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## FISCAL IMPACT REPORT

**BILL NUMBER:** House Bill 316/ec

**SHORT TITLE:** Rural Hospital Malpractice Liability

**SPONSOR:** Johnson

**LAST ORIGINAL**  
**UPDATE:** \_\_\_\_\_ **DATE:** 2/17/2026 **ANALYST:** Hilla

### APPROPRIATION\* (dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
\$100,000.0		Recurring	General Fund

\*Amounts reflect most recent analysis of this legislation.

### REVENUE\* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Fund Transfer	No impact	No impact	\$5,200.0	\$5,200.0	\$5,200.0	Recurring	Rural Hospital Malpractice Liability Insurance Program Fund
Interest on Investments	Indeterminate but minimal gain	\$3,500.0	\$7,100.0	\$7,300.0	\$7,400.0	Recurring	Rural Hospital Malpractice Liability Insurance Trust Fund

Parentheses indicate revenue decreases.

\*Amounts reflect most recent analysis of this legislation.

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

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>DOH</b>	No fiscal impact	At least \$500.0	At least \$500.0	\$1,000.0	Recurring	General Fund
<b>SIC</b>	Indeterminate	Indeterminate	Indeterminate	Indeterminate	Recurring	Other State Funds
<b>Total</b>	Choose an item.	Choose an item.	Choose an item.		Choose an item.	Choose an item.

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to various legislation during the second session of the 57<sup>th</sup> Legislature pertaining toward medical malpractice liability insurance.

### Sources of Information

LFC Files

Agency or Agencies Providing Analysis

State Investment Council

Office of Superintendent of Insurance

Health Care Authority

Agency or Agencies That Were Asked for Analysis but did not Respond

Department of Health

## SUMMARY

### Synopsis of House Bill 316

House Bill 316 (HB316) enacts the Rural Hospital Malpractice Liability Insurance Act and appropriates \$100 million from the general fund into the newly created rural hospital malpractice liability insurance trust fund created at the Department of Health (DOH). The trust fund will be invested by the State Investment Council (SIC), with transfers from the trust fund in the amount equal to 5 percent of the average of the year-end market values of the trust fund to be made into the rural hospital liability insurance program fund starting July 1, 2027 and every July 1 thereafter.

The trust and program funds are nonreverting and will be administered by DOH for designated rural hospital grants to qualifying rural hospitals that demonstrate coverage or intent to be covered by medical malpractice liability insurance to use the funding exclusively for paying malpractice liability insurance premiums.

DOH is tasked to promulgate rules for the grant application, including eligibility, reporting requirements on the financial stability, staffing levels, and services provided at each of the applying rural hospitals. The department will submit annual reports to the interim Legislative Finance Committee and the Legislative Health and Human Services Committee that includes recipients of the grants and in what amount, an update on the cost of medical malpractice liability insurance for rural hospitals, and the effect that the grant has on the rural hospital's financial stability, health care workforce, and ability to provide access to healthcare.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

## FISCAL IMPLICATIONS

The appropriation of \$100 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year shall not revert to the general fund. Although House Bill 316 does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring.

This bill creates a new fund and provides for continuing appropriations. LFC has concerns with

including continuing appropriation language in the statutory provisions for newly created funds because it reduces the ability of the Legislature to establish spending priorities.

With the trust fund receiving the \$100 million appropriation in FY26 but with no distribution to the program fund until July 1, 2027 (FY28), the trust fund will begin collecting interest in calendar year 2026 but the program fund will not receive funding until the start of FY28 in 2027. SIC estimates that the trust fund will see annual compound returns similar to the Land Grant Permanent Fund at a rate of 7.05 percent.

Rural Hospital Malpractice Liability Insurance Trust Fund (\$millions)						Distribution to Rural Hospital Malpractice Liability Insurance Program Fund (\$MM)		
Calendar Year	Beginning Balance	Approp.	Distrib. to Program Fund	Gains & Losses	Ending Balance	Fiscal Year	Distrib Date	Amount
2026	\$0.0	\$100.0	\$0.0	\$3.5	\$103.5	FY26	Jul-25	\$0.000
2027	\$103.5	\$0.0	-\$5.2	\$7.1	\$105.5	FY27	Jul-26	\$0.000
2028	\$105.5	\$0.0	-\$5.2	\$7.3	\$107.5	FY28	Jul-27	\$5.176
2029	\$107.5	\$0.0	-\$5.3	\$7.4	\$109.6	FY29	Jul-28	\$5.225
2030	\$109.6	\$0.0	-\$5.4	\$7.5	\$111.8	FY30	Jul-29	\$5.275
2031	\$111.8	\$0.0	-\$5.5	\$7.7	\$114.0	FY31	Jul-30	\$5.376
2032	\$114.0	\$0.0	-\$5.6	\$7.8	\$116.2	FY32	Jul-31	\$5.481
2033	\$116.2	\$0.0	-\$5.7	\$8.0	\$118.5	FY33	Jul-32	\$5.589
2034	\$118.5	\$0.0	-\$5.8	\$8.2	\$120.9	FY34	Jul-33	\$5.700
2035	\$120.9	\$0.0	-\$5.9	\$8.3	\$123.2	FY35	Jul-34	\$5.812

Source: SIC Analysis

Under these assumptions, SIC projects the fund to make distributions from the trust fund to the program fund of about \$5.2 million from FY28-FY30, and make cumulative distributions of approximately \$145 million by 2050.

Both DOH and SIC are projected to have some sort of recurring operational impact, but currently, the exact impact is unknown. This analysis assumes that it will cost DOH least \$500 thousand to carry out the provisions of this bill, which includes estimates for at least three additional positions and funding needed for rule promulgation, making and tracking grants, and funding for reporting requirements to the interim legislative committees. The exact fiscal impact on DOH can be updated following analysis from the department.

## SIGNIFICANT ISSUES

According to information made available by the New Mexico Hospital Association, there are fourteen critical access, rural and frontier hospitals across the state. Considering the program transfer of \$5.2 million starting in FY27 and DOH to start the grant process that same fiscal year, and all rural hospitals applied and were accepted for awards, that would equate to approximately \$371 thousand per hospital, which is most likely not enough funding to cover medical malpractice liability insurance.

An LFC survey found that 65 percent of New Mexico physicians surveyed are currently

considering leaving the state to practice elsewhere. Of New Mexican physicians who are considering leaving the state, 83 percent reported the cause as punitive damages associated with medical malpractice—the most picked option—with 76 percent citing medical malpractice and 51 percent citing quality of life and compensation.

According to the New Mexico Medical Society, New Mexico has some of the highest numbers of medical malpractice lawsuits in the country and medical malpractice premiums are significantly higher in New Mexico compared with other states. The New Mexico Hospital Association previously stated that hospitals across the state have seen increases in malpractice plan premiums in the past four years and punitive damages have grown, potentially affecting fiscal solvency for smaller hospitals. In response to a proposed bill during the 2025 session, the Department of Health noted many states have changed their medical malpractice laws to reduce the cost of malpractice insurance. Malpractice insurance rate increases and lack of access to medical malpractice insurance may disproportionately impact smaller, independent medical providers who often serve in rural, underserved communities.

EH/cf