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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 278

SHORT TITLE: Toxicology Reimbursement Requirements

SPONSOR: Lujan

LAST ORIGINAL
UPDATE: _____ **DATE:** 02/04/2026 **ANALYST:** Chilton

APPROPRIATION* (dollars in thousands)

| FY26 | FY27 | Recurring or Nonrecurring | Fund Affected |
|------|---------|---------------------------|---------------|
| | \$100.0 | Recurring | General fund |

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

| Agency/Program | FY26 | FY27 | FY28 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|------------------|----------|----------------|----------------|-------------------|---------------------------|------------------------|
| State Medicaid | 0 | \$100.0 | \$100.0 | \$200.0 | Recurring | State Medicaid funding |
| Federal Medicaid | 0 | \$100.0 | \$100.0 | \$200.0 | Recurring | Federal funds |
| Total | 0 | \$200.0 | \$200.0 | \$400.0 | Recurring | |

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Health Care Authority

Agency or Agencies That Were Asked for Analysis but did not ;

Department of Health

SUMMARY

Synopsis of House Bill 278

House Bill 278 (HB278) adds a new section “Medicaid Reimbursement for Toxicology Services,” to the Public Assistance Act (Chapter 27 NMSA 1978) that would entitle independent medical laboratories (i.e., not associated with a hospital, physician or physician group, managed care organization and insurer) to bill for performing laboratory tests to detect drugs or alcohol in body fluids or hair of a patient. Laboratories that meet the following criteria would be eligible to

apply for reimbursement:

- Located in New Mexico;
- Experienced in analyzing body fluid or hair specimens for drugs and alcohol;
- Enrolled as a Medicaid provider;
- Experienced in or contracting with an organization experienced in medical coding and billing; and
- Follows New Mexico gross receipts tax laws.

The Health Care Authority (HCA) would establish appropriate codes for services to be provided by these laboratories and assure Medicaid reimbursement at the same level as paid to other laboratories for the same services. Medical providers would be free to determine the frequency of tests to be performed on the basis of medical necessity for a given patient. HCA would promulgate rules for Medicaid reimbursement of toxicology services.

The bill makes note of the American Society of Addiction Medicine's recommendations of

- Weekly toxicology tests for persons beginning substance abuse treatment;
- Monthly toxicology tests for persons stable and recovering from substance abuse; and
- Random toxicology tests when feasible and clinically appropriate.

However, these are only to be guidelines; care providers could determine what is clinically appropriate.

HB278 appropriates \$100 thousand from the general fund to the Health Care Authority (HCA) to administer Medicaid reimbursement for toxicology services to be provided by independent reference laboratories.

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

The appropriation of \$100 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY27 shall revert to the general fund.

HCA notes that the \$100 thousand appropriation would be matched by the same amount from federal Medicaid funds. If the frequency of laboratory testing for patients with substance abuse disorders were to increase due to passage of this bill, the additional laboratory testing would increase costs to the Medicaid program, to be shared by federal and state funding. However, it is also possible that Medicaid expenditures would decrease if toxicology service use increased, resulting in fewer emergency room visits, hospitalizations, and other effects of substance and alcohol abuse.

SIGNIFICANT ISSUES

Toxicology testing is an important complement to other supportive services, including counseling, medical care, housing, nutrition, and social services. Toxicology tests cannot diagnose substance use disorder or determine the quantity or timing of use; rather, they indicate whether specific substances are present or have been recently present in a person's system.

Depending on the substance, detectable traces may remain for several days or, in some cases, weeks.

Standard toxicology screens commonly test for substances such as amphetamines, barbiturates, cocaine, methamphetamine, marijuana, opiates, phencyclidine (PCP), and certain substances prohibited in competitive sports. In addition to supporting treatment and recovery efforts, testing may also be used to meet employment or workplace safety requirements.

In recent years, the use of toxicology testing by hospitals, clinics, laboratories, and employers has increased, reflecting greater regulatory requirements, expanded workplace screening practices, and broader awareness of substance use risks. Industry analyses indicate continued growth in the demand for toxicology testing services across clinical, forensic, and employment settings.

PERFORMANCE IMPLICATIONS

HCA states the following regarding its Medicaid Assistance Division (MAD):

MAD will evaluate existing coverage of medically necessary toxicology services to identify any gaps. Changes to existing service and reimbursement require a Medicaid State Plan Amendment, NMAC revisions, managed care Letters of Direction, and system edits. The timeline for fully implementing such a change is approximately one year. MAD would collaborate with HCA Behavioral Health Services Division on the services related to Substance Use Disorder (SUD). This bill would require a system change in the financial services Information Technology (IT) system. This change will be part of maintenance and operations (M & O) and will be made at no additional cost. The specific requirements would need to be gathered before a timeline for completion could be estimated.

While Fee-for-Service Medicaid allows any provider that is registered with the state to bill Medicaid, Medicaid managed care organizations (MCOs) are allowed to maintain their own provider network, so long as it meets the State's criteria for adequacy and access. This legislation would remove the MCOs' ability to choose its own network toxicology testing providers.

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