



HEALTH CARE  
AUTHORITY



STATE HEALTH BENEFITS, HEALTH CARE AFFORDABILITY FUND & DIVISION OF HEALTH  
IMPROVEMENT FY27 BUDGET REQUEST  
OCTOBER 15, 2025

CABINET SECRETARY KARI ARMIJO

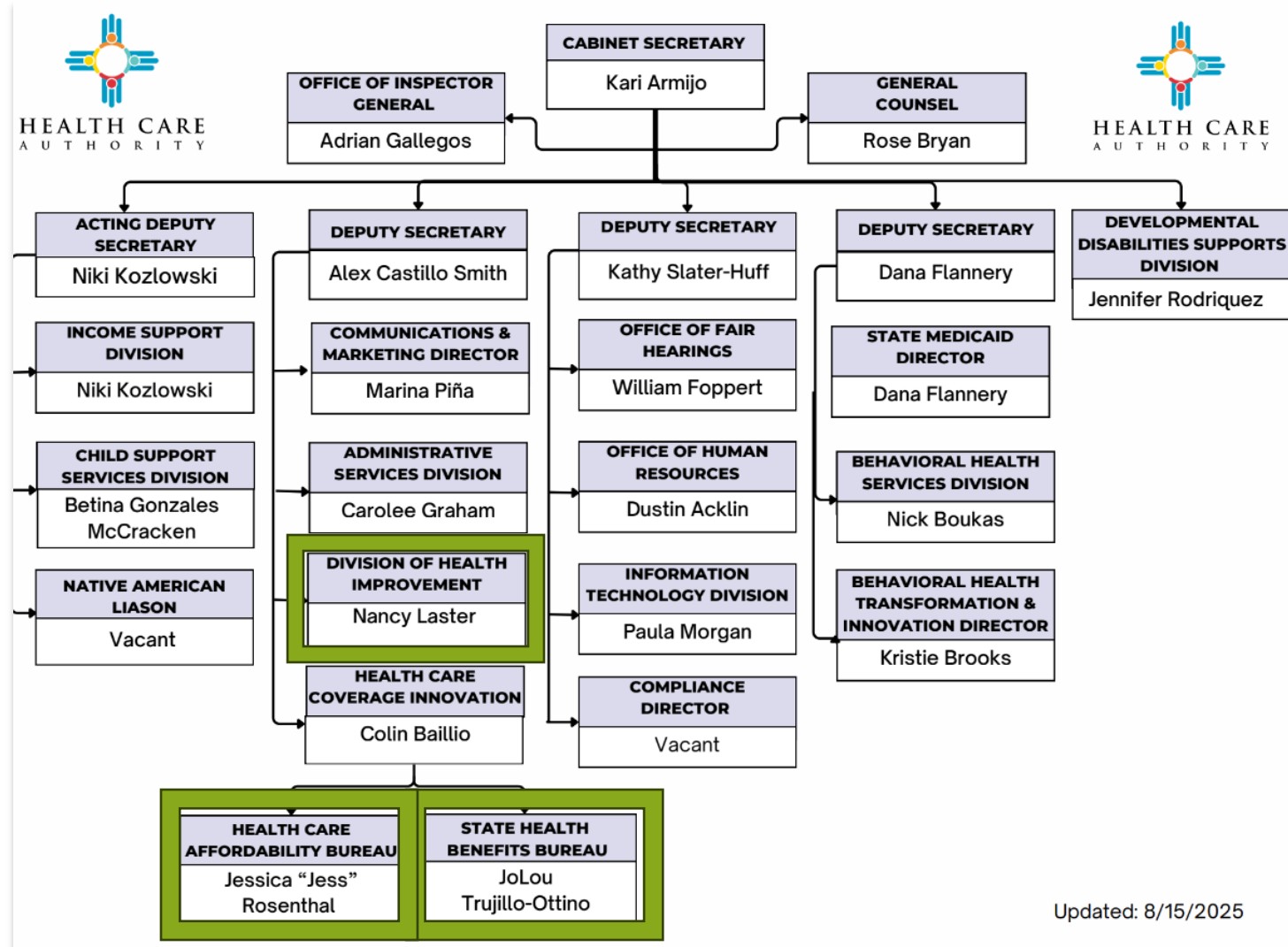
*INVESTING FOR TOMORROW, DELIVERING TODAY.*

# Today's Hearing will focus on HCA's State Health Benefits, Health Care Affordability Fund, and Division of Health Improvement

- Vacancy Rates
- Accomplishments
- FY27 Requests (Base, Expansion and Nonrecurring)

November Hearing: Income Support Division, Child Support Services Division, and Program Support

December Hearing: Medicaid, Developmental Disabilities Support Division, and Behavioral Health Services Division



Updated: 8/15/2025





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.*

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## VISION

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

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## 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.

