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FISCAL IMPACT REPORT

		ORIGINAL DATE	2/2/22		
SPONSOR	Stefanics/Herrera	**LAST UPDATED**		**HB**	
SHORT TITLE	Rural Hospital Services Fund			**SB**	190
				ANALYST	Klundt

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY22	**FY23**		
	$150,000.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Attorney General's Office (NMAG)
Department of Health (DOH)
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Bill 190 (SB 190) appropriates $150 million for the general fund to the rural hospital services fund for expenditure in FY23 and subsequent fiscal years to carry out the purposes of the fund. The Human Services Department (HSD) may use up to $350 thousand each year from the fund to administer the fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

Senate Bill 190 creates the Rural Hospital Services Fund, as a new section of the Hospital Funding Act, NMSA Article 48B. The bill provides payments for operating losses incurred at newly constructed rural hospitals or rural hospitals that expand or provide new services after June 30, 2022.

Section 1 of the bill defines terms used in the act, including "ancillary services," "newly constructed," "operating losses," and "rural hospital", which means a newly constructed hospital or one with expanded new services located in a county with a population of 100,000 or fewer that provides acute care services. §A. SB 190 also establishes the rural hospital services fund to be administered by the human services department. Section B. Rural hospitals with fewer than 4

beds and located with 25 miles of a larger acute care hospital may choose to partner with the larger hospital for the provision of certain services. Section C. Eligible hospitals may receive a grant on a yearly basis for no more than the first 5 years of operation as a newly constructed hospital or the operation of a new or expanded service.

FISCAL IMPLICATIONS

The appropriation of $150 million contained in this bill is a nonrecurring expense to the general fund. This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the Legislature to establish spending priorities.

SB190 provides grants to defray operating losses incurred in providing hospital services to county residents. Although Medicaid federal funding cannot be used to fund grants, SB190 allows the HSD to use up to $350 thousand each year from the fund to administer the fund. HSD can use federal Medicaid matching funds for administration at 50 percent FMAP for $350 thousand annually.

SFY 2023 Fiscal Impact			
	General Fund	**Federal Financial Participation**	**Total Computable**
Administration of Fund	$ 350	$350	$700

SIGNIFICANT ISSUES

The definition of hospitals eligible to receiving funding from this appropriation is limited to rural hospitals that have, “fewer than four beds and is located within twenty-five miles of a larger acute care hospital may choose to associate with that larger hospital for the provision of surgery, ancillary services not required to be provided by the rural hospital by the provisions of the Hospital Funding Act or psychological services.” It is unclear how many facilities may be eligible under this definition.

This bill does not define if funding is limited to hospitals designated as non-profit or for profit. Additional considerations to assure funding from this bill does not violate anti-donation clause may be necessary.

The definition of rural hospital within the bill is that which is located in a county that has a population of 100 thousand or fewer according to the most recent federal decennial census. By this definition hospitals within Bernalillo, Dona Ana, San Juan, Sandoval, and Santa Fe counties would be excluded from grant eligibility.

DOH stated:

> “More than 130 rural hospitals have closed in the United States since 2010. During the Covid-19 pandemic, rural hospital closures accelerated to record levels with more than 20 rural hospitals closing in 2020. Low patient volumes and significant financial strain are often the primary factors in these closures and are compounded by the Medicare Area

Wage Index that results in rural hospitals receiving disproportionately low reimbursement rates.
Inpatient hospital capacity in New Mexico is not evenly distributed. Some communities have no hospital services and are distant from the nearest facility. Other communities have some hospital capacity but may have only limited services available at that facility. (New Mexico Rural Health Plan, June 2019, pg.33.

Hospitals in Small Town Rural counties have a limited supply of hospital services:

- Five (5) of 12 Small Town Rural counties have no hospitals, and all of these are at a significant distance from the nearest hospital.
- Six (6) of the 7 Small Town Rural counties with hospitals are Critical Access Hospitals with limited services.
- Only one (1) of the hospitals is licensed as a general acute care hospital.

Hospitals in Large Town Rural counties have a greater supply of hospital services:

- All Large Town Rural counties in New Mexico have a hospital.
    - Three (3) of the 14 counties have Critical Access Hospitals and the remainder have general acute care hospitals.
    - Seven (7) of the 17 hospitals in Large Town Rural counties have 50 beds or fewer. Six (6) of the 17 hospitals in Large Town Rural counties have between 51-100 beds. Four (4) of the 17 hospitals in Large Town Rural counties have more than 100 beds.
    - Three (3) of the 14 counties have two hospitals while the reminder have only a single hospital. One (1) county has two hospitals in the same town, while the other two counties have hospitals located in different communities.
    - Five (5) of the 14 counties have Indian Health Service hospitals."

TECHNICAL ISSUES

HSD provided the following technical issues:

The "ancillary services" and "expanded services" will be defined by HSD regulations.

Cost report related Section A(2) seems to disallow related party costs from a parent company. These costs are usually allowable through the Medicare principles.

KK/al/acv