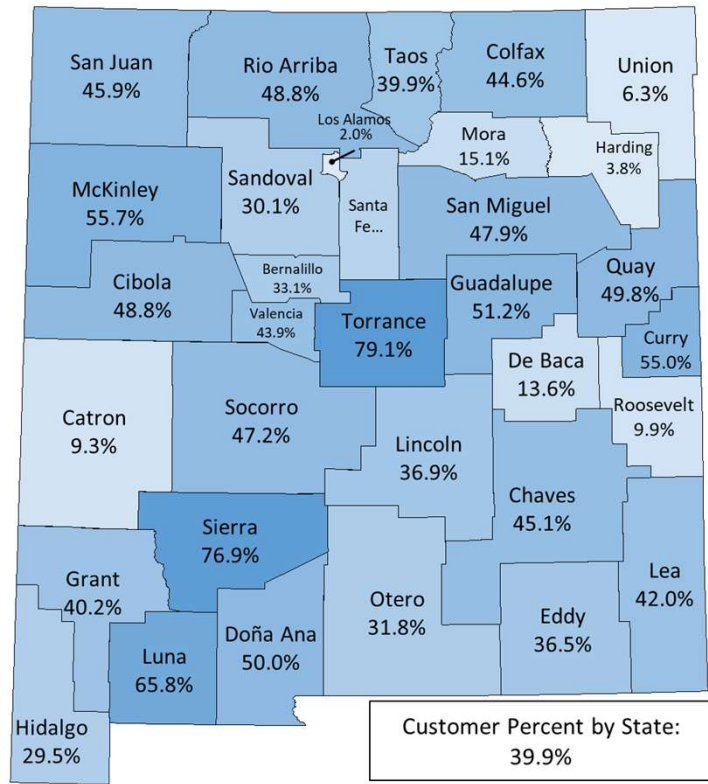


IMPLEMENT innovative technology and data-driven decision-making to provide unparalleled, convenient access to services and information.

THE HCA SERVES 848,966 NEW MEXICANS

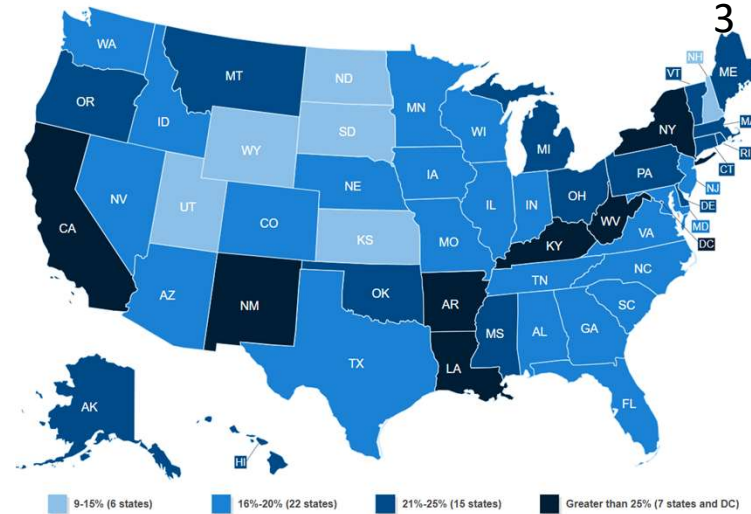
HCA Customers by County as Percent of County Residents, June 2025