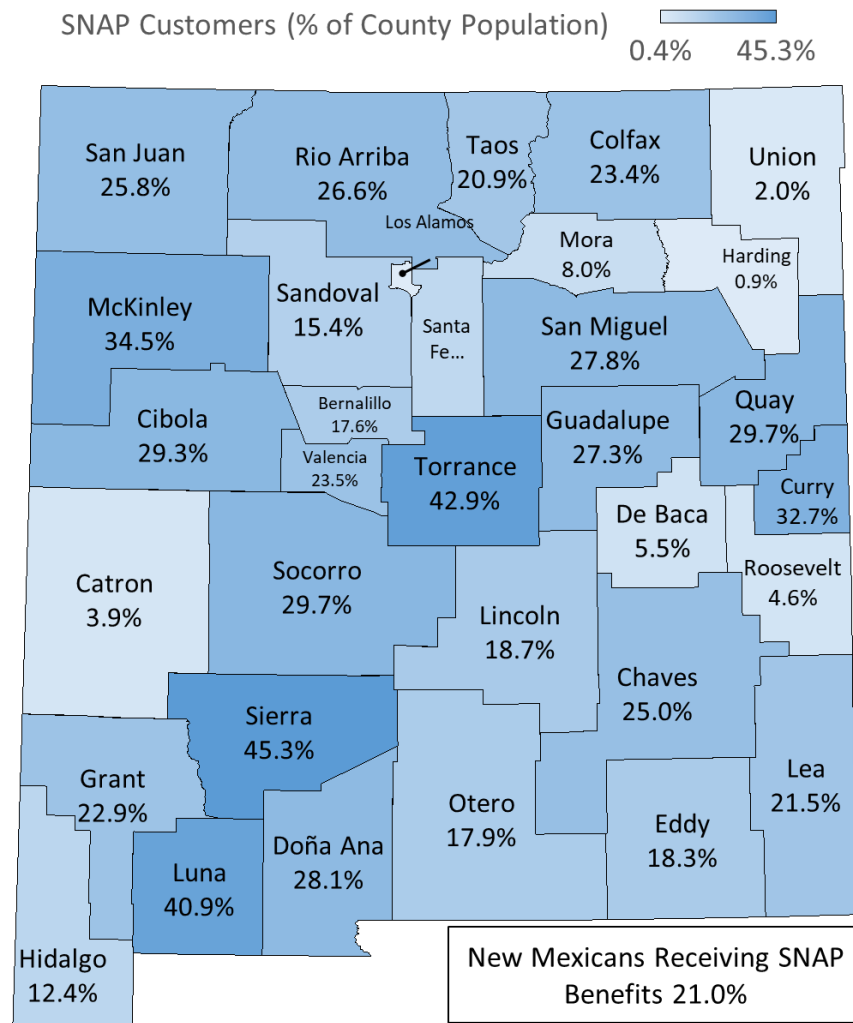


**IMPLEMENT** innovative technology and data-driven decision-making to provide unparalleled, convenient access to services and information.


# FEDERAL SHUTDOWN HCA UPDATE

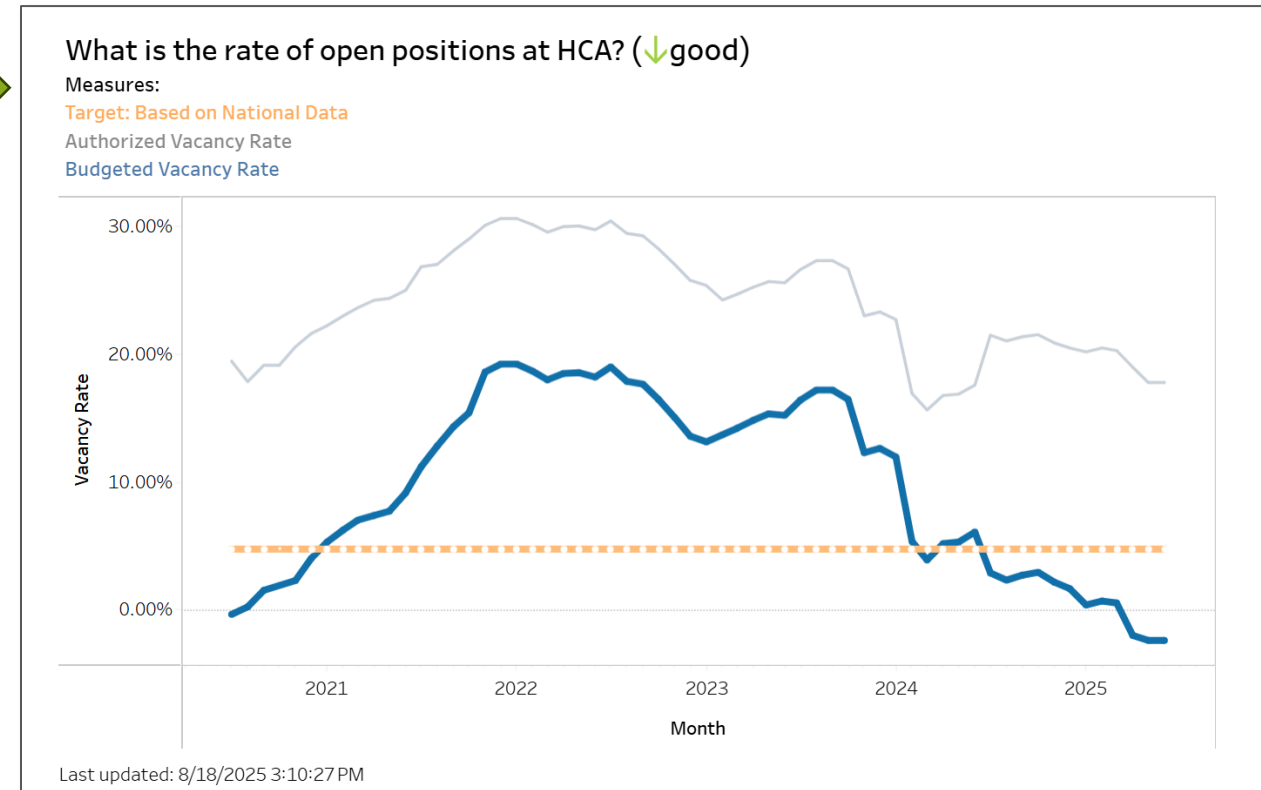
- US Department of Agriculture (USDA) informed states on October 10<sup>th</sup> that November SNAP benefits will not be issued if federal shutdown continues.
  - USDA also may deauthorize all SNAP retailers, meaning even if a customer has benefits on their card or if a state wanted to pay for benefits (e.g. SNAP supplement for older adults and people with disabilities), no retailer would be authorized to accept them.
    - 1,700 SNAP retailers in NM (grocery stores, farmers markets, gas stations, and convenience stores).
  - NM November SNAP benefits estimated at \$90 M.
  - HCA requested clarity on whether SNAP administrative funds may also be delayed.
  - HCA is alerting food banks and will expedite special session funding (\$8 M GF) for food banks.
  - HCA collaborating with sister agencies to identify alternative food sources and donations.
  - Communications to customers also being prepared.
  - If November funds are received, HCA will get funding to customers ASAP.
- Medicaid/CHIP funding is not affected by a shutdown as it is mandatory spending (not subject to appropriations).
- CMS has directed state survey agencies to pause routine hospital and nursing facility surveys, certification, and complaint investigations.
  - Investigations where serious harm is alleged still permitted.
  - HCA will continue to survey and investigate using SoNM authority to license facilities.

