



FY27 Budget Preview: Department of Health, Health Care Authority, and Children, Youth and Families Department

Emily Hilla, Fiscal Analyst, Legislative Finance Committee
Eric Chenier, Principal Analyst, Legislative Finance Committee
Carlie Malone, Fiscal Analyst, Legislative Finance Committee
November 7, 2025

Overview

- Department of Health
 - Overview of Request
 - Facilities FY27 Budget Request and Most Recent Census
 - Epidemiology and Laboratory Services FY27 Budget Request
- Health Care Authority
 - Federal Medicaid and Supplemental Nutrition Assistance Program Changes
 - Timeline of Changes
 - Special Session Appropriations
 - Health Care Authority Budget Request
- Children, Youth and Families Department
 - Overview of Request
 - Request by Program
 - Nonrecurring Request
- FY25 Report Cards



Department of Health FY27 Request

- The Department of Health (DOH) requested a total budget of \$685.8 million for FY27. This is an \$89.3 million, or 14.9 percent, increase from its FY26 budget of \$596.4 million. Of the requested increase,
 - \$4 million is from general fund revenue;
 - \$25.7 million is from transfers from other agencies;
 - \$34.7 million is from increases in federal funds; and
 - \$25.9 million is from other revenue DOH generates.

Background

With the transfer of the Developmental Disabilities Supports (DDSD) and the Health Certification, Licensing, and Oversight (DHI) programs to the Health Care Authority (HCA) in FY25, DOH has experienced a reduced shift in the program oversight and revenues than in previous fiscal years. Post transfer, the department's portfolio consists of the following programs: Public Health, Epidemiology and Response, Laboratory Services, Facilities Management, Medical Cannabis and Program Support.



Department of Health FY27 General Fund Request

<u>Program Support P001</u>	
FY26 OpBud	11,090.2
Total FY27 Base	11,090.2
% Change from OpBud	0.0%
<u>Public Health P002</u>	
FY26 OpBud	82,618.8
Total FY27 Base	82,618.8
% Change from OpBud	0.0%
<u>Epi & Response P003</u>	
FY26 OpBud	17,718.5
Helpline Contractual Services	710.0
Vital Records Virtual Vault Maintenance	250.0
Total FY27 Base	18,678.5
% Change from OpBud	5.4%
<u>Laboratory Services P004</u>	
FY26 OpBud	11,663.2
House Bill 8 Caseload Personnel Increases	500.0
House Bill 8 Toxicology DWI Testing Supplies	350.0
OMI Preventative Building Maintenance	190.0
Subtotal FY27 Base	12,703.2
% Change from OpBud	8.9%

<u>Facilities Management P006</u>	
FY26 OpBud	96,730.1
Veterans Home DOH Staff Vacancy Rate	804.7
Veterans Home Contracted Staff Increase	1,195.3
Subtotal FY27 Base	98,730.1
% Change from OpBud	2%
Total FY27	98,730.1
% Change from OpBud	2.1%
<u>Medical Cannabis P787- NO GF</u>	
FY27 Opbud	-
<u>Total</u>	
FY26 OpBud	219,820.8
FY27 Base Increase:	4,000.00
Subtotal FY27 Base	223,820.80
Total FY27	223,820.8
% Change OpBud	1.8%



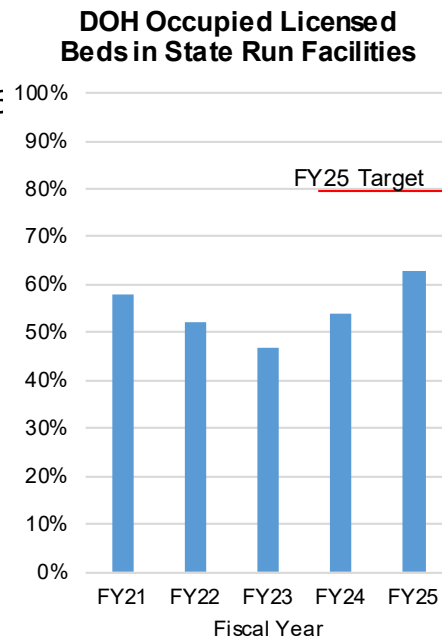
Department of Health Facilities FY27 Request

