HEALTH CARE
AUTHORITY

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

August 24, 2026

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

Dear Ms. Miller:

Enclosed, please find documents related to New Mexico State Plan Amendment (SPA) 26-0005, SMI.

New Mexico is requesting to maintain and enhance access to mental health services and continue delivery system improvements in order to provide more coordinated and comprehensive treatment to Medicaid beneficiaries with Serious Mental Illness (SMI). The SMI component will provide the state with the authority to provide high-quality, clinically appropriate treatment to beneficiaries with SMI while they are short-term residents in residential and inpatient residential treatment settings. It will also support state efforts to enhance provider capacity and improve access to a continuum of SMI evidence-based services at varied levels of intensity.

The estimated total Federal Budget Impact is $15,558 in federal funds for FFY 2026 and $387,916 in federal funds for FFY 2027.

The HCA followed a process that included public notification, tribal notification, and web posting. New Mexico received comments from the general public, which are included with this submission. New Mexico did not receive comments from the tribes, nor did a tribal consultation occur. 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 or (505) 257-8420.

Sincerely,

Alanna Dancis
Acting Medicaid Director

cc: Matthew Burriss and Dana Brown, CMS

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 26 — 0005

2. STATE: NM

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT: (●) XIX ( ) XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
7/1/2026

5. FEDERAL STATUTE/REGULATION CITATION
Section 1115(a) of the Social Security Act

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2026 $ 15558
b. FFY 2027 $ 387916

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-B pg. 3aa-3aaa
Attachment 4.19-B pg. 3aab (NEW)
State Supplement A to Attachment 3.1A pg. 21c5
State Supplement A to Attachment 3.1A pg. 21c5a (NEW)

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-B pg. 3aa-3aaa
State Supplement A to Attachment 3.1A pg. 21c5

9. SUBJECT OF AMENDMENT
To improve access and treatment to beneficiaries with SMI. The SPA gives the state the authority to provide treatment to these beneficiaries while in accredited residential treatment centers. It supports state efforts to enhance provider capacity and improve access to services at varied levels of intensity.

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
8/24/2026

15. RETURN TO
Alanna Dancis
Medical Assistance Division
P.O. Box 2348
Santa 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

Instructions on Back

A. Definition: Adult Accredited Residential Treatment Centers (AARTCs) for Substance Use Disorder (SUD) are facilities for individuals age 18 and older who have been diagnosed as having a SUD. AARTC services include individual, group, and family therapy; medication management; and psychoeducation to facilitate the application of recovery skills, relapse prevention, and emotional coping strategies. Level 3.7 Medically Managed Residential Treatment includes the following additional services: direct withdrawal management, biomedical services, management of common psychiatric disorders, and clinical services.

B. Sub-Levels of Care for SUD:
   1. Level 3.1: Clinically managed, low-intensity residential services include 24-hours structure with trained personnel and at least 5 hours of clinical services/week. This level is often a step down from a higher level of care and prepares the individual for outpatient treatment and community life.
   2. Level 3.5: Clinically managed, high intensity residential services include 24-hour care with trained counselors and at least 20 hours per week of clinical services to stabilize multi-dimensional, imminent danger, and preparation for outpatient treatment.
   3. Level 3.7: Medically Managed Residential Treatment services are delivered by medical and nursing professionals; provides 24-hour evaluation and monitoring services under the direction of a physician or clinical nurse practitioner who is available by phone 24-hours a day. Nursing staff is on-site 24-hours a day. Clinical services are provided at a minimum of 20 hours per week. Other staff may include counselors, social workers, and psychologists available to assess and treat the individual. Medically Managed Residential Treatment includes direct withdrawal management and biomedical services, along with clinical services and management of common psychiatric disorders.

      The individual remains in a level 3.7 withdrawal management program until:
      i. The individual's withdrawal signs and symptoms are sufficiently resolved and they can be safely managed at a less intensive level of care; or
      ii. The individual's withdrawal signs and symptoms have failed to respond to treatment and have intensified such that transfer to a more intensive level of withdrawal management services is indicated.

      Regardless of service level, AARTCs must include an interdisciplinary staff of licensed nurses, counselors, social workers, addiction specialists, Certified Peer Support Workers (CPSWs), or other health and technical personnel who provide services under the direction of a licensed physician. Facilities must maintain staff, working within their scope of licensure, available on a 24-hour basis to respond to a crisis and provide stabilization services.

