

LFC Requester:

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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:** 1/15/26 **Bill Number:** SB0004 **Original** X **Amendment** **Substitute****Short Title:** EDUCATION: MEDICAL “RESIDENT” AND “FELLOW” SALARIES**Sponsor:** Sen. Hamblen, Sen. Hickey, Sen. Steinborn, Sen. Nava, Sen. Campos**Name and Code Number:** HCA 630**Person Writing:** Mario Portillo**Phone:** 505-699-7526 **Email:** mario.portillo@hca.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$0.0	\$2,000.0	Nonrecurring	General Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
\$0.0	\$2,000.0	\$0.0	Nonrecurring	General Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0.0	\$2,000.0	\$0.0	\$2,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: This bill is making an appropriation of \$2,000,000 to the Health Care Authority to provide Medicaid directed payments to the University of New Mexico Health Sciences Center for the purpose of increasing graduate medical education resident and fellow salaries. The intent of this appropriation is to invest in New Mexico's physician training pipeline by enhancing compensation for medical residents and fellows at the state's academic medical center, thereby supporting workforce recruitment, retention, and long-term access to care for Medicaid and underserved populations. It is to be appropriated from the general fund to HCA for expenditure in FY27. Any unexpended or unencumbered balance shall revert at the end of FY27.

FISCAL IMPLICATIONS

As drafted, the bill is not implementable because it relies on a Medicaid State Directed Payment (SDP) mechanism that is explicitly prohibited under current federal law and CMS guidance due to:

- UNMH's SDP being grandfathered under H.R.1 Section 7116.
- CMS's prohibition on increasing grandfathered SDPs.
- The requirement that grandfathered SDPs only decrease over time until below the Medicare ACR.

As a result, the bill does not align the funding mechanism with federal Medicaid constraints. Medicaid is unable to implement in its current state. Consequently, the Bill in its current state has no fiscal impact.

SIGNIFICANT ISSUES

UNMH has a current state directed payment (SDP) totaling \$310M/year total computable. Under federal legislation H.R.1, the UNMH SDP is grandfathered since UNMH is over the Medicare Average Commercial Rate (ACR) and will need to decrease that rate by ten (10%) each year, effective 1/1/2028, until UNMH is below the Medicare ACR. CMS has stated grandfathered SDPs cannot be increased, only decreased. If this bill is to increase the current UNMH SDP, CMS will not approve the submission.

PERFORMANCE IMPLICATIONS

Not applicable

ADMINISTRATIVE IMPLICATIONS

See above. The HCA is unable to implement this bill due to a federal prohibition on increasing directed payment rates.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

No duplication.

TECHNICAL ISSUES

UNMH is above the Medicare Average Commercial Rate (ACR). Under H.R.1 Section 71116, CMS has grandfathered state directed payments (SDPs) such that it cannot be increased, only decreased. If this bill is to increase the current UNMH SDP, CMS will not approve the submission. See [CMS H.R.1 Section 71116 guidance on State Directed Payments](#).

OTHER SUBSTANTIVE ISSUES

None

ALTERNATIVES

To accomplish the goal of raising UNM HSC resident and fellow salaries, the bill would need to outline a payment mechanism separate from Medicaid directed payments. Below are several options of how to accomplish this:

Existing Medicaid GME authorities already in rule/state plan (as distinct from “directed payments” in managed care), including:

- Direct GME payments and Indirect Medical Education (IME) adjustments under NM Medicaid inpatient hospital payment methodology (with a note that implementing changes may require state plan and/or rule updates and CMS review/approval).

Non-Medicaid financing options, including:

- A direct General Fund appropriation to UNM/UNM HSC earmarked for resident/fellow salary increases (or a stipend supplement).
- A state-only pass-through (interagency agreement/contract) to UNM HSC for the stated workforce purpose, structured outside Medicaid.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Continue with current directed payment program with UNMH.

AMENDMENTS

None