## HCA SNAP Customers by County as Percent of County Residents, September 2025



# LOWERING VACANCY RATES IS AN HCA PRIORITY

- HCA is focused on maintaining a low vacancy rate.
- HCA FY25 year-end funded vacancy rate: -2.4% 
  - HCA's current funded vacancy rate: 5.4%.
    - Medicaid, DHI, SHB and HCAF received FY26 funding for new FTE.
- DHI FY25 year-end funded vacancy rate: 1.2%.
  - DHI current funded vacancy rate: 2.5%.
- HCAF FY-25 year-end funded vacancy rate: 0.0%.
  - HCAF current funded vacancy rate 44.4% (4 FTE). Increase is due to 4 FTE created in FY26 (in active recruitment).
- SHB FY-25 year-end funded vacancy rate: 22.2%.
  - SHB current funded vacancy rate: 53.3.7% (8 FTE). Increase is due to 6 FTE created in FY26 (15 total FTE- in active recruitment).



Source: <https://sites.google.com/view/nmhsdscorecard/goal-4>



# SHB, HCAF & DHI ACCOMPLISHMENTS

## State Health Benefits

- Cleared Fund's deficiencies while modernizing benefits to prioritize access and customer experience.
- Implemented Medicare reference-based prices for hospital services ( ~\$37.5M FY26 savings).
- Jointly procuring pharmacy benefits with Interagency Benefits Advisory Committee members and UNM.

## Health Care Affordability Fund

- Reached record enrollment of 75,000 on the BeWell Health Insurance Marketplace:
  - 42,000 benefiting from state premium assistance and 54,000 benefiting from state out-of-pocket assistance.
- Implement programs in partnership with BeWell to prevent massive premium hikes and coverage loss for tens of thousands of New Mexicans. **Only state in the nation prepared to fully mitigate federal cuts.** →
- Implemented 15% discount for=SUM( Gold and Platinum plans for 2,931 small businesses.

## Division of Health Improvement

- Cleared Division's history of deficiencies (e.g., FY24 deficiency = \$434 K).
- For the 3<sup>rd</sup> consecutive year, reached 90% for timely responses to abuse, neglect and exploitation reports.
- Stronger caregiver background checks, (HB 131, 2025) expanding disqualifying crimes and clarifying caregiver due process rights to keep bad actors out and prevent abuse.

BeWell thanks Gov. Lujan Grisham and our NM Legislators for their commitment to affordable, reliable health insurance. The loss of enhanced federal tax credits will be covered with state subsidies, saving some customers thousands for 2025. Thank you, state leaders!

BeWell  
New Mexico's  
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Marketplace

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# HCA FY27 BUDGET REQUEST

- FY27 budget request (base and expansions) \$15.0 B, 85.0% FF.
- FY27 GF base request is \$2.2 B, a \$116 M increase from FY26 – 5.6% GF increase.
  - Total base budget decrease of 1.2% due, primarily to, anticipated loss of federal Medicaid funds.
- Major Base request cost drivers: \$25 M GF for H. R. 1 FY27 implementation; \$27 M GF backfilling FF revenue (SNAP Admin FMAP reduction from 50% to 25%); \$39.1 M GF DDSD rate increases; \$3.3 M GF backfilling Opioid Settlement revenue.
- \$72.1 M GF in FY27 expansions.
- FY 25 HCA Preliminary GF Reversion rate: 2.67%
  - By strengthening fiscal management and leveraging Medicaid FF, DHI returned \$2.15 M GF savings while increasing FF 23.6% (FY24: \$9.6 M FF; FY25 \$11.3 M FF)—reducing state costs without reducing services.

