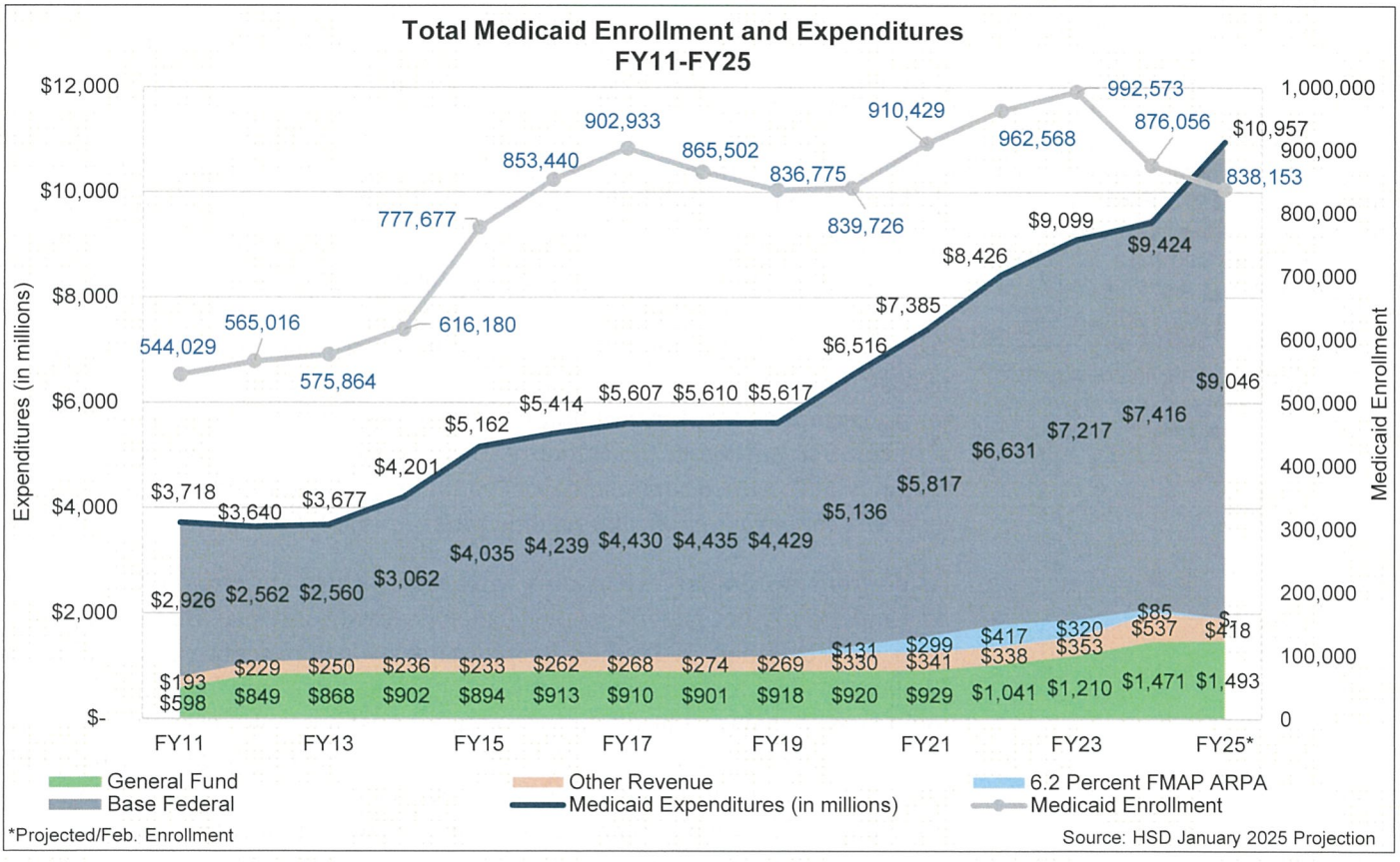
Health and Communities

The 2025 legislative session built on a multi-year effort to reshape the state's healthcare landscape. Enacted legislation and significant new appropriations added to prior years' efforts to remake the state's behavioral health system while also continuing rate adjustments and investments in other areas. Maternal and child health and primary care, the Program for All Inclusive Care, assisted living facilities, nursing facilities, and providers for people with developmental disabilities all received rate increases or received increased appropriations to maintain Medicaid reimbursement rates, some of which are among the highest in the country.

To improve access over the last several years, the Legislature prioritized physical and behavioral healthcare by creating the Health Care Authority, injecting nonrecurring funding into capacity-building efforts, and significantly increasing Medicaid rates paid to Medicaid providers for maternal and child health, physical health, behavioral health, care for those with developmental disabilities, and several other care categories to either improve rate competitiveness or to ensure provider viability, with the ultimate goal of alleviating a provider shortage through better recruitment and retention. This year's budget was built on those prior year investments and focused heavily on behavioral health.