HCA Customers by County (%) 2.0% 79.1%



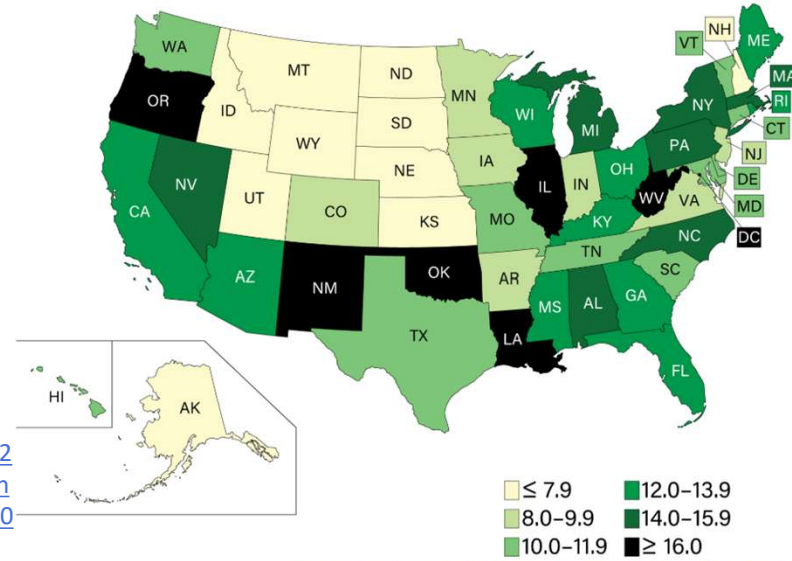
Medicaid Enrollment by Percent of Population (2023) – NM 39%

Source: Kaiser Family Foundation - <https://www.kff.org/interactive/medicaid-state-fact-sheets/>



SNAP Enrollment by Percent of Population (2023) – NM 23%

Source: USDA Economic Research Service <https://www.ers.usda.gov/data-products/chart-gallery/chart-detail?chartId=55416#:~:text=In%20fiscal%20year%202023%2C%20the,between%208%20and%2016%20percent.>

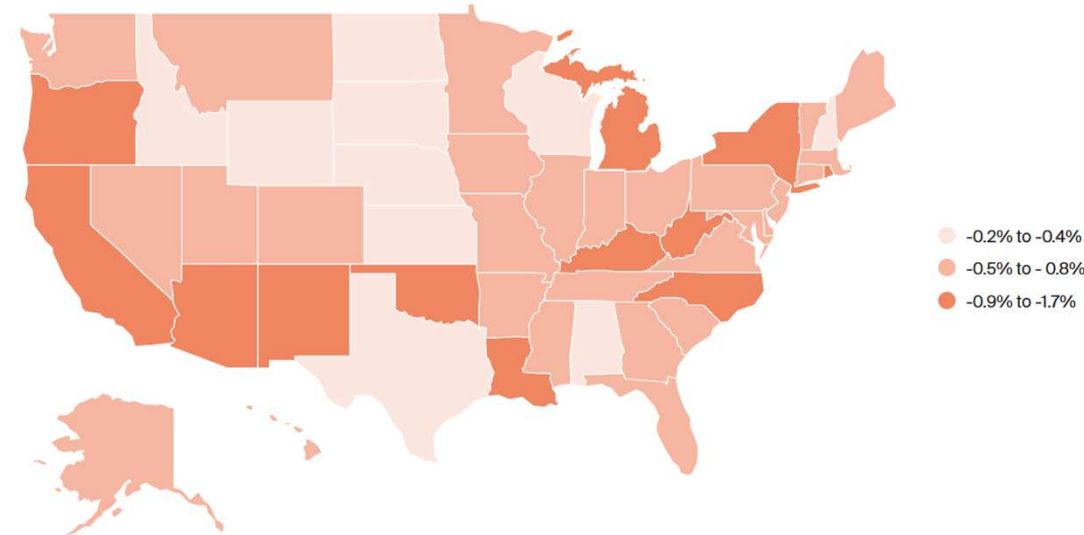


CHANGES CONGRESS IS CONSIDERING ACROSS HCA'S PROGRAMS WILL AFFECT EVERY NEW MEXICAN

- Medicaid serves as NM's largest health care payor; reductions will impact access and cost across all providers.
 - Costs will be passed through to individuals with private insurance; limits HCA's ability to leverage purchasing power.
 - Potential closure of 6-8 rural hospital in the next 18-24 months mean reduced access to essential services for rural New Mexicans.
 - Uninsured individuals likely to forego preventive care, resulting in higher acuity and higher costs, more crowded ERs
- Nearly \$1.3B in SNAP revenue at stake for 1,700 NM grocery stores, farmers markets, gas stations, and convenience stores.
- NM has the highest rate of child food insecurity in the U.S. (23.3%), which is likely to worsen. Downstream impacts on school attendance and academic performance.
- Investments in NM's safety net have reduced child poverty from worst in nation (27.4%) to 17th in nation (8.9%); federal changes likely to reverse this positive trend.