C. Definition: Adult Accredited Residential Treatment Centers (AARTCs) for Serious Mental Illness (SMI) are facilities for individuals age 18 and older who have been diagnosed as having a SMI. AARTC services include individual, group, and family therapy; medication management; and psychoeducation to facilitate the application of recovery skills, relapse prevention, and emotional coping strategies.

D. Sub-Levels or Care for SMI:

   1. Level 4: Medically monitored, non-residential or residential services. These services are provided in a 24-hour, structured residential setting with clinical oversight. Staff provide supervision, skills training, and therapeutic support, though the level of psychiatric and medical intervention is limited compared with

inpatient treatments. This level is often a step down from hospitalization and prepares the individual for outpatient treatment and community integration.

2. Level 4 (Specialized Subtypes): Residential care for complex needs.
    a. Population-specific residential services: These services are provided in a 24-hour, structured residential setting with staff trained to support individuals with cognitive impairments, chronic psychoses, or other functional deficits who cannot fully participate in higher-intensity programs. The focus is stabilization, daily living skills, and preparation for outpatient services.
    b. High-intensity residential services: These services provide 24-hour, structured care for individuals at risk of decompensation or relapse. Programming is more intensive than standard residential services, but not equivalent to full inpatient hospitalization. The focus is stabilization of psychiatric symptoms, risk management, and preparation for outpatient services.
    c. Short-term crisis stabilization/respite: These services provide a 24-hour setting for individuals experiencing acute psychiatric distress that do not yet meet the criteria for impatient hospitalization. Services include monitoring, medication support, and crisis intervention until symptoms resolve or escalate.
3. Level 5: Medically monitored, intensive inpatient psychiatric services.
    a. Inpatient psychiatric unit: These services provide 24-hour nursing care and daily psychiatrist evaluation for individuals experiencing an acute psychiatric crisis, such as suicidal or homicidal intent, sever mania, or florid psychosis. Staff include psychiatrists, nurses, social workers, psychologists, and peer specialists. The focus is on rapid stabilization, safety, and intensive treatment.
    b. Acute stabilization: For individuals with high risk of harm to self or others, severe psychiatric symptoms, or inability to care for basic needs. Provides continuous monitoring, rapid medication management, and therapeutic interventions.
    c. Withdrawal/decompensation management: Equivalent to medically monitored withdrawal in SUD; here, the focus is on managing acute psychiatric decompensation requiring intensive monitoring (e.g., severe psychosis or mania). Individuals remain until symptoms are stabilized enough for step-down or require transfer to a more secure setting.
4. Level 6: Medically managed, secure inpatient psychiatric services. The highest-intensity level of care. Provides 24-hour secure containment, daily physician-led care, and nursing oversight. Appropriate for treatment-resistant illness, chronic high-level risk, or forensic involvement requiring long-term management. Emphasis is on stabilization, containment, and in some cases, extended care when less restrictive environments are unsafe.

10. Crisis Triage Centers (CTCs)
    A. Definition: Crisis Triage Centers are community-based alternatives to hospitalization or incarceration. The facilities are either outpatient only (providing crisis stabilization as indicated above), or outpatient and residential, with no more than 16 beds. They serve youth and adults to provide voluntary and involuntary stabilization of behavioral health crises including emergency mental health evaluation, withdrawal management, and care.

4. Adult Accredited Residential Treatment Centers (AARTCs) for Substance Use Disorders (SUD): Reimbursement is made at a daily rate established after analyzing the costs to provide services. Room and board costs are not included in the rate and are not reimbursable. Costs that are considered in the rate are: direct service costs, direct supervision costs, therapy costs including all salaries, wages, and benefits associated with health care personnel, admission and discharge planning, clinical support costs, non-personnel operating costs including expenses incurred for program related supplies and general administration costs.

   Beginning January 1, 2025, Tier 1 services are reimbursed at a statewide prospective rate established by the State of New Mexico.

   Beginning January 1, 2025, Tier 2 and 3 services are reimbursed at the greater of the facility-specific daily rate previously established or the statewide prospective rate established by the State of New Mexico.

   Except as otherwise noted in the State Plan, the state-developed fee schedule rates are the same for both governmental and private providers. The fee schedule, set as of January 1, 2025, is effective for services provided on or after that date. All rates are published on the New Mexico Medicaid website at https://www.hca.nm.gov/providers/fee-for-service/. Notice of changes to rates will be made as required by 42 CFR 447.205.

