



NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

Medicaid 101

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Overview

➤ Medicaid

- Joint federal-state health care program with certain national standards and wide latitude for state policy differences through Medicaid waivers
- In NM, Medicaid covers low-income individuals, including elderly, disabled, families and children, pregnant women, and very low-income adults without children

➤ Key Concepts

➤ Cost Drivers and Trends

➤ Major Costs

➤ Behavioral Health Services and Spending

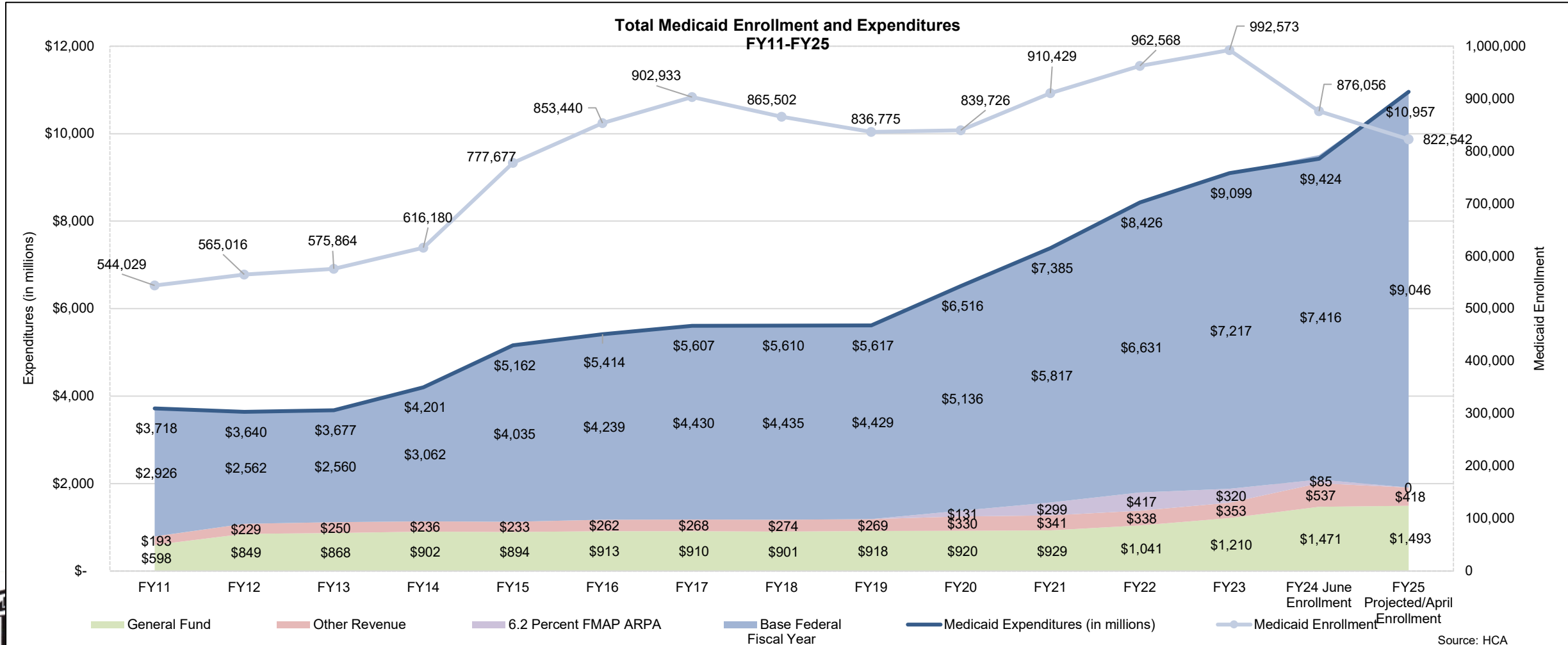


Medicaid 101

- Managed Care Organization (MCO) – A commercial insurance company that state governments contract with to manage Medicaid programs for cost, utilization, and quality.
 - In New Mexico, the Managed Care program is known as Turquoise Care, which recently replaced Centennial Care
- Fee For Service (FFS) – The state directly pays providers for services.
- State Plan – Each state develops its own Medicaid program within federal guidelines, outlining services covered, eligibility criteria, and administrative processes.
- Waiver – Special permissions granted by the federal government to states to deviate from standard Medicaid rules for experimental or innovative programs.



