

LFC Requester:

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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****[AgencyAnalysis.nmlegis.gov](https://www.nmlegis.gov) 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:** 2/12/25*Check all that apply:***Bill Number:** SB1Original ☐ Correction ☐Amendment ☐ Substitute ☒**Agency Name****and Code**HCA-630**Number:****Sponsor:** Sen. Munoz**Short** BH Trust Fund**Title:****Person Writing** Alicia Salazar**Phone:** 505-795-3920 **Email** Alicia.salazar@hca.n**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
Unknown	Unknown	Recurring	Behavioral Health Trust Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
Unknown	Unknown	Unknown	Recurring	Behavioral Health Trust Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0.0	\$777.2	\$777.2	\$1,554.4	Recurring	Behavioral Health Trust Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: This bill creates a Behavioral Health Trust Fund and a Behavioral Health Program Fund within the State Treasury. As written, the bill would create a trust fund dedicated to the provision and expansion of behavioral health services. Additionally, the bill would create a regionalized system for the delivery of services including mental health, substance use treatment and service needs identified through regional planning.

FISCAL IMPLICATIONS

As written, it is difficult to determine the fiscal impact to HCA and the exact staffing level to implement the bill. After considering the operating and fiscal impacts of three proposed behavioral health-focused bills (SB229254-630, SB229132-630, and SB228612-630) the HCA Behavioral Health Division estimates it would need a minimum estimate of nineteen (19) FTE, resulting in \$2,308,300 total SGF annually for salaries and benefits.

Specifically, as it relates to SB 1 implementation, HCA estimates a minimum of six (6) FTE, resulting in \$777,200 SGF annually for salary and benefits as illustrated in the table above.

The bill states that five percent of the average of the year-end market value of the trust fund will be allocated to the behavioral health program fund. The program fund allows expenditures for "necessary infrastructure, technology and workforce supports that facilitate the delivery of behavioral health services and programs." Money from the program fund could therefore potentially be used for future IT costs related to behavioral health services and programs.

1. Budget Predictability:

- a. The financial impact could be positive if the revenue source is stable and growing. However, if the fund is reliant on fluctuating revenue sources, it might result in budget volatility.

2. Fiscal Sustainability:

- a. If the fund grows over time, it could provide fiscal sustainability for behavioral health services. However, if the fund is underfunded or dependent on unreliable revenue streams, it could intensify funding shortfalls for behavioral health needs.

Finally, the HCA advised bill language that provides clarity on how trust funding could optimize, leverage, or reinforce coordination with the Medicaid program as the primary payor of behavioral health services for New Mexicans, leveraging millions in federal matching funds to promote greater service integration. (For each \$1 GF invested in the Medicaid program, the State receives approximately \$3.40 in federal funds).

SIGNIFICANT ISSUES

SB1-630 Amended does not impact HCA Analysis.

The bill appears to restructure the state's behavioral health delivery system, transferring control and funding to the courts and local governments with few guardrails. As New Mexico's Single State Authority (SSA), the Health Care Authority Behavioral Health Services Division (HCA BHSD) oversees the adult behavioral health system including programming, funding for patient

services and rulemaking. A state's single-state behavioral health authority plays a crucial role in the mental health and substance use treatment landscape, wielding significant influence and responsibility within the state and are designated to give behavioral health providers a single source of guidance and expertise.

Recognized by the federal government, these authorities are designated to oversee and coordinate behavioral health services within a state. This recognition allows them to access federal funding, grants, and technical assistance crucial for supporting mental health and substance use programs within their state. SSAs are responsible for a variety of critical functions designed to promote behavioral health access and quality for residents. For example:

- SSAs develop and implement policies that guide behavioral health services across the state, ensuring alignment with federal guidelines and state-specific needs.
- SSAs coordinate the delivery of mental health and substance use services, ensuring accessibility, quality, and integration across various providers and settings.
- SSAs manage state and federal funds allocated for behavioral health services, ensuring efficient use and compliance with financial regulations.
- SSAs monitor and improve the quality of behavioral health services through data analysis, performance evaluation, and implementing evidence-based practices.
- SSAs oversee crisis intervention and emergency mental health services, ensuring readiness and effective response during emergencies.
- SSAs collaborate closely with other state agencies, healthcare providers, community organizations, and advocacy groups to create a comprehensive behavioral health system that meets the diverse needs of the population.
- SSAs advocate for individuals with mental illness and substance use disorders, representing the state's interests in national discussions on behavioral health policy and funding.

The HCA Behavioral Health Services Division (BHSD), as the SSA, has the experience and subject matter expertise to provide guidance and accountability, and guide the decision-making process for which providers receive funds (BHSD oversees the approval process for specialized behavioral health services as defined in NMAC 8.321.2).

A trust fund dedicated to the provision and expansion of behavioral health services may provide certain advantages to the State, including but not limited to:

1. Dedicated Funding Source:
 - a. Predictability: A dedicated fund ensures resources are specifically allocated to behavioral health services, providing more stable and predictable funding for these services. This could allow for long-term planning and sustainability.
 - b. Prioritization: A specific fund can emphasize the importance of behavioral health services, ensuring they are not deprioritized in the general budget and can be supported.
 - c. Designated Revenue: It allows policymakers to target revenue from specific sources (e.g., taxes, fees, federal grants) directly to the fund.
2. Flexibility in Fund Management:
 - a. Targeted Use: The fund could be managed flexibly to address urgent or emerging needs in behavioral health.
 - b. Consistency in Funding: With a dedicated fund, behavioral health services are less likely to experience abrupt funding cuts during budget shortfalls.
3. Improved Accountability and Transparency:
 - a. Clear Tracking: With a dedicated fund, it is easier to track and monitor expenditures in behavioral health services.