5. Adult Accredited Residential Treatment Centers (AARTCs) for Serious Mental Illness (SMI): Reimbursement is made at a daily rate established after analyzing the costs to provide services. Room and board costs are not included in the rate and are not reimbursable. Costs that are considered in the rate are: direct service costs, direct supervision costs, therapy costs including all salaries, wages, and benefits associated with health care personnel, admission and discharge planning, clinical support costs, non-personnel operating costs including expenses incurred for program related supplies and general administration costs.

   Except as otherwise noted in the State Plan, the state-developed fee schedule rates are the same for both governmental and private providers. The fee schedule, set as of July 1, 2026, is effective for services provided on or after that date. All rates are published on the New Mexico Medicaid website at https://www.hca.nm.gov/providers/fee-for-service/. Notice of changes to rates will be made as required by 42 CFR 447.205.

6. Crisis Triage Centers (CTC): Reimbursement is made at service rates that are uniquely determined for each provider based on provider costs, as determined by the state agency contracted audit agency. Costs are determined by considering: direct service costs, direct

supervision costs, therapy costs including all salaries, wages and benefits associated with health care personnel, clinical support costs, non-personnel operating costs and general administration costs. CTCs have a cost-based reimbursement, which is specific to each agency. These rates are not publicly published. During the rate calculation process, several key factors are reviewed by the agency and the providers upon approval of the rates.

7. Evidence-Based Practices Including Functional Family Therapy, Dialectical Behavior Therapy, Trauma Focused Cognitive Behavior Therapy, and Eye Movement Desensitization and Reprocessing: Reimbursement for Evidence-Based Rehabilitative Services, as outlined in item 13.d per Attachment 3.1-A, is paid based upon Medicaid rates established by the State of New Mexico.

   Except as otherwise noted in the State Plan, the state-developed fee schedule rates are the same for both governmental and private providers. The fee schedule, set as of January 1, 2025, is effective for services provided on or after that date. All rates are published on the New Mexico Medicaid website at https://www.hca.nm.gov/providers/fee-for-service/. Notice of changes to rates will be made as required by 42 CFR 447.205.

   The rate development methodology will primarily be composed of provider cost modeling through New Mexico provider compensation studies and cost data. Rates from similar state Medicaid programs may be considered as well. The following list outlines the major components of the cost model to be used in rate development:
   - Staffing assumptions and staff wages.
   - Employee-related expenses and benefits, employer taxes (e.g., Federal Insurance Contributions Act (FICA), unemployment insurance, and Workers' Compensation).
   - Program-related expenses (e.g., supplies).
   - Provider overhead expenses.
   - Program billable units.
   - Rural rates will include additional travel considerations for community and home-based services.

   The rates will be developed as the ratio of total annual modeled provider costs to the estimated annual billable units.

8. Mobile Crisis and Stabilization Rehabilitative Services: Reimbursement for Mobile Crisis and Stabilization Rehabilitative Services, as outlined in item 13.d per Attachment 3.1-A, is paid based upon Medicaid rates established by the State of New Mexico.

Except as otherwise noted in the State Plan, the state-developed fee schedule rates are the same for both governmental and private providers. The fee schedule, set as of January 1, 2025, is effective for services provided on or after that date. All rates are published on the New Mexico Medicaid website at https://www.hca.nm.gov/providers/fee-for-service/. Notice of changes to rates will be made as required by 42 CFR 447.205.

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- Staffing assumptions and staff wages.
- Employee-related expenses and benefits, employer taxes (e.g., Federal Insurance Contributions Act (FICA), unemployment insurance, and Workers' Compensation).
- Program-related expenses (e.g., supplies).
- Provider overhead expenses.
- Program billable units.

The rates will be developed as the ratio of total annual modeled provider costs to the estimated annual billable units.

9. Community Health Worker (CHW)/Community Health Representative (CHR): CHWs and CHRs are reimbursed on a fee schedule basis.

   Except as otherwise noted in the State Plan, the state-developed fee schedule rates are the same for both governmental and private providers. The fee schedule, set as of July 1, 2023, is effective for services provided on or after that date. All rates are published on the New Mexico Medicaid website at https://www.hca.nm.gov/providers/fee-for-service/. Notice of changes to rates will be made as required by 42 CFR 447.205.