Estimated Job Losses Caused by Medicaid and SNAP Funding Cuts in House Budget Reconciliation Bill, 2029 (%)

NM ranks highest in U.S. with a 1.7% decrease in jobs



Data: George Washington University analyses using IMPLAN, 2025.

Source: Leighton Ku et al., *How Medicaid and SNAP Cutbacks in the "One Big Beautiful Bill" Would Trigger Big and Bigger Job Losses Across States* (Commonwealth Fund, June 2025). <https://doi.org/10.26099/tryd-ht51>

Source: <https://www.commonwealthfund.org/publications/issue-briefs/2025/jun/how-medicaid-snap-cutbacks-or-big-beautiful-bill-trigger-job-losses-states>

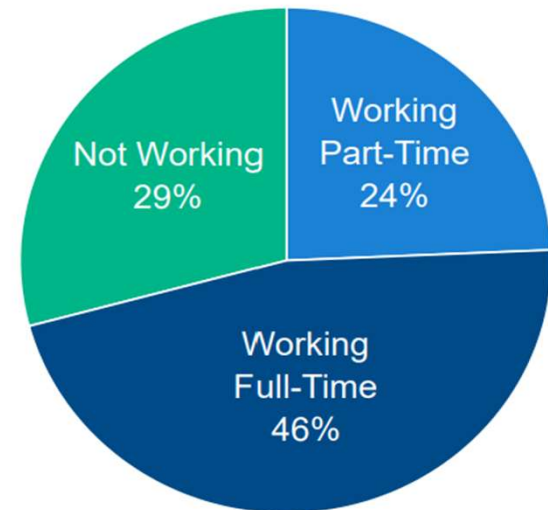
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MOST LIKELY MEDICAID CHANGES IN RECONCILIATION BILL

1. Community/work engagement requirements
2. More frequent eligibility checks and additional documentation required to determine eligibility
3. Eligibility reductions
 - Reduced retroactive Medicaid period
 - Elimination of covered legal immigration statuses (i.e., victims of human trafficking)
4. Reductions in provider payments to 100% of Medicare
 - Phased down provider taxes
 - Phased down payments to hospitals
 - Potential reductions to all provider rates through administrative action (primary care, behavioral health, maternal/child health)
5. Co-payments for certain services and populations

A majority (70%) of Medicaid adults are working in New Mexico



Source: Kaiser Family Foundation Snapshot of Medicaid in New Mexico, May 2025:
<https://files.kff.org/attachment/fact-sheet-medicaid-state-NM>



