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FISCAL IMPACT REPORT

ORIGINAL DATE 1/30/09

SPONSOR Steinborn LAST UPDATED _____ HB 179

SHORT TITLE Expand Rural Health Care Credit SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	(\$2,200.0)	(\$2,300.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Relates to HB129, SB58, HB203
Conflicts with HB 61

SOURCES OF INFORMATION

LFC Files
Health Policy Commission

Responses Received From
Health Policy Commission (HPC)
Department of Health (DOH)

SUMMARY

Synopsis of Bill

House bill 179 changes the definitions of “rural” and “health care underserved area” for the purposes of qualifying for the rural health practitioner tax credit. The current definition of rural is a location identified by the Department of Health (DOH) as “falling outside an urban area.” HB179 changes the definition to any county with a population of 300,000 or less or all counties but Bernalillo.

The current definition of “health care underserved area” is an area that has been determined by DOH to have insufficient health care services. HB179 changes the definition to explicit definition used by the federal Department of Health and Human Services.

FISCAL IMPLICATIONS

TRD:

Insufficient information exists to ascertain how the proposed change in the definitions of “rural” and “health care underserved area” will affect the numbers of eligible health care practitioners. However, information obtained from the Health Resources and Services Administration suggests that an estimated 450 physicians who practice in Rio Rancho, Las Cruces, and Farmington (areas not presently eligible for the credit that *will* be eligible for the credit under the proposed system) will become eligible for the credit under the proposed system. The revenue estimate reflects the assumptions that: 1) 10% of physicians work part-time and are thus not eligible for the full credit, and 2) 10% of physicians have insufficient income to utilize the full credit. Because the estimate accounts only for physicians in these three major urban areas (other practitioners and other geographic areas are not included), the estimate should be considered a conservative estimate of the revenue effects.

SIGNIFICANT ISSUES

The rural health care practitioner tax credit provides a credit against personal income in the amount of \$5,000 for physicians and dentists and \$3,000 for nurses, dental hygienists, and physician assistants practicing full time in rural health care underserved areas, as defined by DOH.

Every single county in New Mexico except Los Alamos has an area or a population identified by the US Department of Health and Human Services including Bernalillo County. Only Bernalillo County has a population of more than 300,000.

DOH:

The proposed modification in the statutory definition of “health care underserved area” contained in HB179 could lead to a disqualification of areas currently eligible for participation in the RHCPTCP. Medically underserved areas and populations as designated by the Federal government are limited, focused largely on areas and populations that have insufficient levels of primary medical care. These Federal designations do not take into account other health care service issues, including shortages of dental care, shortages of medical specialty care, and the special needs of remote rural areas. Under the current statutory definition of “health care underserved area,” DOH has identified as eligible for participation in the RHCPTCP multiple areas which are not federally designated medically underserved areas or populations, and would lose eligibility under the proposed modification.

For purposes of the RHCPTCP, DOH currently uses multiple definitions of “rural” based upon definitions established for federal programs. Excluded are core urban parts of Metropolitan Statistical Areas (MSAs). This excludes from eligibility the cities of Albuquerque, Santa Fe, Las Cruces and Farmington. Rural parts of Bernalillo, Santa Fe, Sandoval, Dona Ana and San Juan counties have been recognized by the RHCPTCP as eligible for participation. The proposed definition of “rural” included in HB179 would permit DOH to add the cities of Las Cruces, Santa Fe, Rio Rancho and Farmington to the areas eligible for participation in the program.

According to a DOH report on the first six months of the current credit, 1,356 practitioners qualified for the credit, almost half of them physicians. The geographic distribution was evenly spread through four regions: 394 in the northwest, 230 in the northeast, 297 in the southwest, 418 in the southeast, and 17 in Bernalillo County. Most of the professionals lived and worked in rural areas and about half of them travel more than one hour each way to their practice site.

It is unclear from DOH information if any of the physicians that are qualifying for the credit are new to rural areas or existing physicians. According to the Health Policy Commission “Quick Facts” publications, the supply of physicians in NM grew from 4,010 to 4,220, or 5.2 percent, from 2005 to 2007. The growth was higher in urban counties than in rural counties.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB116, HB129, HB203, and SB58 expand the scope of qualified taxpayers. HB61 also changes the geographic definition.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Practitioners in medically underserved areas and populations in Bernalillo County may still qualify for the credit.

NF/mc

The Legislative Finance Committee has adopted the following principles to guide responsible and effective tax policy decisions:

- 1. Adequacy:*** revenue should be adequate to fund government services.
- 2. Efficiency:*** tax base should be as broad as possible to minimize rates and the structure should minimize economic distortion and avoid excessive reliance on any single tax.
- 3. Equity:*** taxes should be fairly applied across similarly situated taxpayers and across taxpayers with different income levels.
- 4. Simplicity:*** taxes should be as simple as possible to encourage compliance and minimize administrative and audit costs.
- 5. Accountability/Transparency:*** Deductions, credits and exemptions should be easy to monitor and evaluate and be subject to periodic review.

More information about the LFC tax policy principles will soon be available on the LFC website at www.nmlegis.gov/lcs/lfc