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F I S C A L I M P A C T R E P O R T

SPONSOR: Heaton DATE TYPED: 2/3/03 HB 113

SHORT TITLE: Health Care Provider Gross Receipts SB

ANALYST: Smith

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	**FY04**			
	NFI			

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From

Health Policy Commission (HPC)
Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

House Bill 113 bans any contract between a health plan and a provider that does not permit the Gross Receipts Tax (GRT) to be passed on by the provider to the health plan.

Significant Issues

Opponents of this bill argue the State should not mandate for, nor exclude financial provisions, in a contract between a private health plan and a private provider. Furthermore, the health plan will need only to lower the negotiated rate by the anticipated GRT to circumvent the intent of HB 113.

FISCAL IMPLICATIONS

Since either the provider or the heath plan will pay the GRT, the bill is revenue neutral.

TECHNICAL ISSUES

The PRC notes that it is unclear who will administer the provisions of HB 113. The PRC suggests amending the Insurance Code to clarify who will enforce the requirements of HB 113. It is most likely that the provisions will be made clear only through litigation.

OTHER SUBSTANTIVE ISSUES

It is unclear how this bill would be effective. In theory, a health plan could simply reduce its other compensation by the amount of gross receipts tax and avoid the intent of the bill.

Physicians have raised the issue of GRT relief for several years. In an attempt to obtain specific information about the seriousness of this issue, the HPC conducted the Physician Survey 2002. In that study, 447 responding physicians with active practices in NM indicated that they had near future plans (within the next 12 months) for major changes in their practices, including 213 who said they planned to relocate out of NM, 199 who planned to significantly reduce direct patient care hours and 66 who planned to retire. The most frequently cited reasons for making these changes were: 1) the gross receipt tax, 2) reimbursement issues, 3) administrative and regulatory burdens.

SS/njw