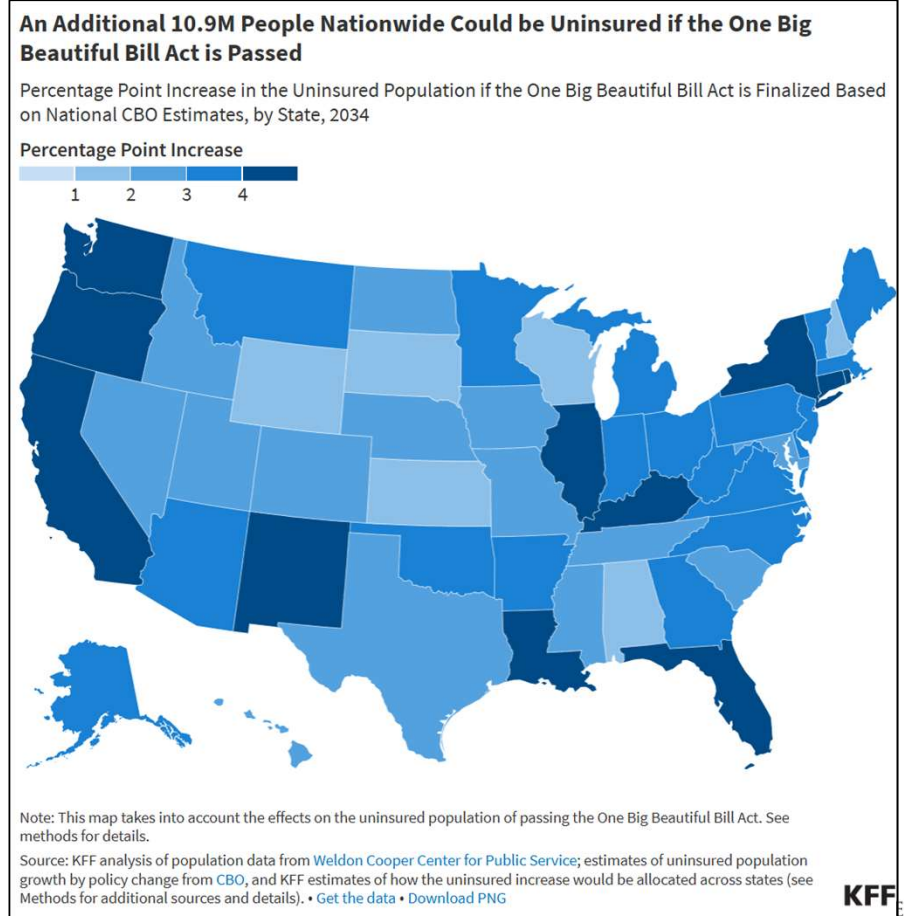
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IMPACTS OF POTENTIAL FEDERAL MEDICAID CHANGES

- Federal Medicaid funding to New Mexico totals \$9.56 billion annually.
- Under the Reconciliation bill:
 - **\$2.8 billion in lost Medicaid funding** to New Mexico, much of it supporting provider reimbursement.
 - At least **88,530 New Mexicans lose coverage**.
 - An estimated **42,074 New Mexicans have new co-pays**.
 - **254,400 New Mexicans subject to administrative burden/increased paperwork** to stay enrolled, even though they still likely qualify.
 - **111 safety-net providers lose critical funding**.
 - At least **6-8 rural NM hospitals likely to close** within 18-24 months.
 - As currently drafted, average annual reduction of \$189M in payments to NM hospitals

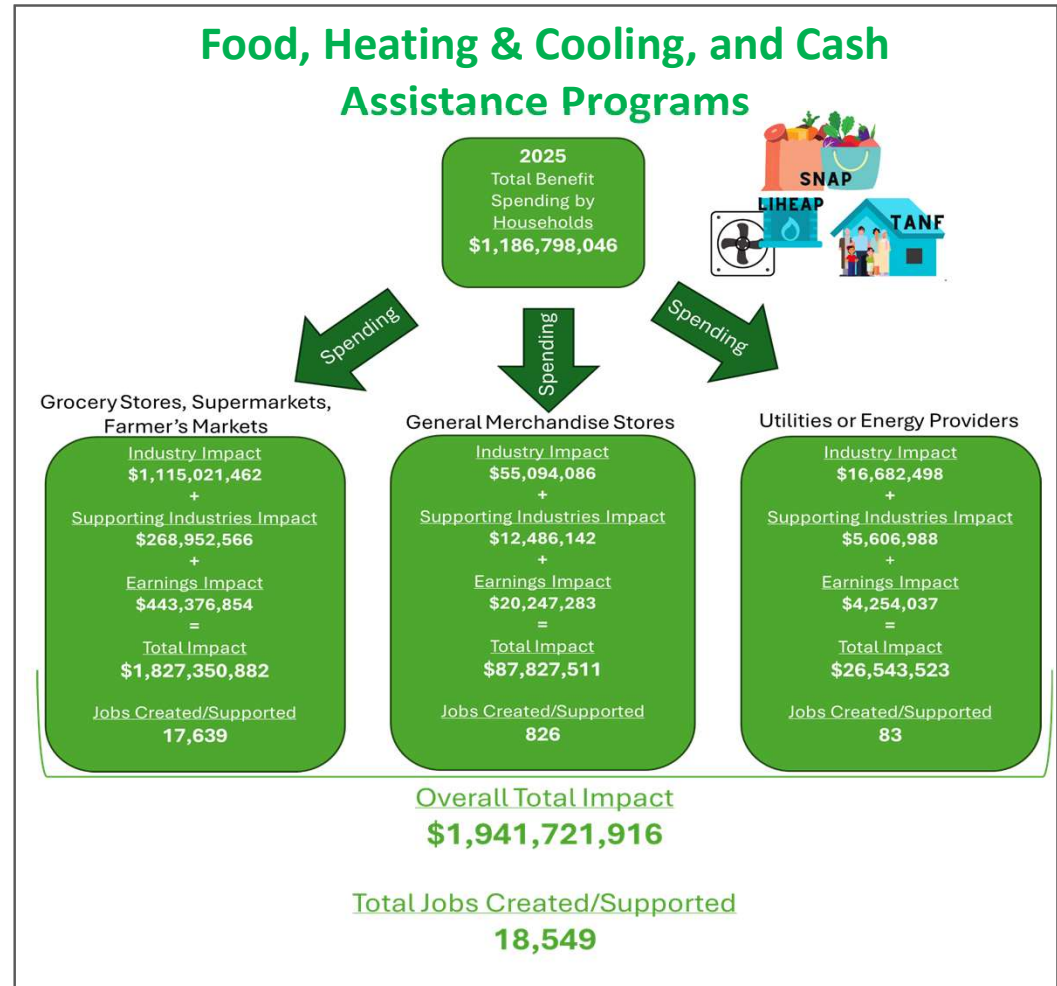
NM Projected to Experience a 4% Change in Uninsured