Health Care Authority

The Health Care Authority, financially the largest state agency, will receive $15 billion in recurring funding from all sources, including $2.1 billion from the general fund, a 3.5 percent general fund increase. Additionally, the authority created from the Human Services Department and parts of the Health and General Services Departments and Office of Superintendent of Insurance to improve access and oversight of healthcare will receive about $350.4 million in behavioral health or behavioral health related nonrecurring appropriations, which was a part of the larger statewide effort that appropriated $555 million in nonrecurring behavioral health funding to multiple agencies. For non-behavioral health services, recurring appropriation increases are included in the General Appropriation Act to maintain rate adjustments for maternal and child health and primary care providers, benchmarked at 150 percent of Medicare.

These appropriations, new legislation, and rate adjustments for hospitals and other providers in the prior two years all point to a new healthcare landscape for New Mexicans that should lead to better access and improved health outcomes overall. However, these investments will not lead to improved outcomes without improved participation and oversight from all three branches of government, local governments, providers, and others.

Behavioral Health

On behavioral health alone, the Legislature appropriated $350.4 million in nonrecurring appropriations to the authority, enacted the Behavioral Health Reform and Investment Act (BHRIA), and created a new behavioral health trust fund. Behavioral health providers will also receive an estimated $26 million in recurring rate adjustments, adding to two prior rate adjustments, making the state's Medicaid behavioral health providers some of the best compensated in the country.

The BHRIA repeals the Interagency Behavioral Health Purchasing Collaborative and replaces it with a new executive committee. The bill also requires the Administrative Office of the Courts (AOC) to conduct sequential intercept mapping (SIM), or mapping justice system intervention points, and convene regional meetings to create regional behavioral health plans. The courts are required to report to the LFC monthly on their progress in conducting SIM and developing the regional plans. To fund the legislation, the General Appropriation Act includes $292 million in nonrecurring appropriations, including $1.7 million to AOC for SIM, $7 million to AOC for grants for treatment courts, $110 million to the Department of Finance and Administration for the expansion of housing services, $28 million to the authority for regional transitional behavioral health facilities and certified community behavioral health clinics, and $50 million to the authority for behavioral health funding priorities in regional plans.

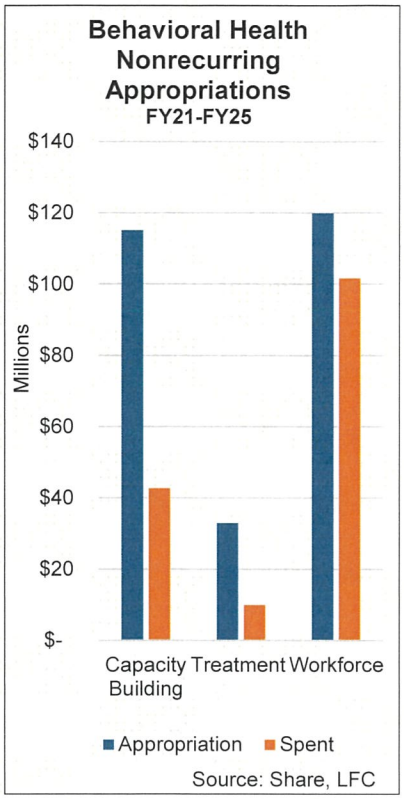
Aside from the BHRIA, HCA also will receive nonrecurring appropriations of $2.5 million to pilot integrating medication-assisted substance use treatment into primary care settings, $22 million to build capacity to implement a newly approved Medicaid waiver for transitional services for incarcerated individuals, $2.5 million to integrate behavioral health incentive-based treatment into other substance use disorder treatment modalities, $1.5 million for innovative residential treatment services in Doña Ana County, and $36.8 million to build capacity for homeless services providers and to serve people transitioning from incarceration.

Chapter 2 (Senate Bill 1) establishes the behavioral health trust fund and the behavioral health program fund. The trust fund distributes 5 percent of the year-end market value for the immediately proceeding three years to the program fund. The trust fund was seeded with a $100 million fund transfer from the general fund and will receive ongoing distributions from changes made to the early childhood education and care fund (ECECF) that redirected funding from oil and gas emergency school tax revenue. The estimate for FY26 is $141 million. Program fund revenue is to be used for behavioral health related costs and implementation of regional behavioral health plans as required by the Behavioral Health Reform and Investment Act.