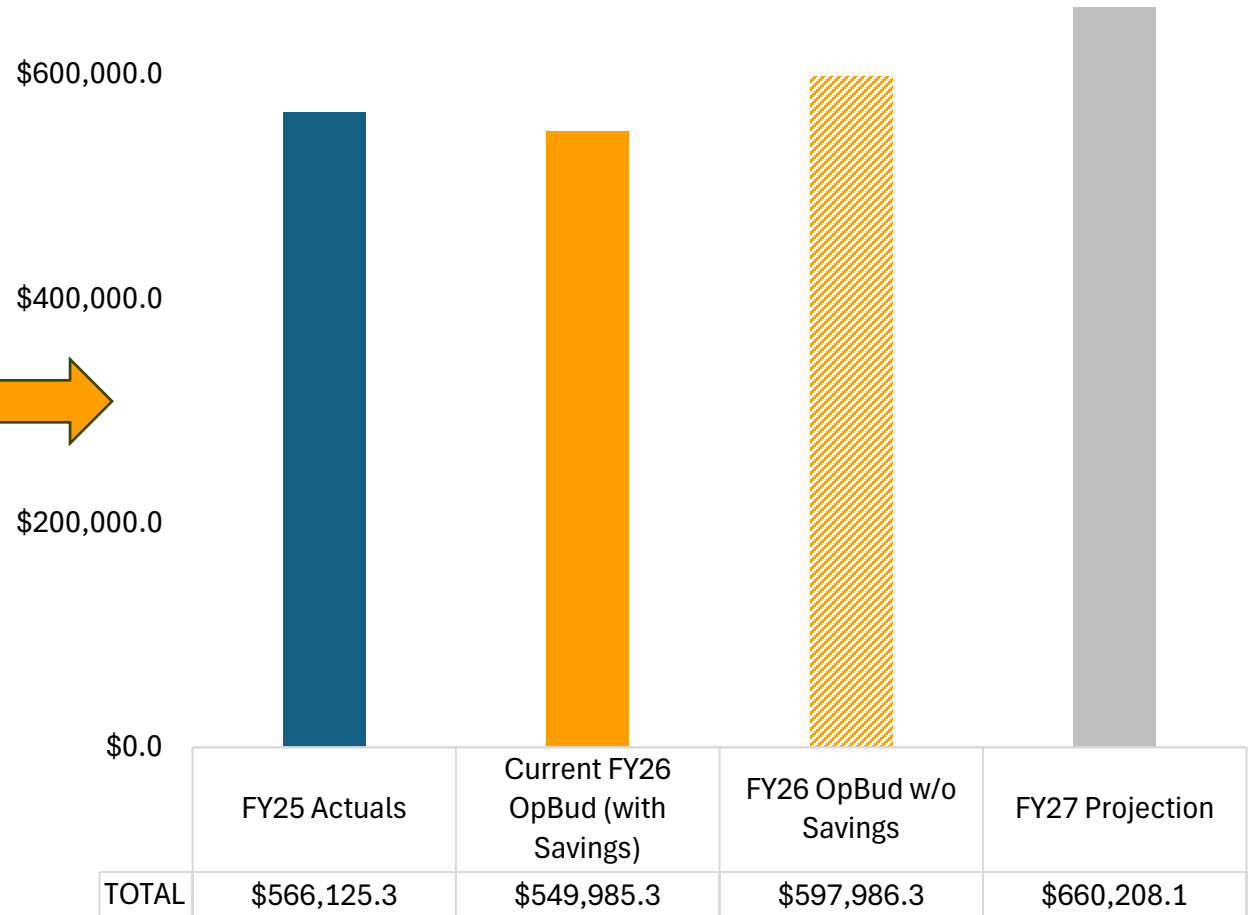
Agency Briefing Sheet		(in the thousands)								
AGENCY	BU									
Health Care Authority	63000	FY26 OPBUD	FY27 REQUEST	Base Inc.	% Base Inc.	Expansion Inc.	% Exp. Inc.	TOTAL FY27 REQUEST	TOTAL \$ Diff. FY26-27	TOTAL % Diff. FY26-27
	General Fund	\$2,066,923.30	\$2,183,044.60	\$116,121.30	5.62%	\$72,141.50	3.50%	\$2,255,186.10	\$188,262.80	9.11%
	Federal/Other Funds	\$13,002,451.60	\$12,711,971.30	(\$290,480.30)	-2.23%	\$38,415.50	0.30%	\$12,750,386.80	(\$252,064.80)	-1.94%
	<b>GRAND TOTAL</b>	<b>\$15,069,374.90</b>	<b>\$14,895,015.90</b>	<b>(\$174,359.00)</b>	<b>-1.16%</b>	<b>\$110,557.00</b>	<b>0.70%</b>	<b>\$15,005,572.90</b>	<b>(\$63,802.00)</b>	<b>-0.42%</b>
	200-PS & EB	\$234,381.70	\$246,345.80	\$11,964.10	5.10%	\$27,635.80	11.50%	\$273,981.60	\$39,599.90	16.90%
	300 - Contracts	\$511,309.80	\$593,839.20	\$82,529.40	16.14%	\$16,643.50	3.30%	\$610,482.70	\$99,172.90	19.40%
	400 - Other	\$14,009,358.60	\$13,731,406.10	(\$277,952.50)	-1.98%	\$19,277.70	0.10%	\$13,750,683.80	(\$258,674.80)	-1.85%
	500 - Other Financing Uses	\$314,324.80	\$323,424.80	\$9,100.00	2.90%	\$47,000.00	15.00%	\$370,424.80	\$56,100.00	17.85%
	<b>GRAND TOTAL</b>	<b>\$15,069,374.90</b>	<b>\$14,895,015.90</b>	<b>(\$174,359.00)</b>	<b>-1.16%</b>	<b>\$110,557.00</b>	<b>0.70%</b>	<b>\$15,005,572.90</b>	<b>(\$63,802.00)</b>	<b>-0.42%</b>

# STATE HEALTH BENEFITS (SHB)

- As of October 2025, 55,676 New Mexicans are receiving SHB. (30,731 state and local employees and 24,945 dependents).
- FY25: Ended FY with *small surplus* of \$232 K in Other State Funds.
- FY26: Actuarially sounds rates reflect 20% medical rate increase and 10% vision and dental rate decrease.
- Without HCA’s cost-savings initiatives FY26 costs would be \$48 M higher than they are today. Projected FY26 savings:
  - Medicare reference-based pricing for hospital services: \$37.5 M.
  - [SB 376](#) providing patient balance billing protections to SHB members.
  - Prescription drug contract negotiations: \$10.5 M.
  - GLP-1 weight management program: \$1 M.



SHB FY25 Actuals, FY26 OpBud (with and without savings reform) and FY27 projection (thousands)



\*Claims adjustments are ongoing, therefore information is subject to change.

