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## FISCAL IMPACT REPORT

ORIGINAL DATE 03/14/15

SPONSOR Rodriguez LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Study Medicaid & Indigent Care Funding SM 56

ANALYST Boerner

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		Minimal	Minimal			

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to SB 117 (Rodriguez) Sunset County Gross Receipts to Safety Pool

### SOURCES OF INFORMATION

LFC Files

#### Responses Not Received From:

Human Services Department (HSD) as of March 14, 2015, 7:00 pm

Association of Counties as of March 14, 2015, 7:00 pm

New Mexico Hospital Association as of March 14, 2015, 7:00 pm

### SUMMARY

Senate Memorial 56 would request the secretary of HSD to convene a task force to conduct an analysis of the impact of the state's current Medicaid and indigent care funding policy on counties, hospitals and individual taxpayers.

SM 56 names HSD, the New Mexico Association of Counties, the New Mexico Hospital Association and the Legislative Finance Committee as members of the task force.

SM 56 also identifies specific information to be determined by the task force including for state fiscal years 2013 and 2014:

- The poverty rate and local Medicaid spending per \$1,000 of personal income by county;
- The median household income and local Medicaid spending per \$1,000 of personal income by county;
- Medicaid costs paid via local taxes by county of residence and income; and
- Medicaid costs paid via local taxes by county of residence and home value;
- A comparison of New Mexico's local share of Medicaid and indigent care requirements to those of other states for fiscal years 2013 and 2014.

## **SIGNIFICANT ISSUES**

In a July 2014 hearing brief, LFC staff noted that effective January 1, 2014, the Safety Net Care Pool (SNC) replaced the Sole Community Provider program in New Mexico; however, some counties and hospitals had concerns about how SNC Pool funds would be distributed, and the role of counties to ensure indigent access to services, including primary and dental care, behavioral health, and health care for individuals before and after incarceration.

In the brief, staff noted that New Mexico needs to evaluate the impacts of ACA and Medicaid expansion, in particular, whether current funding mechanisms are efficient to fund county and hospital uncompensated care costs, and how new Medicaid dollars can be leveraged to address outstanding healthcare needs. To do this effectively, the LFC staff noted the state must consider tax reform, including county tax authority and existing health care tax credits, and must coalesce around an effective funding solution for hospitals providing indigent care.

At its peak, the Sole Community Provider program provided over \$275 million in county and federal funding annually to hospitals. However, problems surfaced with the methods some counties used to provide the match for federal funds, as well as the methodology used by HSD to calculate program payments. As a result of these issues and the projected decrease in uncompensated care due to Medicaid expansion, the Sole Community Provider program was replaced by the federally-approved SNC Pool. To offset the loss of Sole Community Provider funds for hospitals, HSD proposed a hospital provider rate increase to supplement revenue from counties collected from the equivalent of a 1/12th gross receipts tax increment.

For FY16, HSD estimates revenue from the 1/12th gross receipts tax increment to be \$25.5 million; however, the department reported in its January 2015 Medicaid projection that for FY16 there is a \$9.8 million dollar shortfall for the SNC Pool.

## **PERFORMANCE IMPLICATIONS**

Senate Memorial 56 states certain data for the analysis should be collected for fiscal years 2014 and 2015. However, the impacts of ACA and Medicaid expansion are significant and as not yet completely borne out—these significant changes were only in effect for 6 months in fiscal year 2014. It would be very difficult and potentially risky to make conclusions about the impacts of ACA and Medicaid expansion on the state's indigent care costs and the relative changes in costs to counties, hospitals, and individuals without allowing for sufficient time, data and analysis.

Recommendations regarding the impact of the state's current Medicaid and indigent care funding policy on counties, hospitals and individual taxpayers must take into account an understanding of the larger effects of Medicaid expansion and the ACA on individual health care costs and the evolving distribution of remaining indigent care costs in the state.

## **TECHNICAL ISSUES**

There is a small typographical error on page 3, line 20: a letter was omitted in the third word of the line.

CEB/bb