- The Facilities Management Division (FMD) requested a total budget of \$243.7 million, a \$38.4 million, or 18.7 percent, increase. The largest increase was for contractual services, a \$24.7 million, or a 106 percent, increase from FY26. FMD requested a significant increase from other revenue—such as government payments for Medicaid, Medicare, and similar programs—significantly above actual revenues.
- At the end of FY25, DOH realized \$67.1 million from other revenues, originally budgeted at \$74.1 million, and is requesting to use \$108.3 million from other revenues in FY27, a \$41.1 million, or 61.2 percent, increase from FY25 actuals. These revenues have consistently underperformed the operating budget for several reasons, including a low facility census and patient billing issues. If the department’s rate of billing denials increases or its facility populations remain low, the budgeted revenue authority does not materialize as actual revenue.
- Despite the previous low facility census, DOH has seen increases in the populations at its facilities. In September 2025, the department submitted a budget adjustment of \$4.3 million from additional Medicaid revenue received due to higher census. FMD will use the other revenue to cover contractual staff, such as nurses and physical therapists at NMBHI, NM Veterans’ Home, and NM Rehabilitation Center.



Department of Health Facilities Census

- Turquoise Lodge: 16**
- New Mexico Behavioral Health Institute (NMBHI): 146**
- NMBHI Meadows: 101**
- New Mexico Rehabilitation Center: 16**
- Sequoyah Adolescent Treatment Center: 36**
- New Mexico Veterans' Home: 130**
- Fort Bayard Medical Center: 120**
- Los Lunas Community Program: 67**



Source: DOH

Facility	% Licensed Beds
TL	40.0%
NMBHI	65.5%
NMBHI - Meadows	62.3%
NMRC	37.2%
SATC	100.0%
NMSVH	99.2%
FBMC	60.0%
LLCP	89.3%
Total	69.5%

*As of 10/31/25

Source: DOH

The occupancy of licensed beds in facilities statewide remains below target levels; however, facility census has increased by approximately 11 percent from FY24, particularly in the state's long-term care facilities, with overall census continuing to increase. Lower than anticipated revenues combined with high personnel and contract costs continue to strain the program's finances. The program oversees six healthcare facilities and one community program, catering to individuals with complex medical conditions or behavioral health support needs.



DOH: Epidemiology and Response and Laboratory Services FY27 Request

- The Epidemiology and Response Program requested a \$960 thousand, or 5.4 percent, general fund increase. Of the request, \$710 thousand is for the department's helpline contractual services, with the remaining \$250 thousand for maintenance and operations of DOH's information technology system for vital records.
- The Laboratory Services Program requested a \$1 million, or 8.9 percent, general fund increase. Most of the increase, \$850 thousand, is for new compliance as mandated by House Bill 8 (2025) related to competency changes. House Bill 8 changed the probable cause threshold necessary to compel a blood draw via a search warrant in DWI cases, leading DOH to request additional personnel and equipment related to the increased casework. The remainder of the request is for building maintenance at New Mexico State Laboratories, which houses the Office of the Medical Investigator, and the New Mexico Department of Agriculture Veterinary Diagnostic Services.



Health Care Authority



Notable Reconciliation Changes to Medicaid: State Directed Payments and Provider Taxes

State Directed Payments

- Caps the total payment rate for inpatient hospital and nursing facility services at 100 percent of Medicare for expansion states
- Grandfathers current directed payments implemented prior to enactment
 - **Effective Date:** For grandfathered payments, reduces payment rates by 10 percent per year starting January 1, 2028, until they reach 100 percent of Medicare payment rate
 - However, each year CMS adjusts Medicare payment rates – so the new upper payment limit will grow over time
 - **Impact to the state:** Directed payments are expected to reach \$1.1 billion for hospitals in FY26, which would be reduced by 10 percent annually until they reach 100 percent of Medicare rates
 - Preliminary estimates would reduce hospital patient revenue by less than 2 percent annually. The hospital tax burden would come down over time as well

Provider Taxes

- Prohibits new provider taxes and eliminates some types of provider taxes all together
 - **Effective Date:** Reduces the current 6 percent provider tax limit by 0.5 percent per year starting in Federal Fiscal Year 2028 through 2032 to 3.5 percent
 - **Impact to the state:** Provider tax revenue funds the state's directed payments for hospitals and federal reconciliation exempted nursing facilities taxes



