



HEALTH CARE  
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The Honorable George K. Muñoz  
Chair  
Legislative Finance Committee  
New Mexico Legislature

The Honorable Gerald Ortiz y Pino  
Chair  
Legislative Health & Human Services Committee  
New Mexico Legislature

Dear Chairman Muñoz and Chairman Ortiz y Pino:

In accordance with and as required by House Bill 400 from the 2023 Legislative Session, the Health Care Authority (HCA) is pleased to submit the attached Medicaid Forward feasibility study and impact report.

Expanding the Medicaid program through the Medicaid Forward framework has the potential to positively impact health care coverage in New Mexico by improving access to affordable insurance; reducing the state's rate of uninsured; emphasizing better health care quality and outcomes; and leveraging federal financing. It also has the potential for complex adverse impacts that require careful thought, planning, and mitigation, including the demand for additional state funding by increasing the Medicaid budget and expanding the infrastructure of the HCA; consideration of changes in provider reimbursement and payment methodologies; scale of strain on the state's provider workforce that could limit access to care; disruption of the viability of the private insurance market in New Mexico; and the rigorous regulatory and statutory expectations of the federal government in exchange for federal Medicaid funding.

The HCA contracted with Mercer Government Human Services Consulting to conduct its impact study of the Medicaid Forward plan, which would leverage Medicaid to create a state-administered health care coverage option for New Mexicans under age 65 who are not otherwise eligible for the existing Medicaid program. Mercer's report complements and supplements a 2023 Urban Institute study of the potential impact of Medicaid Forward in New Mexico; however, the two studies differ in their modeling methods, design assumptions and data sources, and therefore have different outcomes. The Mercer report provides a more comprehensive and robust analysis of the current health insurance landscape in New Mexico and – using current Medicaid and HCA data – gives a more complete view of the impact that the Medicaid Forward framework would have on health insurance enrollment, the uninsured rate, the health care provider workforce, access to care, funding sources, state costs, private employer contributions, HCA operations, and more.

### **Modeling at Various Income Levels**

The Mercer study modeled income eligibility limits for Medicaid Forward at 200%, 300%, and 400% of the federal poverty level (FPL), and at no income limit. Each is modeled with

and without enrollee financial responsibility. All Medicaid categories are currently limited by income, with an upper threshold (depending on the category and program) being higher for children and pregnant women, for example, and lower for most adults.

In the Mercer study, all designs would increase Medicaid enrollment, decrease enrollment in private insurance, and reduce the rate of uninsured New Mexicans. The impact to the private insurance market – and existing coverage frameworks such as state employee health benefits and the Health Insurance Exchange (BeWell NM) – would depend on the upper income threshold, beneficiary benefit plan, enrollment rules, premiums, and cost-sharing design of the Medicaid Forward program.

### **Revenue and Budget Impact**

Of all potential models, no design could be funded solely with current Medicaid funding, even with added premiums and co-pays. In all models, total Medicaid spending would increase, and with it the amount of state funding needed to draw down federal funds. Analysis of the net difference between total program cost and state revenue forecasts potential increases in net state expenditures between \$225 million to \$1.2 billion.

Any decision to implement a Medicaid Forward program would require the reallocation and redesignation of state and other funds that currently support private (non-Medicaid) coverage to the HCA as the dedicated and required state match to access federal financing. This would necessitate a set of statutory changes, policy decisions, and budgetary actions to redirect funding for existing coverage to the HCA to support an expanded Medicaid budget and substantially higher enrollment. It is unlikely that the coverage landscape could support unlimited choice for beneficiaries; that is, funding would have to be redistributed to the Medicaid program, which would reduce financial support for and the overall viability of other coverage programs that exist today.

### **Provider Impact & Access to Care**

Health care access is a major factor in evaluating the feasibility of implementing Medicaid Forward. The study assumes a stable provider environment but acknowledges that provider access and workforce shortages are statewide and national challenges. Given the limited patient financial responsibility allowed by federal Medicaid rules, the Mercer study anticipates that additional demand would necessitate an increased supply of providers and higher rates of reimbursement to more closely match provider compensation through the private insurance market, often ranging from 200% to 350% of Medicare (or higher for certain services).

Depending on its design, a future Medicaid Forward program could eventually alleviate provider burden, simplify cost-sharing for both beneficiaries and providers, and advance a more seamless system of care. However, it is imperative that any program design consider the fragility of New Mexico's provider network and advance policies and reimbursement structures that support and bolster – rather than place additional strain on – the health care workforce.

### **Administrative Impact**

The Mercer study examines the significant administrative impact of Medicaid Forward on the HCA, including employee salaries, contractors, and information technology costs. It is important to note that the acceptance of federal Medicaid funds is also an agreement to comply with all federal Medicaid rules and regulations. These include, but are not limited to:

- An income-based determination for all enrollees and adherence to federal timeliness standards for making such determinations;
- Rigorous state-level tracking of beneficiary out-of-pocket costs, and strict conditions defining when premiums and co-pays can be imposed on beneficiaries;
- Strict oversight of provider payment methodologies and upper payment limit thresholds;
- The establishment of actuarially-sound managed care rates and oversight of managed care organization (MCO) financial management, provider networks, and beneficiary outcomes;
- Extensive requirements for conducting beneficiary coverage renewals and for protecting beneficiaries from losing coverage; and
- Broad operational requirements such as beneficiary notice rules, access to language assistance, and the extension of fair hearing rights.

Mercer estimates a state share of administrative costs across all modeled designs of between \$21.8 million-\$92 million to the HCA. Additional administrative impacts are possible for the Health Insurance Exchange, BeWell NM, should issuers choose to leave the market because of Medicaid Forward.

The HCA looks forward to further discussion with both the Legislative Finance Committee and the Legislative Health & Human Services Committee regarding the Medicaid Forward impact report, recognizing both the potential of the Medicaid Forward framework to streamline and improve New Mexico's health coverage landscape; and also the extreme complexity, beneficiary impact, and financial commitment of advancing this initiative in our state.

We appreciate our continued partnership with the Legislature to build a healthier future for New Mexicans.

Sincerely,



Kari Armijo  
Secretary



Dana Flannery  
Medicaid Director

cc: Legislative Finance Committee Members and Leadership  
Legislatie Health & Human Services Committee Members  
HB400 Sponsors