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MOST LIKELY SNAP CHANGES IN RECONCILIATION BILL

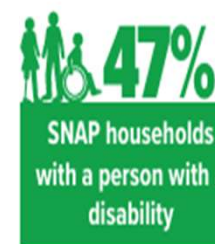
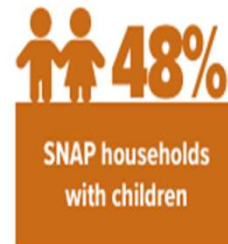
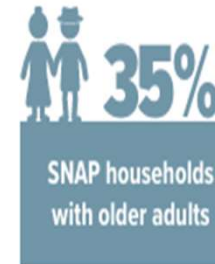
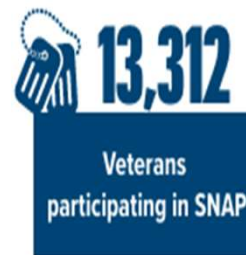
1. New requirement for states to share a portion of the cost of SNAP benefits (currently financed with 100% federal funds) based on their Payment Error Rates (PERs)
2. Reduced federal funding to administer SNAP, changing from 50:50 state/federal funding ratio to 75% state/25% federal
3. Resetting the formula for benefit amounts, reducing the maximum a household can qualify for
4. Additional work requirements for SNAP households and stricter enforcement of existing work requirements
5. Eligibility reductions through how benefits are calculated



IMPACTS OF POTENTIAL FEDERAL SNAP CHANGES

- SNAP benefits total nearly \$1.3B in New Mexico; nearly 1,700 retailers at risk of losing revenue
- The Reconciliation Bill:
 - **Cuts \$224M-\$352M in federal funds** in NM in the first year alone.
 - \$32M-\$57M – administrative funding (may impact HCA’s entire cost allocation methodology)
 - Up to \$295M in SNAP benefit cost-share
 - At least **175,979** New Mexicans receiving SNAP will be newly subject to **work requirements**.
 - An estimated **463,359** New Mexicans will see their monthly **SNAP benefits reduced** by approximately 21% (\$292 to \$231/month)
 - Approximately **58,180 New Mexicans likely to lose SNAP benefits** altogether.