Notable Reconciliation Changes to Medicaid: Community Engagement and Cost Sharing

Community Engagement

- Expansion adults 19 to 64 must be enrolled in a qualifying activity for 80 hours per month
- Certain exemptions such as dependent children under 14 and medically frail
- If disenrolled for not meeting work requirements also would not qualify for subsidized marketplace coverage
 - **Impact to the state:** Would reduce Medicaid spending by \$513 million in federal revenue and \$57 million in state general funds, due to an estimated 83 thousand reduction in enrollment.
 - **Effective date:** December 31, 2026, with state exemptions granted until December 31, 2028, for states showing good faith efforts to implement

Cost Sharing

- \$35 per service on expansion adults except primary care, mental health, and substance use disorder services. Also exempts services provided at federally qualified health centers, behavioral health clinics, and rural health clinics.
 - **Impact to the state:** Reduces spending by \$8 million in federal revenue and \$890 thousand in general fund revenue, due to an estimated 254 thousand enrollees that would now be subject to copays.
 - **Effective date:** October 1, 2028



Notable Reconciliation Changes to Medicaid: Eligibility

Eligibility

- Requires states to conduct eligibility redeterminations at least every 6 months for Medicaid expansion adults, current practice is annual, secretary of HHS to issue guidance within 180 days of enactment
 - **Impact to the state:** Reduces spending by \$158 million in federal revenue and \$17 million in general fund revenue because of expected enrollment churn. Also has interaction effects with retroactive coverage limitation.
 - **Effective Date:** For renewals scheduled on or after December 31, 2026

