FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 9
SHORT TITLE: Medical Trust Fund

SPONSOR: Stefanics/Sharer
LAST UPDATE: 1/21/26 **ORIGINAL DATE:** 1/20/2026 **ANALYST:** Chenier/Torres

APPROPRIATION*
(dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
	$1,000,000	Nonrecurring	General Fund

*Amounts reflect most recent analysis of this legislation.

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Investment gains	$40,000.0	$41,600.0	$43,300.0	$45,000.0	$36,300.0	Recurring	Medicaid Trust Fund
Distribution for programmatic uses	$0.0	$0.0	$0.0	$0.0	$62,800.0	Recurring	State Supported Medicaid Fund

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

Sources of Information

LFC Files

SUMMARY

Synopsis of Senate Bill 9

Senate Bill 9 (SB9) transfers $1 billion from the general fund to the Medicaid trust fund in FY27.

FISCAL IMPLICATIONS

The transfer of $1 billion contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY27 will not revert to the general fund.

Laws 2025, Chapter 113 (Senate Bill 88) established the Medicaid trust fund and the state-

supported Medicaid fund. The trust fund distributes 5 percent of the year-end market value for the immediately preceding three years to the state-supported fund beginning on July 1, 2029, but distributions shall not be made until the balance of the fund reaches $500 million. The trust fund will receive revenue from general fund reversions in excess of $110 million until the balance of the trust fund reaches $2 billion. The trust fund will also receive ongoing distributions resulting from changes made to the early childhood education and care fund (ECECF) that redirected funding from federal mineral leasing.

The Consensus Revenue Estimating Group (CREG) December 2025 projection estimates balances in the Medicaid trust fund will reach $253 million by 2030. Because the balance is under $500 million, CREG predicts no distributions will be made for Medicaid uses until 2050. The appropriation to the Medicaid trust fund would accelerate this to the soonest possible date of FY30, when $62.8 million is expected to be distributed for programmatic use from the trust fund. Similarly, balances are expected to be significantly higher in 2030, by about $1.1 billion.

SIGNIFICANT ISSUES

In July 2025, the federal government enacted House Resolution 1 (HR1), a sweeping reconciliation package that fundamentally changed the way the federal government finances Medicaid, the Supplemental Nutrition Assistance Program (SNAP), state health insurance exchanges created under the Affordable Care Act, and other social programs. Many of the changes affect eligibility requirements and increase requirements for state matching funds. The most significant impacts of HR1 will continue growing over the next decade. With federal deficits increasing significantly over the past several decades, more cost-saving changes may be on the way.

The federal reconciliation bill made substantial changes to Medicaid, the financial impact of which will be felt most three to five years from now. Changes include phasing out hospital state-directed payments (a type of supplemental hospital provider rate), reducing allowable state taxes on providers, establishing a new work requirement for certain adults, requiring Medicaid co-pays for the first time, changing the eligibility redetermination timeline from once to twice annually, limiting retroactive eligibility, and excluding certain immigrants from the program. The changes are expected to lead to a lower health insurance coverage rate, reduced compensation to providers, and ultimately more unpaid care that will have to be absorbed by the healthcare system.

In 2024, New Mexico enacted the Health Care Delivery and Access Act, 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.

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