



**Michelle Lujan Grisham, Governor**  
Kari Armijo, Secretary  
Alex Castillo Smith, Deputy Secretary  
Kathy Slater Huff, Deputy Secretary  
Niki Kozlowski, Acting Deputy Secretary  
Alanna Dancis, Acting Medicaid Director

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December 29, 2025

Courtney Miller, Director  
CMS/Center for Medicaid & CHIP Services  
Medicaid & CHIP Operations Group  
601 E. 12<sup>th</sup> St., Room 355  
Kansas City, MO 64106

Dear Ms. Miller:

Enclosed, please find documents related to New Mexico State Plan Amendment (SPA) 25-0005 Medicaid Recovery Audit Contractor (RAC) Program.

New Mexico's two-year exception to discontinue the Recovery Audit Contractor (RAC) Program is expiring on September 30, 2025 and New Mexico is requesting to resume RAC for the purpose of identifying underpayments and overpayments effective October 1, 2025.

The estimated total financial impact is \$(122,584,000) in federal funds for FFY 2026 and \$(117,925,500) in federal funds for FFY2027.

The HCA followed a process that included public notification, tribal notification, and web posting. Documentation of these activities is attached, along with the transmittal form and supporting SPA materials.

We appreciate your consideration of this state plan amendment. Should you have any questions, please contact Valerie Tapia at: [Valerie.Tapia@hca.nm.gov](mailto:Valerie.Tapia@hca.nm.gov) or (505) 257-8420.

Sincerely,

A handwritten signature in blue ink, appearing to read "Alanna Dancis", is placed above the printed name.

Alanna Dancis  
Acting Medicaid Director

cc: Dana Brown, CMS

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2 5 — 0 0 0 5

2. STATE

NM3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL  
SECURITY ACT

XIX



XXI

TO: CENTER DIRECTOR

CENTERS FOR MEDICAID &amp; CHIP SERVICES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

10/01/2025

5. FEDERAL STATUTE/REGULATION CITATION

42 CFR 455.12, 1902(a)(42)(B)(i), 1902(a)(42)(B)(ii)(I), 1902(a)(42)(B)(ii)(II)(aa), 1902(a)(42)(B)(ii)(II)(bb), 1902(a)(42)(B)(ii)(III), 1902

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

4.5 pgs. 364.5 pgs. 36a-36c

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2026 \$ (122,584,000)b. FFY 2027 \$ (117,925,500)8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable)4.5 pgs. 364.5 pgs. 36-36b

9. SUBJECT OF AMENDMENT

New Mexico's two-year exception to discontinue the Recovery Audit Contractor (RAC) Program is expiring 9/30/2025 and New Mexico is resuming RAC for the purpose of identifying underpayments and overpayments.

10. GOVERNOR'S REVIEW (Check One)



GOVERNOR'S OFFICE REPORTED NO COMMENT



COMMENTS OF GOVERNOR'S OFFICE ENCLOSED



NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL



OTHER, AS SPECIFIED:

Delegated to the Acting Medicaid Director

11. SIGNATURE OF STATE AGENCY OFFICIAL



12. TYPED NAME

Alanna Dancis

13. TITLE

Acting Medicaid Director, Medical Assistance Division

14. DATE SUBMITTED

12/29/25

15. RETURN TO

Alanna DancisMedical Assistance DivisionP.O. Box 2348Santa Fe, NM 87504-2348**FOR CMS USE ONLY**

16. DATE RECEIVED

17. DATE APPROVED

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

21. TITLE OF APPROVING OFFICIAL

22. REMARKS

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

**State: New Mexico**

**Section 4: General Program Administration**

**4.5**

**Page 36**

**Revision: HCFA-AT-83-6**

**(BPP)**

**Citation**

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42 CFR 455.12

AT-78-90

48 FR 3742

**4.5 Medicaid Agency Fraud Detection and Investigation Program**

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The Medicaid agency has established and will maintain methods, criteria, and procedures that meet all requirements of 42 CFR 455.13-455.23 for prevention and control of program fraud and abuse.