SNAP’S IMPACT IN NEW MEXICO



Source: https://frac.org/wp-content/uploads/SNAP_FactSheets_022525_NM32.pdf

KEY ECONOMIC FACTS

- ▶ **SNAP supports working families.** Between 2019–2023, an average of **79%** of SNAP households in **NEW MEXICO** included someone who was working.
- ▶ **SNAP stimulates the economy and creates jobs.** Each SNAP dollar has up to a \$1.80 impact during economic downturns, supporting the supply chain from farmer to store.
- ▶ **SNAP supports local businesses,** including **1,685 retailers in NEW MEXICO**, which redeemed a total of **\$1,280,659,988** in 2023. Retailers include grocery stores and farmers’ markets, which contribute to local taxes that fund services like schools and health care.



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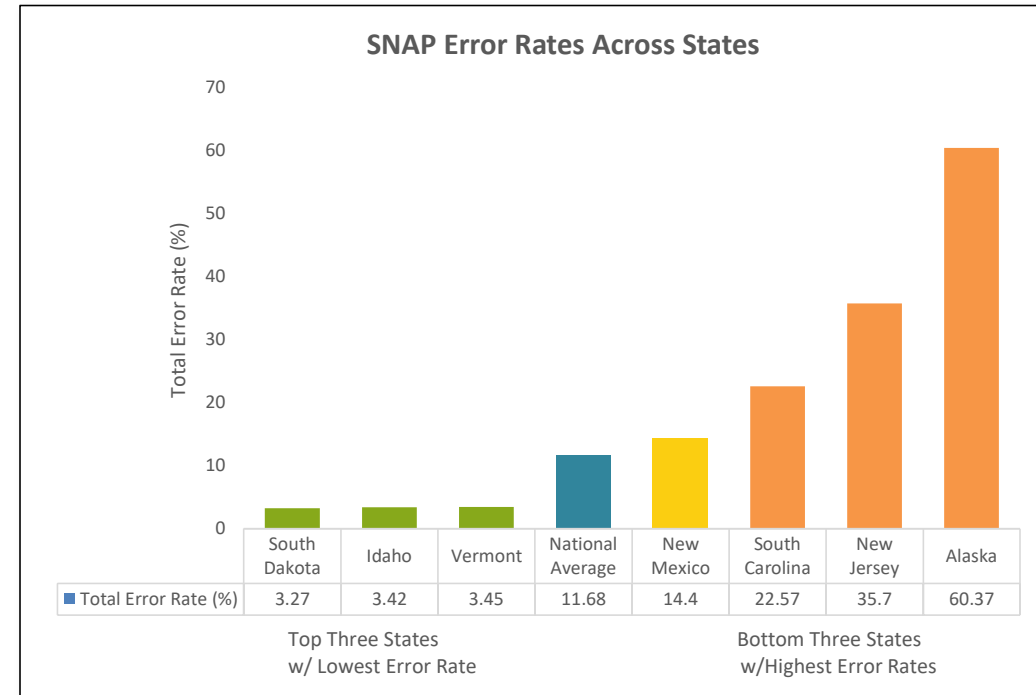
WHAT IS THE SNAP PAYMENT ERROR RATE?

- SNAP Payment Error Rates (PERs) indicate how accurately states determine eligibility and benefit amounts for customers.
 - Overpayments (benefits exceeding what's allowed) – NM FY24 PER = 13.45%
 - Underpayments (benefits below what's allowed) – NM FY24 PER = 0.95%
- PERs vary across states (currently 3% to 60%)
- Focus of quality control has traditionally been on ensuring eligible households receive the correct benefits and identifying areas for program improvement.
- Not a measure of fraud. PERs reflect unintentional mistakes by states and households.
- Changes related to the COVID-19 pandemic impacted PERs across most states (no PER data at all for FY20 and FY21)



NM'S CURRENT PER IS 14.4%

- NM ranks 43rd out of 53 states and territories
 - “Client caused” PER = 65.29% (i.e., failure to report a change in circumstances such as income or household size)
 - “Agency caused” PER = 34.71% (i.e., miscalculation of benefit amount or use of outdated information for eligibility)
- Five major contributors influencing the state’s PER:
 1. Waived interviews during the COVID-19 pandemic (restarted October 2024)
 2. Six-month interim reports (IRs) waived during pandemic (restarted July 2023)
 3. Longstanding policy of accepting self-attestation for shelter costs, utilities, and dependent care
 4. Experience level of caseworkers is lower coming out of the Great Resignation
 5. Medicaid/SNAP unwinding pressures on application processing timeliness



