

LFC Requester:

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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](https://www.nmlegis.gov/AgencyAnalysis) and email to billanalysis@dfa.nm.gov*(Analysis must be uploaded as a PDF)***SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

Date Prepared: 3/11/25

Check all that apply:

Bill Number: HB344

Original Correction Amendment Substitute

Sponsor: Reps. Hochman-Vigil and Dixon

Short Title: Healthcare Equipment Gross Receipts

Agency Name

and Code HCA 630

Number:

Person Writing Robert Kenney

Phone: Email Robert.kenney@hca.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0.0	\$0.0	NA	NA

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0.0	\$0.0	\$0.0	NA	NA

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0.0	\$0.0	\$0.0	\$0.0	NA	NA

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: HB 344s provides a gross receipts tax (GRT) deduction for the health care goods and services, except those of Medicaid patients. The bill removes the sunset date of a GRT deduction for receipts from copayments or deductibles, paid by an insured or enrollee to a health care practitioner or an association of health care practitioners. The bill also extends a GRT deduction to receipts from a patient paid to a health care practitioner or an association of health care practitioners for health care services that are not performed pursuant to a contract with a managed care organization or health care insurer. The bill also requires the Medicaid managed care organizations to list the applicable gross receipts taxes to each health care service.

~~HB 344 provides a gross receipts tax (GRT) deduction for the sale of medical equipment, supplies and drugs and certain health care services, except for those for Medicaid patients. The bill removes the sunset date of a GRT deduction for receipts from copayments or deductibles, paid by an insured or enrollee to a health care practitioner or an association of health care practitioners. The bill also extends a GRT deduction to receipts from a patient paid to a health care practitioner or an association of health care practitioners for health care services that are not performed pursuant to a contract with a managed care organization or health care insurer. The bill also calls for reimbursing Medicaid health care providers for all GRT that the provider is required to pay.~~

FISCAL IMPLICATIONS

~~Section 2 of HB 344s allows health care providers to deduct the GRT from receipts for providing medical services within the scope of their practice, except receipts from Medicaid reimbursements. Currently, the Medicaid program pays GRT to providers that are subject to GRT. Therefore the bill does not have a fiscal impact on the Medicaid program.~~

The fiscal impacts of HB 344 relate to the general deduction of GRT to health care providers in New Mexico. The GRT is recognized in the Medicaid program as a 'cost-of-goods' and as a non-medical expense. HB 344 does not have a direct fiscal impact on the Medicaid program because Medicaid currently reimburses its health care providers for the GRT they are required to pay.

SIGNIFICANT ISSUES

Section 3 of HB 344s requires the Medicaid managed care organizations to list the applicable gross receipts taxes to each health care service. This would pose an administrative burden to Medicaid MCOs, since the New Mexico Taxation and Revenue Department releases GRT rates by county and locality every six months. Should providers, as a result, have to renegotiate their contracts two times a year, this may be administratively burdensome. Medicaid Managed Care rates are not typically assessed more than annually and would need the GRT amounts to be factored in during rebasing activities in order to ensure funding.

HCA does not believe the bill would create a health care-related tax for federal Medicaid law purposes. To be considered a health care-related tax (commonly referred to as "provider tax") under federal Medicaid law, the tax must:

- 1)levy at least 85% of the tax burden on health care providers, or
- 2) treat entities providing or paying for health care items or services differently than other individuals or entities.

Enactment of this bill would not result in 85% of the GRT tax burden being placed on providers. Also, health care providers or payers for health care services would not be treated differently. The GRT tax structure, including rate methodologies and definitions would apply the same to providers as others. Deductions, exemptions, and credits are a common feature of New Mexico's GRT system that span across a wide array of businesses and industries. Therefore, differential treatment of providers is not indicated for purposes of a federal health care-related tax analysis. HCA does not believe the passage of SB249 would impact this analysis as that bill deals with the reimbursement of Medicaid provider GRT by MCOs and does not t further limit or expand the payment of GRT by providers.

Under current federal requirements, even if the bill creates a health care-related tax, the arrangement is eligible for drawing down federal match as it is broad-based and does not violate the "hold harmless" rule.

PERFORMANCE IMPLICATIONS

None

ADMINISTRATIVE IMPLICATIONS

None

Discussed in significant issues.

No IT impact.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 344 relates to Senate Finance Committee substitute for SB 249 which would require MCOs to reimburse health care providers for all gross receipts taxes paid on Medicaid services. Under SB 249, when a provider contracts with an MCO for Medicaid reimbursement, the MCO is required to provide documentation that clearly separates the reimbursement for health care services from the amount reimbursed for GRT.

HB 344 is a substantial duplicate of SB 295 which would provide GRT deductions for the sale of medical equipment, supplies, and drugs and for most healthcare services, excluding those for Medicaid patients and for nonhospital healthcare practitioners.

TECHNICAL ISSUES

None

OTHER SUBSTANTIVE ISSUES

None

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo

AMENDMENTS

None