

HOUSE BILL 316

57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026

INTRODUCED BY

D. Wonda Johnson

AN ACT

RELATING TO HEALTH CARE; ENACTING THE RURAL HOSPITAL
MALPRACTICE LIABILITY INSURANCE ACT; CREATING A GRANT THAT
RURAL HOSPITALS CAN RECEIVE TO COVER THE COSTS OF MEDICAL
MALPRACTICE LIABILITY INSURANCE PREMIUMS; MAKING AN
APPROPRIATION; DECLARING AN EMERGENCY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. [NEW MATERIAL] SHORT TITLE.--This act may be cited as the "Rural Hospital Malpractice Liability Insurance Act".

**SECTION 2. [NEW MATERIAL] DEFINITIONS.--As used in the
Rural Hospital Malpractice Liability Insurance Act:**

A. "department" means the department of health;

B. "health care underserved area" means a

geographic area or practice location in which it has been

underscored material = new
[bracketed material] = delete

1 determined by the department, through the use of indices and
2 other standards set by the department, that sufficient health
3 care services are not being provided;

4 C. "premium grant" means money provided to a rural
5 hospital pursuant to the Rural Hospital Malpractice Liability
6 Insurance Act to cover the costs of malpractice liability
7 insurance premiums; and

8 D. "rural hospital" means a health care facility
9 licensed by the health care authority as a hospital that is
10 located in a rural or frontier area of the state, including a
11 critical access hospital.

12 **SECTION 3. [NEW MATERIAL] RURAL HOSPITAL MALPRACTICE**
13 **LIABILITY INSURANCE TRUST FUND.--**

14 A. The "rural hospital malpractice liability
15 insurance trust fund" is created as a nonreverting fund in the
16 state treasury. The fund consists of distributions,
17 appropriations, gifts, grants and donations. Income from
18 investment of the fund shall be credited to the fund. Money in
19 the fund shall be expended only as provided in this section.

20 B. The state investment officer shall invest money
21 in the fund in accordance with the prudent investor rule as set
22 forth in Chapter 6, Article 8 NMSA 1978 and in consultation
23 with the department.

24 C. The state investment officer shall report
25 quarterly to the legislative finance committee and the state

.233632.1

underscored material = new
[bracketed material] = delete

1 investment council on the investments made pursuant to this
2 section. An annual report shall be submitted no later than
3 October 1 of each year to the legislative finance committee,
4 the revenue stabilization and tax policy committee and any
5 other appropriate interim committees.

6 D. On July 1, 2027 and each July 1 thereafter, a
7 distribution shall be made from the rural hospital malpractice
8 liability insurance trust fund to the rural hospital
9 malpractice liability insurance program fund in an amount equal
10 to five percent of the average of the year-end market values of
11 the trust fund for the immediately preceding three calendar
12 years. If, on July 1 of a year, the trust fund has been in
13 effect for less than three calendar years, the distribution
14 shall be in an amount equal to five percent of the average of
15 the year-end market values of the trust fund for the
16 immediately preceding number of calendar years that the trust
17 fund has been in effect.

18 SECTION 4. [NEW MATERIAL] RURAL HOSPITAL MALPRACTICE
19 LIABILITY INSURANCE PROGRAM FUND.--

20 A. The "rural hospital malpractice liability
21 insurance program fund" is created as a nonreverting fund in
22 the state treasury. The fund consists of appropriations,
23 gifts, grants, donations, income from investment of the fund
24 and any other revenue credited to the fund. The department
25 shall administer the fund. Money in the fund is subject to

.233632.1

underscored material = new
[bracketed material] = delete

1 appropriation by the legislature to carry out the provisions of
2 this section. Expenditures shall be by warrant of the
3 secretary of finance and administration pursuant to vouchers
4 signed by the secretary of health or the secretary's authorized
5 representative.

6 B. A rural hospital may apply to the department, in
7 a form and manner prescribed by the department, for a premium
8 grant. To be eligible for a premium grant pursuant to this
9 section, a rural hospital shall:

10 (1) demonstrate coverage, or an intent to be
11 covered, by a medical malpractice liability insurance policy
12 approved by the department of health;

13 (2) certify that all money granted to the
14 hospital pursuant to this section will be used exclusively for
15 paying malpractice liability insurance policy premiums;

16 (3) maintain operations and provide access to
17 essential health care services within a health care underserved
18 area;

19 (4) provide documentation required by the
20 department; and

21 (5) satisfy any other eligibility requirements
22 established by the department.

23 **SECTION 5. [NEW MATERIAL] DEPARTMENT DUTIES--REPORTING--**
24 The department shall:

25 A. promulgate rules to develop:

.233632.1

(1) a premium grant application form for rural hospitals to use;

(2) eligibility criteria for receiving a premium grant; and

(3) reporting requirements for rural hospitals that receive a premium grant. Reporting requirements shall include the requirement to submit:

(a) financial documentation indicating the financial stability of the rural hospital;

(b) information on staffing levels at the rural hospital, including efforts to recruit and retain health care providers; and

(c) information on the types of services provided and the number of patients served by the rural hospital; and

B. submit an annual report to the legislative finance committee and the legislative health and human services committee that includes:

(1) the name of each rural hospital that has received a premium grant;

(2) the amount of money used to provide premium grants to rural hospitals;

(3) an update on the cost of medical malpractice liability insurance for rural hospitals; and

(4) an analysis of the effect that the premium

grant has had on each rural hospital's:

(a) financial stability;

(b) health care workforce; and

(c) ability to provide access to health

care.

SECTION 6. APPROPRIATION.--One hundred million dollars (\$100,000,000) is appropriated from the general fund to the rural hospital malpractice liability insurance trust fund for expenditure in fiscal year 2026 and subsequent fiscal years to carry out the purposes of the Rural Hospital Malpractice Liability Insurance Act. Any unexpended balance remaining at the end of a fiscal year shall not revert.

SECTION 7. EMERGENCY.--It is necessary for the public peace, health and safety that this act take effect immediately.

- 6 -

underscored material = new
[bracketed material] = delete

.233632.1