Source: USDA Food and Nutrition Service, US Department of Agriculture | SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM: PAYMENT ERROR RATES FISCAL YEAR 2023 <https://fns-prod.azureedge.us/sites/default/files/resource-files/snap-fy23-qc-payment-error-rate.pdf>



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WHAT IT WILL TAKE TO GET NM'S PER BELOW 5%

Current Corrective Actions in Process

- Improve training of caseworkers
 - More practical, hands-on training
 - Targeted interview techniques to get all needed information at once
 - Reinforce culture of accuracy (in addition to timeliness)
- Reduce ISD vacancy rate
- Analyze impact of accepting self-attestation for shelter costs, utilities and dependent care in favor of requesting documentation
- Send ISD team to visit states with low PERs and understand their processes
- Business process redesign

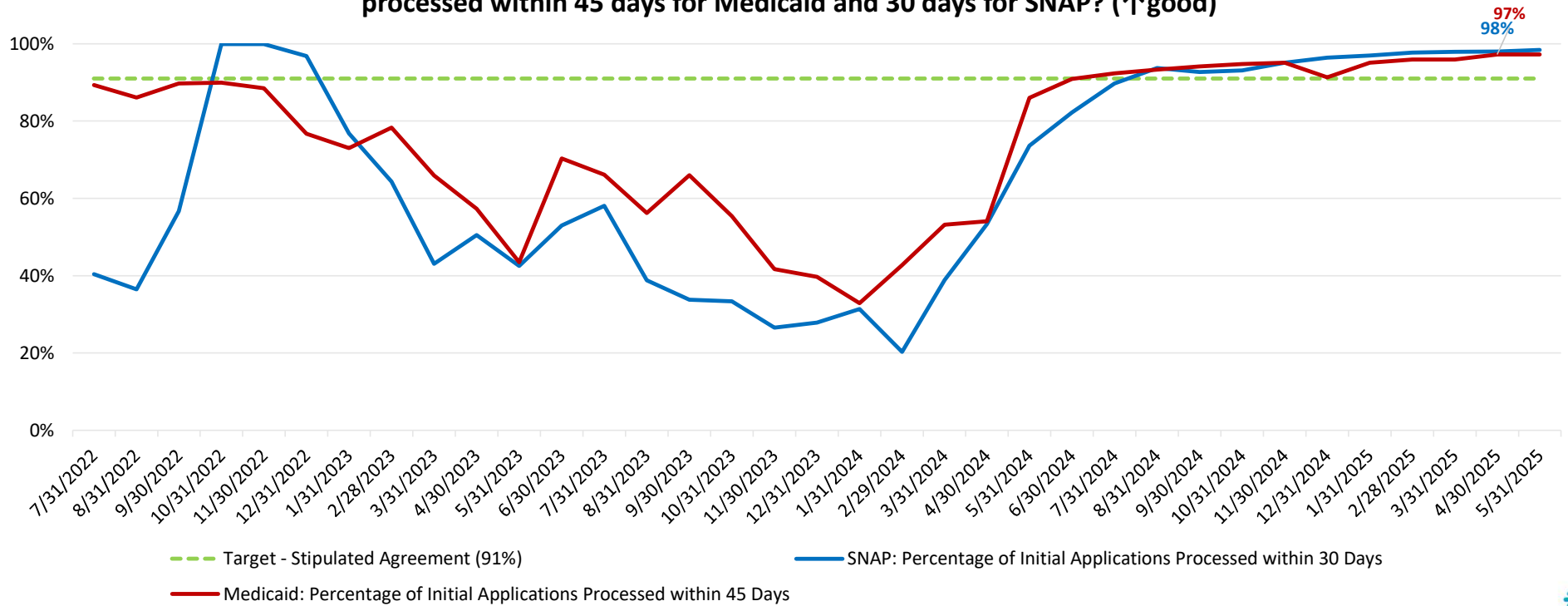
Needed Investments in HCA Operations

- Ensure adequate Income Support Division (ISD) staffing
 - Additional pressures related to Medicaid and SNAP eligibility (work requirements, more documentation, more frequent eligibility checks)
 - More complete SNAP documentation checks and longer interviews
- Implement IT system changes
 - Improve quality control (predictive analysis)
 - Create guardrails for workers to ensure accuracy
 - Ensure we receive more detailed information from customers (prompts encourage completeness)
 - Provide Interview Assistant Tool
 - Provide Auto-Review Tools and Caseworker Scorecards
 - Redesign customer notifications



ISD'S PROVEN ABILITY TO MAKE BIG IMPROVEMENTS: TIMELINESS

As a **Medicaid** or **SNAP** applicant, what are the chances of having my non-emergency application processed within 45 days for Medicaid and 30 days for SNAP? (↑good)



HCA'S HEALTH CARE AFFORDABILITY FUND WILL NEED TO PROVIDE GREATER SUPPORTS TO BEWELL MEMBERS

- *Federal Reconciliation Bill Impact on BeWell Members*
 - Without HCAF programs, actuaries project between **23,400 and 38,200 New Mexicans** would lose Marketplace coverage under the federal reconciliation bill.
 - With HCAF programs and policy adjustments, Marketplace coverage losses could be **limited to between 3,200 and 8,600 New Mexicans**.
 - Elimination of premium tax credits for certain legal residents, including refugees and trafficking victims, would create new coverage gaps.
 - Administrative barriers and shorter enrollment windows will reduce coverage access.