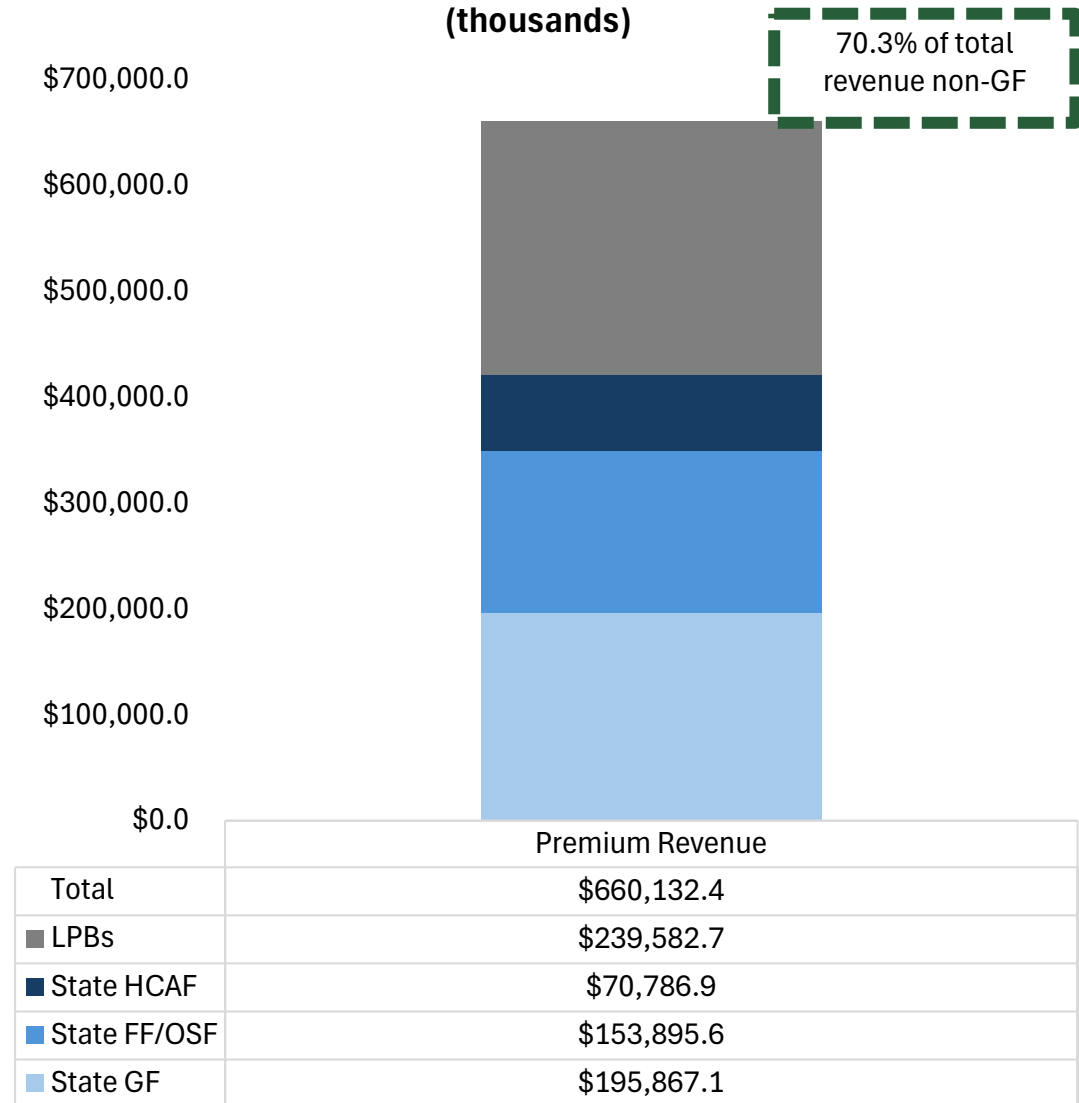


# STATE HEALTH BENEFITS (SHB)

FY27 total base request \$660,208.1 (\$141,854.6 increase. 27.4% over FY26) major cost drivers:

- \$49,841.9 (35.1% of total increase) incorporates FY26 special into base budget.
- \$54,188.8 (38.2% of total increase) projected 11.2% enrollment increase.
- \$37,823.8 (26.7% of total increase) increased claims and admin costs.
  - 10% rate increase over FY26.
  - Health care cost trend rates: 10.75% Rx; 6.75% medical.
- FY27 request does not include reserve funding.
  - Industry target: 6-8 weeks claims (FY27 estimate = \$71.5 M - \$95.3 M).
  - SHB could build and sustain reserves by increasing rates 2.5%–3%/yr. for ~5 years.
- Procurements for medical, vision, dental and Rx benefits underway.
  - New medical plans are expected to provide affordable premium options (e.g. high-deductible plan), lowering overall FY27 costs by 2-3%.
  - All procurements required to expand provider network and adopt strategies that prioritize quality and member experience.
  - Procurements designed to achieve a medical loss ratio below 100%, meaning total revenue exceeds total claims, signaling financial stability.