Medicaid Enrollment Revenue and Expenditures— Approximately 38% of NM population is covered by Medicaid

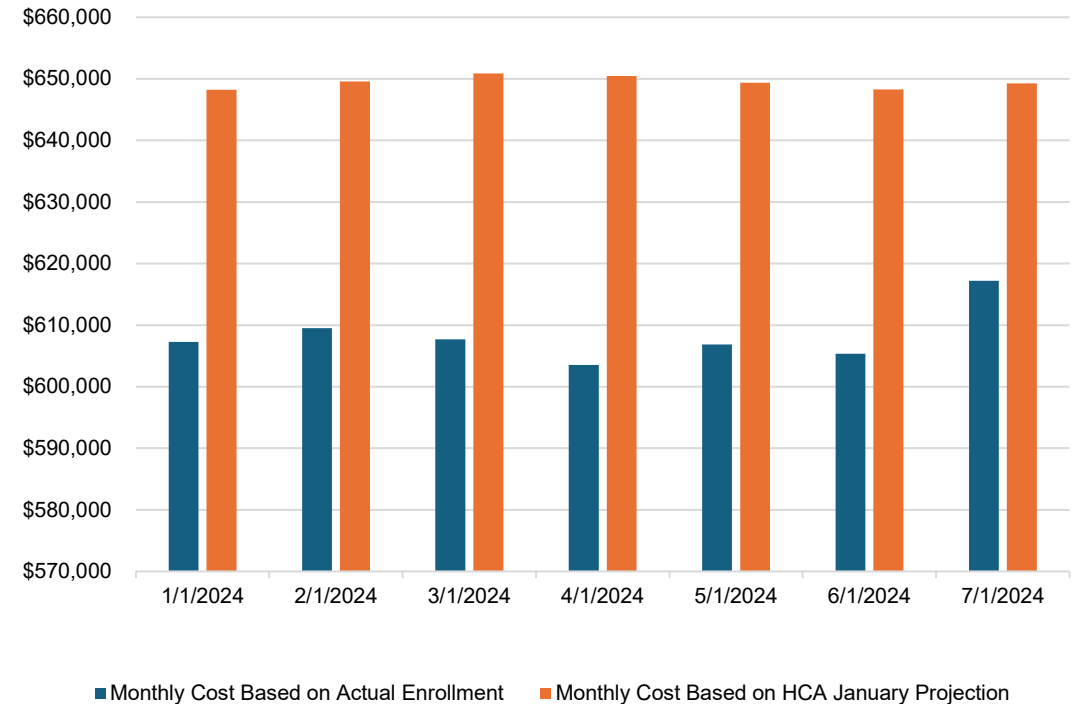


Source: HCA

Key Cost Drivers

- Enrollment, particularly in managed care
- State pays a per member (client) per month (capitation) payment for each enrollee regardless of services used
- MCO Rates – intended to cover all medical services, administration, profit, taxes
- Healthcare Prices and inflation
- Rates MCOs pay to healthcare providers
- Fee-for-Service HSD rates paid to providers
- Members' Use of Services (Utilization)
- Acuity of members
- FMAP

Difference in Monthly Cost Based on Actual and Projected Enrollment (thousands)



*Estimated cost is based on PMPM rates and do not take into account fee for service

Source: HCA January Budget Projection and LFC Analysis



Federal Medical Assistance Percentage

- Federal Medical Assistance Percentage (FMAP) – The federal government’s reimbursement rate to the state for state expenditures on Medicaid. The rate is dependent on the population served with differing rates for children, income levels, adult expansion, and other groups.
- Base and enhanced rates – Changes each year based on a state’s economic performance on per capita personal income. For federal FY25 New Mexico’s rate decreased 0.91 percent, costing about \$68.9 million in state general funds, this rate is projected to be less in the coming years.
- Blended Rate – Accounts for the different FMAP rates for different populations by weighting the number in each group. For FY25 the blended rate is 77.71 percent. With every state dollar spent the federal government reimburses \$3.45.

