

**LFC Requester:****Carlie Malone****AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**

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**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared:** 1/12/26 **Bill Number:** HB65 **Original** ☒ **Amendment** ☐ **Substitute** ☐  
**Short Title:** CHILD WELFARE: SHORT-TERM STABILIZATION PILOT PROGRAM  
**Sponsor:** Rep. Rebecca Dow  
**Name and Code Number:** HCA 630  
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**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$2,500.0	\$0.0	Nonrecurring	State GF

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
\$2,500.0	\$0	\$0	Nonrecurring	

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
	\$500.0	\$1,000.0	\$1,000.0	\$2,500.0	Nonrecurring	State GF
	\$1,253.0	\$2,505.0	\$2,505.0	\$6,263.0	Nonrecurring	Federal funds
<b>Total</b>	\$1,753.0	\$3,505.0	\$3,505.0	\$8,763.0	Nonrecurring	Total Cost (GF+Federal)

(Parenthesis ( ) Indicate Expenditure Decreases)

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

**Synopsis:** HB65 appropriates \$2.5 million to the Children Youth & Families Department (CYFD) and amends the CYFD Act to create a short-term stabilization pilot program. It directs CYFD and the Health Care Authority (HCA) to collaborate and contract with child welfare experts to develop and implement a three-year pilot in Doña Ana, Chaves, San Juan, McKinley, Bernalillo, Santa Fe and Eddy counties. Pilot serves eligible children in state custody and their families and includes enhanced foster care services, eligibility requirements, placement gap initiatives, evidenced based assessment and treatment models, defines terms, provides specialized incentive tracks.

#### **FISCAL IMPLICATIONS**

This bill appropriates \$2.5M GF to CYFD to contract for the development, implementation, and administration of the pilot program. Need to determine if this administrative expense is intended to be Medicaid matchable at a 50/50 admin rate, i.e. \$5M Total Fund. Medicaid program is currently serving 1,669 children in state custody (CISC) across the seven counties as shown below.

<b>County</b>	<b>Bernalillo</b>	<b>Chaves</b>	<b>Doña Ana</b>	<b>Eddy</b>	<b>McKinley</b>	<b>San Juan</b>	<b>Santa Fe</b>	<b>Total</b>
<b>CISC Population</b>	1,162	243	141	28	5	72	18	<b>1,669</b>

The ‘Short-term Stabilization Pilot Program’ will serve a selected group from the above population and their families across the seven counties, based on BH/MH assessment criteria (CANS). To the extent the selected group is Medicaid eligible, the \$2.5M appropriation could provide up to \$8.8M when supported by Federal revenues. The Pilot program will provide enhanced foster care services and Evidence-Based assessment/treatment models of care. These itemized costs remain undefined in the current analysis. However, the appropriation can be viewed over a 3-year window assuming 20% of expenses in Year 1 and 40% in Years 2 and 3, as described below. The budget projection applies a 71.47 federal financial participation percentage (FFP).

71.47%	20%	40%	40%
<b>3-yr Appropriation</b>	<b>Yr 1 GF</b>	<b>Yr 2 GF</b>	<b>Yr 3 GF</b>
\$2,500,000.00	\$500,000	\$1,000,000	\$1,000,000
<b>Federal</b>	\$1,252,541	\$2,505,082	\$2,505,082
<b>Total Cost</b>			
\$8,762,705.92	\$1,752,541	\$3,505,082	\$3,505,082

The pilot will likely result in increased programmatic utilization of behavioral health services by this population, and a secondary programmatic fiscal impact should be developed by the CYFD contractor.

### **SIGNIFICANT ISSUES**

Under the state plan, the contract between Medicaid and CMS, states must roll out services to all counties and all providers equally. Only under an 1115 waiver may states perform pilot programs. The runway to apply and implement an 1115 waiver amendment is roughly 4 years.

### **PERFORMANCE IMPLICATIONS**

HCA, in partnership with BHSD, has made significant improvements to the children's behavioral health workforce including adding specific evidenced-based practices for children's behavioral health and increasing the number of foster care placements. It has increased provider rates to 150% of the Medicare rate which has resulted in a 19% increase in behavioral health providers since the start of Turquoise Care in July 2024.

HB65 may increase access to behavioral health services including child and family therapy. This may redistribute how these services are received by children in state custody or may increase utilization for these services.

Since 2023, HCA in collaboration with CYFD, has implemented enhancements to Medicaid covered behavioral health services for children and youth. These enhancements include High-fidelity Wraparound comprehensive care coordination services, enhanced rates for evidence-based services, and an 85% increase in reimbursement for treatment foster care. The state also implemented Certified Community Behavioral Health Clinics (CCBHCs) expanding behavioral health services and mobile crisis services for both children and adults. The state contracted Presbyterian Health Services (PHP) as the single state Managed Care Organization (MCO) contractor for Children in State Custody.

In July of 2024 the State implemented targeted monitoring of the CISC population requiring all MCOs report in selected performance measures, tracking measures and engagement in care coordination. HCA also required Presbyterian Health Plan as the CISC contracted MCO to develop a state directed performance improvement project to improve instate access to Residential Treatment Centers and Treatment Foster Care.

### **ADMINISTRATIVE IMPLICATIONS**

The impact for Medical Assistance Division would be the need to partner with CYFD to plan and coordinate the functions of the pilot program. This would include dedicated staff from three

bureaus overseeing behavioral health policy and reimbursement, managed care organizations, and quality oversight.

HCA ITD would potentially need to make system changes to support MAD in their partnership with CYFD.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

None

**TECHNICAL ISSUES**

None

**OTHER SUBSTANTIVE ISSUES**

None

**ALTERNATIVES**

None

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Status quo.

**AMENDMENTS**

None