

LFC Requestor: Eric Chenier

2024 LEGISLATIVE SESSION
AGENCY BILL ANALYSIS

Section I: General

Chamber: Senate

Category: Bill

Number: 15

Type: Introduced

Date (of THIS analysis): 1/26/24

Sponsor(s): Katy M Duhigg, Elizabeth ‘Liz’ Stefanics

Short Title: Health Care Consolidation Oversight Act

Reviewing Agency: Agency 665 - Department of Health

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Section II: Fiscal Impact

APPROPRIATION (dollars in thousands)

Appropriation Contained		Recurring or Nonrecurring	Fund Affected
FY 24	FY 25		
\$0	\$0	n/a	n/a

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY 24	FY 25	FY 26		
\$0	\$0	\$0	n/a	n/a

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY 24	FY 25	FY 26	3 Year Total Cost	Recurring or Non-recurring	Fund Affected
Total	\$0	\$0	\$0	\$0	n/a	n/a

Section III: Relationship to other legislation

Duplicates: None

Conflicts with: None

Companion to: None

Relates to: None

Duplicates/Relates to an Appropriation in the General Appropriation Act: None

Section IV: Narrative

1. BILL SUMMARY

a) Synopsis

Senate Bill 15 (SB 15) would enact the Health Care Consolidation Oversight Act; requiring review of proposed health care mergers, acquisitions and other material changes in control of health care entities, including health care insurance entities; providing exceptions; granting the Office of Superintendent of Insurance and the Health Care Authority Department the authority to review proposed transactions; providing for public comment and stake holder advisory committee; authorizing the approval, disapproval, or conditional approval of transactions; protecting confidentiality of trade secrets; assessing costs; providing post transaction oversight; prescribing a penalty; declaring an emergency.

Is this an amendment or substitution? Yes No

Is there an emergency clause? Yes No

b) Significant Issues

There are multiple types of healthcare mergers and acquisitions which have become the focus of health policymakers. The most significant type of consolidation has been the acquisition of smaller community hospitals, often in rural areas, by larger hospital systems. A second type of consolidation has been the acquisition of smaller physician practices by larger health systems. These consolidations increased substantially during the COVID-19 pandemic. <https://revcycleintelligence.com/news/physician-practice-acquisitions-by-hospitals-corporations-grew>.

Both types of consolidation can result in reduced access to services, reduced healthcare quality, and increased healthcare costs. Many hospital mergers and acquisitions have resulted from one of the entities facing financial distress. Often the facility in distress is a smaller, rural hospital being acquired by a larger urban facility or system. In these instances, one of the motivators of consolidation is cost-cutting. Increases of local hospital operating revenues are not a likely result of the consolidation, so cost-cutting at the affected facility will likely come through:

- Reduction of local administrative staffing with a shift of responsibilities to the larger partner.
- Reduction of local services, particularly those which are not self-sustaining, with those services being shifted to the larger, remote, urban partner.
- Reduction of staffing resulting from a shift to high-volume urban hospital staffing models.
- Economies of scale from large system purchasing power.

2. PERFORMANCE IMPLICATIONS

- Does this bill impact the current delivery of NMDOH services or operations?
 Yes No
- Is this proposal related to the NMDOH Strategic Plan? Yes No
 - Goal 1:** We expand equitable access to services for all New Mexicans
 - Goal 2:** We ensure safety in New Mexico healthcare environments
 - Goal 3:** We improve health status for all New Mexicans
 - Goal 4:** We support each other by promoting an environment of mutual respect, trust, open communication, and needed resources for staff to serve New Mexicans and to grow and reach their professional goals

3. FISCAL IMPLICATIONS

- If there is an appropriation, is it included in the Executive Budget Request?
 Yes No N/A
- If there is an appropriation, is it included in the LFC Budget Request?
 Yes No N/A
- Does this bill have a fiscal impact on NMDOH? Yes No

4. ADMINISTRATIVE IMPLICATIONS

Will this bill have an administrative impact on NMDOH? Yes No

5. DUPLICATION, CONFLICT, COMPANIONSHIP OR RELATIONSHIP

None

6. TECHNICAL ISSUES

Are there technical issues with the bill? Yes No

7. LEGAL/REGULATORY ISSUES (OTHER SUBSTANTIVE ISSUES)

- Will administrative rules need to be updated or new rules written? Yes No
- Have there been changes in federal/state/local laws and regulations that make this legislation necessary (or unnecessary)? Yes No
- Does this bill conflict with federal grant requirements or associated regulations?
 Yes No
- Are there any legal problems or conflicts with existing laws, regulations, policies, or programs? Yes No

8. DISPARITIES ISSUES

The population served would be New Mexico's rural and underserved communities as current and new health professionals could be providing needed health care services. The New Mexico Rural Health Plan (page 53/C-2, <https://www.nmhealth.org/publication/view/report/5676/>) includes recommendations to support rural health services support statewide.

Due to current healthcare reimbursement systems, communities with a large proportion of low-income residents and rural communities may not generate sufficient paying demand to assure that providers will practice in these locations (2020-2022 New Mexico State Health Improvement Plan, page 4: [nmhealth.org/publication/view/report/5676/](https://www.nmhealth.org/publication/view/report/5676/)). The rural to urban migration of health professionals inevitably leaves poor, rural, and remote areas underserved and disadvantaged. Skilled health professionals are increasingly taking job opportunities in the labor market in high-income areas as the demand for their expertise rises.

9. HEALTH IMPACT(S)

Population densities are categorically lower in rural areas, and as a consequence rural hospitals have much lower patient volumes. Lower patient volumes make it challenging for rural hospitals to maintain fixed-operating costs. Lower patient volumes also can impede rural hospitals participation in performance measurement and quality improvement activities. Rural providers may not be able to obtain statistically reliable results for some performance measures without meeting certain case thresholds, making it difficult to identify areas of success or areas for improvement. Additionally, quality programs often require reporting on measures that are not relevant to the low-volume, rural context. This can limit rural hospitals' participation in innovative payment models that can help improve patient outcomes and provide alternative streams of revenue. In addition to lower patient volumes, rural hospitals often treat patient populations that are older, sicker and poorer compared to the national average. (American Hospital Association: Rural Hospital Closures Threaten Access: [rural-hospital-closures-threaten-access-report.pdf \(aha.org\)](https://www.aha.org/rural-hospital-closures-threaten-access-report.pdf), page 5).

10. ALTERNATIVES

None.

11. WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

If Senate Bill 15 (SB 15) is not enacted, the Health Care Consolidation Oversight Act; requiring review of proposed health care mergers, acquisitions and other material changes in control of health care entities, including health care insurance entities; providing exceptions; granting the Office of Superintendent of Insurance and the Health Care Authority Department the authority to review proposed transactions; providing for public comment and stake holder advisory committee; authorizing the approval, disapproval, or conditional approval of transactions; protecting confidentiality of trade secrets; assessing costs; providing post transaction oversight; prescribing a penalty; declaring an emergency, would not be made.

12. AMENDMENTS

None.