Medicaid Eligibility Groups		
Threshold (FPL)	Population	FMAP 2025
100%	Traditional Base	71.68%
138%	Adult Expansion	90.00%
190%	Children 6-19 (Medicaid)	80.18%
240%	Children 0-6 (Medicaid)	80.18%
240%	Children 6 to 19 (CHIP)	80.18%
250%	Pregnancy Services	71.68
300%	Children 0-6 (CHIP)	80.18%
	Native Americans	100%

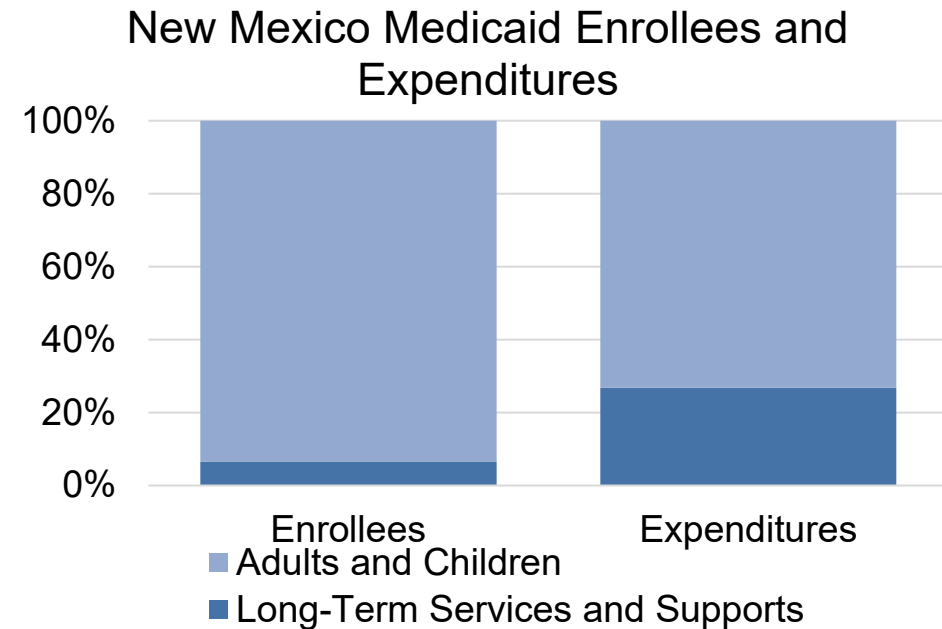


Medicaid Enrollment

MAJOR ENROLLMENT CATEGORIES

- Dec 2024 enrollment - 847,242.
- About 278K enrolled in the expansion/other adult group
- 475K Medicaid Base Population
- 369K children (children overlap with above groups)
- Others with partial benefit

COST DIFFERENCES



Source: HSD



Key Financing Components

Revenue Sources

- General Fund
- Federal Funds
- County Supported Medicaid Fund
- Tobacco Settlement Fund
- UNM and other Hospital Transfers
- Other Agencies (e.g. DOH)
- Various Matching Rates
- Now Hospitals through HDAA

