New Mexico Behavioral Health Assessment And Feasibility Study

September 22, 2026

Purpose

Legislative Funding and Direction	**House Bill (HB) 2** (General Appropriations Act of 2025) allocated funding to the New Mexico Health Care Authority (HCA) to study the **merits, feasibility, costs and likely enrollment** in **a proposed new Medicaid waiver for people with serious mental illness or substance dependency** leading to regular confinement in county jails or intensive overuse of hospital emergency rooms or other emergency or crisis services **versus continuing with the current service array for people with serious mental illness.**
Approach	At HCA's direction, the study broadened to: ▪ An inventory of Medicaid- and state-funded services, a review of gaps and barriers; and ▪ A comprehensive set of actionable recommendations for people with complex Behavioral Health (BH) conditions and/or brain injury.

This report is not intended to guide Senate Bill (SB) 3 implementation but, at times, notes how its findings could relate to SB 3 and sustainable financing options.

manatt

Background

There is significant investment, but need and geography strain New Mexico's system.

$1 B

budgeted across Medicaid, Behavioral Health Services Division (BHSD) & Children, Youth, and Families Department (CYFD) in SFY25 for BH Services, including **$899 M** for services for the Medicaid population and **$120 M** for state-funded services.

$1.198 M

allocated to the Brain Injury Services Fund (BISF) in SFY25, with approximately **$555,000** earmarked for services.

~295K

individuals receiving behavioral health (BH) and Brain Injury (BI) state and federal funded services.

1/3

of New Mexicans (~**698,000 people**) live outside metropolitan areas, including roughly 10% who reside in frontier areas.

Sources: Chenier, Eric. Behavioral Health and Substance Use Treatment Gap Analysis. Legislative Finance Committee, 18 Nov. 2024; New Mexico Legislative Finance Committee. "PERFORMANCE REPORT CARD Behavioral Health Collaborative Second Quarter, Fiscal Year 2024." 2024; New Mexico Legislative Finance Committee. "Medicaid and Behavioral Health Overview." 27 June 2025; Rural Health Information Hub. "New Mexico State Profile." Rural Health Information Hub, 2025; New Mexico Office of the Governor. "State of New Mexico Rural Health Transformation (RHT) Program Application." 4 Nov. 2025.

Legislative Activity

New Mexico has taken significant steps to strengthen its BH system, with a range of legislative and HCA actions underway that require significant State resources to implement.

Key Legislative Activity in 2025:

- **HB 2** allocated $20 million to support providers in delivering evidence-based BH services, $4 million for the 988 crisis hotline, provided a 7.8% increase for children/youth BH services, and provided funding for this study.
- **SB 1** created a BH Trust Fund to potentially build investments to $1 billion and allocated $50 million to rural health systems.
- **SB 3** established the BH Reform and Investment Act, taking a regional approach to BH care.
- **HB 8** established community-based restoration for non-violent offenders.

Other Recent Improvements:

- **Provider rate increases** to 150% of Medicare, including $90 million in Medicaid rate increases for BH providers.
- Federal approval for **new mobile crisis services.**
- Federal approval for 1115 demonstration renewal that included additional critical supports for various Medicaid populations.
- Launch of **Certified Community Behavioral Health Clinics (CCBHCs)**, with 10 operating in 2026.
- **Investments in rural health** through state Rural Health Care Delivery Fund and federal Rural Health Transformation Fund.

Scope of Study

Through a competitive request for proposals process, HCA contracted with Manatt Health—and its partners Kauffman and Associates Inc. and Milliman—to conduct this study, which includes:

A comprehensive inventory and assessment of all Medicaid and state-funded BH, brain injury, and housing services

A review of gaps and barriers and recommendations to improve care for people with serious mental illness (SMI), severe emotional disturbance (SED), Substance Use Disorder (SUD), and brain injury

Focused discussions on priority populations, including children and youth, individuals with brain injuries, and other high-need populations living with complex BH conditions

Analysis of the potential role of a Medicaid waiver—or alternative federal authorities—to improve the State's BH and brain injury systems of care

Assessment of the feasibility of securing federal authority to implement the recommendations, along with strategies for phasing them in over time

This study does not include final decisions, detailed content or recommendations on SB 3, or analysis of federal Medicaid cuts included in H.R. 1.

Findings – Strengths

New Mexico covers a robust set of BH services...

- Broad continuum of mental health and substance use disorder (SUD) services for youth and adults, ranging from prevention to treatment, including many evidence-based practices.
- Strong infrastructure for permanent supportive housing for people with complex BH needs.
- Home and Community-Based Services (HCBS) that help people with complex co-occurring physical and behavioral health needs or severe brain injury live in the community.
- Navigational supports available to people with complex BH needs.
- Support from people with lived experience.
- Services and supports addressing the needs of families and caregivers.

Findings – Benefit Gaps

…but there are significant barriers to accessing them.

- NM has many BH services and supports on paper, but various communities (rural and frontier areas) lack these services.
- Significant gaps in access to care remain for children and youth living with complex BH issues.
- The number of people with BH served through permanent supportive housing initiatives is small relative to the need.
- People with more moderate BH needs who do not qualify for Community Benefit lack access to some HCBS that could help them live more stably in the community.
- Gaps in state-funded BH services exist for uninsured/underinsured population as compared to Medicaid.
- Like many other states, there are significant challenges with the BH workforce.

