Revenue Maximization Opportunities for New Mexico

Presentation to the Legislative Health and Human Services Committee

Joint Meeting with the Federal Funding Stabilization and Affordability Subcommittee (FFSAS)

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- Advisors, analysts, consultants, clinicians, subject matter experts, and project managers **dedicated to improving outcomes**
- **Decades of experience in New Mexico** supporting various state agencies and local governments

Agenda and Overview

Provide an overview of Projected Reductions in Federal Funding in New Mexico.

Present Potential Mitigation Strategies to Prevent Extensive Loss of Federal Funds and Identify New Federal Funding Opportunities

Questions and Discussion

Overview of Projected Reductions in Federal Funds

Reductions in Federal Spending

Overall Federal Strategy to Reduce Federal Spending

- Federal goals of reducing annual federal deficits ($1.2 trillion) and federal debt ($39 trillion)
- OMB says the federal administration will use "every tool in the executive fiscal toolbox ….to achieve real savings."

HR 1 Impacts

- Federal law designed to reduce federal spending by $1.3 trillion over 10 years
- Some of the largest reductions are in Medicaid and other health programs

Other Means to Reduce Federal Spending

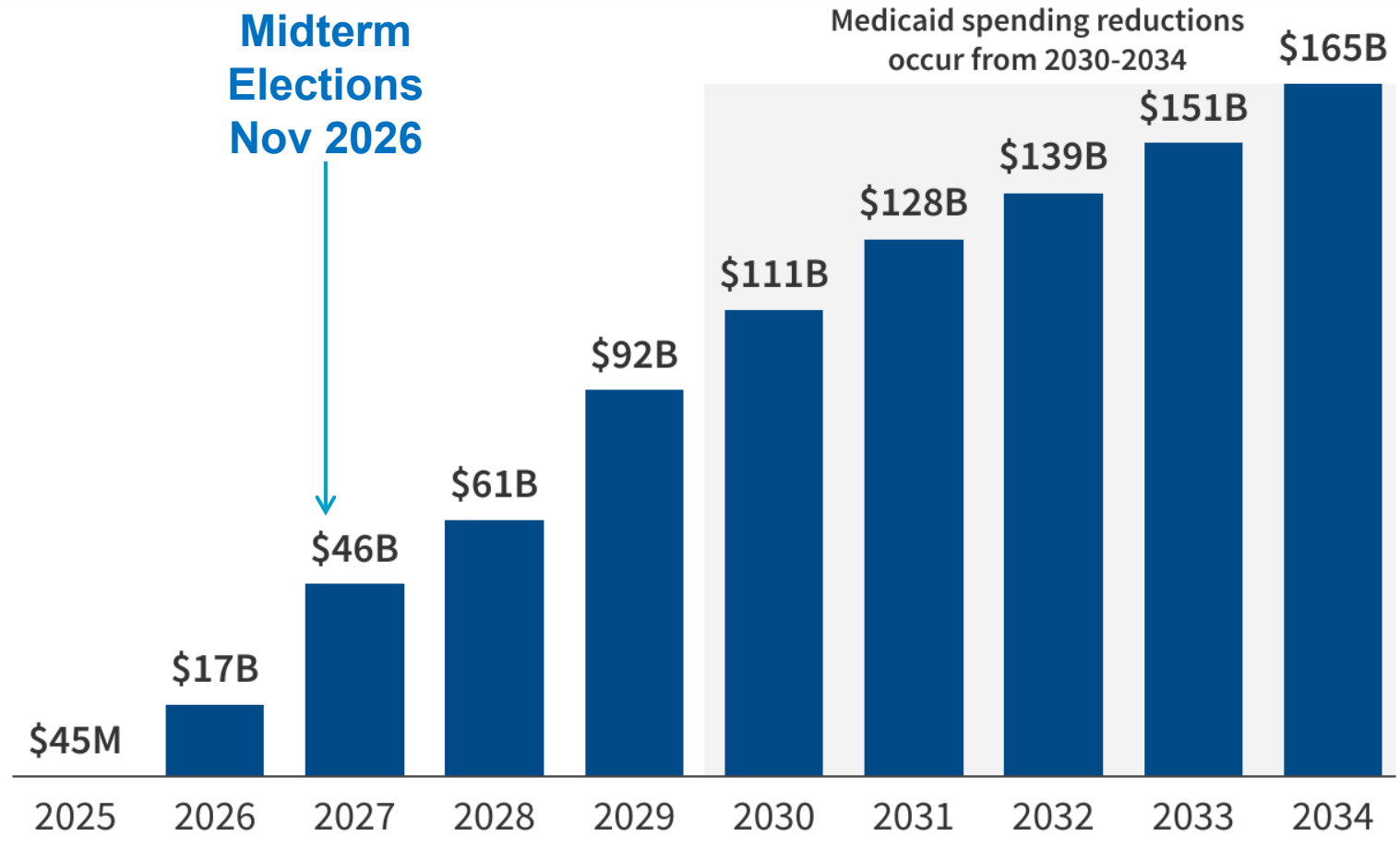
- OMB asserts the authority to do "pocket recissions" to spend less than Congressional appropriations
- OMB proposed regulatory changes to its "Uniform Guidance" to reduce federal grants spending.
- White House budget proposal for FFY 27 calls for many reductions including: $1 billion reduction in Mental Health Block Grant, $1.5 billion in State Opioid Response Grants, $2 billion in Substance Abuse Block Grants.

