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Kari Armijo, Secretary
Alex Castillo Smith, Deputy Secretary
Kathy Slater Huff, Deputy Secretary
Niki Kozlowski, Acting Deputy Secretary
Alanna Dancis, Acting Medicaid Director

MEMORANDUM

Re: Proposed Health Care Transaction Under the New Mexico Health Care Consolidation Oversight Act:
New Mexico Behavioral Healthcare LLC (Transaction ID: NMBH-2025-001)

Service Area: Bernalillo County

1. Purpose

This memorandum constitutes the New Mexico Health Care Authority's (HCA) findings and directive regarding the proposed transaction described below, pursuant to the Health Care Consolidation Oversight Act, as amended (the Act). The HCA approves the transaction with conditions as set forth in Section 8.

2. Parties and Transaction Summary

- **Acquiring Entity:** The Woodland SNF Operator Trust and The Woodland SNF Operator Trust II, both of which are irrevocable grantor trusts.
- **Acquired Entity:** New Mexico Behavioral Healthcare LLC (NMBH), a Nevada limited liability company. NMBH provides acute inpatient psychiatric services for adolescents aged between 13—17.
- **Transaction Type:** This transaction involves a transfer of membership interests and a change in ownership that results in the Woodland Trusts acquiring an equity stake (initially 14.9%, with the intent to reach 100%). Crucially, the transaction includes a project implementation plan to expand the facility's operational capacity from 18 to 76 licensed inpatient psychiatric beds.
- **Transaction Description:** NMBH currently operates 18 licensed inpatient behavioral health beds at its facility located in Albuquerque and serves individuals from across the state. As part of this transaction, the new ownership proposes to expand the facility by 58 additional inpatient beds, increasing total capacity to 76 licensed beds. In addition to increasing inpatient capacity, the Parties propose to introduce new behavioral health programs, including Partial Hospitalization Programs (PHP), Adolescent Transportation-Supported PHP, Intensive Outpatient Program (IOP) Options, and Court-Involved Behavioral Health Programming.

3. Notice of Proposed Transaction History

- **Notice Received:** HCA received the parties' Notice on August 11, 2025.
- **Completeness Review:** On August 22, 2025, HCA determined the Notice was incomplete and requested additional information.
 - The parties submitted the requested additional information, including LLC Agreements, Rights Letter, and Guaranties, on September 5, 2025.
 - On September 25, HCA determined the Notice remained incomplete and requested further information.

- The parties submitted the requested additional information, including Seller Notes and Consulting Agreements on October 2, 2025.
- Complete Notice: HCA deemed the notice of proposed transaction complete on October 2, 2025.
- Tolling: Pursuant to Act, the review timeline was tolled during the period in which the HCA was awaiting the additional information requested in its August and September communications. The timeline resumed upon receipt of the complete documentation on October 2, 2025.

4. Public Notice and Comment

As required by the Act, the following procedural steps were taken to facilitate public comment:

- Public Posting: Within ten days of deemed completeness on October 2, 2025, the HCA posted a public notice of proposed transaction via the Albuquerque Journal on October 12, 2025, and made the notice available on HCA's website. This posting included the transaction terms, geographic service area, and a summary of health care services to be added or expanded. This notice also was distributed to municipal and county officials, county health councils, Indian nations, tribes and pueblos, military installations, state legislators, and any labor organization representing employees of the impacted facility.
- Public Comment Period: The HCA accepted public comments through December 1, 2025, via phone, email, mail, and a public comment forum. No public comments were received.
- Public Forum: HCA held a public comment forum on Tuesday, November 4, 2025, from 9:00 a.m. to 11:00 a.m., in HCA's Medical Assistance Division office in Albuquerque with a virtual (Zoom) option available. No members of the public attended and no comments were received.

5. Documents Reviewed

In evaluating this proposed transaction, the State relied upon the following documentation:

- The Notice and all submitted attachments, including the Notice of Proposed Transaction filed on August 11, 2025, the Limited Liability Company Agreement of NMBH, the First Amendment to the Limited Liability Company Agreement, the Rights Letter from the Company to the Woodland Members, and the Guaranties provided by the parties.
- Supplemental information submitted on September 5, 2025, including a detailed project implementation plan and timeline for the two-phased bed expansion, business addresses for all parties involved, and a summary of health care services currently provided by the parties.
- Supplemental information submitted on October 2, 2025, including Seller Notes and Consulting Agreements.
- HCA requested (on an optional basis) additional information from the parties describing anticipated impacts of the transaction under the Act, including access to essential services, quality, market share/competition, provider practice restrictions, patient costs, provider networks, health outcomes, and employment terms. HCA made this request on November 7, 2025, and the parties provided this information on November 21, 2025. (HCA advised non-submission would not adversely affect the evaluation).
- HCA reviewed relevant Medicaid, behavioral health, and State Employee Health Benefits program data. HCA's Division of Health Improvement (DHI) reviewed applicable facility licensure and survey information using both state-level sources and national licensure/survey data systems and conducted standard operator/owner checks as available. In addition, the New Mexico Office of the Superintendent of Insurance (OSI) and the New Mexico Department of Justice (NMDOJ) reviewed the transaction using resources within their respective jurisdictions.