Chapter 113 (Senate Bill 88) establishes the Medicaid trust fund and the state-supported Medicaid fund. The trust fund distributes 5 percent of the year-end market value for the immediately preceding three years to the state-supported fund but appropriations shall not be made until the balance of the fund reaches $500 million. The trust fund will receive revenue from general fund reversions in excess of $110 million until the balance of the trust fund reaches $2 billion. The trust fund will also receive ongoing distributions from revenue from changes made to the ECECF that redirected funding from federal mineral leasing. The FY26 estimate for revenue into the fund from this source is $241 million.

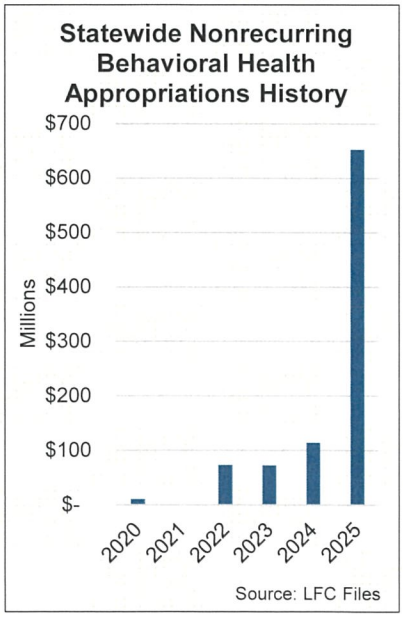
Medicaid

Medicaid, consisting of the Medical Assistance Program, Medicaid Behavioral Health, and the Developmental Disabilities Support Program, will receive nearly $1.85 billion in recurring general fund revenue, a 2.9 percent increase. The need to sustain financial viability, and improve access, were the primary drivers of the FY26 Medicaid budget. Rate adjustments total $62.6 million in general fund revenue and, when matched with federal Medicaid revenue, totaled about $279 million. From general fund revenue, the rate adjustments include $13.8 million for maternal and child health and physical health, $5.3 million for the Program for All Inclusive Care, $2.5 million for assisted living facilities, $26.2 million for developmental disability providers, $9 million to rebase and reflect current nursing facility costs, and $5.8 million for behavioral health providers.



Developmental Disabilities. Two years ago, the state all but eliminated the waiting list for the Medicaid waiver program for people with developmental disabilities. However, enrollment growth is expected to continue because of various factors including that some people previously on the list may have delayed enrolling. To accommodate expected growth, the department will receive $4 million. Additionally, it typically takes a year or more for individuals in the program to begin to fully expend their annual budgets. Because of this ramp-up effect for the population newly off the waiting list, the authority will receive a $20 million recurring appropriation. The authority also will receive $26.2 million in recurring funding to continue a multi-year effort to increase rates for providers who serve those with developmental disabilities. To administer the program, the authority also will receive $3 million to reduce vacancies and to replace lost federal revenue.

Hospital Access and Sustainability. Chapter 50 (House Bill 586) creates a process that allows the secretary of the Health Care Authority (HCA) to review proposed transactions (e.g., acquisitions, mergers) that materially change the control of a New Mexico healthcare entity and could negatively impact the availability, accessibility, affordability, and quality of care for New Mexicans. The proposed transactions subject to the law include those between two or more parties that involve change of control of a New Mexico hospital and acquisitions of provider organizations by hospitals and hospital-affiliated entities and health insurers and insurer-affiliated entities, as well as independent healthcare practices. The new law allows HCA to complete a preliminary review of the merger or acquisition. From there, HCA can approve the merger or complete a comprehensive review. HCA must publish summaries of transaction information after a transaction notice is received. New Mexico has the highest proportion of private-equity-owned hospitals in the country. Peer-reviewed research, which includes data from New Mexico hospitals, indicates patient outcomes are worse in hospitals that are owned by private equity firms. The Office of Superintendent of Insurance received an appropriation in the General Appropriation Act for $1.5 million to implement the bill, which will need to be transferred to HCA.

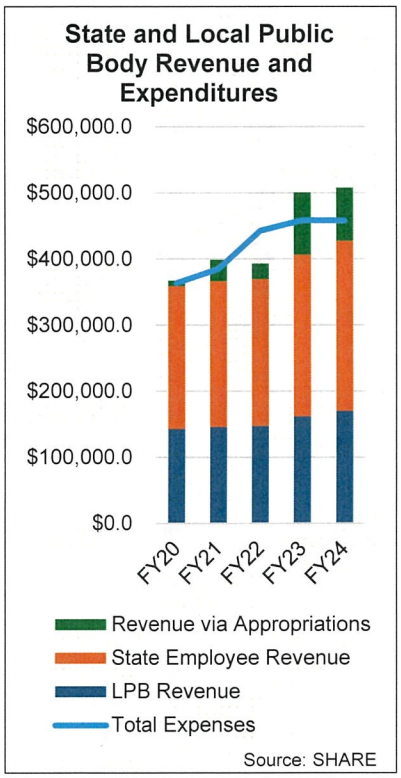


Health Care Affordability and State Health Benefits

The Health Care Affordability Fund Program, responsible for overseeing the programs administered by the New Mexico Health Insurance Exchange, recently moved from the Office of Superintendent of Insurance to the authority and received an appropriation of $2 million from the fund for fund administration,