Spending Categories

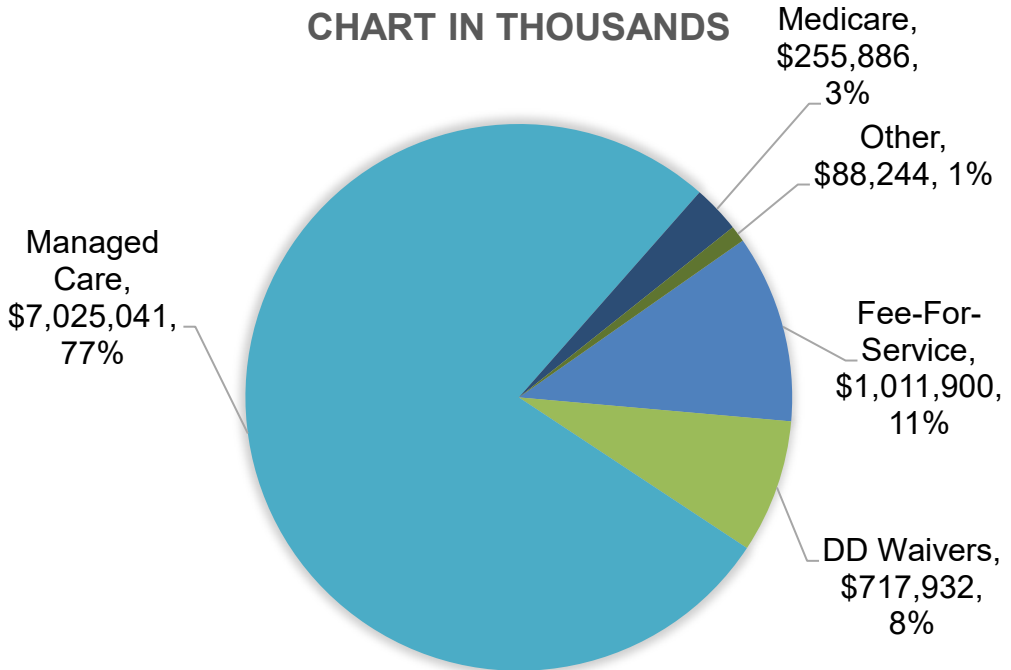
- Fee-For-Service
- Managed Care with a Per Member (Client) Per Month Payment to Managed Care Organizations (MCOs)
- Administration



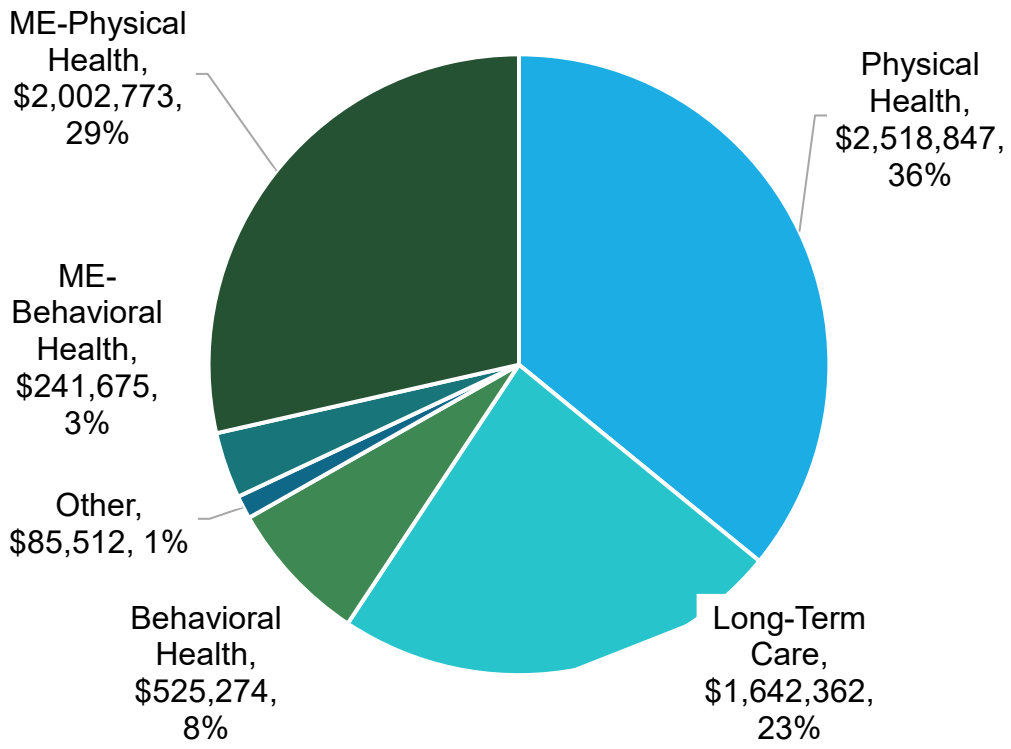
Medicaid Spending has grown from just over \$5.6 billion in FY17

