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

SPONSOR	Rodriguez	**ORIGINAL DATE LAST UPDATED**	2/5/15	**HB**	
SHORT TITLE	Sunset County Gross Receipts to Safety Pool			**SB**	117
				ANALYST	van Moorsel

REVENUE (dollars in thousands)

Estimated Revenue*					Recurring or Nonrecurring	Fund Affected
FY15	**FY16**	**FY17**	**FY18**	**FY19**		
$0.0	$0.0	$0.0	$0.0	($14,800.0)	Recurring	Safety Net Care Pool Fund

(Parenthesis ( ) indicate revenue decreases

***See "Fiscal Implications," below.**

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)
NM Association of Counties (NMAC)

SUMMARY

Synopsis of Bill

Senate Bill 117 amends the Indigent Hospital and County Health Care Act to add a January 1, 2019 sunset to the requirement that counties dedicate an amount equal to a 1/12th percent of gross receipts tax imposition to the safety net care pool (SNCP).

Current law requires this dedication take place from July 1, 2014 into perpetuity.

There is no effective date of SB 117. It is assumed that the new effective date is 90 days after this session ends.

FISCAL IMPLICATIONS

Because the sunset date is January 1, 2019, the FY19 impact is a half-year impact. The first full-year impact would be seen in FY20 and would total approximately $30 million.

The fiscal impact was estimated by growing matched taxable gross receipts for the state's counties by the consensus revenue estimating group's gross receipts tax growth rates. The FY19 matched taxable gross receipts estimate is then multiplied by $1/12^{th}$ of one percent to estimate the revenue loss to the Safety Net Care Pool Fund. Bernalillo and Sandoval are currently exempt from the imposition requirement, and are therefore excluded from the cost estimate.

Beginning in FY19, HSD would see a decrease in revenue from county funds for the Medicaid program. County funds are used to support the SNCP program that is part of Medicaid's Centennial Care waiver, which is approved by the Centers for Medicare and Medicaid Services to reduce uncompensated care at New Mexico's safety net hospitals. Funding for hospitals under the SNCP program, authorized in the waiver, totals over $240 million, approximately $70 million of which must come from non-federal sources (counties, general fund and transfers from UNM Hospital). Currently, the counties contribute to this non-federal share and HSD reports those county funds would need to be replaced by the general fund or other funding in order to maintain the SNCP funding level in FY19 and beyond.

The $1/12^{th}$ percent GRT increment was first required after 2014 legislation was enacted to create a revenue source to replace the Sole Community Provider Fund. That program was terminated and replaced by the Safety Net Care Pool as of December 31, 2013. At the time, HSD estimated approximately $60 million in state revenue would be needed to fully fund the match for the Safety Net Care Pool and enhanced Medicaid rates for qualifying hospitals (formerly known as Sole Community Provider Hospitals). To arrive at this amount, the plan assumed approximately $36.4 million would come from the counties through a transfer of a $1/8^{th}$ equivalent and $14 million in transfers would come from the University of New Mexico Health Sciences Center to fund their portion of the program. For the first time, state general fund would be needed to support the program in amount of $9 million to $10 million. The $60 million would be matched with $132 million in federal Medicaid fund for a total program for hospital payments estimated at $192 million.

SIGNIFICANT ISSUES

HSD reports the Centennial Care waiver is approved for five years and will terminate at the end of calendar year 2018. The sunset proposed in this bill would coincide with the expiration of the waiver. However, the state will likely continue some form of safety net hospital funding beyond 2018, either through a renewed waiver or some other Medicaid program.

The Association of Counties adds that the health care landscape is radically changing with the state's expansion of Medicaid and the implementation of the Affordable Care Act. The SNCP provides funding for designated hospitals for Medicaid base rate increases and for uncompensated care. NMAC anticipates that over the next several years the hospitals' obligation to provide uncompensated services should be substantially reduced. In addition, the counties' responsibility to pay for health care services for their indigent residents will also diminish.

HSD states that if counties do not continue to provide the state matching funds for these hospital payments, leading to the termination of the SNCP, there would be a significant reduction in payments to the state's safety net hospitals, with a likely reduction to hospital services. Conversely, if counties stop transferring matching funds, about $30 million of additional appropriations from the general fund would be needed to maintain the hospital payments.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy**: Revenue should be adequate to fund needed government services.
2. **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity**: Different taxpayers should be treated fairly.
4. **Simplicity**: Collection should be simple and easily understood.
5. **Accountability**: Preferences should be easy to monitor and evaluate

PvM/je/bb