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## FISCAL IMPACT REPORT

SPONSOR Komadina DATE TYPED 2/3/04 HB \_\_\_\_\_

SHORT TITLE Healthcare Liability Insurance Tax Relief SB SJM 41/aSPAC

ANALYST Dunbar

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
	NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB80-This bill prohibits a provision in health plan contracts that do not allow health care providers to pass on the burden of the gross receipts tax.

### SOURCES OF INFORMATION

LFC Files

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

### SUMMARY

#### Synopsis of SPAC Amendment

The Senate Public Affairs Committee amendment includes nurse midwives, nurse anesthetist and anesthesiologist assistants to the list of health care professionals that are in short supply in the state.

#### Synopsis of Original Bill

Senate Joint Memorial 41 requests the Department of Health (DOH) and the Taxation and Revenue Department (TRD) to study the cost and benefits of providing refundable tax credits or state income tax deductions to partially defray the costs of obtaining professional liability insurance

for the health care professionals in shortest supply in New Mexico (NM). The bill specifies that DOH and TRD consider the impact of such favorable tax policies on both recruitment and retention of health care professionals, the number and types of health care professionals who could potentially benefit from such a tax policy, and the amount of a credit or deduction that would be necessary to achieve the desired result.

SJM 41 would require DOH and TRD to obtain input from health professional associations and other appropriate parties in developing recommendations and to present a final report that would include findings and legislative recommendations to the Interim Legislative Health and Human Services Committee at its October 2004 meeting.

### Significant Issues

SJM 41 would require a study of the costs and benefits of a refundable tax credit for professional liability insurance for the health care professionals in shortest supply in NM so that such practitioners would be encouraged to practice in the state. Ironically, DOH notes reimbursement rates for health care professionals in NM are lower than most states while the cost of malpractice insurance is higher.

It may be appropriate to include the NM Health Policy Commission in the requested study since the Commission has recently compiled several reports on health professional workforce issues.

### **ADMINISTRATIVE IMPLICATIONS**

The DOH would administer this study with current resources.

### **OTHER SUBSTANTIVE ISSUES**

Health professional liability insurance is a major concern to NM's licensed health professionals, including physicians, nurses, nurse practitioners, physician assistants, dentists and dental hygienists. In other states, the rapidly rising costs of physician liability insurance, particularly for specialists, have created crisis situations. For example, in Nevada, the liability insurance costs for obstetricians tripled in a single year, leading to an exodus of these important specialists. The Nevada Legislature enacted several emergency reforms to address this problem.

DOH reports that NM was an early innovator in physician liability cost containment. The department points out there is a cap on certain liability awards for physicians, and a cooperative insurance pool for physicians. The combination of these two arrangements keeps NM physician liability insurance rates competitive with the lowest rates nationwide. Nevertheless, there has been a significant increase nationwide in base liability premiums. In a single year, NM experienced a 30% increase in base rates. While not the 200% or 300% increase experienced by other states, this is a substantial cost increase and has led to the departure of some physicians from full-time practice in NM.

The proposed study, including input from the various state professional associations, would be able to provide a broad perspective on the likely impact of these possible changes.

**BD/dm**