

LFC Requester:

Joseph Simon

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****[AgencyAnalysis.nmlegis.gov](https://www.legis.nm.gov/AgencyAnalysis) and email to 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:** 1/22/25*Check all that apply:***Bill Number:** HB119Original ☒ Correction ☐Amendment ☐ Substitute ☐**Agency Name****and Code**

HCA 630

Number:**Sponsor:** Rep. Kathleen Cates**Short** Contract Adjustments under**Person Writing** Kresta Opperman**Title:** Procurement Code**Phone:** 505-231-8752 **Email** Kresta.opperman@hca**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

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

(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

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
GF	NA	\$11,400.0 - \$164,000.0	\$11,400.0 - \$164,000.0	\$22,800.0 - \$328,000.0	Recurring	State General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: related to HB11
Duplicates/Relates to Appropriation in the General Appropriation Act: Not known

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill (HB119) proposes to amend the State's procurement code to allow for contract adjustments when a contractor's employee benefits, and compensation packages are subject to adjustment due to changes in state statute or rule.

Additionally, the bill would require the Health Care Authority, as the State Medicaid Agency, to submit a request to the federal Centers for Medicare and Medicaid Services (CMS) to amend rates when changes in state statute, or rule, impact a Medicaid provider's employee benefit and compensation packages.

For an example, if paid family medical leave was enacted, contractors could request an adjustment to their contract with the State for additional funding to allow them to pay their employees for the leave. It would also require the HCA to request a rate increase for personal care workers to compensate the PCS provider for the paid leave.

HHHC amendment adds rule changes as well as statutory changes.

FISCAL IMPLICATIONS

Section 2 of HB119 would have a substantial general fund impact to the state's Medicaid program and Medicaid budget. There is insufficient information in this bill to accurately calculate the exact fiscal impact, however the HCA provides an estimate (detailed below). As written, fiscal impact is dependent on potential future changes that could be made to state statute. Further, this bill does not indicate a provider rate methodology for how changes to state statute should be accounted for in changes to Medicaid reimbursement rates. The HHHC amendment does not change the fiscal impact of the bill.

One example of the fiscal impact is that a \$1 increase in the minimum wage which would primarily impact PCS and ALF costs the general fund about \$11.4 million. Capitation costs in FY26 are projected at \$7.3 billion. A 1% increase from any statutory changes would cost Medicaid about \$73 million or \$16 million general fund. A 10% increase from any statutory changes would cost Medicaid about \$731 million or \$164 million general fund.

SIGNIFICANT ISSUES

HHHC amendment adds rule changes as well as statutory changes.

Section 2 of HB119 addresses impact to Medicaid providers. Medicaid rates are supported by both state and federal funds with an estimated Federal Medical Assistance Percentage rate of 72% and a state share of 28%. The total Medicaid budget exceeds \$10 billion, supported by more than \$2 billion in state general funds. Much of the Medicaid budget is attributable to provider reimbursement rates.

This bill would require the HCA to request rate changes with CMS but does not include an allocation to support the state portion of any increases. It is impossible to predict the future financial implications to the state general fund and the HCA's budget since the bill applies broadly to all future statutory changes.

This bill does not identify a rate methodology to be applied to Medicaid rate increases to "accommodate any increase to the Medicaid provider's expenses" due to statutory adjustments in employee compensation and benefits. Provider's employee costs are a factor in the rate development process. Identifying how providers are impacted by a change in state statute would require a unique rate study for each statutory adjustment. A rate study would require a minimum of 6 months and could not be completed within the 45 days identified within HB119.

PERFORMANCE IMPLICATIONS

HB119 is supportive of health care providers and could indirectly bolster the NM provider network.

ADMINISTRATIVE IMPLICATIONS

This bill would require state plan or waiver amendments, as applicable, to be submitted to CMS when changes in state statute impact Medicaid provider's employee benefit and compensation packages. Approval from CMS can take up to 6 months.

Deviation for current reimbursement rates would require minor claims IT processing system edits and managed care Letters of Direction. IT changes would be completed at no additional cost.

Having to process amendments would increase workloads for contract managers, contract analysts and General Services Division Contracts Review Bureau. This could have a fiscal impact not only to HCA but to the General Services Department (GSD) as well, this is undetermined as more information would be needed.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Not explicitly companion but Paid Family Medical Leave Act (HB11) would immediately bring this bill into operation.

TECHNICAL ISSUES

The language "accommodate any increase to the Medicaid provider's expenses" needs to be clarified and defined. As drafted, this phrasing is very broad and open to wide interpretation.

OTHER SUBSTANTIVE ISSUES

None for the HCA.

ALTERNATIVES

None suggested

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo

AMENDMENTS

None