

LFC Requester:

Ruby Ann Esquibel

**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION****WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****[AgencyAnalysis.nmlegis.gov](https://agencyanalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto:billanalysis@dfa.nm.gov)****(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:** 2/12/25*Check all that apply:***Bill Number:** HB 56 AmendedOriginal ☐ Correction ☐Amendment ☒ Substitute ☐

<b>Sponsor:</b>	Rep. Pamela Herndon	<b>Agency Name and Code Number:</b>	HCA 630
<b>Short Title:</b>	Medicaid Reimbursements for Birth Centers	<b>Person Writing Analysis:</b>	Kresta Opperman/ Alanna Dancis
		<b>Phone:</b>	505-231-8752
		<b>Email:</b>	<a href="mailto:Kresta.opperman@hca.nm.gov">Kresta.opperman@hca.nm.gov</a> Alanna.dancis@hca.nm.gov

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

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0.0	\$0.0	NA	HCA

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0.0	\$0.0	\$0.0	NA	NA
				Total

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	\$0.0	\$48.7	\$48.7	\$97.4	Recurring	General Fund for Medicaid Staff
	\$0.0	\$48.7	\$48.7	\$97.4	Recurring	Federal Fund for Medicaid Staff
<b>IT system edits: state funds</b>	\$0.0	\$2.5		\$2.5	Nonrecurring	SGF
<b>IT system edits: federal funds</b>	\$0.0	\$7.5		\$7.5	Nonrecurring	FF
	\$0.0	\$107.4	\$97.4	\$204.8		Total

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: Not known

Duplicates/Relates to Appropriation in the General Appropriation Act: Not known

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

Synopsis: House Bill 56 (HB56) requires that the Secretary of the Health Care Authority (HCA) adopt rules to ~~ensure that~~ **make** services provided to a Medicaid recipient at a birth center are reimbursed ~~at the same rate as~~ **similar to** equivalent services provided at a hospital.

**HB 56a adds that the secretary shall adopt rules that:**

- (1) create a methodology to determine Medicaid facility fee reimbursement rates for birth centers that are comparable to rates for similar services provided at a hospital; and**
- (2) require annual increases to birth center facility fee reimbursement rates that are equivalent to hospital reimbursement rate increases.**

#### **FISCAL IMPLICATIONS**

The Medicaid reimbursement methodologies for hospitals and birth centers are currently different. Hospitals are reimbursed by the Diagnosis-Related Group (DRG) methodology, along with the specific hospital rate, specific hospital capital costs and taxes. Birth centers are reimbursed for the facility cost and the professional services, such as the work of the certified nurse midwife. Due to the difference in reimbursement methodologies, there is no comparable data to determine the fiscal impact to the Medicaid program as required by Section 1(B) of HB 56. Since there is currently only one accredited birth center in the state, the programmatic cost is likely small. This amount could grow with increased birthing center providers. The additional operating budget impact provided is the cost of one FTE needed to implement, monitor and enforce the requirement of this bill. Administrative cost is matched at 50%.

**HB 56 Amendment Fiscal Implications:** HB 56a requires annual increases to birth center facility fee reimbursement rates that are equivalent to hospital reimbursement rate increases. The amendment largely resolves the issues originally written in the FIR as it allows Medicaid to

determine the methodology.

## **SIGNIFICANT ISSUES**

It is unlikely that CMS would allow DRG payment for birth centers or a split payment methodology for hospitals. Therefore, due to the differences in reimbursement methodologies between birth centers and hospitals for uncomplicated births, HB 56, as it is currently written, cannot be operationalized. Additionally, current reimbursement methodologies are written into the state plan, and any changes would require approval by the Centers for Medicare and Medicaid Services (CMS).

No significant issues for HCA.

## **PERFORMANCE IMPLICATIONS**

Increasing the facility fee to birth centers has the potential to incentivize more birth centers to open and more births to occur in birth centers. This could improve maternal health as birth centers normally have lower low-risk cesarean section rates as compared to hospitals.

HB 56 Amendment Performance Implications: Amendments cited in the Synopsis has no significant impact therefore does not change the performance implication analysis.

## **ADMINISTRATIVE IMPLICATIONS**

Deviation from current reimbursement methodologies would require a state plan amendment, claims processing system edits, NMAC revisions, a provider supplement and a managed care contract amendment. Claims processing IT system edits are estimated to cost \$10,000.00 with 75% to 25% federal to state fund match.

One full-time employee would be needed to implement, monitor and enforce this bill. The FTE is a pay-band 70 and will cost \$97.4 thousands per year with a 50% federal match; thus, the cost is \$48.7 thousands in general funds and \$48.7 thousands in federal matching funds.

HB 56 Amendment Administrative Implication: Amendments cited in the Synopsis has no significant impact therefore does not change the administrative implication analysis.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

No known conflicts, duplications, companionship or relationship to other bills at this time.

HB56 Amendment: No change

## **TECHNICAL ISSUES**

N/A

HB56 Amendment: No Change

## **OTHER SUBSTANTIVE ISSUES**

N/A

HB56 Amendment: No Change

## **ALTERNATIVES**

A set percent increase to the current birth center facility reimbursement rate is an alternative approach. This approach aligns with Medicaid's standard federal approval pathway for reimbursement.

#### HB56 Amendment: No Change

### WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo.

### AMENDMENTS

None

Amendments to HB56 include the following:

1. On page 1, line 12, strike "ENSURE THAT" and insert in lieu thereof "MAKE".
2. On page 1, line 13, strike "IS THE SAME AS" and insert in lieu thereof "SIMILAR TO".

RELATING TO HEALTH CARE; REQUIRING THE SECRETARY OF HEALTH CARE AUTHORITY TO ~~ENSURE THAT~~ **MAKE** MEDICAID REIMBURSEMENT FOR SERVICES PROVIDED AT BIRTH CENTERS ~~IS THE SAME AS~~ **SIMILAR TO** REIMBURSEMENT FOR SERVICES PROVIDED AT HOSPITALS.

3. On page 2, strike lines 9 through 12 and insert in lieu thereof:

~~B. The secretary shall adopt rules to ensure that services provided to a medicaid recipient at a birth center are reimbursed at the same rate as equivalent services provided at a hospital.~~

"B. The secretary shall adopt rules that:

- (1) create a methodology to determine Medicaid facility fee reimbursement rates for birth centers that are comparable to rates for similar services provided at a hospital; and
- (2) require annual increases to birth center facility fee reimbursement rates that are equivalent to hospital reimbursement rate increases.'''.,