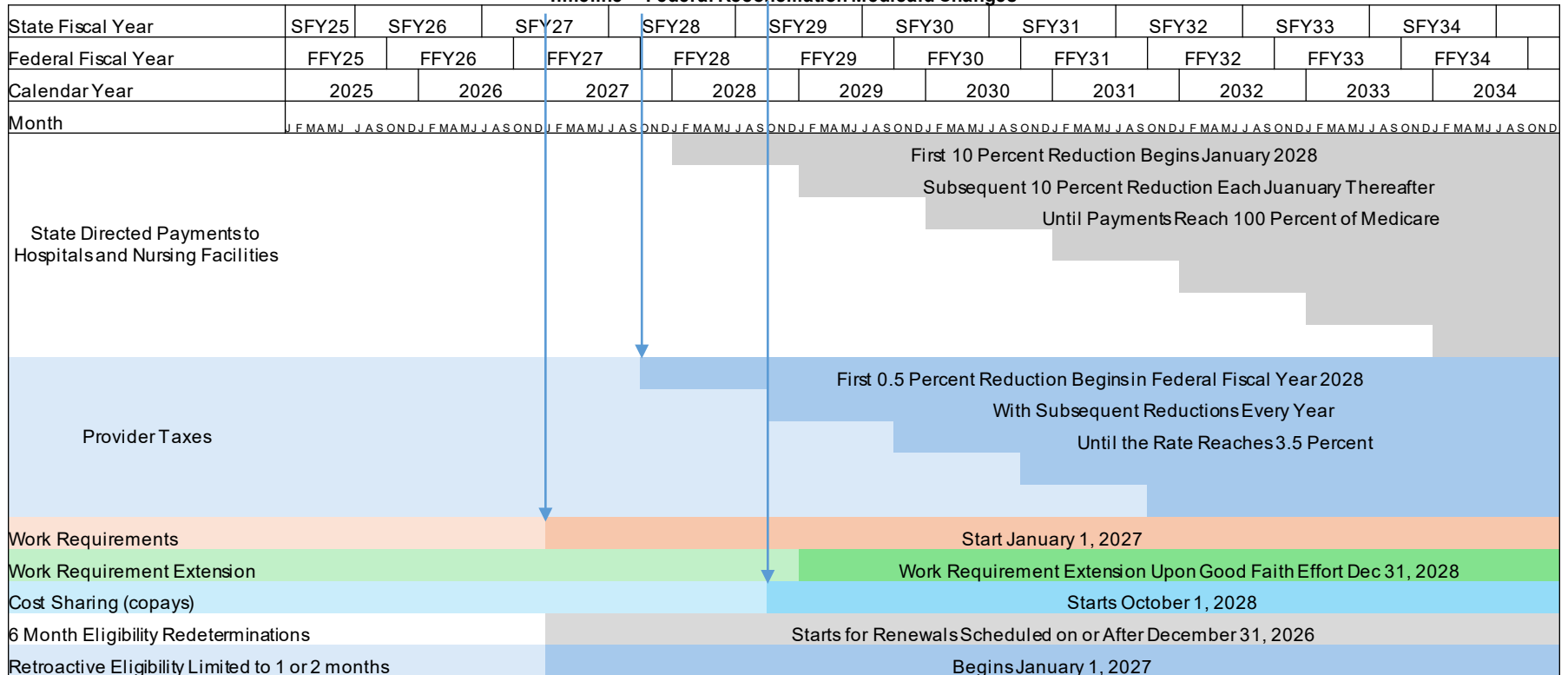
Retroactive Eligibility

- Limits retroactive coverage to one month prior to application for coverage for expansion enrollees and two months for traditional enrollees, current practice is three months.
 - **Impact to the state:** \$8.2 million in federal revenue and \$2.3 million in general fund revenue because of a projected decrease of 18.4 thousand months of member enrollment annually.
 - **Effective Date:** January 1, 2027



Federal Budget Reconciliation – Medicaid Timeline

Timeline -- Federal Reconciliation Medicaid Changes



SNAP Changes Effective Upon Enactment of HR1

Eligibility

- SNAP eligibility for non-citizens
 - Narrows eligibility so that refugees, asylees, survivors of trafficking, and certain parolees lose eligibility.
- Expanded work requirements
 - Raises the upper age for who is subject to work requirements from 54 to 64.
 - Changes the dependency work requirement exemption from under age 18 to under age 14
 - Limits geographic waivers to only those states with high unemployment rates

Benefits

- Restrictions on Income Deductions
 - Internet expenses can no longer be included in the excess shelter deduction for SNAP. The US Department of Agriculture's website says that further guidance is forthcoming.
 - Heating and cooling standard utility allowances will no longer automatically be available to households without an elderly or disabled household member simply because they qualify for Low-Income Home Energy Assistance payments. However, some of these households may still qualify for some deductions under other authorities.

SNAP Education Program

- Funding for the SNAP-Ed program ended September 30th.



Health Care Authority Special Session Appropriations

2025 1st Special Session Appropriations to HCA

Purpose	To Agency/Fund	Source	Amount
SNAP for Elders and People with Disabilities	Health Care Authority	GF	\$4,600
SNAP for Lawfully Present Residents	Health Care Authority	GF	\$12,000
SNAP Education Program at UNM and NMSU	Health Care Authority	GF	\$1,246
Food Banks Including \$2.5 million for Capacity Building	Health Care Authority	GF	\$8,000
Food at Educational-Based Centers and Food Pantries	Health Care Authority	GF	\$2,000
Workforce Solutions to Support SNAP and Medicaid Work Requirements	Health Care Authority	GF	\$1,500
Staffing and Administration in Income Support Division	Health Care Authority	GF	\$4,400
Staffing and Administration in Medical Assistance Division	Health Care Authority	GF	\$2,200
IT Changes for SNAP and Medicaid	Health Care Authority	GF	\$10,000
Healthcare Services Provided by Non-Medicaid Eligible Nonprofits	Health Care Authority	GF	\$3,000
Reduce Health Premiums and Cost Sharing on the Health Exchange	Health Care Authority Rural Health Care Delivery Fund	HCAF	\$17,300
Fund Transfer	(HCA)	GF	\$50,000
Total General Fund Expenditures			\$116,246

Source: House Bill 1



Health Care Authority FY27 Budget Request

Revenues

- Because of expected federal revenue cuts and other federal changes, the Health Care Authority's overall revenue request was a slight decrease from the FY26 operating budget at \$15 billion.
- The Health Care Authority requested \$188.3 million in additional revenue from the general fund, a 9.1 percent increase above the FY26 operating budget.
 - Much of the requested general fund increase would backfill expected decreases in federal revenue related to changes in the recently passed federal reconciliation bill and other recent federal changes.
- The request also includes \$328 million from the health care affordability fund, a 200 percent increase above FY25 expenditures.