more than doubling the prior year's administrative budget. Three programs run by the exchange for small businesses healthcare insurance premium reductions, out-of-pocket assistance, and coverage for uninsured New Mexico residents will receive a total of $146 million, a 73 percent increase over the prior year's operating budget. The increase in funding for operating these programs is to cover an expected reduction in federal pandemic funding and proposed increases in subsidies for out-of-pocket costs for policy holders.

State Health Benefits. In the State Health Benefits Program, Chapter 80 (Senate Bill 376) will eliminate salary tiers for state employees who receive state-sponsored health insurance benefits. Previously, the share of premiums paid by the state for state employees was based on the salary level of the individual employee. Now, the state will cover 80 percent of the cost of health benefit coverage for all state employees regardless of salary level. The legislation will also cover 100 percent of the cost for employee health benefits for those with incomes below 250 percent of the federal poverty level, $64,550 annually for a family of three, or who receive an annual salary from the state of $50 thousand or less. The legislation will also cover a portion or all the premiums for members of the New Mexico National guard who receive health benefits through TRICARE.



To help cover $17 million of the expected $80 million cost of the bill, the legislation also includes a provision to allow the authority to implement a hospital reference-based pricing program to establish a maximum payment rate for hospital services based on market benchmarks. Hospitals subject to the program are not permitted to charge or collect additional amounts from employee members above the reference-based amount. The rest of the cost of the legislation was covered with $48.3 million in nonrecurring appropriations from the health care affordability fund.

State Health Benefits Deficit. However, these sums do not consider the longstanding structural deficit within the State Health Benefits program that cost the state $80 million or more in supplemental appropriations for each of the last 3 years. The primary source of the structural deficit began in FY20 and continued through FY23 when the administration suspended premium rate increases despite continually rising medical inflation and uncontrolled medical costs. The premium increases in FY24 through FY26 did not eliminate the structural deficit. A significant premium increase of 30 percent or more will be required in FY27 to eliminate the deficit. For FY25 and FY26, the authority received a supplemental appropriation from the general fund of $85 million and the Department of Finance and Administration received an appropriation in the compensation section of the General Appropriation Act of $30.2 million from the health care affordability fund. Additionally, the General Services Department, which previously oversaw the program, received a deficiency appropriation totaling $46 million, with $21 million coming from the general fund and $25 million from the health care affordability fund.

Income Support

The Income Support Program will receive a 17.2 percent general fund increase on top of the 26.4 percent increase in general fund revenue it received last year. The increase includes $5.8 million to fill vacancies or to continue to fund positions the program had already filled in FY25. The program will also receive $1.7 million for salary adjustments and $865 thousand for caseworker retention. With additional staffing, the program should be able to improve its performance and meet federally required case processing timelines.

Department of Health

The FY26 general fund appropriations to the Department of Health (DOH) total $212.9 million, a 5.9 percent increase over the FY25 operating budget. The Facilities Management Program, which runs several hospitals and other facilities, will receive an additional $6.5 million from the general fund for personnel and operating costs to compensate for declining revenues because of low bed occupancy. Despite low occupancy, staff vacancy rates remained relatively stable, resulting in pressure on the program operating budget. At the close of FY24, occupancy was close to 57 percent. As of February 2025, the facilities census of licensed beds was nearly 62 percent. The average daily census statewide is close to 560 patients. The program will need to increase occupancy in FY26.

The department will receive $2 million in FY26 to operate a substance-use disorder facility in Las Vegas, New Mexico which the state previously renovated and which was expected to be operated by a private entity. However, the department requested revenues to operate the facility.

General fund appropriations for the Public Health Program include an increase of $3.1 million, or 4 percent, including $2 million to operate mobile health units, $500 thousand to expand clinical services, and funds for operations at public health offices. The Public Health program also will receive $650 thousand from the general fund for general operating costs. The Epidemiology and Response Program general fund revenue appropriation will increase by $1.3 million, or 8.4 percent. The increase includes $670 thousand for a climate health office and $643 thousand for operating costs and personnel.

The department will also receive several nonrecurring appropriations, including $3 million for accreditation support at the New Mexico Rehabilitation Center, $3 million for facilities maintenance, $4 million for health councils, $3.5 million for cessation services, and $5.4 million for a projected shortfall in the Facilities Management Program.