**FY27 SHB Projected Premium Revenue by Source**  
(thousands)



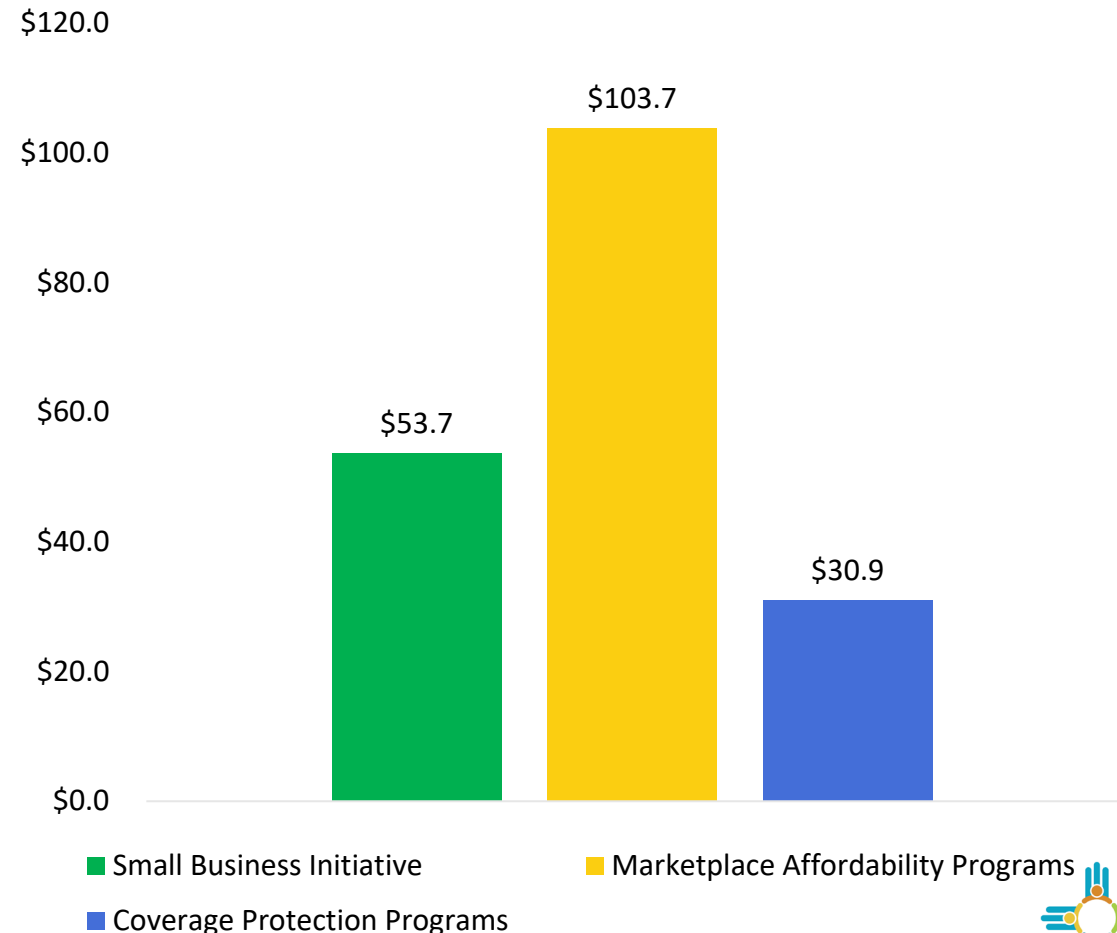
\*Claims adjustments are ongoing, therefore information is subject to change.

# HEALTH CARE AFFORDABILITY FUND (HCAF)

*FY27 total base request \$205,264.1: \$27,235.6 (15.3%) increase over FY26. Major cost drivers:*

- Continue Marketplace Affordability Program and protect **58,100** BeWell enrollees under 400% FPL from premium increases due to expiring federal Inflation Reduction Act subsidies starting in 2026.
  - KFF: If federal subsidies expire, enrollee premiums expected to increase by 114% on average.
- Continue small business health coverage affordability initiative to help **35,065** workers and **4,020** small businesses with their coverage.
- Fund Coverage Protection Programs to protect against loss of coverage for **5,739** New Mexicans due to federal policy and budget changes.
- HCAF FY27 includes a special appropriation of \$30 M to support Medicaid program and \$92.9M to prevent **9,680** low-income New Mexicans from losing coverage.

**FY27 HCAF Base Request by Program (thousands)**



# FY27 HCAF REQUEST: COVERAGE PROTECTION PROGRAMS


- 920 individuals under 100% FPL enrolled in Marketplace coverage who are lawfully present but do not qualify for Medicaid.
  - Lose subsidy eligibility 1/1/2026.
  - HCA requesting \$12,575.2 from HCAF in FY27 base.
- 3,707 individuals between 100-400% FPL enrolled in Marketplace coverage who are lawfully present.
  - Lose subsidy eligibility 1/1/2027.
  - HCAF requesting \$17,567.6 from HCAF in FY27 base.
- 112 DACA recipients previously eligible for Marketplace Coverage.
  - Lost eligibility 8/25/2025.
  - HCA requesting \$777.6 from HCAF in FY27 base.
- 9,680 lawfully present Medicaid enrollees.
  - Lose eligibility 10/1/2026.
  - HCA requesting \$92,900.0 from HCAF in FY27 special appropriation.

## Medicaid and CHIP, Marketplaces & Medicare Eligibility for Lawfully Present Immigrants under H. R. 1

Medicaid and CHIP	Subsidized ACA Marketplaces	Medicare
<b>Groups Maintaining Eligibility</b>		
LPRs (green card holders)		
Cuban/Haitian entrants		
People residing in the U.S. under COFA		
Lawfully residing children and pregnant adults in states that offer coverage		
<b>Groups Losing Eligibility</b>		
Refugees and asylees		
Paroled into the U.S. for at least one year		
Granted withholding of deportation/removal		
Survivors of domestic violence with a pending or approved application for lawful status under the Violence Against Women Act		
Survivors of trafficking with a pending or approved T visa		
Members of a federally recognized Indian tribe or American Indian born in Canada		
Conditional entrants granted before 1980		
People with Temporary Protected Status		
People granted Deferred Action Status or Deferred Enforcement Departure		
People with work visas and other temporary, valid visas		
Applicants for adjustment to LPR status with approved visa petitions		
Certain applicants for asylum		
Applicants for withholding of removal		
Special immigrant juveniles		
People who were granted humanitarian parole in the U.S.		
U visa holders and applicants		
Applicants for certain statuses and anyone else who has been granted employment authorization		
All other lawfully present immigrants		Other lawfully present immigrants who meet work and age or disability requirements

Source: <https://www.kff.org/immigrant-health/1-4-million-lawfully-present-immigrants-are-expected-to-lose-health-coverage-due-to-the-2025-tax-and-budget-law/>