- b. Stakeholder Confidence: Stakeholders (including service providers, advocates, and the public) may feel more confident that behavioral health services will be adequately funded and supported.

A trust fund dedicated to the provision and expansion of behavioral health services may provide certain disadvantages to the State. For example, if the fund is based on a fixed revenue source, it might not grow sufficiently to meet future needs, especially if there is an economic downturn or if the demand for behavioral health services increases.

PERFORMANCE IMPLICATIONS

It is unclear who would have primary oversight and accountability for the state's behavioral health system under the proposed framework. Though the HCA would officially remain the designated Single State Authority, it appears the HCA may take on a newly diluted role under the proposed framework, with authority for the state's behavioral health system largely shifting out of the agency.

The creation of this Trust Fund and the establishment of a regionalized service delivery system will have several performance implications for the SSBHA and Medicaid Managed Care Organizations (MCOs), and Medicaid Fee-for-Service. These implications will center around the monitoring and reporting of key performance indicators (KPIs) to ensure the funds are used effectively and that services are delivered efficiently and equitably across the state. Specifically, there are significant reporting requirements on access to care, quality outcomes and more to both state and federal partners currently required, including but not limited to:

- Utilization of services
- Access to services
- Treatment outcomes
- Provider performance
- Integration of behavioral health and physical health services
- Behavioral health spending
- Network adequacy
- Member satisfaction

BHSD oversees the approval and certification process for specialized behavioral health services in New Mexico and this fund could potentially increase the number of providers applying to provide these services and thus may increase workload for our program coordinators. The bill should reference the prioritization of evidence-based practices as well as promising practices that are eligible for Medicaid reimbursement. Additionally, the availability of training and recruitment of providers may have an impact on the implementation of programs.

State and federal partners outline and require significant reporting on access to care, quality outcomes, etc. This bill, as written, may dilute or impact the data and will increase monitoring and evaluation. While positive to have increased monitoring and evaluation, if too many items are measured simultaneously, the ultimate burden is felt by the provider. Like quality oversight, the provider, having several state agencies to answer to and contract with can create undue administrative burden and confusion. Increased confusion and administrative burden on providers can lead to a decrease in performance and/or capacity reducing the availability of appointments for New Mexicans.

ADMINISTRATIVE IMPLICATIONS

The administrative implications of this proposal on the HCA span financial management, policy development, service coordination, compliance, and reporting functions. Much of these functions

are those the HCA BHSD and MAD currently perform for other initiatives (e.g. fund administration, budgeting and allocation, monitoring and utilization, stakeholder engagement, regulatory compliance), but the HCA will need additional staffing capacity to expand and/or coordinate these efforts.

There are some states that have regional models for behavioral health through county-organized health systems and regional Medicaid managed care organizations, which New Mexico does not currently utilize. It appears that the bills may be trying to replicate these other state models, rather than building on the foundation that exists in New Mexico today. The HCA does not believe that the AOC and local governments currently have the organizational capacity, staffing, infrastructure, and expertise to execute programs and regional plans in the way that the legislative package envisions. To be successful, there would need to be substantial investment in local governments, the establishment of a clear structure with well-defined accountability and stated expectations for expending funds, coordinating programming, collecting data, and reporting outcomes at the local/regional level. While a few local governments in urban parts of the state stand out as having robust community health systems, this is not uniformly true across New Mexico today.

The establishment of such a regionalized service delivery system will significantly alter the statewide current contracting and structure. Specifically, to best coordinate and oversee delivery of services across a new regional framework and to build a complete service delivery continuum will require a clear organizational structure for managing regional service providers, implementing regional planning processes, and ensuring that services are consistent across different geographic areas.

The bill states that five percent of the average of the year-end market value of the trust fund will be allocated to the behavioral health program fund. The program fund allows expenditures for "necessary infrastructure, technology and workforce supports that facilitate the delivery of behavioral health services and programs." Money from the program fund could therefore potentially be used for future IT costs related to behavioral health services and programs.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB229254-630, SB229132-630, and SB228612-630 share a relationship.

TECHNICAL ISSUES

The term substance abuse should be changed to substance use disorder.

OTHER SUBSTANTIVE ISSUES

The HCA is the largest payor of behavioral health care in NM. HCA Medicaid is the payor of behavioral health services for the Medicaid eligible population, and HCA BHSD is the payor of behavioral health services for the uninsured individuals and those ineligible for Medicaid. Together, these two HCA Divisions finance more than 90% of behavioral health care expenses in NM in FY25. This better integrated financing structure was made possible by the passage of the 2014 Federal Patient Protection and Affordable Care Act.

According to a [2023](#) analysis, people with mental illness are more likely to be a victim of violent crime than the perpetrator. Additionally, not all individuals needing access to behavioral health services perpetrate violence. The most important and independent risk factor for criminality and violence among individuals with mental illness is a long-term substance use disorder. In patients with major psychiatric illness, comorbid substance use disorder, there is a four-fold increase in the risk of committing a crime or violence. Studies have shown that the rise in violent crime committed by individuals with mental illness, may entirely be accounted for with a history of alcohol and/or drug use.

The Health Care Authority (HCA) is mentioned as distributor of funding; however, the bill does not specify the division within HCA which would handle disbursements.

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

AMENDMENTS

None