

LFC Requester:

Carlie Malone

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
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(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

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

Date Prepared: 1/14/26 **Bill Number:** HB76 **Original** **Amendment** **Substitute**
Short Title: HCA TO DEVELOP ALTERNATIVE PLACEMENTS FOR YOUTH IN STATE CUSTODY

Sponsor: Rep. Rebecca Dow

Name and Code Number: HCA 630

Person Writing: Amy Salazar

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$0	\$10,000.0	Nonrecurring	General Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY27	FY28	FY29		
0	0	0	NA	General Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY27	FY28	FY29	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Program General Fund	\$3,213.3 \$3,264.9	\$3,213.3 \$3,264.9	\$3,213.3 \$3,264.9	\$9,640.0 \$9,794.6	Nonrecurring	General Fund
Program Federal Fund	\$8,230.3 \$8,178.7	\$8,230.3 \$8,178.7	\$8,230.3 \$8,178.7	\$24,690.9 \$24,536.2	Nonrecurring	Federal Fund
Total Program	\$11,443.6	\$11,443.6	\$11,443.6	\$34,330.8	Nonrecurring	General Fund Federal Fund
Admin General Fund	\$120.0 \$175.0	\$120.0 \$175.0	\$120.0 \$175.0	\$360.0 \$525.0	Nonrecurring	General Fund
Admin Federal Fund	\$120.0 \$175.0	\$120.0 \$175.0	\$120.0 \$175.0	\$360.0 \$525.0	Nonrecurring	Federal Fund
Total Admin	\$240.0 \$350.0	\$240.0 \$350.0	\$240.0 \$350.0	\$720.0 \$1050.0	Nonrecurring	General Fund Federal Fund
Grand Total	\$11,683.6 \$11,793.6	\$11,683.6 \$11,793.6	\$11,683.6 \$11,793.6	\$35,050.8 \$35,380.8	Nonrecurring	General Fund Federal Fund

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

This bill proposes a \$10 million GF appropriation to the Health Care Authority for expenditure in FY27–FY29 to contract for services with providers to develop alternative placements to congregate care, expanding the continuum of care including. The bill identifies example services/settings that may be included, such as acute psychiatric hospital expansions, residential treatment centers, qualified residential treatment programs, adolescent detoxification facilities, step-down facilities, mobile response and stabilization teams, treatment foster care homes, day treatment, and intensive outpatient/partial hospitalization services. Any unexpended balance at the end of FY29 reverts to the GF.

FISCAL IMPLICATIONS

This bill directs \$10 million for the development and funding to identify alternative placements to congregate care for Children in State Custody (CISC).

Per Presbyterian Health Plan, the Medicaid CISC Contractor, an estimated cost for monthly

Residential Treatment Center Services is \$20,000.00 with an annual cost of \$240,000.00. The estimated annual cost of Residential Treatment Center Services based on the average annual number of children currently housed in CYFD offices that need alternative placement outside of regular foster care is \$4,080,000.00.

The HCA will need three additional FTE to implement, operate and oversee network expansion totaling \$350,200 annually and \$1,050,600 for the three years the bill spans FY27 – FY29. (Because HB 76 appropriates funding “to contract for services,” HCA needs clarification on whether administrative/oversight costs (including FTE) can be supported within the appropriation or whether separate authority/funding would be required.)

The appropriation is for contracting for services (FY27–FY29) and reverts at the end of FY29, which may create a fiscal sustainability risk if new capacity requires ongoing operating support beyond FY29.

SIGNIFICANT ISSUES

- The bill directs the HCA to expand alternatives to congregate care and lists service types that are congregate care.
- Passage of this bill would expand access to services for CISC.
- Per CYFD, in 2025, there were an average of 17 youth per night housed in CYFD offices, with the highest number of CISC in offices of 34 in November.
- NM has a limited number of acute psychiatric care options for children, two in Albuquerque, one in Las Cruces, and one in Santa Teresa, NM.
- There are 5 RTCs that accept children and a limited number of Treatment Foster Care (TFCs) service providers.
- As of December 31, 2025, there were 28 CISC reported in out-of-state RTCs.
- An increase in congregate care placements, such as RTCs, is in opposition to the direction and intent of the *Kevin S.* settlement. (*Kevin S.* settlement prioritizes home-based settings for as many children as possible).
 - The bill also identifies community-based and step-down options (e.g., mobile response/stabilization, day treatment, IOP/PHP, step-down), which may support settlement-aligned goals; however, if implementation results primarily in increased congregate utilization, it could raise settlement-related concerns.
- A key constraint for CISC placement is not solely the number of beds/providers, but the difficulty of identifying a timely clinical match between the youth’s assessed needs (including acuity, co-occurring conditions, safety considerations, and required staffing/programming) and a facility or home’s specific admission criteria and capabilities. Even when a setting is technically “available,” a mismatch can contribute to placement delays, disruptions, or out-of-state placements.
- The funding is directed to HCA. Both the legislative budget and executive FY27 budget recommendations propose placing CYFD behavioral health licensing at HCA. (It is currently under CYFD.)

PERFORMANCE IMPLICATIONS

- HCA, as the contractor overseeing Presbyterian Health Plan, is responsible for implementing and evaluating the effectiveness of expanding services for CISC.

- Evaluation will consist of data collection, program development including project timelines, monitoring of improved access and outcomes for CISC.
- Expanding access to services for CISC will improve the state’s ability to manage congregate care facilities and could reduce the number of out-of-state placements and children residing overnight in offices.
- 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.
- 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 in-state access to Residential Treatment Centers and Treatment Foster Care.

ADMINISTRATIVE IMPLICATIONS

- HCA Medicaid, Behavioral Health Services Division, and Division of Health Improvement will need to evaluate and implement system changes to support the work between the will work directly with Managed Care Organizations (MCOs), and CYFD.
- HCA will need to create a project team with additional staff to implement this bill with a projected start date of January 2027.
- HCA Medicaid, Behavioral Health Services Division, and Division of Health Improvement will need to evaluate and implement system changes to support the work between the MCOs and CYFD. This will most likely require data interchange work and possibly programming changes to supporting systems.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

- None identified.

TECHNICAL ISSUES

The bill does not define “youth in state custody” or “congregate care.”

OTHER SUBSTANTIVE ISSUES

- None identified

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

- Continued access issues for CISC to in-state congregate care placement and other services identified in this bill.
- Continued dependence on out-of-state RTC placements.
- Continued placement of CISC in CYFD offices due to insufficient in-state congregate care service delivery facilities and Treatment Foster Care options.

AMENDMENTS

None