6. Evaluation

In accordance with the Act, evaluators considered the likely effect in New Mexico of the proposed transaction on the eight criteria below:

1. The potential reduction or elimination of access to essential services;
2. The availability, accessibility and quality of health care services to the area affected by the transaction;
3. The health care market share of a party and whether the transaction may foreclose competitors of a party from a segment of the market or otherwise increase barriers to entry into a health care market;
4. Changes in practice restrictions for health care providers who work at the hospital;
5. Patient costs, including premiums and out-of-pocket costs;
6. Health care provider networks;
7. The potential for the proposed transaction to affect health outcomes for New Mexico residents; and,
8. Current and future wages, benefits, working conditions, employment protections and restrictions and other terms and conditions of employment for employees of hospitals or health care provider organizations that are parties to or the subject of the proposed transaction.

HCA's review included subject matter experts from HCA, NMDOJ, and OSI. Evaluators were required to disclose any actual or potential conflicts of interest, and none were identified. Based on their review, evaluators issued a recommendation to HCA (approval through non-approval) and proposed any conditions for post-transaction monitoring.

Evaluators concluded the expansion the facility from 18 to 76 inpatient psychiatric beds would significantly alleviate New Mexico's critical behavioral health shortage. Evaluators believe the transaction, as described, has the potential to integrate specialized services. These expanded services are viewed as likely to improve overall health outcomes and divert unnecessary emergency department visits by providing comprehensive treatment for higher-acuity conditions and substance use disorders.

Regarding market impact and equity, the transaction includes plans to ensure equitable access for Medicaid and lower-income populations, preventing disproportionate service reductions. Evaluators found no substantial likelihood of anti-competitive effects, increased barriers to entry, or negative impacts on the affordability and quality of care in the New Mexico market. Although the expansion timeline was characterized by some evaluators as aggressive, the ultimate recommendation from the evaluators is for the HCA to approve the transaction with conditions.

7. Findings

- NMBH operates a psychiatric hospital at 1801 Randolph Rd SE, Albuquerque, New Mexico.
- The transaction includes a phased plan to expand licensed inpatient psychiatric capacity from 18 to 76 beds, which is expected to increase access to essential behavioral health services for teens and adolescents.
- The transaction includes planned service enhancements intended to strengthen stabilization and continuity of care, which are expected to improve health outcomes and reduce avoidable emergency department utilization.

- Based on the documentation received and interagency review, and subject to the conditions in Section 8, the State finds no substantial likelihood of significant harm to availability, accessibility, affordability, or quality of care, and no substantial likelihood of net anticompetitive effects that outweigh the public benefits.

8. Directive

The transaction is **APPROVED WITH CONDITIONS**:

The following conditions are designed to ensure the transaction translates into immediate, accessible, and high-quality clinical care for New Mexicans. The HCA retains the right to set additional conditions as appropriate.

Clinical Service Implementation Conditions of Approval

- Within 5 days of approval, provide HCA an estimated completion date of the 58 additional inpatient beds.
- Within three months of approval, apply for required approvals for adolescent IOP services with the State for both mental health and SUD.
- Upon an agreed timeframe with the HCA, but no later than within three months of approval, NMBH will begin providing adolescent IOP services for mental health and SUD, PHP, and transportation services.
- Upon an agreed upon timeframe with the HCA, but no later than within three months of approval, submit a statewide communications and marketing plan covering NMBH services. The plan must include a referral process and points of contact; coordination with courts and services for court-ordered clients; outreach to Crisis Triage Centers, hospitals, courts, Certified Community Behavioral Health Clinics, and 988; and, documented communication/referral pathways with mobile crisis teams.
- NMBH is strongly encouraged to include standard outpatient services as part of the service array.

Regulatory Oversight and Equitable Access

- NMBH must maintain all state licensure regulations and provide mandatory notification to the DHI for any facility repairs, modifications, renovations, or reconstructions.
- NMBH must make appropriate notification to Centers for Medicare and Medicaid Services and deeming entity related to expansion of services.
- Upon an agreed upon timeframe with DHI, NMBH must periodically report on key quality, safety, and regulatory indicators, including survey results, corrective action plans, and material enforcement actions, if any.

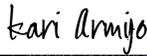
Governance

- Within one business day of closing, the parties shall notify HCA of the date the transaction was effectuated.
- Parties shall provide ongoing disclosure of their ownership and governance structure and shall notify HCA in writing of any material changes to controlling entities, trusts, investors, management organizations, or governance rights, within 30 days of the change.
- NMBH shall submit quarterly reports to HCA on staffing and workforce stability, including but not limited to staffing levels, key clinical vacancies, turnover, and use of contract or temporary staff, sufficient for HCA to assess impacts on care quality and patient safety.

- NMBH shall provide twice yearly high-level financial reporting or a solvency attestation demonstrating the ability to sustain operations, including confirmation of any material changes to capital investment plans, major financing arrangements, or other changes that could affect long-term viability.

In addition to ongoing reporting on the aforementioned items, the parties must submit annual reports for three (3) years (2026–2028) including data and information as identified by the HCA to ensure compliance with these conditions and the Act.

Dated this 29th day of January 2026.

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Kari Armijo
Cabinet Secretary, New Mexico Health Care Authority