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

**State: New Mexico**

Section 4: General Program Administration  
4.5 Medicaid Recovery Audit Contractor Program  
Page 36a

<u>Citation</u>  Section 1902(a)(42)(B)(i) of the Social Security Act	<p><u>  X  </u> The State has established a program under which it will contract with one or more recovery audit contractors (RACs) for the purpose of identifying underpayments and overpayments of Medicaid claims under the State plan and under any waiver of the State plan.</p> <p><u>      </u> The State is seeking an exception to establishing such program for the following reasons:</p>
Section 1902(a)(42)(B)(ii)(I) of the Social Security Act	<p><u>  X  </u> The State/Medicaid agency has contracts of the type(s) listed in section 1902(a)(42)(B)(ii)(I) of the Act. All contracts meet the requirements of the statute. RACs are consistent with the statute.</p> <p>The State is seeking an exception to 42 CFR § 455.508(b), the requirement that the RAC must hire a minimum of 1.0 FTE Contractor Medical Director. The State shall require the RAC to maintain and utilize a panel of physicians with a variety of specialties, including a physician with a New Mexico license. The panel consists of approximately 400 physicians representing over 100 specialties.</p> <p>Place a check mark to provide assurance of the following:</p> <p><u>      </u> The State will make payments to the RAC(s) only from amounts recovered.</p> <p>The State is seeking an exception to Section 1902(a)(42)(B)(ii)(I) of the Act and making payments to the RAC(s) for amounts recovered and avoided on a pre-pay basis for fee-for-service claims.</p> <p><u>  X  </u> The State will make payments to the RAC(s) on a contingent basis for collecting overpayments.</p>

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT****State: New Mexico**

Section 4: General Program Administration  
4.5 Medicaid Recovery Audit Contractor Program  
Page 36b

Section 1902(a)(42)(B)(ii)(II)(aa) of the Social Security Act	<p>The following payment methodology shall be used to determine State payments to Medicaid RACs for identification and recovery of overpayments (e.g., the percentage of the contingency fee):</p> <p>_____ The State attests that the contingency fee rate paid to the Medicaid RAC will not exceed the highest rate paid to the Medicare RACs, as published in the Federal Register.</p> <p>_____ The State attests that the contingency fee rate paid to the Medicaid RAC will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will only submit for FFP up to the amount equivalent to that published rate.</p> <p><u>  X  </u> The contingency fee rate paid to the Medicaid RAC that will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will submit a justification for that rate and will submit for FFP for the full amount of the contingency fee.</p> <p>Considering the State's small size and relatively low capacity to absorb costs, the State is asking CMS to pay FFP for the full amount of the contingency fee including that above the highest paid Medicare rate.</p>
Section 1902(a)(42)(B)(ii)(II)(bb) of the Social Security Act	<p><u>  X  </u> The following payment methodology shall be used to determine State payments to Medicaid RACs for the identification of underpayments (e.g., amount of flat fee, the percentage of the contingency fee):</p> <p>The State will pay a percentage of the contingency fee.</p>
Section 1902(a)(42)(B)(ii)(III) of the Social Security Act	<p><u>  X  </u> The State has an adequate appeal process in place for entities to appeal any adverse determination made by the Medicaid RAC(s).</p>
Section 1902(a)(42)(B)(ii)(IV)(aa) of the Social Security Act	<p><u>  X  </u> The State assures that the amounts expended by the State to carry out the program will be amounts expended as necessary for the proper and efficient administration of the State plan or a waiver of the plan.</p>

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

**State: New Mexico**

Section 4: General Program Administration  
4.5 Medicaid Recovery Audit Contractor Program  
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Section 1902(a)(42)(B)(ii)(IV)(bb) of the Social Security Act	<u>X</u>	The State assures that the recovered amounts will be subject to a State's quarterly expenditure estimates and funding of the State's share.
Section 1902(a)(42)(B)(ii)(IV)(cc) of the Social Security Act	<u>X</u>	Efforts of the Medicaid RAC(s) will be coordinated with other contractors or entities performing audits of entities receiving payments under the State plan or waiver in the State, and/or State and Federal law enforcement entities and the CMS Medicaid Integrity Program.