HR 1 Medicaid Reductions Nationwide

HR 1 Provisions	Expansion States	All States
Community Engagement Requirements	$326B	
Provider Taxes	$102B	$89B
Eligibility Determinations	$63B	
Requires Cost Sharing	$8B	
Ends New Expansion Funding	$13B	
Stricter Eligibility Requirements	$78B	
Restricts State Directed Payments		$149B
Reduces Retroactive Coverage		$4.2B
Canceled Previously Approved Changes		$143B
Restricts the Definition of Qualified Immigrant		$6.2B
Other		$283B
Total	**$590B**	**$674.5B**
Overall Total		**$1,264.5B**

Source: KFF

HR 1 Federal Medicaid Cuts Nationwide, By Year



Proposed Changes in Federal Grants Management by OMB

OMB's proposed rule would change how discretionary federal awards are:

- designed,
- reviewed,
- conditioned,
- monitored,
- paid,
- suspended, and
- terminated.

The overall goals are to impose new policy-based restrictions tied to the priorities of the Federal Administration.

Projected Reductions in New Mexico

HR 1 Related Reductions to Medicaid

- The Kaiser Family Foundation projects that Medicaid federal funds to New Mexico will decrease by $10 billion over the 10-year span of HR 1.

Federal Health Related Competitive Grants

- As part of its review of federal grants nationwide, over the past year US DHHS agencies have delayed or considering rescinding/eliminating grants from the National Institutes of Health (NIH), the National Science Foundation (NSF), the Substance Abuse and Mental Health Services Administration (SAMHSA), and the Centers for Disease Control and Prevention (CDC).
- Reports indicate temporary disruptions in grants to New Mexico organizations (such as DoH and UNM) : 10 NIH grants, 19 NSF grants, 37 SAMHSA grants, 5 CDC grants.

President's Proposed Budget for FFY 2027 Reductions to Formula Grants

- Reduction to NM Health Centers: $43.86 million
- Reduction to NM Mental Health Block Grant: $6 million
- Reduction to NM State Opioid Response Grant: $11.9 million
- Reduction to NM Substance Abuse and Prevention Block Grant: $10.5 million

Federal Funding and New Mexico's Behavioral Health Services

Medicaid coverage losses and federal grant reductions could create funding shortfalls that threaten provider sustainability and Medicaid participation, leaving behavioral health providers especially exposed.

