FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 101
SHORT TITLE: Health Care Delivery and Access Act Repeal

SPONSOR: Sens. Stefanics and Lopez/Reps. Szczepanski and Thomson
LAST UPDATE: **ORIGINAL DATE:** 1/28/2026 **ANALYST:** Chenier

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
					See Fiscal Implications	Recurring	Health Care Delivery and Access Fund

Parentheses indicate revenue decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information
LFC Files

Agency or Agencies Providing Analysis
Health Care Authority
New Mexico Corrections Department
Attorney General's Office
Office of Superintendent of Insurance

SUMMARY

Synopsis of Senate Bill 101

Senate Bill 101 (SB101) repeals the sunset date of the Health Care Delivery and Access Act, originally set to repeal July 1, 2030.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

The Health Care Delivery and Access Act (HDAA) imposes assessments on inpatient and outpatient hospital services. The assessments are then used as the general fund match to draw down significant federal revenue for New Mexico's hospitals.

The federal reconciliation bill (H.R. 1), passed by Congress in July 2025, implemented new limitations on Medicaid provider assessments used to generate revenue to support hospitals.

These changes will result in a loss of federal funding for New Mexico hospitals of about $190 million annually beginning in FY28, compounding to about $1.3 billion annually by FY34.

However, it should be noted that the HDAA resulted in a significant windfall for hospitals in FY26 and FY27 and is projected to generate about $2 billion annually before the cuts from H.R. 1 begin to reduce this revenue in FY28.

SIGNIFICANT ISSUES

HR1 caps on certain provider rates will substantially reduce state support for hospitals. Traditionally, hospitals and Medicaid managed care organizations set their own payment rates, and states could not tell plans how much to pay hospitals. To help cover shortfalls, states often made supplemental payments to hospitals, sometimes unrelated to actual patient use. In 2016, the federal government began phasing out these "passthrough" payments and allowed states instead to make state-directed payments to hospitals through the managed care organizations. States used this flexibility more during the pandemic to support hospitals. Traditionally, Medicaid limited hospital payments to the Medicare upper payment limit. More recently, federal rules have allowed state-directed payments at the average commercial rate, often higher than Medicare's rates.

Along with many other states, New Mexico took advantage of the changes by enacting the HDAA, which instituted a new provider tax on hospitals that would be matched with Medicaid revenues and sent back to the hospitals in the form of a directed payment, bringing hospital compensation up to the average commercial rate. The arrangement, starting at the end of FY25, is expected to increase hospital compensation by about $1.1 billion annually.

HR1 will gradually bring much of this to an end by capping the total payment rate for inpatient hospital services at 100 percent of Medicare for states that expanded Medicaid eligibility under the Affordable Care Act, although it grandfathers in existing directed payments. Grandfathered payments will be reduced by 10 percent per year starting in January 2028 until they reach 100 percent of the Medicare payment rate.

The bill also prohibits new state taxes on providers; however, similar to the provider cap, it allows existing taxes but requires they be reduced by 0.5 percent per year until they reach 3.5 percent. New Mexico's current provider tax is set at about 6 percent of revenues.

The Health Care Authority (HCA) provided the following:

> Without a repeal of the HDAA sunset provision, New Mexico's HDAA will end permanently in 2030. While HR1 allows for a graduated decrease in provider assessments over the next 10 years, the repeal currently in state law would prematurely terminate this funding for New Mexico's hospitals. The HCA is reimbursing hospitals over $1 billion in federal funding though the HDAA program per year, and the premature or abrupt end of the program could be devastating for New Mexico's hospitals, particularly in rural and underserved areas. A per-hospital funding table is included at the bottom of this FIR to calculate the impact of loss of this program by facility.
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> Pursuant to changes in HR1, states are prohibited from creating any **new** provider assessments or related payment programs as of enactment (July 4, 2025). If New Mexico's existing HDAA program sunsets in state law, then New Mexico will be unable to replace it without a change in federal law.

EC/sgs/dw/sgs