- *Financial Impact on the State*
 - Substantial increase in HCAF appropriations will be needed to maintain current coverage affordability levels; HCA is actively designing FY27 budget request.
 - NM Medicaid could see loss in funding if HCA implements broad eligibility for Coverage Expansion Program.

BeWell Impacts Under the Federal Reconciliation Bill

Without NM's Health Care Affordability Fund programs:

Annual premiums increase



Average \$1,800 premium increase per person

Uninsured rate increases



Up to 38,200 New Mexicans lose coverage

New Mexico's Health Care Affordability Fund can protect coverage gains

Source: [KFF](#), [CBPP](#), [BeWell](#), Wakely

RECONCILIATION BILL REQUIRES STATES TO QUICKLY BUILD COMPLEX OPERATIONAL SYSTEMS TO MEASURE AND TRACK WHO IS ELIGIBLE

- Currently, different implementation timelines exist in both House and Senate versions, with many changes taking effect in CY 2026.
- HCA will need guidance from the Department of Health and Human Services on how it should enforce new requirements before operationalization can begin.
- HCA is committed to adhering to federal and state requirements across all its programs, and to ensuring eligible New Mexicans can continue receiving services.

Cost Driver	Description	Year 1 GF Cost Estimate
IT System Changes	HCA must reconfigure eligibility, benefit, and work-requirement logic across multiple platforms (e.g., ASPEN eligibility portal, Medicaid Management Information System) to meet federal launch dates.	\$20.4 M
Staffing & Training Surge	Additional eligibility workers, IT analysts, fiscal auditors, and quality-control staff are needed quickly to process 6-month renewals, track Medicaid & SNAP work requirements, and manage increased appeals.	\$20 M (Recurring)
Customer Outreach	Federal notice requirements will require HCA to conduct a statewide, multi-channel outreach campaign (letters, texts, emails, paid media) to inform customers about new rules, deadlines, and penalties. Language translation and accessibility standards apply.	\$9.4 M (Some recurring)
Call-Center Surge	Server upgrades, data-storage expansion, and increased telephonic capacity are required to handle surges in online applications and call volumes.	\$1.5 M
TOTAL YEAR 1 COST ESTIMATE (GF)		\$51.3 M

THE THREE-LEGGED STOOL THAT KEEPS US UP AT NIGHT





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THANK YOU & QUESTIONS

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