~$1B
Spent on behavioral health each year

295,000
Individuals served each year

88%
Of Behavioral Health spending is Medicaid-funded

- New Mexico Has Made Major Investments in Behavioral Health Services

- Federal Funds Are a Necessary Component to the Sustainability of Services

Potential Ripple Effects from Federal Reductions

Reductions in Federal funding to New Mexico may total hundreds of millions of dollars annually.

This level of reductions for a state heavily reliant on federal funding may have implications beyond the reduction in direct spending such as:

- increases in the number of uninsured New Mexico residents
    - with further implications for the state's financial commitments to supporting providers' uncompensated care
- reduced state tax revenues (e.g., personal income tax, GRT, tax on hospital gross receipts)
    - with further implications for identifying state funds to use as match for federal funds
- increased risk to the sustainability of health care providers with thin or negative operating margins.

Potential Mitigation Strategies

Three Pathways to Mitigate Funding Reductions

One coordinated outcome

1 PROTECT

Stabilize Medicaid coverage for eligibles

- Leverage administrative claiming
- Support community-engagement compliance

2 STABILIZE

Review provider reimbursement strategies

- Rebalance reimbursement streams
- Explore new sources of nonfederal match
- Support vulnerable safety net providers

3 CAPTURE

Capture new federal revenues

- Maximize Medicaid and CHIP options
- Expand federal grants activities search
- Pursue viable opportunities

Pursuing all three pathways in parallel offers the strongest opportunity to protect coverage, providers, and fiscal capacity.

Protect Coverage for Eligibles

30%

of the Medicaid caseload is Expansion Group

90%

federal match for eligible Expansion spending on services

- Claim all allowable implementation costs—outreach, eligibility, systems, and data matching.
- Coordinate claiming across HCA and other stakeholders who support implementation of Community Engagement (CE).
- Use case management to help enrollees comply with CE or document exemptions.

Coverage retention can protect residents while generating fiscal stability for providers and the State.

Review the Provider Funding Mix

Review the full reimbursement portfolio—not each funding stream in isolation.

Reduce Exposure

- Reduce reliance on federal funding most likely to be reduced.
- Re-balance funding strategies to maximize sustainability
- Evaluate supplemental-payment options for behavioral health providers.

Design for Resilience

- Align the funding mix with state priorities.
- Adapt reimbursement strategies as federal constraints change.

Strengthen Sources of Nonfederal Match and Support of Vulnerable Safety Net providers

Diversify the Nonfederal Share of Medicaid

- HR 1 restricts new permissible health care provider taxes.
- Evaluate state and local tax options.
- Explore additional city, county, and public-university funding as Medicaid match through intergovernmental transfers.

Support Providers at Greater Risk

- Identify providers facing disproportionate federal funding losses.
- Assess feasibility of Medicaid rate adjustments.
- Explore new opportunities for organizations with Medicaid roles, including DOH and UNM.

Maximize Available Medicaid and CHIP Revenue Opportunities

$12M

illustrative annual federal financial participation for services promoting children's health

- Inventory underused federal claiming and reimbursement options.
- Prioritize opportunities that support state health objectives.
- Advance allowable Medicaid and CHIP options even as other spending is constrained.

Available options can offset pressure elsewhere in the portfolio.

Expand Federal Grants Where Appropriate

Federal grant opportunities remain despite proposed OMB changes.

01

SCAN & PRIORITIZE

Track opportunities and use the appendix as the current inventory.

02

ASSIGN & SUPPORT

Set clear owners, deadlines, and application support.

03

SUBMIT & TRACK

Coordinate pursuit across agencies and monitor the pipeline.

DOH and HCA are active applicants; DFA's Federal Grants Bureau tracks funding and assists applicants.