MEDICAID - FY23 TOTAL SPENDING \$9.1 BILLION

CHART IN THOUSANDS



Medicaid MCO Programs \$7 Billion



Source: HSD January 2024 Projection



Medicaid Managed Care Spending on Services

Physical Health CY23 (thousands)		Long-Term Services and Supports CY23 (thousands)	
Hospital Services	\$1,344,353.3	Nursing Facility	\$299,188.5
Transportation	\$134,655.4	Community Benefit/Hospice/Personal Care	\$529,860.0
Primary Care/Home Health/FQHCs/ Medical Supplies/Pharmacy/Dental	\$590,903.5	Hospital Services	\$133,946.4
	\$685,660.8	Primary Care	\$44,651.0

Source: LFC analysis of MCO reports to HSD



Recent Rate Increases

- Significant rate increases were allocated in the last three years
- Rural health delivery grants: \$80 million in 2023 session and \$46 million in 2024 session
- Hospital one-time funding
 - \$45 million for subsidies for 11 struggling hospitals (SB161)
 - \$44 million for various other hospitals

Recent and Upcoming Provider Rate Adjustments (Millions)*

Provider Type	FY24	FY25	FY26
**Maternal and Child Health and Primary Care	\$222.5	\$210.3	
***Hospital Rates	\$105.9	\$39.2	\$1,361.4
Maternal Health Services	\$29.6		
Phase III Providers		\$42.6	
Prior Year Rate Maintenance		\$116.6	
Rural Primary Care Clinics and FQHCs		\$9.0	
Medicaid Home Visiting		\$6.7	
Birth Doula and Lactation Counselors [^]		\$26.0	
Behavioral Health	\$31.8	\$31.8	\$25.9
Program for All Inclusive Care			\$23.7
Assisted Living Facilities			\$11.2
Nursing Facility Rebasing			\$40.2
Total	\$389.8	\$482.2	\$1,462.4

* Includes both state funds and federal match funds

** includes \$5 million EC trust for maternal and child health

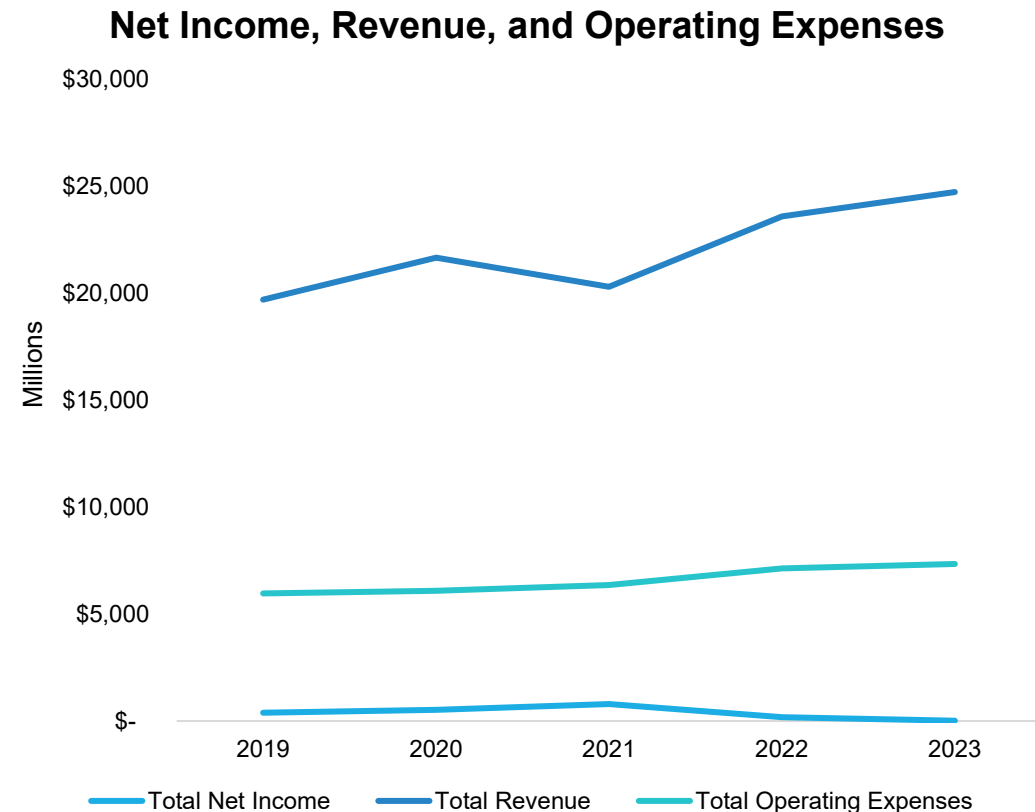
*** FY26 based on FIR for Health Care Delivery and Access Act

