

LFC Requester:

Eric Chenier

**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**  
[AgencyAnalysis.nmlegis.gov](https://www.nmlegis.gov/AgencyAnalysis) 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: 3/3/25

Check all that apply:

Bill Number: SB88

Original ☐ Correction ☐Amendment ☒ Substitute ☐

**Sponsor:** Sen. Munoz  
 Creates Medicaid Trust Fund

**Agency Name  
 and Code** HCA-630  
**Number:**

**Short  
 Title:**

**Person Writing****Analysis:** Carlos Ulibarri**Phone:** (505) 715-0486 **Email** Carlos.ulibarri@hca.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

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

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

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

(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	\$0.0	\$0.0	\$0.0	NA	NA

(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: SB88-630 creates the Medicaid Trust Fund (Section 1(A)) with an initial transfer of \$300,000.0 thousands from the general fund to it (Section 10). Beginning July 1, 2029, five percent of the average of the year end market values of the trust fund for the immediately preceding three calendar years can be distributed to the State-Supported Medicaid Fund creates in Section 2 provided that the trust fund balance is at least \$500,000.0 thousands at the end of a fiscal year. The trust fund can also be appropriated to the Medicaid program when the federal financial participation decreases at least 7.5% from the previous year or when the federal match falls below 50%. In addition, the trust fund may be used in the event the general fund is insufficient to meet its operating obligations.~~

~~In addition to the \$300,000.0 thousands of initial transfer from the general fund to start the trust fund, Section 3 makes all unreserved undesignated fund balances in reverting funds and accounts for the Medicaid program as reflected in the central financial reporting and accounting system as of June 30 reverted by September 30 to the Medicaid trust fund until the fund reaches two billion dollars (\$2,000,000,000), and then the balances shall revert to the general fund.~~

SB88-630 as amended creates the Medicaid Trust Fund (Section 1(A)) and replaces the appropriation of 300,000.0 thousands to the trust fund with the requirement that the state treasurer “identify and allocate to the medicaid trust fund all earnings, including realized and unrealized gains and losses, from the investment of all accounts or funds in the treasurer's custody.” Once the balance of the medicaid Trust Fund at the end of a fiscal year reaches two billion dollars (\$2,000,000 thousands) the allocation shall be made to the general fund.

Beginning July 1, 2029, the Medicaid Trust Fund will receive a distribution from the state-supported trust fund contingent on the trust fund being at least five hundred million (\$500,000 thousands) at the end of a fiscal year. The distribution is limited to five percent of the average of the year-end market values of the trust fund for the immediately preceding three calendar years. Furthermore, the trust fund can also be appropriated to the Medicaid program when the federal financial participation decreases at least 7.5% from the previous year or when the federal match falls below 50%. In addition, the trust fund may be used in the event the general fund is insufficient to meet its operating obligations.

#### **FISCAL IMPLICATIONS**

~~There is no immediate fiscal impact to the Medicaid program. Fiscal implications of SB88-630 to the Medicaid program depend on meeting the conditions established in the bill, such as federal financial participation decreases by at least 7.5% from the previous year, the federal match falls below 50% or the trust fund balance is greater than \$500,000.0 thousands at the end of a fiscal year.~~

SB88-630 as amended does not have an immediate fiscal impact to the Medicaid program. Nonetheless the amended bill has fiscal implications insofar as providing the Medicaid program with contingency funding in fiscal years 2026 through 2029, in the event the program experiences a reduction in federal funding which would cause a loss of health care coverage or benefits below

the levels as of July 1, 2025, the effective date of the act.

On July 1, 2029, and each July 1 thereafter, SB88-630 calls for a contingent distribution of money from the trust fund to the Medicaid trust fund in an amount equal to five percent of the average year-end market values of the trust fund for the immediately preceding three calendar years. The distribution is contingent on the year-end balance of the trust fund being at least five hundred million dollars (\$500,000 thousands). This money may be appropriated by the Medicaid program for any purpose in a fiscal year, if federal matching funds either (1) decrease by at least seven and one-half percent from the previous fiscal year; or (2) are less than a one-to-one match with money appropriated by the legislature for the program. Due to the inherent uncertainty in these conditions the fiscal implications to the Medicaid program are quantitatively indeterminate.

## **SIGNIFICANT ISSUES**

The **amended** bill addresses the potential need to support Medicaid funding of programs and initiatives in future years in the event of a significant loss of federal revenues. The alternatives section of this review considers key parameters which may be considered for further analysis of trigger points impacting the Medicaid program.

## **PERFORMANCE IMPLICATIONS**

Currently, New Mexico has the highest per capita Medicaid enrollment of any state in the nation. As of January 2025, the Medicaid program projects needing \$8,883,895 thousand of federal funds in support of its operations through FY 2025. At this time more than 873,444 individuals rely on Medicaid for their health care coverage/benefits, representing approximately 40% of New Mexico residents. Due to the inherent uncertainty in federal policies affecting eligibility/enrollment the performance implications of the amended bill are indeterminate.

Section 1.D of the Bill is drawn with conditions and stipulations regarding the allowable transfer amounts from the Medicaid Trust Fund to the State Supported Medicaid Fund: 5% of the average year-end market value of the Medicaid Trust Fund calculated over a prior 3-year period. For example, if in 2026, 2027 and 2028 the market values were \$300, \$500 and \$700 million the 3-year average would be \$500 million. Consequently, as the Bill is currently written, these hypothetical market values would permit a transfer amount of \$25 million from the Medicaid Trust Fund to the State Supported Medicaid Fund.

Section 1.E of the Bill is also drawn with conditions and stipulations allowing for the general use of funds by HCA, conditional on a significant decrease in federal matching funds accruing to the state Medicaid program in a given fiscal year. Specifically, either a decrease of 7.5% or the federal match rate drops below a 1-to-1 federal-to-state ratio. For example, if the federal share in FY 2029 were \$9 billion, a 7.5% decrease would be equivalent to a decrease of \$675 million. A second example follows from the federal match percentage becoming less than or equal to the money appropriated by the legislature for the Medicaid program.

## **ADMINISTRATIVE IMPLICATIONS**

SB88 does not imply any direct IT impact. The bill states that money in the trust fund could be used for any purpose once the balance is \$500 million or more. However, there would need to be a decrease in the percentage of federal matching funds received from the Centers for Medicare and Medicaid Services (CMS).

HCA CMS-funded IT work receives 90% federal to 10% state funds for design, development, and implementation (DDI), and 75% federal to 25% state funds match on maintenance and operations (M&O). HCA will not fall below the 1 to 1 threshold for matching funds described in the bill because our current match rate is 9 to 1 and 3 to 1, respectively for DDI and M&O.

There would have to be a drastic reduction in the above ratios of federal to state funds for there to be a need for HCA to use money in the trust fund for IT related work.

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

N/A

#### **TECHNICAL ISSUES**

N/A

#### **OTHER SUBSTANTIVE ISSUES**

N/A

#### **ALTERNATIVES**

As described above in the Performance section of the analysis, the bill is currently written with fund balance and federal match requirements. Both requirements may be adjusted to allow increased funding to HCA in the event of tighter unforeseen constraints in federal funding. For example, given federal funds received by HCA in the prior year were \$9 billion then decreasing the federal fund threshold from 7.5% to 3% would trigger access to funding in the event federal funds dropped by \$270 million as opposed to \$675 million. Alternatively, increasing the federal-to-state matching requirement from 1-to-1 to 2.5-to-1 would trigger access to funding in the event the blended federal match percentage dropped below 71.43%.

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

Status Quo

#### **AMENDMENTS**

N/A