Expenditures

- Significant expenditure changes in the authority's request include:
 - A reduction of \$706 million in the Medical Assistance Division primarily because of a projected decrease in enrollment related to federal reconciliation,
 - An \$89.3 million increase in the Developmental Disabilities Support Division for provider rate increases and increased utilization,
 - A \$258 million increase in Medicaid Behavioral Health primarily for increased utilization and changes in how the authority accounts for these expenditures,
 - An \$85.9 million increase in the Income Support Division because of changes in federal spending,
 - A \$141.8 million increase in State Health Benefits for increasing insurance premiums, and
 - Recurring and nonrecurring increases in the Health Care Affordability Fund for Health Insurance Marketplace Affordability and changes due to reconciliation.



Health Care Authority FY27 Budget Request: Medical Assistance

<u>MEDICAL ASSISTANCE (MAD)</u>	
Prior Year OpBud	1,363,990.8
Base Adjustment	
<u>Medicaid Spending Changes</u>	
Enrollment Reduction due to HR1	(84,704.2)
Phase II Nursing Facilities Rebasing	9,000.0
Medicare Premium and Enrollment Increases	11,097.3
Traditional Healing (\$71.4 Federal Funds)	
Fee for Service	580.0
<u>Revenue Changes</u>	
Increase Drug Rebate Revenue	(20,000.0)
Drug Rebates non-recurring revenue from fund balances	(44,000.0)
Replace Health Care Affordability Fund Revenue	30,000.0
FMAP Decrease -0.35 percent (Actual -0.19 percent)	15,017.9
County-Supported Medicaid	3,578.0
Safety Net Care Pool	
Tobacco Settlement Revenue	(3,880.7)
<u>Administrative and Other</u>	
Upgrade IT Systems for HR1 Compliance	2,859.6
Personnel Costs for HR1 Compliance	1,196.7
MMISR Maintenance and Operations	5,000.0
Miscellaneous	(6,158.1)
Subtotal Changes	(80,413.5)
Subtotal Current Year Base	1,283,577.3
% Change from OpBud	-5.9%



Health Care Authority FY27 Budget Request: Developmental Disabilities Support

<u>DEVELOPMENTAL DISABILITIES SUPPORT (DDSD)</u>	
Prior Year OpBud	306,583.2
Provider Rates 18 Percent Increase	47,000.0
Residential Services Rate Increase	
FMAP Decrease -0.35 percent (Actual -0.19 percent)	2,814.7
Mi Via GRT	4,216.7
FY26 Projected Shortfall	7,258.7
Increased Utilization	24,825.0
Personnel Costs	300.0
Replace HCAF Insurance Premium Revenue	245.3
Contractual Increase	184.2
Two New Leases	882.2
Subtotal Changes	87,726.8
Subtotal Current Year Base	394,310.0
% Change from OpBud	28.6%

Page 1



Health Care Authority FY27 Budget Request: Medicaid Behavioral Health

<u>MEDICAID BEHAVIORAL HEALTH</u>	
Prior Year OpBud	177,692.1
Personnel Costs	400.0
Enrollment Reduction due to HR1	
CARA Care Coordination Portal Maintenance and Operations	1,100.0
CARA Care Coordinators in Hospitals	1,595.9
Other CARA Contracts	1,245.1
DOH CARA Program Transfer for Navigators	2,575.0
Increased Utilization	71,534.9
Other	247.0
Subtotal Changes	78,697.9
Subtotal Current Year Base	256,390.0
% Change from OpBud	44.3%