[^]\$10.8 million from EC trust



Healthcare Delivery and Access Act

- The Healthcare Delivery and Access Act (HDAA) will infuse \$1.3 billion into hospitals
 - Uses CMS rule to allow for direct payments to hospitals
 - Based on FMAP rates: 3 to 1 matching
 - HDAA has uneven impact on hospital finances



HDAA Performance Measures and In-State Spending

- 40 percent of funds are based on performance
 - The 8 measures are not linked to increasing access for patients
- 75 percent of funds must be spent in-state
 - LFC is currently working with HCA and the NM Hospital Association to develop standards and guidelines

Healthcare Delivery and Access Act Quality Measures
Hospital-Wide All-Cause Unplanned Readmission Measure (HWR)
Patient Safety Indicator (PSI) 90: Patient Safety and Adverse Events Composite (Serious Complications that Patients Experience during a hospital stay or certain Inpatient Procedures)
Severe Sepsis and Septic Shock: Management Bundle (Composite Measure)
Early Elective Delivery [Percentage of mothers whose deliveries were scheduled too early (1-2 weeks early), when a scheduled delivery wasn't medically necessary]
HCAHPS (Hospital Consumer Assessment of Healthcare Providers and Systems) Hospital Inpatient Survey: Communication with Doctors
HCAHPS (Hospital Consumer Assessment of Healthcare Providers and Systems) Hospital Inpatient Survey: Communication with Nurses
Care Coordination for Mental Health Emergency Department Visit Follow-Up
Screening, Brief Intervention, and Referral to Treatment



Proposed SNAP Changes

- Current law: feds pay 100 percent for benefits and 50 percent for administration
- Institutes a new state matching requirement
 - Starts with a base match of 5 percent
 - Ramps up to 25 percent based on the state's payment error rate
 - New Mexico's error rate is around 14 percent
 - The state's projected FY25 federal SNAP expenditures are \$1.2 billion

Projected Cost of SNAP Reconciliation Changes								
If the State's Error Rate is Equal to...	< 6% Error		6-8% Error		8-10%Error		>10% Error	
Then the Required State Matching Rate is...	5%		15%		20%		25%	
	State	Federal	State	Federal	State	Federal	State	Federal
Then the State/Federal Matching Funds Requirement for SNAP Would be...	\$57,752	\$1,097,283	\$173,255	\$981,779	\$231,007	\$924,028	\$288,759	\$866,276
Sun Bucks	\$1,630	\$30,962	\$4,889	\$27,703	\$6,518	\$26,073	\$8,148	\$24,444

Source: LFC analysis of SHARE



Other Proposed SNAP Changes

- The changes would also
 - Decrease the federal matching rate for administrative costs from 50 percent to 25 percent
 - Eliminate funding for SNAP nutrition education
 - Change current work requirements by increasing the age of able-bodied adults without dependents from 54 to 64 years
 - Change the definition of dependent child from under 18 years of age to under 7
 - Requires counties to have a 10 percent unemployment rate or higher for the county to receive a waiver from work requirements

Estimate of other SNAP Changes				
	Current Law		New Administrative Share	
	State	Federal	State	Federal
Change Administrative Matching Rate from 50/50 to 75 State 25 Federal	\$37,867	\$37,867	\$56,800	\$18,933
Eliminate SNAP Nutrition Education	(\$3,660.2)			
Source: LFC Files and HCA				





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For More Information

- <https://www.nmlegis.gov/Entity/LFC/Default>
 - Session Publications – Budgets
 - Performance Report Cards
 - Program Evaluations

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