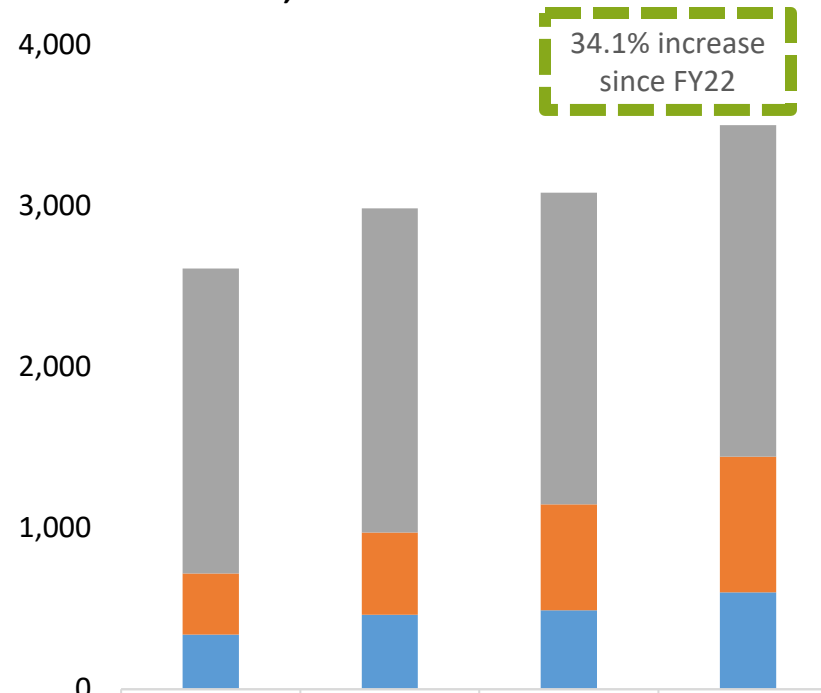
# FY27 DIVISION OF HEALTH IMPROVEMENT BASE REQUEST

- FY26 appropriations allow DHI to recruit FTE needed to meet increasing workload across health care facility licensing, survey and oversight. 

*FY27 GF total base request \$15,191.4: \$1,443.1 (10.5%) increase over FY26.  
Major cost drivers:*

- 10 FTE to meet legislative priorities, especially [SB42](#): DHI is main oversight authority for compliance.
  - 2023 LFC [evaluation](#) found NM hospitals **under-identify substance-exposed newborns by up to 40%**. 38 hospitals and birthing centers require oversight activities:
    - Audit of policies and procedures. Audit of staff training materials and staff education records.
    - Patient chart reviews for use (and accuracy) of screening and assessments.
      - When substance exposure is identified, validate action was taken as required (e.g. Plan of Safe Care (POSC) initiated, CYFD referral).
    - POSC chart reviews and audits (POSC annual average: 1,200).
    - On-site technical assistance and training for non-compliant facilities.
    - Corrective action plan development and monitoring.
  - DHI, with CYFD, ECECD, DOH and Medicaid, engaging with NM Hospital Association and others on SB42 implementation, training, and rulemaking.

**DHI Long-term Care, and Acute & Continuing Care\* Facility Workload, FYs 22-25**



	FY22	FY23	FY24	FY25
TOTAL	2612	2986	3084	3502
Deficiencies Cited	1894	2012	1936	2057
Complaint Investigations	378	512	657	843
Unannounced Onsite Visits	340	462	491	602

# FY27 DHI EXPANSION REQUEST: BEHAVIORAL HEALTH FACILITY OVERSIGHT ACROSS THE LIFESPAN

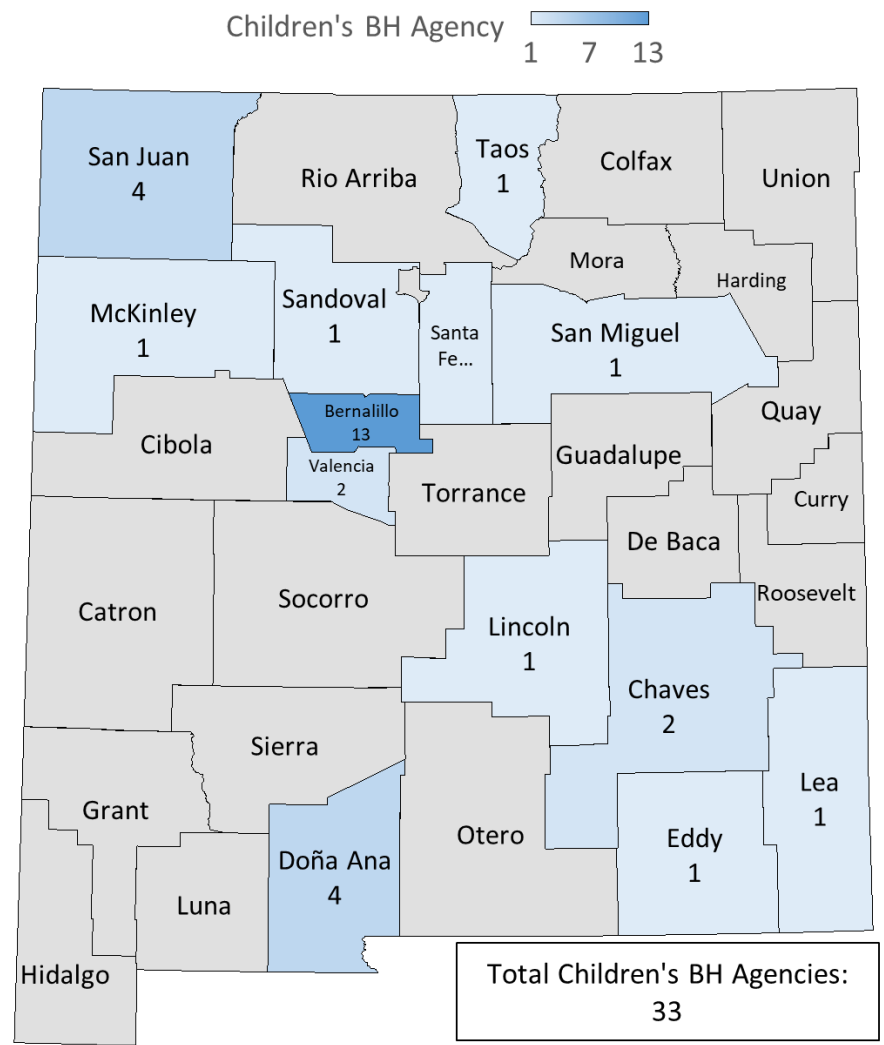
- In agreement with CYFD, expansion request moves children’s BH facility oversight from CYFD to DHI, creating one regulator across the lifespan with child-specific standards preserved, and one licensing, survey, complaint and enforcement process.
  - Recognition of longer timelines at CYFD delaying facility licensure and oversight, duplicate surveys for mixed-population providers, conflicting guidance, and no single accountable regulator for families and providers.
- FY27 total request \$2.2 M (\$1.1 M GF): \$1.1 M CYFD transfer (not new spending).
  - New need is \$1.1 M (\$530 K GF) with primary driver, \$380 K, for fully funding all 15 authorized FTE (up from 9 today).