Health Care Authority FY27 Budget Request: Income Support

<u>INCOME SUPPORT</u>	
Prior Year OpBud	93,054.0
Replace HCAF Insurance Premium Revenue	1,069.8
SNAP Employment and Training (Funded in Special Session)	3,732.7
SNAP Supplement for Elderly and Disabled to \$100 Monthly (Funded in Special Session)	3,732.7
Staff Augmentation (Funded in Special Session)	7,766.5
IT System Enhancements (Funded in Special Session)	5,000.0
SNAP Chip Cards	1,063.0
Increase Staffing by 260 FTE (Funded Additional Staff in Special Session)	8,772.3
Accenture HR1 Increase (Funded in Special Session)	4,366.7
Space, Security and IT for 250 FTE (Funded Additional Staff in Special Session)	4,609.7
New SNAP Administration Matching Rate 75%-25%	24,000.0
Miscellaneous	661.1
Subtotal Changes	64,774.5
Subtotal Current Year Base	157,828.5
% Change from OpBud	69.6%



Health Care Authority FY27 Budget Request: Health Care Affordability Fund

- The FY27 request from HCAF revenue includes:
 - \$103.7 million for Health Insurance Marketplace Affordability and out-of-pocket assistance for people under 400 percent of FPL, more than doubling last year's appropriation,
 - \$30.2 million for approximately 4,600 lawfully present immigrants expected to lose Medicaid coverage under 400 percent of FPL at an average cost of \$6.6 thousand, and
 - \$90.9 million in nonrecurring funding for approximately 9,700 lawfully present immigrants losing Medicaid coverage at an average cost of \$9.3 thousand



Health Care Authority FY27 Budget Request: State Health Benefits

- For FY27, the State Health Benefits Program (SHB) requested \$660.2 million, a 27.8 percent increase from the group self-insurance fund which is funded by premiums paid for health, dental, and vision plans by local public bodies and state agencies.
- Requested increases include:
 - Incorporating funding from the Health Care Affordability Fund from the FY26 compensation package into the base budget,
 - *Projected enrollment increases due to a more generous premium state share, and
 - A medical premium increase of 10 percent.
- *Legislation from the 2025 session eliminated salary tiers and covers 80 percent of the health premium for state employees, established a program to subsidize state employee coverage for enrollees who make less than 250 percent of FPL or make less than \$50 thousand dollars and are purchasing employee-only coverage, and covers premiums for National Guard members enrolled in TRICARE.



Health Care Authority FY27 Budget Request: Other Programs

Program Support

- Requested a \$20.8 million, 55.8 percent increase from the general fund, over the FY26 operating budget. Much of the requested increase was because of the change to the SNAP administrative matching rate change.

Behavioral Health Services

- Requested nearly a \$13 million, 21.5 percent increase from the general fund, primarily for the 988 crisis and access line.

Child Support Enforcement

- Requested a \$1.1 million, 8 percent increase from the general fund, primarily to adjust staff attorney salaries.

Division of Health Improvement

- Requested a \$2.5 million, 18.5 percent increase from the general fund, primarily to transfer CYFD licensing division to the Authority.



Children, Youth and Families Department



Overview of FY27 Request – Children, Youth and Families Department

- Requested a \$25.1 million, or 6.3 percent, increase across revenue sources relative to FY26 operating budget
- Requested a \$48.6 million, or 18.1 percent, increase in general fund revenue
- By program:
 - Protective Services: requested \$34 million, or 26.5 percent, increase in general fund and \$14.1 million, or 6 percent, increase across revenue sources
 - Juvenile Justice: requested \$11.8 million, or 15.9 percent, increase in general fund and \$10 million, or 11.6 percent, increase across revenue sources
 - Behavioral Health: requested \$833.8 thousand, or 1.7 percent, increase in general fund and \$78.9 thousand, or 0.2 percent, decrease across revenue sources
 - Program Support: requested \$2 million, or 11.5 percent, increase in general fund and \$1.2 million, or 5 percent, increase across revenue sources
- In addition, CYFD requested over \$60 million in new GRO funding across programs for FY27



FY27 General Fund Request – Protective Services

<u>Protective Services (P-578)</u>		
FY26 OpBud	128,242.8	1,422.5
Backfill federal Title IV-E funds	13,000.0	-
Backfill federal Medicaid Administrative Claiming funds	6,376.3	-
GSD employee liability rate increase	2,587.2	-
Backfill HCAF for group insurance	2,339.5	-
Rent increases	1,748.8	-
Rate increases (GSD & DoIT)	1,005.5	-
<i>Subtotal - FY27 Base</i>	<i>155,300.1</i>	<i>1,422.5</i>
FY27 Expansion	-	-
Backfill federal Family First transition funding	3,854.3	-
Backfill federal ARPA funding (community-based prevention)	1,587.1	-
Backfill federal adoptions incentive grant funding	700.0	-
Backfill federal ARPA funding (forensic interview s)	645.4	-
<i>Subtotal - Expansion</i>	<i>6,786.8</i>	<i>-</i>
Program Total	162,086.9	1,422.5
% Change from FY26 OpBud	26.4%	0.0%



