

LFC Requester:

Connor Jorgensen

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

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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: 2/5/26 **Bill Number:** SB0222 **Original** **Amendment** **Substitute**

Short Title: HCA TO CREATE NEW PHYSICIAN RESIDENCY PROGRAMS

Sponsor: Sen. Soules

Name and Code Number: HCA 630

Persons Writing: Carlos A. Ulibarri

Phone: 505-827-7745 **Email:** Carlos.Ulibarri@hca.nm.gov

SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$0	\$20,000.0	Recurring	General Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
\$0	\$20,000.0	\$0	NA	NA

(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	\$0	\$0	NA	NA

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis

Twenty million dollars (\$20,000.0 thousand) is appropriated from the general fund to the Health Care Authority for expenditure in fiscal years 2027 through 2029 to create new physician residency programs and positions. Any unexpended balance remaining at the end of fiscal year 2029 shall revert to the general fund.

FISCAL IMPLICATIONS

As drafted, the bill does not specify how the appropriation would be used by HCA to create or expand physician residency programs and positions. HCA currently administers graduate medical education (GME) residency expansion funding through its existing GME program, which has supported the creation and expansion of residency programs since 2019. It is unclear how SB222 funding would be integrated with this existing program and whether it would overlap with or supplement current efforts. Consequently, it remains uncertain how the appropriation would be administered by HCA and what the fiscal impacts would be on HCA's operating budget and administrative capacity.

SIGNIFICANT ISSUES

The bill cannot be implemented applying the Medicaid State Directed Payment (SDP) mechanism, which is explicitly prohibited under current federal law and CMS guidance. For example, funding physician residency programs/positions at UNMH is subject to several constraints:

- UNMH's SDPs are grandfathered under H.R.1 Section 71116.
- CMS's prohibits increasing grandfathered SDPs.
- CMS requires that grandfathered SDPs only decrease over time, until they drop below the Medicare Average Commercial Rate (ACR).

Because of SDP constraints, the appropriation to HCA would require an alternative funding mechanism to accomplish its objectives.

PERFORMANCE IMPLICATIONS

None for ITD

ADMINISTRATIVE IMPLICATIONS

The bill establishes activities that are separate from HCA's current Medicaid program but may overlap with HCA's existing graduate medical education (GME) residency expansion program. If HCA is required to create or expand physician residency positions using these funds, the agency may incur additional administrative costs to integrate the appropriation with existing GME efforts, potentially including development of intergovernmental agreements and performance oversight for use of the funds.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Analogous to SB004 (2026) which originally appropriated \$2 million in Medicaid directed payments for the purpose of increasing graduate medical education resident and fellow salaries.

SB004 was recently amended to direct the appropriation to the UNM Board of Regents and, in the process, removed the Medicaid directed payment.

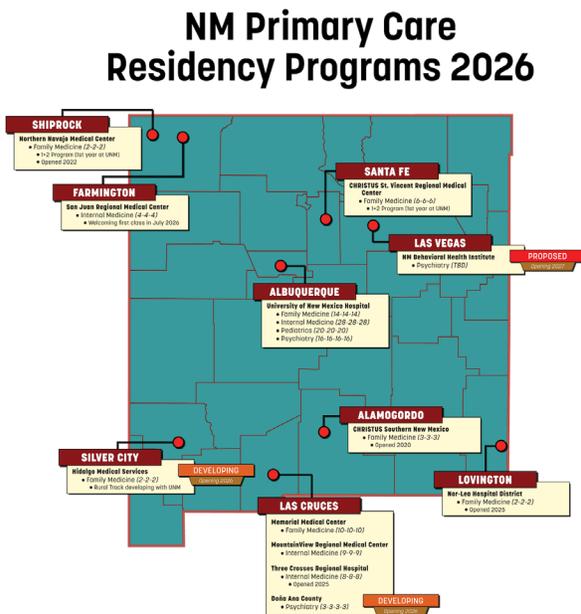
Similarly, SN 159 (2026) proposes a \$27 million appropriation to support graduate medical education programs in New Mexico by providing funding to the University of New Mexico Board of Regents for distribution to eligible health care entities that train medical residents. That approach may accomplish SB 222’s objectives in a more straight-forward manner.

TECHNICAL ISSUES

None besides those mentioned above.

OTHER SUBSTANTIVE ISSUES

HCA currently manages \$1M GF in Primary Care and Family Practice Residencies expansions annually. The map below outlines the programs developed over the past 6 years and those currently in development.



ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo.

AMENDMENTS

None