Recommendation #1

Increase access to already-covered BH and brain injury services.

- Expand the number and reach of Assertive Community Treatment (ACT) teams, especially in rural and frontier areas, ideally as part of regional priorities under SB 3.
- Support ACT teams in developing expertise for SUD and justice system involvement (Integrated Dual Disorder Treatment (IDDT) and Forensic Assertive Community Treatment (FACT)).
- Strengthen statewide crisis services, including mobile crisis teams for rural areas and implement model for children and adolescent.
  - In February 2024, CMS approved a SPA that authorized New Mexico to launch a new Mobile Response and Stabilization Services (MRSS) benefit, however there are no providers in New Mexico offering MRSS.
- Conduct outreach to explain that individuals with BH needs or brain injury who have co-occurring physical health disabilities may qualify for the Community Benefit program.
- Retain current Medicaid payment rates for BH services to support provider participation.

Recommendation #2

Leverage existing New Mexico initiatives to expand permanent supportive housing and transitional housing for individuals with BH and/or BI.

- Expand permanent supportive housing to reduce unmet need.
- Increase utilization of Medicaid-funded pre-tenancy and tenancy services.
- Grow transitional and interim housing programs.
- Standardize referral pathways and entry processes into supportive housing.
- Expand implementation of medical respite benefit.

Recommendations #3 and #4

Streamline and strengthen navigational supports and Expand community-based services for people living with complex BH conditions and/or brain injury.

- Establish a framework for routing individuals to the right case management program, care coordination, or high-intensity services that include navigational supports.
- Require Managed Care Organizations (MCOs) to delegate care coordination for complex cases to Health Homes, CCBHCs, and other programs.
- Develop more specialized and intensive care coordination for people living with brain injury.
- Align State-funded benefit package with current Medicaid State Plan BH benefit package, especially for intensive outpatient and partial hospitalization services for individuals who are uninsured and underinsured, to the extent that funds are available.

Recommendation #5 (1/2)

Adopt tailored strategies for populations of focus.

For people living with brain injury:

- Increase funding for the BISF to act as the State hub for individuals with brain injury.
- Establish specialized care coordination for this population.
- Offer additional community-based supports to people with brain injury.

For individuals requiring nursing home placement:

- Address nursing facility denials of individuals based on behavioral issues or a history if the individual currently is stabilized.
- Pilot "Greenhouse Model" for small nursing homes for individuals with behavioral health.
- Provide staff training on working with people with complex behavioral health needs.

Recommendation #5 (2/2)

Adopt tailored strategies for populations of focus.

For children and youth:

- Expand the reach of High-Fidelity Wraparound (HFW) and other evidence-based practices, including family functional therapy and trauma informed cognitive behavioral therapy
- Create in-state residential treatment for female girls and adolescents.
- Adapt the mobile response and stabilization services for rural and frontier areas.

For individuals with SUD:

- Consider focused initiatives aimed at SUD/Alcohol Use Disorder (AUD).
- Scale effective treatment models for pregnant/postpartum women.
- Facilitate Medicaid funding for treatment provided in recovery housing.
- Expand mobile/satellite access for methadone/ buprenorphine.
- Consider expanding contingency management.
- Expand access to medication-assisted treatment for alcohol use disorder.

Recommendation #6

Strengthen the foundational elements of the BH system such as the BH workforce.

BH Workforce:

- Continue efforts underway to address workforce shortages, particularly in rural, frontier, and tribal areas.
- Fund the Health Professional Loan Repayment Program in 2026-2027.
- Participate in healthcare licensing compacts for additional provider types (e.g., psychologists, advanced practice registered nurses, social workers and counselors).
- Incentivize retention and career growth for peer support workers.
- Work with New Mexico's tribes to understand community-specific workforce gaps.

Consumer & Provider Navigation:

- Create a centralized online hub for individuals and their families BH and brain injury resources.
- Develop navigation tools in multiple languages.
- Develop a single state BH provider manual that includes all Medicaid and State-funded services, with consistent services definitions, requirements and billing guidance.
- Conduct information sessions as part of regional planning on already-covered resources and services.

Transportation:

- Create a navigable website for individuals and families re: Non-Emergency Medical Transportation (NEMT) that includes key information.
- Add state-funded coverage of medical and non-medical transportation for uninsured or underinsured population.
- Explore pilot of a new Medicaid non law enforcement transportation service that provides an alternative to ambulance and/or law enforcement transport.

Next Steps

In the short term (next two years):

- Prioritize strengthening access to already-covered services:
  - Strategy #1: Increase access to already-covered behavioral health and brain injury services, with a focus on expanding access to ACT and crisis services.
    - Provide capacity building funding for new mobile crisis and MRSS teams consider approach for SB 3
    - Work with the legislature to require commercial insurers to cover mobile crisis services and MRSS
  - Strategy #2: Leverage existing New Mexico initiatives to expand permanent supportive housing and transitional housing.
- Implement regional approach (e.g. SB 3) to behavioral health care improvement.
- Prepare for Medicaid cuts and anticipated coverage loss due to the implementation of H.R. 1.