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FISCAL IMPACT REPORT

ORIGINAL DATE 2/21/07
 LAST UPDATED 3/7/2007

SPONSOR Varela HB 1253/aHCPAC

SHORT TITLE County Supported Health Care Financing SB _____

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)
 Health Policy Commission

SUMMARY

Synopsis of HCPAC Amendment

The House Consumer and Public Affairs Committee Amendments to House Bill 1253 restore the original definition of indigent patient. Then the following Section 2 is added at the end of the bill.

"Section 2. TEMPORARY PROVISION--CONTINGENCY.--The tax increment authorized in Subsection D of Section 7-20E-9 NMSA 1978 for the purpose of funding the Indigent Hospital and County Health Care Act shall be distributed directly to the sole community provider fund during the second and third quarters of fiscal year 2008 if at any time during fiscal year 2008 the federal law or regulations prohibit or impede the ability of the state to accept intergovernmental transfers for the purpose of matching medicaid sole community provider funds.".,

A Medicaid-related revenue source for hospitals is the Sole Community Provider Program. For FY06, this program had a total of \$98.3 million available for participating New Mexico hospitals. Of this total \$27.6 million is generated at the county and \$70.7 million is federal match. The federal government is the final arbiter for hospital participation, but the basic criterion is being the only hospital in a 35 mile radius. For that reason, no Albuquerque hospitals

are included. A formula in federal regulations determines the maximum each hospital may receive and the maximum for the state. The county funding source is the indigent fund raised through gross receipts tax. In New Mexico 27 hospitals and 27 counties participate. As an example, for FY06 St. Vincent in Santa Fe County will receive almost \$22 million from the program. This amounts to almost 12 percent of the facility's total revenue.

A “sister” program to sole community provider program is the Upper Payment Limit Program that essentially allows through a formula a payment that partially compensates for the lower reimbursements for hospital patient care paid by state Medicaid. St. Vincent receives another \$5.3 million under this program boosting total payments for the two programs to almost \$27 million.

Regulation requires federal funds for the sole community provider hospital be matched only by state funds or the equivalent in county taxes then transferred to the state by what is known as an “intergovernmental transfer”. There is speculation federal regulation these intergovernmental transfers will be subjected to closer scrutiny to ensure their legitimacy as government and not private funds. If this takes place federal sole community hospital funds may be in jeopardy. For many hospitals, as noted in the example above for St. Vincent, these funds provide a substantial portion of operating income.

The following statutory citation notes the authorized uses of indigent funds.

27-5-2. Purpose of Indigent Hospital and County Health Care Act. (1997)

The purpose of the Indigent Hospital and County Health Care Act [Chapter 27, Article 5 NMSA 1978] is:

- A. to recognize that the individual county of this state is the responsible agency for ambulance transportation or the hospital care or the provision of health care to indigent patients domiciled in that county for at least three months or for such period of time, not in excess of three months, as determined by resolution of the board of county commissioners, and to provide a means whereby each county can discharge this responsibility through a system of payments to ambulance providers, hospitals or health care providers for the care and treatment of, or the provision of health care services to, indigent patients;
- B. to recognize that the counties of the state are also responsible for supporting indigent patients by providing local revenues to match federal funds for the state medicaid program, including the provision of matching funds for payments to sole community provider hospitals and the transfer of funds to the county-supported medicaid fund pursuant to the Statewide Health Care Act [27-10-1 to 27-10-4 NMSA 1978]; and
- C. to recognize that the counties of the state can improve the provision of health care to indigent patients by providing local revenues for countywide or multicounty health planning.

HB 1253 as amended anticipates the problem that would be created by federal disqualification of certain transfer arrangements and the potential problem of reduced funds to the hospitals. The total taxes rose under Section 7-20E-9 NMSA 1978 for the second and third quarter of FY08 will flow directly to the Sole Community Provider Hospital Fund bypassing any questionable intergovernmental transfer arrangement but also the other purposes outlined in the statute above.

However, it is unclear what entity will decide if “federal law or regulations prohibit or impede the ability of the state to accept intergovernmental transfers for the purpose of matching Medicaid sole community provider funds” have been implemented.

Synopsis of Original Bill

House Bill 1253 amends the Indigent Hospital and County Health Care Act at 27-5-2 NMSA 1978 to revise the definition of “indigent”. The bill removes existing language that permits a county indigent hospital board of directors and county health care board to adopt a resolution increasing the standard of indigent to eliminate persons whose annual income together with that of their spouse totaled 50 percent more than the per capita personal income for New Mexico.

FISCAL IMPLICATIONS

No identified state fiscal impact.

SIGNIFICANT ISSUES

The current statute allows the county health care board, by resolution, to declare a person not to be eligible for indigent benefits whose annual income totals an amount that is fifty percent greater than the per capita personal income for New Mexico as shown for the most recent year available in the survey of current business published by the United States Department of Commerce. This change eliminates the authority of a county to set income eligibility requirements on the reimbursement process. This leaves the following as the definition of indigent patient:

"indigent patient" means a person to whom an ambulance service, a hospital or a health care provider has provided medical care, ambulance transportation or health care services and who can normally support ~~[himself]~~ the person's self and [his] the person's dependents on present income and liquid assets available to [him] the person but, taking into consideration this income and those assets ~~and [his]~~ the person's requirement for other necessities of life for [himself] the person and [his] the person's dependents, is unable to pay the cost of the ambulance transportation or medical care administered or both.

This leaves the definition a rather subjective definition of a person “who can normally support [himself] the person's self and [his] the person's dependents on present income and liquid assets available”.

DFA reports that the revision in item E changes the word “shall” to “may”. Santa Fe County reports that this may not seem significant, however, it actually contains the largest impact in the bill. Hospitals had typically been able to charge the indigent funds whatever rate they wanted unless there was an agreement between the county and hospital to the contrary. In Santa Fe County, an arrangement with out-of-town hospitals was formulated to pay 50% of billed charges. The county never knew what the charges were going to be. For example, the county could have 5 clients go to 5 different hospitals for the same procedure and get billed 5 different amounts. As a result this created budget issues since forecasting into this scenario did not include language that would standardize the rates for procedures at a health provider. If HB-1253 is approved, hospitals will again be able to set their own respective rates for procedures.

OTHER SUBSTANTIVE ISSUES

The Health Policy Commission contributes the following background information.

In 2005, New Mexico counties collected \$52.9 million for County Indigent Funds primarily through gross receipts taxes (HPC's *County Financing of Health care 2006* report). Statewide, the Sole Community Provider Fund has grown from \$19 million to \$130 million in 2005, according to the state Human Services Department, which administers the fund for the U.S. Centers for Medicare and Medicaid Services.

POSSIBLE QUESTIONS

What is the purpose of this change?

MW/nt