FY27 General Fund Request – Juvenile Justice

Juvenile Justice Facilities (P-577)		
FY26 OpBud	74,213.0	665.5
Decrease JJAC fund balance use & expand JJAC funding	4,164.2	-
Decrease JCC fund balance & expand JCC funding	3,385.8	-
Backfill HCAF for group insurance	1,997.1	-
GSD employee liability rate increase	971.8	-
Backfill federal Medicaid Administrative Claiming funds	811.3	-
Rate increases (GSD, DoIT & rent)	445.5	-
<i>Subtotal - FY27 Base</i>	<i>85,988.7</i>	<i>665.5</i>
FY27 Expansion	-	-
<i>Subtotal - Expansion</i>	<i>-</i>	<i>-</i>
Program Total	85,988.7	665.5
% Change from FY26 OpBud	15.9%	0.0%



FY27 General Fund Request – Behavioral Health

<u>Behavioral Health Services (P800)</u>		
FY26 OpBud	48,967.4	141.0
Backfill HCAF for group insurance	398.6	-
GSD employee liability rate increase	224.7	
Rate increases (GSD, DoIT & rent)	358.7	
Transfer licensing and certification to HCA	(570.9)	(15.0)
<i>Subtotal FY26 Base</i>	<i>49,378.5</i>	<i>126.0</i>
FY27 Expansion	-	-
Backfill federal ARPA funding (domestic violence)	422.7	-
<i>Subtotal - Expansion</i>	<i>422.7</i>	<i>-</i>
Program Total	49,801.2	126.0
% Change from FY26 OpBud	1.7%	-10.6%



FY27 General Fund Request – Program Support

<u>Program Support (P-576)</u>		
FY26 OpBud	17,602.3	192.0
Backfill federal Social Services Block Grant	836.0	-
Backfill HCAF for group insurance	620.9	
Rate increases (GSD, DoIT & rent)	559.4	-
<i>Subtotal - FY27 Base</i>	<u>19,618.6</u>	<u>192.0</u>
FY27 Expansion	<u>-</u>	<u>-</u>
<i>Subtotal - Expansion</i>	-	-
Program Total	19,618.6	192.0
% Change from FY26 OpBud	11.5%	0.0%



FY27 Nonrecurring Funding Request

Non-Recurring	Agency Request	
	General Fund	FF/OSF/ ISF
GRO: behavioral health services to reduce vacancy rate, support new and expanded programs for adolescent substance use, training, travel and supplies (\$3,259.5 PSEB, \$1,500.0 contractual services, & \$490.0 other)	\$ -	\$ 5,249.5
GRO: program support for vacancy rate reduction, additional contractual support to meet data requirements, and rent for support in the field offices (\$4,989.2 PSEB, \$500.0 contractual services, & \$200.0 other)	\$ -	\$ 5,689.2
GRO: protective services to reduce vacancy rate, pay band realignment, address internal compaction, contractual support, office space for new employees, building for emergency stays, foster care plus rate increase, and travel increases (\$23,989.6 PSEB, \$4,656.0 contractual services, & \$5,728.9 other)	\$ -	\$ 34,374.5
GRO: juvenile justice services to reduce vacancy rate and to support increased costs associated with increased population in facilities and increased referrals	\$ -	\$ 16,016.0
C2: CCWIS/NM Impact	\$ 6,029.6	\$ -
C2: Behavioral Health Licensing & Certification Authority (\$1,858.0 in FY26 & \$1,190.0 in FY27)	\$ 3,048.0	\$ -





For More Information

- <http://www.nmlegis.gov/lcs/lfc/lfcdefault.aspx>
 - Session Publications
 - Performance Report Cards
 - Program Evaluations