### *Benefits to New Mexicans*

- Facilities open more quickly, faster corrective actions, and clearer accountability.
- Cross-trained surveyors across child and adult standards to speed response.
- Shared data and unified training reduce rework and raise survey quality.
- Uniform safety and quality standards statewide.
- Less provider burden (33 existing agencies, with an estimated 60 in development).



## NM Children’s Behavioral Health Agencies



# DHI FY27 NONRECURRING REQUEST: INCENTIVIZE SAFE BOARDING HOME LICENSURE

- Current DHI regulations apply hospital-level life-safety standards to small, non-medical boarding homes—cost-prohibitive for community operators—resulting in NM having only 3 licensed homes, leaving people in unlicensed settings and slowing safe hospital discharge.
- After outreach to Disability Rights NM, HCA will propose right-sized life-safety requirements for boarding homes via rulemaking this fall—preserving core protections while removing barriers.
- FY27 \$5 M GF nonrecurring funding request:
  - Provide safety and accessibility mini-grants for required repairs/upgrades.
  - Offer one-time licensure incentives to offset start-up costs.
  - Provide a time-limited stipend (e.g., \$500 per resident per month for up to 12 months) to incentivize licensure.

## *Benefits to New Mexicans*

- Safer, supervised housing for older adults, people with mental illness, and individuals in recovery.
- Faster, safer hospital discharges and fewer avoidable hospital stays.
- State oversight of living conditions instead of unlicensed environments.



Source: <https://www.houstonchronicle.com/news/houston-texas/housing/article/Its-really-sad-Legislation-takes-aim-at-16159340.php>

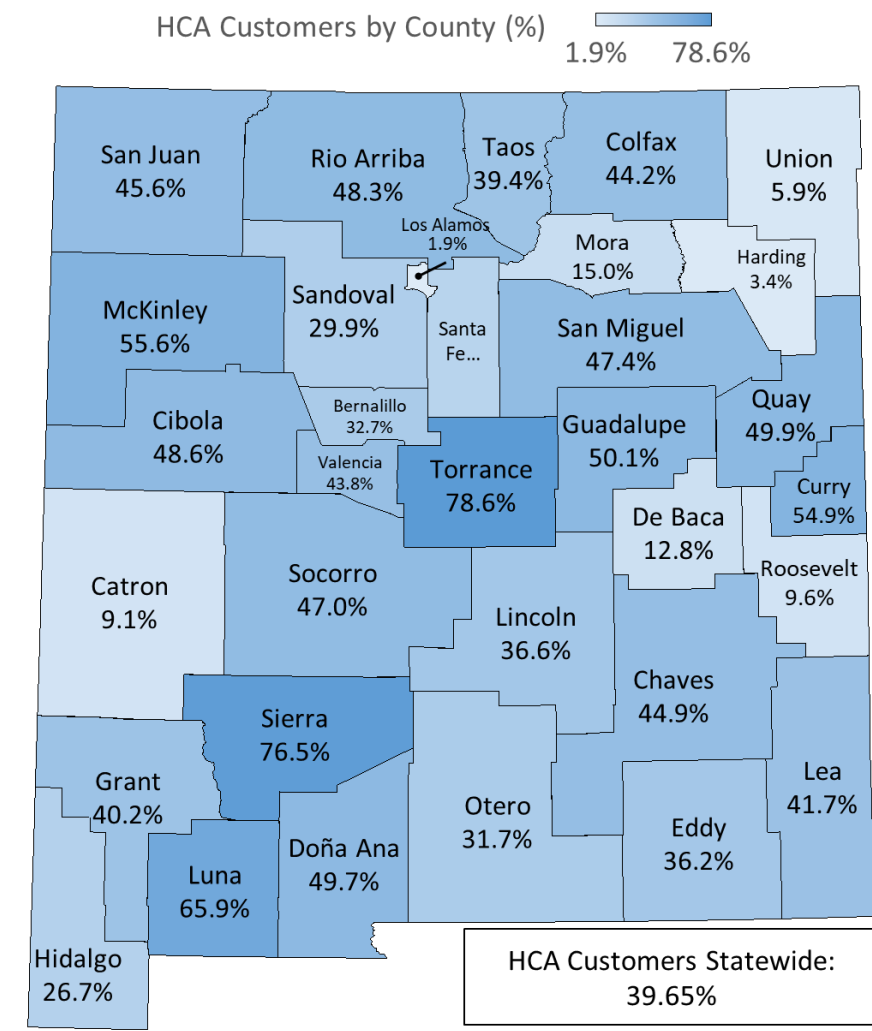


# KEY TAKEAWAYS: SHB, HCAF & DHI FY27 BUDGET REQUESTS

*FY27 base increase optimizes General Funds, Other State Funds, and Federal Funds to:*

- Improve member benefits and promote long-term fiscal health of SHB (\$141,854.6).
- Protect access to health care coverage (\$27.2 M HCAF); and,
- Provide greater protection and reduce risk for vulnerable New Mexicans (\$1.4 M GF, \$1.1 M FF, \$2.5 M TC).

### HCA Customers by County as Percent of County Residents, September 2025



Source: <https://www.hca.nm.gov/>



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# QUESTIONS & COMMENTS

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