Best Practices

When faced with significant budget challenges, it is best practice for states to conduct comprehensive reviews of their budgets to indicate:

- Where are federal funds decreasing?
- Where are federal funds at risk of decreasing?
- Where are the cost centers that are funded with state General Funds but could be replaced or supplemented with federal funds?
- What updates need to be made in state agency:
    - budgeting,
    - cost allocation
    - internal reporting, and
    - expenditure monitoring processes?
- What inter-agency collaborations could be leveraged to reduce inefficiencies?

Questions / Discussion

Appendix: Examples of Current Federal Grant Opportunities

DHHS Agency	Opportunity	Estimated Funding	Due Date
Administration for Community Living	Legal Assistance Enhancement Program Grants	$1,000,000	08/25/2026
Administration for Community Living	National Ombudsman Resource Center	$516,407	07/29/2026
Administration for Community Living	National Resource Center for Women and Retirement	$717,000	08/03/2026
Administration for Community Living	Alzheimer's Disease Programs Initiative (ADPI) - Dementia Capable Community Health Worker Programs	$5,250,000	08/03/2026
Administration for Community Living	Alzheimer's Disease Programs Initiative (ADPI) - State Programs for Dementia Specific Respite	$54,155,869	08/03/2026
Administration for Community Living	Scaling Evidence-Based Falls Prevention Programs	$1,940,162	07/29/2026
Administration for Community Living	ACL National Falls Prevention Resource Center	$7,500,000	07/29/2026
Centers for Disease Control - NCCDPHP	Great Health for America	$32,000,000	08/03/2026
Health Resources and Services Administration	Small Health Care Provider Quality Improvement Program	$5,000,000	08/06/2026
Office of the Assistant Secretary for Health	National Training Center for Family Planning	$3,000,000	08/05/2026
Office of the Assistant Secretary for Health	Teen Pregnancy Prevention Evaluation Grants	$2,200,000	08/05/2026
Substance Abuse and Mental Health Services Admin.	Recovery Community Services Program	$1,500,000	07/27/2026
Substance Abuse and Mental Health Services Admin.	First Responders-Comprehensive Addiction and Recovery Act	$34,700,000	07/27/2026
Substance Abuse and Mental Health Services Admin.	Recovery Community Services Program - Statewide Network	$1,500,000	07/27/2026
Substance Abuse and Mental Health Services Admin.	Medication-Assisted Treatment - Prescription Drug and Opioid Addiction	$68,250,000	07/27/2026
Substance Abuse and Mental Health Services Admin.	Preventing Drug Overdoses: Community Prevention and Response	$11,050,000	07/27/2026
Substance Abuse and Mental Health Services Admin.	Center of Excellence for Protected Health Information Related to Behavioral Health	$1,000,000	07/27/2026
Substance Abuse and Mental Health Services Admin.	National Child Traumatic Stress Initiative - Community Treatment and Service Centers (CTS)	$40,665,365	07/27/2026
Substance Abuse and Mental Health Services Admin.	Project AWARE (Advancing Wellness and Resiliency in Education)	$55,768,191	07/27/2026
Substance Abuse and Mental Health Services Admin.	GLS Campus Suicide Prevention Grant Program	$8,830,039	07/27/2026
Substance Abuse and Mental Health Services Admin.	Promoting the Integration of Primary and Behavioral Health Care: States	$13,793,272	07/27/2026
Substance Abuse and Mental Health Services Admin.	Assertive Community Treatment	$4,263,442	07/27/2026
Substance Abuse and Mental Health Services Admin.	Statewide Family Network	$1,853,477	07/27/2026
Substance Abuse and Mental Health Services Admin.	Mental Health Awareness Training Grants	$22,045,665	07/27/2026
Substance Abuse and Mental Health Services Admin.	Emergency Department Alternatives to Opioids Program	$6,000,000	07/27/2026
Indian Health Service	Addressing Dementia in Tribal and Urban Indian Communities: CAReS Program	$1,050,000	09/04/2026

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